
Free papers in Spain: 20 minutes of fame or here to stay?

A research-report on the launch, current status and
future potential of Schibsted's free paper *20 Minutos*.



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Preface

This thesis is the final project of the two-year Master of Science Program at the Norwegian School of Management–BI. The topic of the thesis goes well with my major in the program, which is Business Administration of International Management. The media perspective of the thesis reflects my previous educational background of journalism and my general interest in media-economical questions.

It would have been impossible to prepare this thesis without the aid and support from a list of people. My most obvious debt is to my advisor, Asle Rolland at the center of media economy at BI. Rolland has been my guide throughout this project and has helped me navigate safely through methodological-, theoretical and stylistic territory. Rolland has also provided irreplaceable advice on sources of information and questions on media-economy.

I would also like to thank Sverre Munck and Petter Danbolt at Schibsted for their interest in my project. Both Munck and Danbolt have taken the time to talk with me about the thesis as well as providing me with solid background information on Schibsted and *20 Minutes*.

I owe another very important debt to the expert panel that I interviewed for the delphi-study. The following people have lent me their time, offered their valuable opinions, suggested further reading material, interesting people to talk to, sent me material and supported me in many other ways: Ingela Wadbring at the Institute for Journalism at the University of Gothenburg, Robert Picard at the Turku School of Economics, Piet Bakker at the University of Amsterdam, Alfonso Sánchez Tabernero at the University of Navarre, Bård Bjølgerud at Alfred Berg Brokerage Firm in Oslo and Einar Strømstad at First Securities in Oslo. I would also like to thank Jan Erland Lervik, who is a doctorate student at BI, for his useful comments on the section of local adaptation versus standardization of free papers, and for his suggestions on further reading material.

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Executive summary

This thesis examines the past, current and future of free papers in Spain. The main focus of the report is on the Norwegian media-conglomerate Schibsted and the free paper *20 Minutos*. I compare and contrast these findings with Metro International and its free paper *Metro*. The thesis has a case-study approach, and makes use of the delphi-methodology to structure in-depth interviews with an expert-panel. I present the results from these interviews with other findings in a SWOT-diagram and in a thorough discussion-part.

The thesis concludes that the attraction to free papers lie both in the differences and similarities between free papers and traditional papers. The report includes an investigation of the Spanish print media landscape, the written press and the macromarketing environment, and concludes that the Spanish market is very attractive to free paper producers.

The last part of the thesis investigates the future potential of the free papers. I conclude that currently *20 Minutos* is successful when it comes to readership and circulation, but that it still has some way to go before it can also present successful financial results. *20 Minutos* and other free papers seem to have a definite potential for the future both in Spain and in other markets, and I present findings to support this view along with suggestions for how the free papers can enter the future successfully.

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1. Introduction

Summer 2001: 20 Min Holding introduces editions of the free paper *20 Minutos* in Barcelona and Madrid. Metro International has already launched a Spanish edition of its free paper, *Metro*, in Barcelona a few months earlier, and the company introduces a Madrid-edition later that fall. The competition in the Spanish market for free papers quickly grows harsh, just like it has in several other European markets that the two publishers have entered. In addition, 20 Min Holding and Metro International have to battle with a low Spanish readership of newspapers, and consumers that have one of the lowest GDPs per capita in the European Union.

Summer 2003: Two years later 20 Min Holding has introduced a Seville-edition of *20 Minutos*. The three editions of *20 Minutos*, seen as one, now has the largest circulation of Spanish dailies, and is Spain's third most read paper with 1.2 million readers. *Metro* is Spain's fourth most read papers with 1.1 million daily readers. The papers are popular among readers and advertisers, but have yet to be financially successful on a yearly basis, although both publishers claim to have broken even on a month-to-month basis. –Has the presence of the free papers in Spain been one big bed of roses for the publishers as well as for the readers? How did the publishers manage to get to where they are today? What is it about the Spanish market that allows for such a success in circulation and readership? Can both free papers survive in the Spanish market in the future? What does it actually take to succeed with a free paper? These are some of the main questions that drive this thesis.

After a brief discussion of the problem formulation and the objective of the thesis in chapter two, I start circling in answers to some of the above questions in chapter three. I start the discussion by looking at existing theory of free papers. These ventures have traditionally been seen as risky and expensive. In addition, the modern version of the free paper is a relatively new phenomenon, and there is therefore little existing research on the lifespan of the free papers or on their profitability in the long run. Also, free papers are fully dependent on the advertising market, which has been turbulent to say the least, over

the past few years. I will use theory on other media to complement the findings in relations to free papers.

In the following section of chapter three I look at globalization processes of the free paper publishers. The main focus of this thesis is on Schibsted and *20 Minutos*, and I use information on Metro International and *Metro* to complement and compare the findings. By discussing why Schibsted decided to globalize in the first place, I can get some hints as to what Schibsted was looking for when deciding to enter the Spanish market. I discuss trends and theories of globalization, and especially on globalization of media. The chapter also includes an overview of the print media landscape in Spain, national media policies, recent media developments and the Internet as a possible channel of revenue for media companies. From the discussion it seems that the free papers may have found a niche in the market. The papers target young people that have traditionally been neglected by other papers, and therefore the free papers have managed to attract readers who would not normally read newspapers. The next section of the chapter analyses the Spanish macromarketing environment, and concludes that the Spanish market seems to have been ready for an advertising channel that targets an earlier neglected age group in advertising.

The fourth chapter discusses the methodological approach for the thesis, along with an explanation for the collection of the data. The thesis will have a case-study approach, and in addition to empirical material, I interview a business-developer and the CEO of 20 Min Holding to achieve proper background-information. I then use the Delphi-technique to organize in-depth interviews with an expert panel. I will make use of these experts' knowledge and visions for the future of the free papers to find answers to the research question. I plan to structure the questionnaire around a SWOT-analysis, which looks at strengths, weaknesses, opportunities and threats for the free papers.

In chapter five I present the findings from interviews with participants on my expert panel of free papers, the empirical data and two background interviews. I apply the findings related to each part of the research question, and discuss possible answers to the research

questions. In relations to the first part of the research problem, I discuss the attraction to free papers and their relationship to traditional papers, and conclude that the attraction to free papers lie both in the differences and similarities between free papers and traditional papers. When discussing why Schibsted globalized and why it chose Spain, I go deeper into various theories on globalization, I also thoroughly examine the Spanish market for media and advertising. I conclude that the Spanish market is very attractive to free paper producers, despite the low readership figures and the low GDP per capita.

For the part of the research question that asks what is needed to succeed with free papers, I present a list of factors that the expert panel determined was important for the success of free papers in general. I discuss each finding in light of the case of Schibsted, and conclude that *20 Minutos* is successful when it comes to readership and circulation, but that it still has some way to go before it can also present successful financial results. The next section of chapter five, discusses various ways the free papers can differentiate to stay alive in a competitive market. I go deeper into the discussion of different distribution alternatives for the free papers, and round off the chapter with a thorough discussion on whether or not free paper publishers should standardize the papers, or locally adapt each edition. Based on the opinions of the participants of the expert panel and the theory on the subject, I conclude that Schibsted's way of doing business through locally adapting each edition of the paper works well with the product. The sixth and last chapter of the thesis sums up the major findings of the thesis, discusses theoretical and methodological choices and present some limitations to the report.

2. Problem formulation and objective of the thesis

The main focus of this thesis is on the free papers in the *20 Minutes*-family, and especially on the three Spanish editions of the free paper, which are issued in Barcelona, Madrid and Seville. The papers are published by 20 Min Holding, where the Norwegian media company Schibsted is the majority owner with 42 percent of the shares, and Apex Partners and various Swiss investors hold the remaining shares (www.20minutes.com). The thesis compares Schibsted's editions of *20 Minutos*ⁱ with Metro International's *Metro Directe* in Barcelona and *Metro Directo*ⁱⁱ in Madrid. Metro International is Swedish, and was demerged from the Modern Times Group, MTG, in August 2000.

