

Metamorphosis

Axel Springer's digital transformation

From heavyweight newspapers to price-comparison websites



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VISITING the top floor of Axel Springer's tower in Berlin is like travelling back to a lost age. The German publisher's *Journalisten Club* is a suite of wood-panelled rooms filled with antique books, leather armchairs and classical paintings. "It is a symbol," says Mattias Döpfner, the publisher's chief executive.

Whether it still makes sense as a symbol is unclear, for Axel Springer's business has shifted rapidly away from print media (though it still owns *Bild* and *Die Welt*, two leading German dailies) towards an array of digital businesses. In 2000 it had almost no digital revenue; by the end of last year over 72% of its operating profit came from digital activities. Profits have increased by 37% over the past decade, from €434m (\$473m) in 2006 to €596m last year.

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Four years ago Axel Springer sold off several newspapers and magazines, including the *Hamburger Abendblatt* and the *Berliner Morgenpost*, for \$1.2bn. In 2015 it nearly bought the *Financial Times*, a British paper with a strong online presence but lost out to Japan's Nikkei, which paid a whopping £844m (\$1.1bn). Shareholders were said to be relieved.

The list of Axel Springer's digital acquisitions, meanwhile, stretches to over 150 in the past decade. StepStone, Germany's most-visited site for jobseekers, for example, is one of several popular classified-ad platforms it owns, for everything from second-hand cars and holiday rentals to jobs and real estate. It has the world's most lucrative collection of such ads. Another big business is Idealo, a popular price-comparison site with tips for thrifty housewives.

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Its recent foreign acquisitions include Business Insider, a digital-only news site known for clickbaity headlines and for features like "Coolest people under 40 in Silicon Valley", and eMarketer, a New York-based publisher of digital-market data. Last year Axel Springer joined forces with South Korea's Samsung to start Upday, a mobile-news service that combines algorithms with human editors to provide users with personalised news streams.

The company's tower in Berlin overlooks its startup accelerator, a joint venture with Plug and Play, a Silicon Valley-based firm that helped companies such as Google and PayPal early on. It is meant to give the firm an early look at up-and-coming disrupters, which it then either buys or keeps a close eye on. Of late Axel Springer has also started making direct, early-stage investments in small American startups such as Thrillist.com, a lifestyle site for young men. It has taken tiny stakes in giants too: in Airbnb, a home-sharing site, and in April, in Uber, a ride-hailing firm.

This web of investments causes some awkwardness. Neil Thurman, a media professor at Ludwig-Maximilians-Universität in Munich, says that Axel Springer needs to be highly transparent in how it reports on companies. The group's newspapers often include disclaimers in articles disclosing its financial interests but some articles neglect to do this, he notes.

Axel Springer's bid for the *Financial Times* underlined an enduring appetite for conventional journalism, and in January the group launched *Fussball Bild*, a new, print-only sports newspaper, Germany's very first sports daily. But at the majority of its print publications, circulations are still in steady decline. *Bild's* average daily circulation halved between 2006 and 2016, from 3.8m to 1.9m. By investing in digital classifieds and advertising Axel Springer has bought itself time to try and save its traditional news business, argues Katja Riefler, a media analyst. If they help with that hard task, the startups might even get invited to the *Journalisten Club*.

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