

# INMA Workshop: “Does Price Matter? Positioning Free and Paid Newspaper Models”

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The power of free newspaper business models in carving out audience-building distribution niches and leveraging these new audiences for advertisers were the key topics at the INMA workshop titled “Does Price Matter? Positioning Free and Paid Newspaper Models” in Copenhagen.

Monica Lindstedt, a co-founder of the Stockholm Metro free commuter newspaper in 1995, told INMA workshop delegates that her definition of creativity has always been “to see what everyone else sees, and do what nobody else has done.” By finding 20 unoccupied minutes on a train during the morning commute to work, Metro transformed the means and ends of newspaper publishing. Twelve years later, there are more than 200 free newspapers distributing 30 million copies daily in 41 countries.

Tightly defining what free newspapers and similar models mean, Baltimore/Washington Examiner Publisher Michael Phelps described his company’s efforts this way: “What we are is targeted distribution that advertisers want to reach.”

Presentations explored why these business models are emerging and what the next approaches must be in business structure, distribution, and target marketing.

## Denmark’s Competing Free Home-Delivery Newspapers

Denmark’s 2.5 million households are fought over by four publishers of national newspapers — Berlingske, JP/Politiken, Metro International, and Dagsbrún. Combined, they publish nine daily newspapers, including two paid broadsheets, two paid tabloids, two free commuter newspapers, and three free home-delivery newspapers.

In 2006, Iceland-based media conglomerate Dagsbrún announced that it would launch a free quality home-delivered daily newspaper in Denmark. Having successfully launched a similar newspaper in the Icelandic capital of Reykjavík in 2001, Dagsbrún transformed the island country’s print newspaper landscape with Fréttablaðið over the next five years. With its pending launch in Denmark, two existing Danish publishers — JP/Politiken and Berlingske — launched their own pre-emptive free home-delivered newspaper in August, followed by Dagsbrún in October.

The result in only four months is the world's most competitive market for home-delivered newspapers, led by free dailies. Analysts suggest that the market cannot sustain three free home-delivered newspapers in the long-term, making today's battle in Denmark a market share game in which the three new newspapers are losing a combined US\$1 million per day.

The market disruptor is Dagsbrún, and their Danish newspaper is Nyhedsavisen. In planning the newspaper, the concept was for a 32-page quality tabloid. It would be distributed to 500,000 to 750,000 households in the country's top three geographical areas. Assuming two readers per copy, this would give the newspaper a readership between 1 million and 1.5 million readers. The newspaper's editorial package features national and regional news produced by a staff of about 100 reporters and editors. Depending on the newspaper's success in Denmark, the company plans on expanding to other countries, said Morton Nielsen, a consultant at Denmark's Media & Marked.

To compete with Nyhedsavisen, established market leader JP/Politiken launched the free home-delivered 24timer, which is delivered in selected Danish cities. The company delivers 24timer to households in selected parts of the greater Copenhagen area that do not already receive other JP/Politiken's titles Jyllands-Posten and Politiken. The news 24timer carries is mostly produced by the newspaper's own staff but supplemented by material from Ekstra Bladet, Politiken, and Morgenavisen Jyllands-Posten. A national newspaper, 24timer publishes four editions each day for the Copenhagen, Southern Denmark, Aalborg, and Aarhus regions. Developing 24timer upended the existing advertising procedures. Old advertising constellations were ended and replaced by a new, nationwide partnership. Print Danmark represents all of company's titles. With nationwide print media coverage of 2 million readers, advertisers need to make only one contact within the company to place advertising across its properties.

Prior to the launch of the three free home-delivered newspapers, the paid newspapers held 66 percent market share in Denmark, but their circulation was steadily declining. The country's free commuter newspapers — Urban and metroXpress — reported climbing distribution figures.

Combined, the three free home-delivered newspapers distributed 1.25 million copies as of late 2006 — including a reported 500,000 for 24timer, 400,000 for Nyhedsavisen, and 350,000 for Dato. The country's existing free and paid dailies were selling or distributing 1.93 million copies per day. Following the free home delivery newspapers' launch, the established newspapers in the market saw circulations drop by 10 percent. The hardest hit were metroXpress, Politiken, and Berlingske's B.T., Nielsen said.

Denmark's advertising market has expanded after the introduction of the three free home-delivered newspapers. The overall advertising market has increased by 12 percent, with the home-delivered newspapers taking an 8 percent share. At the national level, the market has increased 9 percent, with the home-delivered newspapers gaining a 10 percent share. The paid-for newspapers have increased their volume on Sundays by 30 percent.