The research question for the thesis is: **Why do Scandinavian publishers of free paper globalize, what are the reasons behind targeting Spain and why do they enter the markets with free papers? –Is it possible to succeed with these publications?**

The objective of the thesis is to examine why Schibsted and other media companies invest time, money and prestige in such seemingly costly projects as free papers. The thesis attempts to uncover the attraction to free papers and the Spanish market. The last part of the research question addresses the free papers' future, and calls for a thorough examination of the concept of success. By researching long-term developments, the thesis attempts to circle in strategies that free paper publishers can follow in the long run when the free papers have matured in the market. The research problem is in line with Piet Bakker's (2002b) suggestions on how to structure current and future research on free papers, now that these ventures are no longer a novelty in the market.

The thesis discusses why Schibsted and Metro International chose to launch their free papers in Spain, and why they launched these very similar products targeting the same group of people in the same cities almost simultaneously –a situation that is almost guaranteed to result in fierce competition. I hypothesize that the free paper publishers targeted Spain for its market qualities, and that both publishers found Madrid and Barcelona to be sufficiently attractive to risk entering the same markets. To test this

hypothesis I will study the Spanish market, and study theory of globalization processes. Globalization theory may provide information as to why Schibsted decided to globalize in the first place, and perhaps also provide hints as to why Schibsted chose to launch free papers in Spain.

For the last part of the research question of how the free paper publishers can succeed with the publications, I put together an expert panel on free papers, and use the participants' judgments and expert opinions to form answers and conclusions. I also make use of company information from Schibsted, in the form of operating results, annual reports and interviews with the staff at 20 Min Holding.

There is little existing research on free papers, and especially on the situation in Spain. It is the goal of this thesis to fill a gap in the existing research material on free papers. More research in this arena can benefit already existing actors in the free paper market and help future actors in the free paper markets to make decisions about their investments. The finished thesis may also be of help to future researchers, and hopefully inspire further research on the topic.

The main limitations of the thesis is that free papers have not existed for very long, and therefore it may be difficult to conclude with certainty, e.g. whether or not they will be a success. It would be interesting to revisit the topic in a few years when the relative success or failure, financial results, readership statistics, etc. can be put in perspective. Finally, I only study two publishers of free papers, and only the Spanish market. Some of the findings will be generalizable to other markets and to other publishers of free papers; other findings refer only to the Spanish market and Schibsted. Future research could concentrate on proving if the findings hold true for all the free paper publishers and markets.

3. Theoretical and empirical foundation

The research question asks why Scandinavian media companies, and especially Schibsted, globalized and entered Spain with free papers, and how the publishers can succeed with these publications. The questions open up for an interesting and important discussion, as free papers have gotten a lot of both positive and negative attention despite the young age of the product. Carly Price (2003) describes free papers as “what will be the most profound newspaper industry development in the first decade of the 21st century” (Price 2003, p 2). Despite the clear potential, ambiguous feelings and strong interest around the publications, there has not been done much research in the field of the modern free papers. This is first and foremost due to the fact that the product is still young; in addition the free papers have struggled with getting recognized as a serious product.

In the short time they have been around, the free papers have already grown incredibly popular among readers. Metro International claims that all editions seen as one, *Metro* is now the world’s largest newspaper outside Japan by readership, with 12.3 million daily readers (www.metro.lu). The total circulation of the seven editions of *20 Minutes* is 1.3 million, and the paper reaches more than 3 million people five days a week. Although many free papers still struggle financially, the impressive readership attracts more and more advertisers, which is promising for the future of free papers.

But, as free papers are growing more and more popular among advertisers and readers, the products are growing more and more unpopular among traditional newspaper publishers and press-organizations. Opponents to free papers, newsrooms of traditional papers and press organizations all over the world are now realizing that the free papers are true competitors and a serious threat to traditional newspapers’ revenue: Last year in Paris, media reported that boycotters stole one third of *20 Minutes*’ circulation out of a distribution truck (www.propaganda-as.no). In Spain, some claim that this is the first time in history Spanish traditional newspaper publishers have agreed on anything at all: They all strongly dislike free papers (interview with Alfonso Sánchez Tabernero 2003). Traditional press-organizations, such as Norsk Grafisk Forbund (Norwegian Graphics Association),

NGF, and the French Graphics Association, FILPAC-CGT, also strongly oppose the free papers. The Norwegian Graphics Association issued the following statement prior to the launch of the French edition of *20 Minutes*: “Free papers undermine today’s pattern of the press, ruin the foundation for the traditional papers, and constitute a threat to serious and critical journalism. The free papers’ sole goal is to suck out as much profit as possible from the advertising markets, to secure their owners’ earnings. The result is a further commercialization of the press, since the publications are attached to the advertisers and have to publish on their terms. The result is a contamination of the pressⁱⁱⁱ (www.propaganda-as.no).”

It might be true that free papers’ are contaminating the press, as opponents to the free papers claim, but it is also possible that free papers contribute to a more diverse offer of news products and create higher readership of newspapers in general, as supporters of free papers claim. Either way, free papers are most likely here to stay in some shape or form, and this is why it is important to do research on them. This chapter is organized as follows:

First and foremost I will define the concept of the modern free papers and narrow the discussion down to the weekly commuter papers. I will study the free papers more closely, examine the history of free papers in Spain, existing theory on free papers, and reasons for the success or failure of free papers in other markets. I will also discuss what the preconditions for success may be and how we can measure the relative success of a free paper. The remaining parts of the chapter present additional theories and empirical work that may illuminate the research question. Theories on the modern free papers will be of guidance, along with theories on globalization and multinational enterprises, service companies, and, last but not least, theory on globalization of media companies. I will also discuss reasons for why Spain was chosen as yet another market for the free papers. Studying existing theory on general media economics along with the empirical foundation of such may provide the needed background information for the research question. The research material on other markets for free papers may also prove helpful, along with research on traditional media and newspapers. Annual reports, readership statistics, market analyses, etc. throw some light on the situation of the free papers in Spain. I have also

interviewed Schibsted's Petter Danbolt, who works as Business Developer for *20 Minutes*, and Sverre Munck, who is the CEO of 20 Min Holding, to make sure there is a good foundation to build upon.

3.2 Defining the modern free paper

To reach a better understanding of why Schibsted chose to enter Spain with free papers instead of other news products, I will look more closely at the phenomenon of free papers and try to come up with a good definition of such.

Free papers are by far a new phenomenon. In fact, free sheets have been published since the beginning of the industrial revolution. Even so, the modern free paper is seen as a new product since it is very different from the original free paper. The modern free papers are often times dailies; they often target young urban people; and the free papers are also for the first time seen as true competitors to the traditional newspapers (Bakker 2002).

There are various genres of the modern free papers, such as: the daily free commuter newspapers; the weekly free commuter newspapers; the alternative newsweeklies; the regional/community weekly; and classified advertising sheets (Price 2003). Due to the limited scope of the thesis, I focus only on the modern free commuter dailies, and refer to these only when using the appellation "free paper." These publications are characterized by the fact that they look and feel very much like traditional papers, and offer a selection of international-, domestic-, local-, and entertainment news, classifieds, and information on concerts, movies and sports-events. The paper is free of charge to the reader, and the publication's only income is through advertising (interview with Danbolt 2003, Price 2003). The free papers also target a younger crowd than most traditional papers. *20 Minutes*' target group is from 15-40 years old, with an average age of 35 for the Spanish reader. According to Metro International 48 percent of *Metro*'s readers are under 30 (www.20minutes.com, www.metro.lu). This is attractive to advertisers, as other media outlets have often neglected young people.

Even though the free papers are seen as a modern product, Wadbring and Weibull (2000) point out that all the individual characteristics that make the free papers stand out from the crowd, have already been tried before: The free papers are distributed through public transportation, a distribution model that was in use in Spain already in the early 1900s; distributing papers freely has occurred for the last 250 years; the early morning distribution of the free papers is definitely not unique as this applies to all morning papers; the majority of the articles in the free papers are short and easy to read, this is a characteristic that also applies to articles in many traditional papers; finally the tabloid format of the free papers is also not unique, as it is the standard format of many traditional papers as well. What makes the free papers unique then, is not the presence of these characteristics individually, but rather the combination of all the components in one product (Wadbring and Weibull 2000).

3.2.2 Prior research on free papers

Since today's free papers are a new phenomenon, there is not much research on the ventures as of yet. As well, reliable statistics on free papers are also hard to find, Bakker (2002b) claims the main reason for this is that the free papers are not welcomed by existing actors in the market. Still some statistics do exist, and a number of research projects on free papers have also emerged, especially on the situation prior to 1998.

