Monetize Your Digital Content: Building a New Product Strategy

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**Innovate or Die**

“In this world you're either growing or you're dying so get in motion and grow.”

— Lou Holtz, Football Coach

When I ask media CEOs about their top growth priorities, many executives focus on finding growth through optimization levers. How can we get just a few more subscribers to our existing publication using existing marketing channels? How can we shave a few cents off our printing costs? How can we reorganize to reduce payroll? I’m not saying these are bad ideas, but growth through core business optimization is not sustainable. The only truly long-term growth strategy includes innovation and new product development.

New products are the lifeblood of an organization. Given changes in technology, consumer preferences, and cost structures, if you don’t innovate you will die. Don’t believe me? Out of the companies that were in the Fortune 500 in 1955, **only 61 are still on the list**. 88% of the companies have gone bankrupt, merged, or have fallen in stature. What makes you think you are immune to this phenomenon?

Many companies think they have launched a new product by putting a pdf version of the print product online, or because they created an iPad digital edition of their magazine. I hate to break it to you, but **this simply isn’t sufficient**.

I have found that too many complacent content companies do not take advantage of rigorous New Product Development (“NPD”) techniques, that the best and most innovative companies apply.
New Product Development is a Must – and It’s Fun

New Product Development is risky and complex – it’s also vital to long-term success and fun! It’s a mix of left brain analytics and right brain creativity.

The challenge is breaking through the natural resistance to change that permeates many industries, including media and publishing. Companies who refuse to change and try new things will join the 439 companies who fell off the Forbes 500.

Advances in data science and software development methodologies, along with the framework developed by The Sterling Woods Group, have made it possible for media companies to reduce the risk and increase the success of new initiatives.
The Sterling Woods Group's New Product Development Process

This process incorporates best practices from across industries. I have used this NPD framework to drive double and even triple digital growth at various media and e-commerce companies.

Here is a brief overview of each of the five phases.

**Phase I: Strategic Planning**

During the first phase, companies should get grounded in their ABCD’s: audience, business partners, content, and dynamics of industry. This is where research, analysis, and interviews (with employees, B2B customers, and readers/viewers) come into play. Once the ABCDs are fully understood, firms should then decide where they want to grow and why.

**Phase II: Concept Generation and Selection**

The Sterling Woods Group defines a concept as “a statement of what problem you are solving, for who, and how.” Products in search of a problem are rarely successful. Companies should have a clear understanding of what customer segment they are targeting. It’s critical to identify key attributes of a product (both emotional and tangible) as part of concept generation and selection. We use a variety of both qualitative tools (creative brainstorming, improvisation techniques, interviewing protocols) and quantitative tools (RFM models, cluster analysis, conjoint analysis, perceptual mapping) to identify new concepts and determine the potential of each.
**Phase III: Economic Evaluation**

You could argue this is the most important phase, because it is the last stage-gate before the company makes a significant investment. The go/no-go decision at the end of this phase is the most important. In this phase, we build three models to aid in the go/no-go decision.

- **Business model.** First, we decide how we will monetize the product or service. Advertising, subscription, pay per unit, or hybrid: each model has its own pros and cons. Business model selection should be grounded in understanding of the marketplace.
- **Financial model.** Then, we build a model that includes the initial investment, ongoing costs, growth in customer base, and (most importantly) revenues. This will help us understand how long it will take to break even on the investment, and what the eventual return on investment might look like. It also lays the foundation for target setting.
- **Sensitivity model.** As we do not yet know how to predict the future, we should test our key assumptions to measure the financial impact of things not going according to plan. What if it takes twice as long to acquire our first 5,000 customers? What if CPMs are only 50% of what we thought? What if payroll costs exceed plan by 20%? By understanding which of our assumptions are the most precarious, we can build proper contingency plans to guard against such potential sources of failure.