Circulation results for the new newspapers have been mixed. 24timer is close to its target circulation of 500,000. Nyhedsavisen is 100,000 down and Dato is 200,000 behind their expectations, Nielsen said. These results may be due to distribution woes. Nielsen described distribution as a "mess" and not efficiently targeted at the best areas and households. In

addition, all publishers are finding it difficult to hire enough distributors. Editorial concepts are still being fine-tuned at all three newspapers. Advertising volumes are huge, but the prices are very low due to the bad distribution, low readership figures, and sales. "Overall," Nielsen said, "these newspapers are still early in the learning curve. Their bottom lines are very red, indeed."

Nyhedsavisen's distribution model is still weak and far away from an effective business, Nielsen said. Low readership and slow penetration has created a credibility problem with advertisers. Reaching a break-even point is probably unlikely for the first three years.

In fact, distribution to homes has been such a challenge that both 24timer and Nyhedsavisen have evolved to include public transport distribution. With 110,000 and 100,000 copies, respectively, being distributed in public transport, 24timer and Nyhedsavisen have crossed directly into the turf of the free commuter newspapers.

Looking ahead, Nielsen doesn't see any of the publishers giving up the struggle for free home-delivered newspapers, despite early financial losses. Existing newspapers are in better shape now than they were a year ago, but advertising prices and profits are low. The best-case scenario is a high domestic demand, no newspapers will close, and newspapers will be strengthened compared to other print media and television. Worst-case scenario is that slowing demand will lead to the close of several newspapers.

### **Manchester Evening News: Free Single-Copy Sales In City Centre**

Guardian Media Group aims to reach the nearly 2 million adults in the Manchester, England, region at least once a week through its paid newspapers, free newspapers, web sites, and television channel. Its primary vehicle is the Manchester Evening News, a classic subscription/single-copy regional daily which circulated more than 148,000 copies in 2004.

In that context, the newspaper noted in 2005 that efforts to boost single-copy sales in the city centre of Manchester had stagnated – especially the day's fourth and final edition. Internal research suggested that if single-copy sales trends continued in the city centre that sales would evaporate by 2025. The company responded by converting the final city centre street edition from paid circulation to free distribution and half the number of pages. Distribution increased, as did interest from readers and advertisers in the bold experiment.

"We will not accept audience decline," said Mark Rix, managing director of Manchester Evening News Media Sales. "We didn't want to manage decline any further."

By May 2006, the company had seen enough of "M.E.N. Lite" to convert all four of its city centre street editions to free distribution. Believing that the "stigma of 'free equals cheap' has been eradicated," the Manchester Evening News would become one of the world's first experiments in paid home delivery and a mix of free single-copy distribution in the city centre and paid single-copy distribution in the suburbs.

Rix said that advertiser feedback was as follows:

- Reading time must be the same or better.

- Editorial quality cannot be compromised.
- Reader quality must be the same or better.
- Newspapers must be actively picked up instead of passively delivered.

When the original “M.E.N. Lite strategy” ended in May 2006, the company was selling 140,000 copies each day (40 percent subscription) and distributing 11,000 free copies of M.E.N. Lite in the city centre for total distribution of 151,000, Rix said. Eight months later, the model has changed radically: 95,000 copies are sold each day and 78,000 are given away for free in the city centre for a total distribution of 173,000.

Rix said that despite a 15 percent increase in total distributed copies in the past eight months that the Manchester Evening News has not increased advertising rates. Yet there has been an increase in display advertising volume connected to the higher distribution.

### **Targeting Selectively Free Newspaper Distribution**

Antonio Cipriani, director of Italy’s E Polis, spoke about his company’s business model which involves charging a nominal cover price but giving it away for free at bars, restaurants, shopping malls, hospitals, and universities.

E Polis is a group of local dailies launched in eight northern Italy cities in early 2006. Over the course of the year, E Polis expanded to Florence, Milan, Rome, Bologna, and Naples. Combined, the circulation of these newspapers is 750,000 a day, seven days a week.

The company’s goal, Cipriani said, is to produce 30 newspapers and sell 1 million copies a day within two years time. “Our concept of content sharing is not just creating one newspaper and substituting some pages with local ones,” Cipriani said. “Each newspaper is an expression of the town, is popular in the community and quickly becomes the voice of it. And from the people, through the local pages, the project becomes stronger and more complete.”