The most important research projects for this thesis include: Wadbring and Weibull (2000), who have researched *Metro's* situation in its native country, Sweden; Weibull's dissertation on *Metro* in Sweden (2003); Piet Bakker (2002, 2002b), who writes about free papers with a focus on the Netherlands; Bachman, Brander and Lenz (2001), who have studied free papers in Zurich, where both Schibsted and Metro International have experienced the hard competition; Vogel (2001), who has studied the free paper war in Cologne, where Schibsted had to withdraw *20 Minuten* from the market a year and a half after its launch; Helgesen and Gaustad (2002), who have researched free papers in Norway; Høst (2000) whose focus is on Norway's first free papers that were introduced in Oslo shortly after *Metro's* launch in Stockholm; Price (2003) who has produced a report on the threats and

opportunities of free papers; and Picard (1989, 1999, 2001, etc.) who, among other topics, has written about the conflict between free papers and traditional papers.

3.2.3 The history of free papers in Spain

In February 2000, a group of Spanish journalists formed the company Multiprensa y Más, and started issuing the free paper *Madrid y M@s* in the Spanish capital. Before that date, free papers had not enjoyed a significant presence in Spain. In November of the same year *Barcelona y M@s* was born in Barcelona. The publications were standard free papers, i.e. they were financed by advertising, and featured reading material, such as: News; sports; entertainment; games; programs for movies and concerts; consumer tests; etc. (Pedrós 2002, www.20minutos.es).

The year after the launch of *Madrid y M@s*, in March of 2001, Metro International introduced its free paper *Metro Directe* in Barcelona. In June of 2001, 20 Min Holding, acquired a majority share in Multiprensa y M@s. Metro International's response was to complement their Barcelona-edition with a Madrid-edition, *Metro Directo*, shortly after.

The joint venture between Multiprensa y M@s and 20 Min Holding was given the name 20 Minutos Multiprensa Holding. Following the acquisition, both the Madrid and Barcelona editions of the free papers were transformed into 20 Minutes-products, and given the title *20 Minutos*. The online edition of *20 Minutes* in Spain, www.20minutos.es, was launched in 2002, and a third edition of *20 Minutos* was introduced in Seville in April 2003.

Both Metro International and Schibsted are investing heavily in their free paper-projects. Schibsted, through its holding company 20 Min Holding AG, and Metro International have become Europe's leading free paper publishers. All editions seen as one, *20 Minutes*, is Europe's seventh largest newspaper and 1.3 million copies of the paper are issued every day. The paper has an estimated 3,2 million readers daily, more than a million of these readers are in Spain. Today *20 Minutes* is published in Zurich, Bern, Basel, Barcelona,

Madrid, Seville and Paris. Previously Schibsted offered *20 Minuten* in Cologne as well, but it withdrew from this market in July 2001 (www.schibsted.no).

Metro's empire extends even further, and according to Metro's homepage, Metro is the world's third most read paper. Daily about 12.3 million people read one of *Metro's* 25 editions. The paper is issued in 14 languages in 16 countries: Sweden; Finland; The Netherlands; Hungary; Poland; Greece; Italy; France; the Czech Republic; Denmark; Spain; Canada; the United States; Chile; China; and South Korea (www.metro.lu).

Metro International and Schibsted are two of the most important publishers of free papers in Europe. Other large actors include: Springer (Germany), Orkla (Norway), Associated Newspapers (UK), Mediaprint (Austria) and De Telegraaf (The Netherlands). Some of the publishers seem to fight more fiercely against each other than others, this is especially true for companies that operate with free papers in several markets (Bakker 2002).

Schibsted and Metro International's battle started in the mid- to late 1990s when the companies started to launch their free papers in markets all over Europe. In December 1999 Schibsted introduced *20 Minuten* in Zurich, and only one month later the Zurich-edition of *Metro* was a reality too. As competition grew stronger, *Metro* was forced to withdraw from the Swiss market only two years after its launch. In March 2001, *Metro's* Barcelona edition was launched, and that same summer Schibsted entered the free paper market in Barcelona and Madrid with *20 Minutos*. By late August of that year, Metro International introduced *Metro* in Madrid. Finally, both companies launched their free papers in Paris in March 2002 (www.metrospain.com, www.20minutos.es/madrid).

According to Bakker (2002), the publishers of free dailies enter markets with different objectives. The first group of publishers includes the non-local or foreign firms entering the new market, such as Schibsted and Metro International. These companies follow an invasion model, where profit reasons are the main objective. The second group of publishers that is local to the markets it enters, has a completely different rationale for

introducing free papers. Some of these publishers act according to a defense model, i.e. they launch free papers to defend themselves against another free paper. This was evident in the Netherlands, where local De Telegraaf introduced its own free paper on the same day that *Metro* was introduced. In Cologne Springer and DuMont Schauberg launched free papers soon after *20 Minuten* reached their city. After short time, the competition became too harsh, and *20 Minuten* withdrew from the market, whereupon the two local free papers also ceased publication (Bakker 2002, www.metrospain.com, www.schibsted.no). Local companies could also act according to a prevention model, where they would launch free papers to prevent another firm from entering the market. A last model that local publishers may follow is the expansion model, where they launch free papers independently to make profit (Bakker 2002, Wadbring and Weibull 2000).

Bakker (2002) does not mention that also non-local or foreign publishers of free papers, such as Schibsted and Metro International, could be acting according to the defense or prevention models. However, this is a very interesting issue that requires further research, since it actually may be possible that the two Scandinavian companies could be investing aggressively to stop the other company from taking over the whole free paper market.

3.3 Theories on globalization

By researching important theories on globalization, I can better reach an understanding on what drove Schibsted to launch free papers abroad in the first place. By reaching a better understanding of why Schibsted decided to internationalize, I can begin to understand what the company was looking for in a market, when the decision fell on Spain. I will start off by examining general theories on globalization, to see if these can provide hints as to why Schibsted internationalized.

One important theory on globalization is based on ownership advantages. Sources of ownership advantages include: technological advantages, such as superior technology, information, knowledge and know-how; management advantages, such as superior management and organization techniques; financial advantages, such as access to cheaper

capital; and other advantages, such as the size of the firm, access to raw materials, and ownership advantages derived from being a multinational. The theory states that the greater the ownership advantages, the more incentives a company will have to globalize. Locational advantages also influence a company's decision to go abroad, some of the most important locational advantages include: Tariff and non-tariff barriers to trade; host government policies, e.g. subsidies, restriction or prohibition of foreign participation in local industries; the nature of the host country market, e.g. size and development; differences in labor costs; and the location of resources (Held et al. 1999, Jones 1996).

A second important theory on globalization is transaction cost theory. This theory explains the boundaries of the firm through the transaction costs of the market. The essence of transaction costs is that whenever a firm can organize and carry out transactions more cheaply within the firm than through the market, the firm will internalize and undertake transactions on its own. Bounded rationality, opportunism and asset specificity are important factors to take into consideration. A combination of the factors may produce a strong incentive to internalize a transaction rather than to use contracts in the market (Held et al. 1999, Jones 1996).

A third theory on globalization is John H. Dunning's eclectic paradigm, or the OLI framework. This framework pulls together the above partial explanations of FDI: Ownership-, Location- and Internationalization issues. The theory states that a firm is likely to globalize if: a) it has certain assets that give a competitive advantage over local firms b) assets are best put in use in parts of the world beyond the firm's country of origin and c) the best use of the assets requires an internal transfer (Held et al. 1999, Jones 1996).

3.3.2 Theory on globalization of service- and media companies

Narrowing down the scope of the globalization theory, Lovelock and Yip (1996) offers several different categories of companies to explain globalization. The researchers suggest that one of the main reasons for why a service company in the category of "information-

based services” would go abroad is that the company enjoys a transferable competitive advantage. Lovelock and Yip (1996) also talk about common customer needs, and this is also an issue that is relevant in the discussion of what drives Metro international and Schibsted abroad. It seems that the companies build on the notion that the young group of readers have a similar culture even though they live in different countries. This notion is not new; many claim that generational gaps are larger than cultural gaps.