**Phase IV: Development**

This is when the heavy lifting occurs. Developers write code, designers create the user experience, and marketers line up the launch campaigns. We advocate that all development should follow an agile methodology, meaning work is broken down into short periods of time (called “sprints”) so the team can assess progress incrementally as we respond to uncertainties.
A few years ago, when I taught at Boston College, I used to go though the pros and cons of the agile approach versus the “waterfall approach,” which is the more classic project planning approach. Under waterfall, the project manager maps everything out for the entire duration of the project (e.g., the next three or six or twelve months). Then everyone executes according to the plan. The problem is the world is so unpredictable. As such, the waterfall method rarely produces expected results. At this point, I no longer see the need to even consider the waterfall approach for media product development.

Phase V: Launch

In this phase, we put the product in the hands of customers and see how the marketplace reacts. We do not expect an overnight success. The idea is to get as much real world feedback as possible and continually make course corrections. A key tool for this phase is the diagnostic dashboard. Here we measure the top five to seven metrics that are critical for success. For a digital membership, for example, typical metrics would include site traffic, number of email sign ups, conversion to membership, email churn rate, membership churn rate, and campaign effectiveness. If one or more metric is off target – either favorably or unfavorably – you can dig deeper into the numbers to determine more precisely what is going right or wrong.

Reaching a Decision Point on New Products

At 12 weeks after launch, we reach a decision point. At this juncture, there are four options:
Invest in scale. All targets are met or exceeded. We have a firm understanding of customer economics (acquisition cost, lifetime value). We can comfortably invest in expanding product development and marketing activities.

Stay the course. Initial results are favorable, and we have a few open questions that we need to answer before investing heavily in the idea. Give the new product another 12 weeks and re-assess (i.e., come to another decision point).

Pivot. There were parts of the project that worked, and parts that did not. We’re not comfortable investing to scale the business unless substantial changes are made (e.g., key feature missing, customer target was not precise). Take a step back, re-assess, and re-launch.

Shutter. Countless keynote speakers have said, “It’s ok to fail, but fail fast.” Sometimes despite best research and efforts, the market does not accept a new product, often for reasons beyond anyone’s control. It is better to cut losses, and move on to the next thing armed with everything learned from this experiment. Thomas Edison once said, “The real measure of success is the number of experiments that can be crowded into 24 hours.”

What is the last new product you launched? Did you follow an agile process? What worked well and what didn’t? We want to hear from you – send me your story.
Phase I: Know Your ABCDs

Ready to launch a new product and further monetize your content? I appreciate the enthusiasm, but don’t just jump right in! You have some homework to do first.

In this chapter, we will go into more detail on our first phase, strategic planning. I will teach you and your team on how to ground yourself in the “ABCDs” of your business: audience, business partners, content, and dynamics of industry. This research phase is the critical first step in new product development. Otherwise, NPD would be like throwing darts at a target with a blindfold on. You might get lucky, but chances are you’d miss the bulls eye.

Audience: What Problems Does Your Content Solve For Them?

Understanding your audience starts with recognizing that your audience is made up of several sub-segments. Not all of your audience members are the same. If you’re unaware of the benefits of segmentation, check out this article.

I recommend identifying three to five segments. For each of the three to five segments you chose, set up five to seven interviews with existing audience members. In the interview, gather answers to the following questions about your category:

- Why is this category important to you?
- What are you needs / what do you care about?
- How are your needs met today? (What do you buy, how do you use it)?
- How do these products make you feel?
- How could the product better meet your needs?
- What needs are not being met by these products?
- What else (not directly related to this category) do you care about?
I also recommend collecting some basic demographic information – age, gender, household income, etc. – if it is not already in your database.

At the end of the research, summarize your key findings

- What needs are consistently identified?
- How are those needs typically met today? Where are the opportunities to meet these needs better?
- What unmet needs exist?
- What are emotional attributes related to the category (themes from answers to the question “How do these products make you feel?”)?