The 15 titles of E Polis employ 140 journalists. Cipriani described the company’s efforts to get closer to the reader, pushing its journalists out of the newsroom. In fact, four of the company’s newspapers have no physical newsroom. Journalists write their articles in the field and meet with colleagues in pubs and other gathering places. It keeps them in touch with the mood of the public. “We think of our newspaper as the ‘nervous system’ of our readers’ community,” Cipriani said. “It is a web-paper, for its ability to be a virtual meeting place, and for the interactivity between reader and writer.”

Advertisements in the company’s newspapers have fixed positions. This was done to preserve the “rhythm” of the newspaper. The company feels that this gives E Polis more authority and makes its production increasingly easier.

E Polis’ distribution policy bucks the traditional Italian philosophy. In Italy, 99 percent of the circulation goes through kiosks and book stores, and there are no subscriptions. E Polis chose to go with free distribution without leaving the traditional channel of the resellers to reach as many readers as possible. News today is more actively pushed toward readers. The E Polis newspapers go where the readers are, such as shops, pubs, offices, universities, and churches.

Cipriani said that the newspapers' distribution strategy is based on finding readers who are both genuinely interested in reading and have the time to do so:

- The newspaper is 64 pages. It's not necessarily something that can be read "on the fly." Newspaper executives hope reading it will become a fixed part of consumers' daily schedules.
- The newspaper's distribution is targeted at high traffic areas where people are more likely to pick up and take the time to read. This strategy passes on areas where people just pass by, like train stations and metro lines, or locations where people go only occasionally, like post offices.
- Mapping software is used to lay out cities' concentrations of families, the wealthy, and female readers. Distribution points in these areas are set up to be reached by only a few minutes of walking.

### **Building a Sports Newspaper Through a Distribution Partnership**

Die Sportzeitung is a free daily distributed in German airports. Philipp Fleischmann, chief executive officer of Germany's DSV Deutscher Sportverlag GmbH, shared the story of its development during the world soccer championship.

Die Sportszeitung is positioned to be the leading daily for the German-speaking sport community. It is targeted at male decision-makers who are interested in sports, go in for sports, or are engaged in sport. Fleischmann said that what separates Die Sportszeitung from the competition is that it is the most up-to-date newspaper for all aspects of sports.

The newspaper's airport distribution model is based on a partnership with Lufthansa. Newsstands are set up at gates and lounges at airports across Germany. Circulation is targeted at 10,000-13,000 daily and 65,000 weekly.

Each copy of the newspaper is 24 to 32 pages in size. Fleischmann described it as the most up-to-date newspaper in Germany as it goes to print at 12:15 in the morning. Its content emphasises football (soccer) information, but there is still significant coverage of other sports like golf, sailing, tennis, U.S. sports, and others. There are also background pieces on other aspects of sport such as community, business, medicine, and history.

Looking ahead, Fleischmann wants to expand its distribution beyond Lufthansa's airport gates and lounges. The challenge is to expand the newspaper's circulation while maintaining the relevance and timeliness of its coverage.

### **Developing a Free Commuter Newspaper for a Competitive Market**

New free daily newspapers are battling it out in London. Ian Clark, general manager of News International's *thelondonpaper*, explained how his new afternoon newspaper has fought for market share.

London's newspaper market has grown more crowded in recent years. In December 2006, besides the 10 national newspapers like the *Times* and the *Independent*, five newspapers

circulated in the city — *thelondonpaper*, Metro, the Evening Standard, London Lite, and City A.M. In total, more than 1.7 million newspapers are distributed each day.

*Thelondonpaper* was launched September 4, 2006. Initial circulation was targeted at 400,000 copies, distributed between 16:30 and 21:30. The newspaper is passed out by 700 hawkers, most located in central London.

The newspaper is distributed in the afternoon to serve an untapped part of the commuter market. With most free newspapers published in the morning, there wasn't as much newspaper reading during the afternoon trip home. Moving into this space has allowed *thelondonpaper* to reach a valuable readership. A media survey found that *thelondonpaper*'s readership was effectively as upmarket as the paid Evening Standard at 74 percent. It reached a greater percentage of full-time workers than its competitors the Evening Standard and Metro — 71 percent versus 59 percent and 61 percent, respectively. Furthermore, *thelondonpaper* captured a large audience of younger readers. Among its readers below the age of 35, 47 percent were in the ABC1 segment. In comparison, of Metro's young readership 39 percent were ABC1 while at the Evening Standard they account for 22 percent.

The newspaper is attracting big-name advertisers. Complementing its audience exposure, *thelondonpaper* also offers innovative advertising placements and wraps.

The goal at *thelondonpaper* is to achieve a readership of 500,000 within six months of its launch. Already, advertising revenue is ahead of budget and it has the highest ABC1 demographic under the age of 35 of all the United Kingdom's national press.