Picard’s (2002b) research narrows globalization theory down even more, as his theories are concerned with the globalization of media companies in particular. Picard states that media companies tend to globalize because they see it as a way to increase revenues and company assets, as well going abroad can help diversify market risk. Media companies also tend to view globalization as a way to deal with saturated domestic markets and national ownership limitations. Picard (2002b) also points out that trends in policy, trade agreements, and in communication and transportation may be push-factors for media multinationals. Policy changes over the past two decades that may have supported media companies in their desire to globalize include the increased regional cooperation, regional and global trade agreements and a widespread commercialization of broadcasting. Improvements in communications also ease the globalization process for media companies, and the world of media has become more adaptable to an international environment with e.g. advanced phones, fax machines, data movement and the Internet. Additional factors that may push media companies out of their home markets include the privatization of telecommunications, an increasing domestic support for international trade, the changes in Central and Eastern Europe and the removal of internal EU ownership limits. The EU, along with other trade agreements such as EFTA and GATT, is influential in the creation of a climate supportive of internationalization.

3.4 Why Spain?

The above discussion has provided some possible reasons for why Schibsted globalized in the first place, but why did both this company and Metro International target Spain? The Spanish market has been researched in many different settings, but so far there has been

very little research on the Spanish market for free papers. Important country-specific research on free papers has concentrated on Sweden, Norway, the Netherlands and Switzerland. Some reports examine free papers as a whole, some mention other markets such as the United States, Germany and Italy, but all in all, there is very little published research on Spain as a market for free papers. This makes my job extremely interesting since I get to explore unknown land, but it also makes the job difficult since there is little previous research material and theories to build upon.

The small amount of existing research material on Spain as a market for free papers cannot be due to market-features: Spain is undoubtedly an interesting choice of market. The main reason for why Spain could be a challenging market for a free paper publisher, or a publisher of any newspaper product for that matter, is that the readership of newspapers in Spain traditionally is very low compared to other European cities. When there is such a poor tradition for reading newspapers, one would maybe think that it would be difficult to achieve readers.

The total readership of newspapers in Spain in 2001 was about 35.9 percent of the adult population (World Press Trends 2002). These figures are very low if we compare numbers with Schibsted and Metro International's homelands, which are also the greatest newspaper reading nations in the world; in Norway 86 percent of the population read at least one newspaper on daily basis, and in Sweden 88 percent read newspapers (World Press Trends 2003). The low Spanish rates are partly due to the fact that Spain is a country with a poor reading tradition and there are no popular daily newspapers as in other countries (www.ejc.nl). According to World Press Trends (2003), penetration of newspapers is closely related to wealth: countries with high incomes tend to have high newspaper penetration.

Not only is readership of papers low, according to the Spanish Statistics Institute, Instituto Nacional de Estadística, Spain has one of the lowest GDPs per capita in Western Europe, and Spanish consumers have a lower purchasing power than most other EU residents. The

result is that advertisers are not willing to pay as high rates for the advertising space, and consumers have less money to spend on the advertised products and services than elsewhere in the EU (www.ine.es).

These are issues I would like to discuss in relations to the last part of the research question. I will also examine whether or not there exists such a thing as a recipe for success, or if everything is dependent on the market. A few researchers have already tried to put forth some market factors that are key to be successful with free papers, but it seems that research is ambiguous on this point.

Despite the grim first impression of the Spanish market, both *Metro* and *20 Minutos* are doing well readership-wise in Spain. *20 Minutos* and *Metro* are Spain's third and fourth most read papers, only beaten by *Marca*, *El País* and *El Mundo*. The next chapters of this thesis will include a further examination of the Spanish reader and the Spanish macromarketing environment to uncover features that that might speak in favor of the Spanish market for advertising and for the potential of free papers.

3.5 What does it take to succeed with free papers?

Examining the brief history of the modern free papers in Europe, the ventures seem risky and expensive. Although Schibsted and Metro are doing well in readership and advertising sales, both companies have had to endure hardships and have even had to pull out of markets. Both *20 Minutos* and *Metro* have yet to see positive financial results on a yearly basis in the majority of the markets.

Media-analyst Tore Østby in Nordea Markets stamps the free paper projects as high risk. He says the actors are launching a new brand name and new paper in a culture where the market is mature, and where they lack thorough knowledge of the market. Einar Strømstad from First Securities has similar opinions on the projects. However, both analysts recognize that good results might come later (Dahl and Dahl 2002).

Wadbring and Weibull (2000) have studied the Swedish market for free papers, and say the following preconditions were important for free papers to succeed in Sweden. It remains to be seen if the same conditions will be important for the Spanish market:

- Sweden's strong tradition of newspaper readership helped the free papers succeed. Staying up to date through newspapers infuses the mass media system.
- Sweden had a gap to fill in the readership market.
- The target group had a free timeslot (their daily transportation time), thus people did not have to change habits or priorities to fit the paper into their schedule.
- A large group of Swedes use public transport on a regular basis. Thus Metro could easily become a habit, and soon offered a type of "newspaper fellowship" for all users of public transportation.
- Young Swedes had traditionally been hard to reach through existing media outlets. Thus, the free papers could offer something new to advertisers as well as to readers.

With the exception of a strong tradition of newspaper readership, Wadbring and Weibull's (2000) preconditions seem to translate well into the Spanish market.

3.6 Has *20 Minutos* become a success in Spain?

Before discussing whether or not *20 Minutos* has become a success in Spain, it is important to look at some of the many ways of measuring success. Daily distribution could be one tool, because a large distribution means that the newspaper estimates that many people are interested in getting their hands on a copy of the paper. *20 Minutos* is now distributed in 550,000 daily copies in Barcelona, Madrid and Seville (www.20minutos.es). Not only does the paper have a record high distribution in Spain, actual readership is also impressive. Looking at Schibsted's operating result for 2002 for all the editions of *20 Minutes*, the free papers seem less successful (www.schibsted.no).

3.7 Preliminary conclusion

This chapter has discussed the empirical and theoretical foundation for the thesis. The objective of the thesis will be to find out why Schibsted globalized, why the company chose Spain, why it invests in free papers, and whether or not it is possible to succeed with these.

To find preliminary answers to these questions, I have studied theory on media economics and free papers along with the empirical foundation. The first part of the chapter defined free papers and narrowed down the discussion to modern, free, commuter dailies, and examined the history of free papers in Spain.

I then studied theories for globalization of media companies, and some more general theories for globalization. I concluded that general theory on globalization, such as the OLI-framework, is too broad and cannot provide answers to my research question. Lovelock and Yip's (1996) theories suggests that the main reason for why a company like Schibsted would globalize is that the company enjoys a transferable competitive advantage. I concluded that this theory seems to somewhat more appropriate than the general theory on globalization, and that Schibsted has a transferable competitive advantage in its knowledge on how to produce a successful free paper. Picard's theories on why media companies globalize, are even more appropriate to explain Schibsted's globalization. Picard states that media companies tend to globalize for several reasons, such as to: increase revenues and company assets; diversify market risk; deal with saturated domestic markets and national ownership limitations. To throw light on the issue of why Schibsted chose Spain as yet another market for its free papers, I determined that a further analysis of the Spanish media landscape is in place.

The last part of the research question asked why Schibsted chose to invest in free papers, and whether or not it is possible to succeed with these projects. I discussed what the preconditions for success may be and how we measure the success of a free paper. Judging by Weibull and Wadbring's (2000) preconditions for success of free papers, the low tradition of newspaper readership in Spain may cause problems for Schibsted. But at the

same time, other researchers and analysts say free papers tend to attract people who have no history of reading traditional newspapers. This issue requires further analysis. I concluded that if readership is the best measure of success, as Wadbring and Weibull (2000) suggest, *20 Minutos* is indeed a success since it is already Spain's third most read paper.

4. Methodology

Since today's free papers are a relatively new phenomenon, not much research has been done on the subject, especially not on the free papers that were established after 1998. To my knowledge this thesis is among the first research projects that concentrates fully on modern free papers in Spain. Since background material is limited, I will perform an exploratory research and use in-depth interviews. The focus will be exclusively qualitative.

The main reason for why I plan to conduct qualitative research is that this type of research has a special value when trying to achieve a deep understanding of how people think about certain topics. This is an important quality when exploring new grounds, as is the case in a study of free papers in Spain. Qualitative research excels at telling the story from the participant's viewpoint, and at providing rich and descriptive detail. The level of detail one can reach with qualitative research is especially valuable when there is little information available on the subject, and when it is necessary to come up with hypotheses and maybe new theory (Nachmias and Frankfort Nachmias 1996, Østbye et al. 1997).