**Business Partners: Monetization Opportunities Beyond Advertising**

Who else is talking to each segment? Forming strategic partnerships with other brands who are already talking to your audience scales your business quickly. This goes far beyond advertising. When I was working with the digital consumer financial services company Homesite (which you probably have not heard of), we were able to quickly scale our customer base through strategic partnerships with firms such as GEICO and Progressive (which you certainly have heard of thanks to the Gecko and Flo, respectively). At TrackMan, a sports media company, we scaled through established brands such as golf equipment manufacturer Callaway.

These other firms will not help you out of the kindness of their heart. You will need to find a way to add value to them. Of course you can offer advertising, but you should think of a way to go above and beyond the banner ad. How can you solve a business problem for them? Can you send them warm leads? Can you help their research and development initiatives? Can you create a premium experience for their customer base?
The easiest way to figure out how to add value to business partners is to ask. Set up calls with your top five to seven advertisers and/or prospects. Strive to deeply understand their business needs, for example:

- What are you top three objectives this year?
- Where are your top three pain points?
- What are your strengths and weaknesses in the sales/marketing funnel? (listen for things like lead acquisition, trial, conversion, engagement, or retention)
- How can we help you meet your objectives in addition to what we are already doing?

After you finish the research, jot down some ideas on common business problems in the space, and a list of ideas on how to help solve those problems through your audience or your content. This research may even inspire an idea for a new business to business publication.

**Content: Yes, It Is Still King.**

Content is still king. I’ve written about how the decline in content value (especially digitally) has created an opportunity for quality, curated, targeted content. When we perform a content audit with our clients, we follow a three-step process.
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1. Inventory your content. You have more than you think. Articles, sidebars, interviews, photos, videos, infographics, social media posts – go through and inventory what is out there to make sure you are not missing anything.

2. What tangible problems does your content solve for its audience? We believe readers should pay for new products. Advertising can be a bonus on top. For your audience to pay for the content, you must solve a specific problem for them. For example, it could be how-to information, product or company reviews, proprietary research studies, or curation of third party information. Make an exhaustive list of all the problems your content solves for your audience. Try to bucket the list items into categories.

3. What emotional attributes does your content espouse? Good brands need to be functional, and also emotional. Even if you are a business to business brand, your content should have emotion. Content that solves a problem without an appropriate emotion (or no emotion at all) is less effective.

Your content should inspire your audience to take action. It needs emotion to do its job. The management consulting firm McKinsey also advocates focusing on emotional attributes to build brands. For example, looking at the hotel industry, you can see Holiday Inn conjures the emotional image of “fun and a bit wacky,” while Westin goes for “serenity and efficiency,” and Four Seasons “calm sophistication.” At Cook’s Illustrated, we used a voice of “authority and confidence” that appealed to the audience looking for tested, foolproof recipes in a world where anyone with a computer can post recipes of dubious quality.

Check out this article to learn more about the importance of injecting emotion into your content.
Dynamics: You Have Competition

“We’re so unique, we don’t really have competitors.” WRONG. Everyone has competitors. At the very least, you are competing with a Google search for information in your category.

How else are customers solving the problem your content addresses? If you do not know off the top of your head, then the competitive set should occur naturally from the research you have conducted on your audience and business partners.

For each of your top three to five competitors, spend time understanding the following:

- Which of your audience and business partner needs are they meeting? How?
- What emotional attributes does their brand espouse?
- What is their business model (ad supported, subscription, unit sales, etc.) and pricing?
- How do they appear to be acquiring new customers (check out their social media presence, email marketing activities, notice advertisements, look for them at retail/newsstand, etc.)?
- If publically traded, read their latest annual statement and understand how they make money.