4.2 Case studies

The research question of a study always dictates to a certain extent the terms of its own dissection and exploration. Since the research question of this study consists how and why-questions about a contemporary event, a case study is a logical choice of methodology (Yin 1994). In addition, the case study is a good way of addressing processes that have not been thoroughly researched (Leonard-Barton 1990). The methodology gives the researcher a unique chance to get in-depth information about the cases and issues in question. By conducting a case study, the researcher can gather information that has affected the company indirectly and other underlying issues that e.g. a survey might not convey (Patton 1987, Eisenhardt 1989, Yin 1994).

A case study is a history of events in the past or currently, and uses information from multiple sources. The case study could include data from direct observation, systematic

interviewing, as well as information from public or private archives (Yin 1994). Leonard-Barton (1990) suggests that instead of using one single case, a researcher should consider using a dual-methodology. In the dual-methodology the researcher looks at one case in-depth and studies secondary cases more superficially. The benefits of such are the combination of detailed material with the overview. As well, a single case study is subject to limitations in generalizability and several potential biases, e.g. misjudging the representativeness of a single event. Using several cases increases external validity and helps guard against observer biases (Leonard-Barton 1990).

In the study of free papers, it would be interesting to look at multiple cases in addition to the in-depth one, as Leonard-Barton (1990) suggests. However, when it comes to free papers in Spain, the number of companies involved is highly limited. In fact, using the definition of a modern free daily from previous chapters, there are only three free papers in Spain: *20 Minutos*, *Metro* and *El Nervión*, which is issued in Bilbao. This thesis could well have included the secondary case of *El Nervión* in addition to the cases of *Metro* and *20 Minutos*, but several issues makes it hard to compare the Bilbao-paper with the two other papers, and this is why it was excluded from the comparison. E.g. *El Nervión* is issued by a Spanish publisher and is only issued in one city. Both *20 Minutos* and *Metro* are part of a larger family of European free papers, foreign parent companies are behind the paper, and neither *20 Minutos* nor *Metro* is issued in Bilbao. The reason for why this last point is taken into consideration is that Bilbao is in the Basque country, which is a special region in Spain for various reasons. When studying media structures the Basque country stands out first and foremost because of its high readership of dailies. The Basque-average lingered around 59.3 percent in 2002, which is the highest in Spain by far at a full 20 percent over the country-average (AIMC 2003). These and other facts make it difficult to include *El Nervión* in a study of such limited time and scope, so I have settled for the two cases of *Metro* and *20 Minutos*. I have chosen to look at Schibsted in-depth and complement my findings with a more superficial look at the case of Metro International. However, it is my hope and intent that the study of these two companies and their free papers will provide extensive and in-depth information that is valid also for other producers of free papers.

I have chosen to complement factual information about Schibsted and Metro International with information from outside sources and expert-judgments, using the Delphi Technique. A major reason for this is also the fact that free papers are still so new that there is limited information about the ventures. In addition both companies are reluctant to give out information that could be strategically sensitive, in fear that it might reach the wrong ears. Without proper information as to financial results for each paper, background information on certain strategic choices, plans or visions for the future, etc. it is difficult to draw conclusions. This is especially true when it comes to the last part of my research question that asks what is needed to succeed with free papers in the future.

4.3 The Delphi Technique

The Delphi Technique will be useful to structure the in-depth interviews with experts on free papers. This method is typically used to achieve expert-judgment on questions about the future, and especially when a great deal of uncertainty and complexity surrounds the research problem. The Delphi technique is therefore very fitting to find answers to the research questions of this thesis. The method operates on the principle that experts on a subject, together, will make conjectures based upon rational judgment. The aim is to gather viewpoints from several experts, and to either achieve a consensus or a list of reasons or arguments for why the experts hold different views. Each expert is interviewed individually to maintain anonymity and to avoid the bias of dominant individuals. In this sense the technique helps structure the group communication.

The interviewer normally uses a questionnaire to maintain anonymity of responses, and some time after the interview, the interviewer will give feedback to each expert and allow individual contributors to respond to and revise their views (see appendix, table 1 and table 2) (Linstone and Turoff 1975).

I have chosen to use the Delphi Technique as the research methodology for this study for several reasons: First of all, my research problem does not lend itself to precise analytical

techniques, but it can benefit from the subjective judgments of a group of experts. Secondly, the Delphi Technique represents a very economical and cost efficient method of soliciting expert opinions, and arriving at group consensus on the issues or getting good arguments for a potential disconsensus. There are many other advantages of the technique as well, e.g. when the group of contributing experts have no underlying organizational ties and represent a diverse population with respect to background, experience, expertise, and location, the result of the interviews is to a large degree unbiased. The structure of the interviews assures that all responses are anonymous to other group members. The anonymity is advantageous for all respondents because it may offset a dominating personality, the fear of losing face by bringing up original ideas and difficulties in publicly contradicting individuals of higher rank. The Delphi Technique appears to be the best way of structuring communication among the members of an expert panel to create “a collective human intelligence” (Linstone and Turoff 1975). In addition to the above arguments, the technique also seems promising for my thesis since several similar studies have successfully used this particular methodology. One example of such is Helgesen (2002), who interviewed editors and CEOs in Norwegian papers to map the future potential of the daily press in Norway.

Due to the limited time and scope of the thesis, I have been forced to make some minor adjustments to the methodology. The biggest issue has been that of time, since multi-round interviews can take several months to perform. I have put much effort into making the questionnaire short and straightforward, to limit the study to two rounds of interviews. Also, I do not aim for a complete consensus, so fewer rounds of interviewing is satisfactory. Although there will still be some disconsensus after the second round, I do not see this as a problem as long as I have good reasons for why the individual experts disagree. I have also chosen to use a lower number of experts than what is recommended, again the major reason for this is the limited time-aspect of this thesis. As well, it has been difficult to come up with good candidates for an expert panel, since the field is relatively new. A third adjustment of the method has been the aspect of anonymity of the participants of the study. During the interviews the respondents and his or her answers have been kept

anonymous, to make sure nobody has felt the need or wish to adjust their answers according to what any of the other experts responded. Analyzing the answers from the experts, I have chosen to publicize several opinions together with name of the expert, to add validity of the study. By including the name of the respondent together with statements, it will be easier to other researches to build upon the work that I have done. I feel this is especially important for the validity of the study since I interview a small number of experts.

4.4 Respondents

Usually a group of experts is chosen as participants in a Delphi study, and the ideal number of participants on the expert panel is 13 (Linstone and Turoff 1975). I am aiming for a lower number of experts, primarily because I am limited on time, and also because the number of experts on free papers is limited as discussed above. A lower number of participants could hurt the generalizability of the study somewhat, but I hope to compensate for this by in stead allowing time for two rounds of interviews. Multiple rounds of interviewing and extensive feedback are important for the Delphi methodology. By confronting experts with their statements a while after the interview and opening for comparison of statements, it allows the interviewees to rethink their answers, reconsider if their opinion differs, or argue further if they still stand by their original opinion.

Before I discuss who the possible participants of a Delphi study on free papers may be, a major issue that needed resolving was the one of what an expert actually is. For many studies and fields there exists a clear-cut answer to what an expert is, but with free papers the role of an expert is somewhat more vague. This is due to the fact that the papers are so new, so far there have not been conducted large amounts of research on the subject, and there is no group or organization that specializes in free papers either. Webster's dictionary defines an expert as "one with the special skill or knowledge representing mastery of a particular subject" (www.webster.com). Cambridge's Advanced Learners' dictionary defines an expert "as a person with a high level of knowledge or skill; a specialist" (dictionary.cambridge.org).

Having discussed the issue of free paper-experts with my supervisor for this thesis, Asle Rolland, and other professors at the Norwegian School of Management, we concluded that the people with the highest level of expertise on free papers would be the people who work with these on a daily basis, or who belong to organizations that issue the papers. However, a person employed e.g. in Schibsted or Metro International would most likely not be able to provide me with objective information and personal opinions. There would be a clear danger that such a person would have a tainted view of the situation.