When you conclude your research, your summary should include thoughts on:

- Which part of the market is overcrowded – are there too many companies trying to solve the same problem in essentially the same way? Is there anything you could do differently to stand out?
- Which part of the market is under served – either because no one is focusing on certain problems, or those who are focusing on the problem aren’t doing so effectively
Congratulations, you now have done enough baseline research to start writing an NPD Mission Statement. A NPD Mission Statement consolidates all the insights you uncovered during this research phase and guides the product development efforts in a clear direction. The next chapter will walk you through how to build such an NPD Mission Statement.
The New Product Development Mission Statement

Behold the power of setting goals, writing them down, and communicating them broadly. *A study by professor Gail Matthews* showed executives who shared written goals were twice as successful as those who thought about their goals, but did not write them down.

As mentioned in an earlier chapter, *a separate research project* from the DeGroote School of Business proved that, just like for individuals, companies that write down their new product goals and use it to guide New Product Development (NPD) efforts are more successful than those who don’t.

In this chapter, we will synthesize the results of your research and analysis into the “New Product Development Mission Statement,” which is the written strategy that guides your innovation project.

**The New Product Development Mission Statement Framework**

The Sterling Woods Group has developed this seven-step framework for developing an NPD Mission Statement.
New Product Mission Statement Framework

1. **Problem statement.** What problem are we going to solve (i.e., meet an “unmet need,” or meet a “met need” better)?

2. **Our advantage.** Why are we uniquely positioned to meet this need?

3. **Target audience.** Which audience segment are we targeting?

4. **Business partnerships.** Which business partners will benefit from us meeting this need?

5. **Financial guidelines.** What are the high-level financial targets and rules of the road?
   - Investment budget
   - Timeline
   - ROI / time until breakeven
   - Customer count targets

6. **Strategic fit.** How does this product fit in with overall company strategy?

7. **Risk and diversification.** How risky is this project?
   - New audience vs. new monetization of existing audience vs. further monetization of existing audience
   - Existing business relationships vs. new business relationships
   - Existing content vs. repurposing content vs. completely new content
   - Level of competition
   - Is it diversified relative to other initiatives?
**Example NPD Mission Statement**

To help bring the concept of an NPD Mission Statement to life, let’s look at an example. Below is an NPD Mission Statement based on an actual project. The details have been modified to preserve confidentiality.

1. **Problem statement.**

Due to a lack of content on the subject, many golf instructors do not understand how the laws of physics affect golf. The impact is instructors do not sell as many clubs as they could if they had the information, since based on actual case studies, this knowledge would allow instructors to better recommend clubs based on characteristics of the student’s swing.

We will distribute practical, easy-to-understand content on the physical relationship between a golfer’s swing and the resulting ball flight, so golf instructors can become more effective at recommending and selling golf clubs to their students.

2. **Our advantage.**

We have over 12 years of content, research, and data on how the laws of physics affect ball flight. We also have established a brand that stands for authority and is recognized and respected by professionals in the golf industry (The PGA TOUR, major equipment manufacturers, etc.). We already have a captive audience of over 10,000 golf professionals who subscribe to our newsletter and could help get the word out.

3. **Target audience.**

Golf instructors who recommend and sell golf clubs.

4. **Business partnerships.**
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Equipment manufacturers, as they are also interested in instructors selling more of their clubs. The PGA TOUR and USGA, who already have education initiatives in place.

5. Financial guidelines.

- Investment budget: We can invest up to $250,000 cash in the first year
- Timeline: Launch within four months
- ROI / time until breakeven: Earn back the investment within 12 months from launch
- Customer count targets: At least 5,000 golf instructors engaged in content within first 12 months, 20,000 within first two years

6. Strategic fit.

This fits into one of our top goals of the year, which is further monetize the golf instructor market. This project has two benefits: (1) Direct monetization of the product, and (2) Further development of our brand with this segment, and subsequently selling them other (higher priced) products

7. Risk and diversification.

This project is medium-low risk:

- It involves new monetization of an existing audience
- Leverages existing business relationships (e.g., with golf club manufacturers)
- Repurposes existing content
- There is little to no competition

The project is diversified because we have other initiatives that are at other risk levels – some higher, some lower.
A Few Comments on the Content of the New Product Development Mission Statement

The goal of the NPD Mission statement is to focus everyone on the problem we are solving: for whom, with what resources, and other general expectations. There are a lot of elements you might think are missing – we get to these aspects in other phases. For example:

1. Note that we do not talk at all about product form. We don’t say if this is an online school, an events business, a digital magazine, etc. Decisions about form come later, in Phase 2 (Concept Generation and Selection).
2. We have not finalized a business model. This will come in Phase 3 (Economic Evaluation).
3. We have not yet committed specific development, design, or marketing resources. We’ll need to figure out resource needs as part of Phase 3 and deploy those resources in Phases 4 (Development) and 5 (Launch).