We concluded that media analysts would have an independent view on free papers, and at the same time be knowledgeable on the subject to provide me with quality answers. Observing Norwegian media coverage of free papers, two analysts from separate brokerage firms in Oslo are recurring figures, and have offered their opinions and predictions on free papers on several occasions, Einar Strømstad of First Securities and Bård Bjølgerud of Alfred Berg. After consulting with Strømstad and Bjølgerud, both were added to the expert panel for their knowledge on the topic of free papers, and since both have a history of talking with media about investments in free papers and the economical aspects of the products.

Of other experts we decided that members of academia and researchers on the subject of free papers would come as close as we could get to an expert of free papers. Thorough research led us to a long list of possible researchers, the following agreed to share their knowledge with me on an expert panel: Robert Picard of the Turku Business School who is an expert on media economics and has published several articles on free papers, Ingela Wadbring of the University of Gothenburg who has just finished her dissertation on *Metro* in Sweden, Piet Bakker of the University of Amsterdam who has published two papers on free papers, and Alfonso Sánchez Tabernero, Dean of the Media Department of the University of Navarre in Spain.

It would have been very interesting to interview direct competitors of the free papers in Spain, such as editors of the larger Spanish traditional papers. These people would surely have good insight and interesting opinions on the free papers. Unfortunately, I could not come up with good contacts at these publications, and was forced to discard the idea.

4.5 Weaknesses of the Delphi-method

The Delphi- technique seems to be a very well fitted method for the study of free papers. However, the method does have its downsides, a major one being that Delphi-studies are often difficult to perform well. On the other side, when performed correctly, Delphi-studies constitute a powerful tool to objectively explore issues that require judgment (Linstone and Turoff 1975).

One key weakness of the method is that it requires a lot from the researcher, his or her organizational skills, the questionnaire and the experts in the field. First of all, the researcher must take care to pick the right questions for the questionnaire. Good Delphi-questions asks for judgments, and not factual information. Factual questions are often uninteresting to pose to an expert, as factual information can always be checked or calculated using other means, and are therefore a waste of the expert's time (Linstone and Turoff 1975).

The second issue that may pose problems when using the Delphi-method is the choice of experts for the study, as discussed in the previous section. First of all, not all fields host true experts, thus it is up to the researcher to determine who gets close enough to expert. This debate became important in the study of free papers, as this is a new field and not one that hosts many "natural experts" as of yet. Another problem with putting together a panel could be to find enough experts. Ideally, an expert panel should have 13-15 people, but in the case of free papers, it was hard to find enough qualified people who were interested in joining, as being part of an expert panel requires effort from the interviewees part as well. This could lead to problems with generalizability, as my study only hosted about half of the ideal number of people (Linstone and Turoff 1975).

A third issue that could be a negative for the Delphi-studies is the fact that multiround-studies require a lot of time. As mentioned, the expert him- or herself have to set aside time, and for the researcher the time-aspect is even more pressing. A single round can easily require three weeks; a three-round Delphi is at least a three to four month affair, including preparation and time for analysis. The problem is not so much that each interview in it self takes up much time, but it can be difficult to find free time in busy experts' schedules. The amount of time spent from the start of the study until the end might be prolonged even further if the experts have to reschedule interviews several times, in addition some experts might even have to drop out during the process (Masser and Foley 1987).

Fred Woudenberg's (1991) article raises more serious questions about the method: "The main claim of Delphi - to remove the negative effects of unstructured, direct interaction - cannot be substantiated." Woudenberg found that the Delphi technique does not produce more accurate answers than other methods, and that consensus occurs as a result of pressure brought on participants that have extreme opinions. It is true that participants may switch positions rather than write reasons for their statements, but a serious candidate would most likely be respectful enough to the work of the researcher to explain statements, and if necessary their reasons for changing opinions. Unserious candidates that are willing to give any answer to be relieved from duty could occur in any study, and is not special for the Delphi-technique. As well, the original impetus behind the method was to seek consensus, because expert consensus was believed more likely to be accurate than an individual forecast. Today, consensus is less important for many investigators than previously. As long as there is a crystallization of the reasons for not agreeing, researchers see this as useful enough (Woudenberg 1991, Masser and Foley 1987). Despite the above-mentioned negative aspects, the delphi-method seems promising to the research question.

4.6 Structure of interviews

To structure the interviews in the Delphi-study and aid the final analysis, I decided to use a SWOT-analysis-design of the questionnaire (see appendix, table 1). I will ask each

respondent to analyze the free papers' potential by identifying Strengths and Weaknesses, and to examine the Opportunities and Threats that may affect these ventures. Carrying out an analysis using the SWOT-tool will be enough to reveal changes that can be implemented easily and gain results (Ghemawat 2001). There will be three separate questions in addition to the SWOT, as these questions do not allow for proper analysis in a SWOT-diagram.

There are several other methods I could have used instead of the SWOT-analysis to examine the current situation and the future potential of the free papers, but I believe the SWOT will provide more accurate answers. E.g. the PEST- analysis looks at similar factors as the SWOT: Political; Economic; Socio-cultural and Technological factors. Added to these factors, some marketing planners also add "Legal" and/or "Competition." Even though the PEST-tool is similar to the SWOT, the PEST relates more to the organization's macro environment and looks at factors that the company has little or no control over. Thus it is less interesting to the research problem than the SWOT-analysis (Ghemawat 2001).

In addition to the arguments above, several researches employed the SWOT tool on similar research issues, e.g. Picard (1999) successfully used the method in his report on the daily press in Europe, and Carly Price (2003) wrote a report on the Threats and Opportunities of free papers.

5. Discussion

In this chapter I discuss the findings from the literature and the two rounds of interviews with experts on Schibsted, *20 Minutes*, general media, media-investments and free papers, along with the interviews of the two Schibsted-representatives. I apply the findings related to each part of the research question, and discuss possible answers to the questions.

In relations to the first part of the research question: **Why do Scandinavian publishers of free paper globalize, what are the reasons behind choosing Spain and why do they enter the markets with free papers?** I go deeper into the discussion on how to define free papers, to try to reveal where the interest in these ventures lie. I discuss the free papers' relation to traditional papers, and conclude that the attraction to free papers lie both in the differences and similarities between free papers and traditional papers. When discussing why Schibsted globalized and why it chose Spain, I go deeper into various theories on globalization, such as the OLI-framework and Robert Picard's theories on media companies and internationalization (2002b). I also examine the Spanish market for advertising in depth and the Spanish media-landscape. I conclude that the Spanish market is attractive to free paper producers, despite the low readership figures and the low GDP per capita.

For the last part of the research question –**Is it possible to succeed with free papers?** I discuss those features of the free papers that are seen as an integral part of the free papers' success. I also discuss measurements- and definitions of success. I conclude that free papers' competitive conditions could be seen as multilateral, although two major sources of competition seem to be the most important: First the free papers have to compete with traditional papers, and secondly the free papers have to compete against other free papers that are also craving a piece of the market. I present a SWOT-analysis of free papers based on the answers retrieved from interviews with the participants of the expert panel, and list features of free papers that are strengths today, but that could become a problem for free papers in the future. I present a short account of the classical economical problem of the trade-off between reach and richness, and conclude that free papers seem to have additional

advantages to traditional papers when discussing the future of the newspaper industry. A vital part of this advantage over traditional papers is the free papers' ability to differentiate, and the differentiation is also key to survival in the competition between the other free papers as well. Good ways of differentiating could be include the distributional system. I also place emphasis on the debate of whether free paper producers should adapt their papers locally or standardize their products. The reasoning behind the thorough treatment of this discussion is that this issue is perhaps where *Metro* and *20 Minutos* vary the most as of today, and where the papers are developing in different directions. It is also interesting to discuss this, because five out of six members of the expert panel agreed that adapting locally seemed to be the best way of running a family of free papers. This is an interesting finding, as theory on the subject of local adaptation versus standardization is by no means unambiguous, and there are solid arguments on both sides of the standardization-debate.

5.2 What is it about free papers?

In chapter three I defined free papers, for the purpose of this thesis, to encompass the free, modern, commuter dailies. In this section I will extend the discussion to include similarities and differences between free papers and traditional papers. This is an important discussion for several reasons, but for this thesis it is particularly important as this may explain some of the publishers' attraction to free papers.

As discussed in chapter three, the modern free dailies look and feel like traditional papers, and offer a selection of international-, domestic-, local-, and entertainment news, and information on concerts, movies, sports-events, etc. The free papers' only income is through advertising as the paper is free of charge to the reader (Price 2003). The free papers are normally distributed by hand near-by junctions for public transportation, or are left in racks at metro stations and other central outlets. The free papers attract people of all ages and social classes, but the main target group is the average citizen from 15-40, with an emphasis on the younger crowd. The free papers attract an equal ratio of men to women, and the vast majority of the free papers' readers belong to the upper class, upper middleclass and middleclass (www.20minutes.com, www.metro.lu).

Taking these features into consideration, more and more agree that free papers should be regarded as a new member of the family of traditional newspapers (Wadbring 2003, Picard 2001). There are countless definitions of what a traditional newspaper is as well, and as of today there is no industry- wide definition or international agreement on a definition. According to the dictionary-definition of newspapers^{iv}, *20 Minutos* and *Metro* are not very different from traditional papers. The modern free papers are in sheet form, they are published five times a week (Metro International also publishes weekend editions in Hong Kong and Stockholm), they look very much like traditional tabloid newspapers, they contain daily local, national and international news like traditional papers, as well there is information on entertainment, sports and cultural events, again very much like a traditional newspaper (www.schibsted.no).

Picard (2001) agrees that free papers, such as *Metro* and *20 Minutos*, should be defined as regular newspapers: “They present themselves in newspaper form, define themselves as newspapers, are perceived by a large number of readers and advertisers as newspapers, and are regarded as substitutes by traditional newspaper managers” (Picard 2001, p168). Agreeing on the definition of newspapers, and whether or not free papers should be entailed in this definition, is becoming increasingly important: A definition affects market categorization, whether or not free papers should be eligible for governmental- and private organizational advantages and standings, and which advertisers the free papers compete for (Picard 2001).

But despite dictionary definitions and the free papers’ self-perception, there exist some major differences between the publications, such as: The target group; the fact that they are free of charge; and the model of distribution. The free papers target a young urban audience who would prefer an easily available news product rather than a heavier traditional newspaper. Traditional newspapers tend to target adults with longer articles on issues that concern this age- group. The free papers attract younger people with busy schedules by offering short and easy to understand summaries of important news. The paper does not

require that the reader finds time to sit down and read the paper, instead it uses a timeslot that is already ready and available, and promises that the reader will have a chance to get up-to-date on the most important news of the day in the 20 Minutes it on average takes to travel to and from work or school. In addition the papers are free of charge, which also appeals to a younger audience, since members of this group often have tight budgets. In addition, young adults are used to getting their news for free through the Internet or other channels, so free news is seen as a natural part of their everyday. Free papers also stand out by the fact that they are easy and quick to get hold of since they are distributed at junctions for public transportation (mad.metrospain.com, www.20minutos.es/madrid).

It seems that both the similarities and differences between free papers and traditional papers constitute the publishers and advertisers' very attraction to the free papers. On the one hand, advertisers do not have to risk too much, because the papers tend to be perceived as practically the same as traditional papers. Since the products are similar to traditional papers, they represent familiar products that have been targeted by advertisers for centuries. On the other hand, the free papers offer extra bonuses in addition to inhabiting several of these positive aspects of the traditional papers: The free papers' target group is highly specified; in addition, this is a group that has yet to be served well by traditional dailies. The target group, the distribution, and format of the paper are all considered strengths by the expert panel of this thesis. It seems likely to conclude that free papers, at least in theory, should be very interesting targets for advertisers, and thereby also to potential free paper publishers. Of course, the free papers have had to mature in the market and achieve a substantial readership base to earn this interest from the advertisers, but this is nothing different from other publications.

5.3 Why globalizing and why Spain?

In chapter three I researched the ownership advantage theories, transaction cost theory and finally the eclectic paradigm of the OLI-framework. The last framework pulls together the above partial explanations of FDI: Ownership-, Location- and Internationalization issues. The theory states that a firm is likely to globalize if: a) it has certain assets that give a

competitive advantage over local firms b) assets are best put in use in parts of the world beyond the firm's country of origin and c) the best use of the assets requires an internal transfer (Held et al. 1999, Jones 1996).

Schibsted has advantages in ownership, location and internationalization issues, and these advantages could have been part of what drove the company abroad. Even so, the majority of the general theories on globalization seem too broad to encompass all the issues that concern a media company. E.g. a media company does often not have the possibility to print papers in a different country from where they issue the publication just to cut printing costs, since there is not a lot of time available between printing and distribution. Although the actual printing would be cheaper, the transportation from the printing office to the distribution site would be both too time consuming and expensive.

5.3.2 Theory on globalization of service- and media companies

The theories discussed above offer some hints as to why Schibsted decided to globalize. Narrowing down the scope of the globalization theory, Lovelock and Yip (1996) offers several different categories of companies to explain globalization. The researchers suggest that one of the main reasons for why a service company in the category of "information-based services" would go abroad is that the company enjoys a transferable competitive advantage. Schibsted fits nicely into this category, and it is easy to argue that the company has a transferable competitive advantage. Schibsted's main competitive advantage is the knowledge and experience of how to produce a successful free paper. Schibsted also benefits from a good reputation in the free paper market that may help increase readership and advertising revenue. Lovelock and Yip (1996) also talk about common customer needs, and this is also an issue that is relevant in the discussion of what drives Metro international and Schibsted abroad. It seems that the companies build on the notion that the young group of readers have a similar culture even though they live in different countries. This notion is not new, many claim that generational gaps are larger than cultural gaps.

Picard's (2002b) research narrows globalization theory down and clarifies Schibsted's choice to globalize further, as his theories are concerned with the globalization of media companies in particular. Picard states that media companies tend to globalize because they see it as a way to increase revenues and company assets, as well going abroad can help diversify market risk. Media companies also tend to view globalization as a way to deal with saturated domestic markets and national ownership limitations. Several of these factors may have been relevant for Schibsted when deciding to internationalize. Launching free papers in several European cities, and thereby accessing brand new advertising channels targeting an often-neglected age group advertising wise, is definitely a possible way of increasing revenues and company assets. Although economic downturns tend to affect a larger geographical area simultaneously, going abroad still helps Schibsted diversify market risk. In addition, going abroad could also have been a way for Schibsted to escape Norway's strict media-ownership rules

Picard (2002b) also points out that trends in policy, trade agreements, and in communication and transportation may be push-factors for media multinationals. Policy changes over the past two decades that may have supported media companies in their desire to globalize include the increased regional cooperation, regional and global trade agreements and a widespread commercialization of broadcasting. Improvements in communications also ease the globalization process for media companies, and the world of media has become more adaptable to an international environment with e.g. advanced phones, fax machines, data movement and the Internet. Additional factors that may push media companies out of their home markets include the privatization of telecommunications, an increasing domestic support for international trade, the changes in Central and Eastern Europe and the removal of internal EU ownership limits. The EU, along with other trade agreements such as EFTA and GATT, is influential in the creation of a climate supportive of internationalization.

Judging by theory, there seems to have been several reasons for why Schibsted decided to globalize. The wish to expand further than the ownership rules intra-Norway command,

was one reason, the wish to access new markets for increased profits and company assets was another reason, alongside the wish to diversify risk and due to general trends in policy, trade agreements, and in communication and transportation. When the decision on going abroad was made then from these reasons, it must then have been important to find markets where the company could fulfill its goals. I will use the following sections to discuss possible ways Spain fits into the picture. To do this I will provide an overview of the print media landscape of Spain, an account of the written press in Spain and an account of the macromarketing environment.

5.3.3 The Print media landscape in Spain

The following section discusses the media landscape for general print media in Spain. There are 136 daily newspapers on the Spanish market, but the industry struggles with low readership. In 2003 the daily newspaper reach is 38.8 percent of the adult population, of which 61.5 percent are men. The readership is considered low in European sense, but it has increased significantly over the last four years from 35.2 percent in 1999 (EGM 2003). In addition to mapping the media landscape, the following section gives an overview over potential competitors to *20 Minutos* and *Metro*.