Thoughts on Developing the New Product Development Mission Statement

Once you have completed your ABCD analysis, we recommend hosting a full-day offsite with your senior management team to discuss the results of the ABCD research and to debate potential NPD Mission Statements. Best practice would be to come prepared to the offsite with three “straw man” options for NPD Mission Statements. In the offsite, executives should discuss the merits and pitfalls of each, and make modifications as necessary. If consensus is not reached in the offsite, then a list of open questions to research further should be compiled by the end of the day. Once those questions are answered, the CEO should reassemble the group to discuss again and finalize.

What To Do with the New Product Development Mission Statement
Successful companies use the NPD Mission Statement to set the vision, keep the team on track, and avoid scope creep. First, the NPD should be communicated broadly – especially to all participants in the project, but also to the organization at large. The link to overall corporate strategy should be made clear in corporate communications.

Once the project starts, there will inevitably be discussions about how to deploy resources. The NPD Mission Statement should serve as an arbitrator for such debates. Not sure if a certain feature should be implemented or not? See how aligned that feature is with the NPD Mission Statement for guidance.

The NPD Mission Statement can be changed, but not on a whim. Should you discover new data in a later NPD phase, then I would recommend reconvening the senior management team to consciously make any changes to the NPD Mission Statement. As management guru Andy Andrews says, “Successful people make their decisions quickly and change their minds slowly. Failures make their decisions slowly and change their minds quickly.” Once an NPD Mission Statement has been approved, managers should be slow to change their mind, as the NPD Mission Statement has been grounded in thorough understanding of your ABCDs.
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How The Sterling Woods Group Can Help

We work with clients to develop new products in one of two ways.

One option is to have The Sterling Woods Group do everything for you (including creating the NPD Mission Statement with your input), while you focus on your core business. This is full-fledged implementation. We:

- Work with your management team to build the strategy
- Get you up and running on a core platform to go live in less time that it would take you to build a custom solution
- Repurpose and import your content archives
- Build new content where needed to plug gaps
- Design your product to match your brand
- Run your launch marketing campaigns (blog articles, emails, social media, etc.)

Once we’ve proven the business case, we’re happy to keep running the new venture for you, or we can hand things back to you when you’re ready. This is a good way to launch a new business without adding overhead. You’d need at least six people to manage the operations of a new product – plus you’d need to hire a firm or dedicate additional resources for custom development.

For those who prefer a more “DIY” approach, we offer training and coaching services, through which we teach you our methodologies and help you develop a team to make you more successful at new product development.
About the Author

Rob Ristagno is the founder of The Sterling Woods Group, a content monetization firm. Media companies, publishers, content marketers, and other content creators work with Rob to launch new revenue streams. Prior to creating The Sterling Woods Group, Rob served as a senior executive for several niche media and e-commerce companies. He was the Chief Operating Officer of America's Test Kitchen, considered to be the gold standard in the niche media world for building diversified – and often digital – revenue streams. Rob started his career as a consultant at McKinsey and Company and holds degrees from the Harvard Business School and Dartmouth College. He has taught Product Strategy at Boston College. To learn how to monetize your content, sign up for articles from Rob and The Sterling Woods Group by clicking here.
Get Your Diagnostic

We help clients monetize content through new digital products. Contact us to schedule time to discuss a diagnostic, through which we can develop a list of digital initiatives and associated profit impact of each.

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