Spain's media landscape today is going through many changes, and it is steadily becoming more privatized and liberal. But, this is a fairly new trend in Spain. Until 1966, mass media in Spain worked according to the guidelines imposed by Dictator Franco's regime after his victory in the Civil War in 1939. Until Franco died in 1975, the conditions for the development of the media were tightly controlled. After Franco's death Spain started to develop into a democracy, and the Spanish media has gone through a continuous changing process since then, alongside the dynamic changes in the national and international media industry (www.ejc.nl).

Another important change in the Spanish society is the increased readership of newspapers. 20 years ago in 1983, 33.9 percent of the population, read newspapers on a daily basis. The following years, this figure decreased to 30 percent before increasing again to 38.2 percent

in 1996. After a few years of decline again, the daily readership is now record high in Spain, at 38.8 percent.

5.3.3.2 The written press today

According to Spain's Audit Bureau of Circulations, Oficina de Justificación de la Difusión, Spain's daily press is characterized by low consumption and high profits. The majority of Spanish newspapers today are distributed locally or regionally, with some of the papers being regional editions of national newspapers, six of the papers are national dailies (www.ojd.es). Today, Spain publishes more newspapers and magazines per capita than any other European country. Ironically, circulation figures are among the lowest in Europe and are attributed to the lack of newspaper readership. Only 38.8 percent of Spanish citizens read newspapers every day; of these, 65 percent hold a university degree and 54 percent belong to the upper middle class (AIMC 2003).

Five major media holding companies own the majority of the dailies: Grupo Prisa, Grupo Godó, Grupo Zeta, Grupo Correo, and Grupo Voz. The most influential national dailies are Madrid's left of center *El País*, centrist *El Mundo*, conservative *ABC*, and Barcelona's centrist and upscale *La Vanguardia*. *El País*, which is the best selling paper in Spain today, is a national daily general information newspaper that has an average circulation of 435,298^v. The second best selling title, *Marca*, is a national daily sport newspaper with a circulation of 381,587. Another national daily sport newspaper, *AS*, sells 176,912 copies per issue. Two other sports dailies, *Sport* and *El Mundo Deportivo*, both sell more than 100,000 copies per issue, and are among the twelve best-selling titles of the Spanish daily press. There are two relatively new regional daily sport newspapers, *Estadio Deportivo* and *Super Deporte*, which sell 6,253 and 12,814 copies each (www.ojd.es).

There are only three daily national general information newspapers: *El País*, *ABC* and *El Mundo*. Although two of them are the best selling titles in several provinces, in most of the seventeen autonomous regions the main regional newspapers sell more. In Catalonia, *La*

Vanguardia and *El Periódico*, on average sell 202,794 and 166,951 copies per issue, respectively. In the Basque region, *El Correo* sells about 130,042 copies. In Galicia, *La Voz de Galicia*, sells 110,825 copies. In the rest of the autonomous regions the regional newspapers sell less than 100,000 copies per issue (www.ojd.es, www.ejc.nl).

The economic daily newspapers are published, for the most part, in Madrid and Barcelona. The most important titles, *Expansión* and *Cinco Días*, sell 48,108 and 24,621 copies per issue respectively. *La Gaceta de los Negocios* sells 14,741 copies (www.ojd.es, www.ejc.nl).

There is also a local press in Spain. In Catalonia the local press, “premsa comarçal,” is especially important and represents leading titles in the region (www.ojd.es). The majority of newspapers in Spain are published in Castilian (Spanish). Only six of them are in Catalanian and one in Basque, and a few more are bilingual, Catalanian/Castilian, Galician/Castilian and Basque/Castilian. The circulation rate of these newspapers is very low, except the circulation of *El Periódico* published in Castilian and more recently in Catalanian (www.ejc.nl).

According to World Press Trends (2003), 11 out of the 15 EU-countries reported circulation losses in 2002 compared to 2001. Over the five-year period, 11 countries reported circulation losses. In Spain circulation remained stable in 2002 compared to 2001, and also in the five-year period (World Press Trends 2003).

In order to overcome the economic problems of low circulation and increasing costs (especially of newsprint), a number of parallel strategies were developed since the middle of the 1980s. Some national newspapers publish special editions in some autonomous regions to increase sales regionally; as well, almost every daily newspaper is investing heavily in editorial promotions. Added to this, most newspapers are available online, with original web-based content. Some papers also offer special editions of the electronic version of their papers for students and young adults (www.ejc.nl).

In Barcelona, the free papers could be threatening the popular, leftist paper *El Periódico*. The paper has lost a lot of money lately, and one major reason for this could be that this is the paper in Barcelona that is the most similar to the free papers. According to Sánchez Tabernero, there have been some indications that *El Periódico* is thinking of launching its own free paper to battle the competition (interview with Sánchez Tabernero 2003).

There are about 350 periodicals in Spain. 52.1 percent of Spaniards read at least one magazine regularly^{vi}, but circulation is in decline. More than two thousand different magazines are published in Spain. Most of them have a small circulation, with only a few exceeding 500,000 copies. Among these are *Pronto* (946,016) and *Hola* (582,469), representing the so-called *prensa del corazón*^{vii} (www.ojd.es). Revenue of newspapers and magazines comes from selling copies and from advertising contributing from 50 percent to 70 percent of the income to the main Spanish newspapers. The rate is similar in magazines, although advertising revenue has been lower than revenue from selling copies for the Spanish newspapers in the last years. In the periodicals, the revenue from selling copies has decreased. So the main publishers of magazines publish new titles to increase sales (www.ejc.nl).

Newspapers and magazines are privately owned. There is a tendency towards concentration of ownership and production in the Spanish newspaper industry: Only twenty newspapers control about 70 percent of the total newspaper circulation and about 60 percent of all these newspapers are owned by regional daily press groups such as *Prensa Ibérica*; or by foreign capital such as *Recoletos* (owned by Pearson); or by the three Spanish media groups: *Prisa*, *Correo* and *Zeta* (www.ejc.nl).

Foreign investment has entered with much difficulties, and is much lower in the Spanish daily press than in the periodical press. Foreign groups (e.g. Bertelsman, G & J, VNU, Hachette) have the largest periodical press sales, together with some Spanish-owned

companies such as Grupo Zeta that, in recent years have also attracted foreign investment. There are a large number of magazine titles available on the Internet (www.ejc.nl).

5.3.3.3 Trends in Spanish media policies and foreign investment

The activity of the press in Spain is free, and it is only subject to legislation protecting honor and individual privacy, the Penal Code and the Constitution. Therefore, there are no limitations to the ownership of publications (www.ejc.nl, www.ojd.es).

In 1986, the ban on foreign capital in Spanish press was lifted. The regulation of foreign investment in the press follows the general rules set for foreign capital investment. If foreign participation does not exceed 50 percent of the capital investment, the participation is free. If the foreign participation should exceed 50 percent, the foreign participation is subject to some rules of administrative verification. With Spain's EU membership, there is no obstacle to the existence of a periodic publication that belongs to other countries within the EU, excluding Spain (www.ojd.es, World Press Trends 2001).

In general, the Spanish media landscape has been characterized by privatization and liberalization over the last few years. These trends have led the media industry into a concentration process, with a few groups attending all the different activities and markets (international, national, regional and local). The organization of the media industry also reflects the integration and alliances between media companies, telecommunication operators and banks. In 1999 the expansion of media and telecommunication companies into Internet-based ventures began, which includes more services like television, electronic commerce, bank services, among others (www.ejc.nl).

5.3.3.4 The Internet as a possible channel of revenue for media companies

The development of Internet habits among Spaniards is important to the free papers. Several participants pointed out that the Internet is an opportunity for the free papers to

achieve more readers, more advertising revenue, and make the brand name that the free papers have become even better known.

It is estimated that the number of users of the Internet has grown from approximately 15 percent of the population above the age of 14 in 2001, to 24 percent of the population in 2003^{viii} (EGM 2003). All the estimates talk of rapid growth in the next few years, as public initiatives have been announced. Analysts say 40 percent of Spaniards will be Internet users by 2005 (www.ejc.nl).

To this lack of user values must be added the relatively small production of content in Spanish. The role that Spain could play in the extensive Spanish-speaking world is often cited, but when the Internet develops without due attention to content, this only ends up strengthening the use of English.

5.3.3.5 The Spanish macromarketing environment

The research question of the thesis asks why Schibsted chose Spain as yet another market for its papers. The previous section helped throw some light on this issue, by providing an overview of the situation of the written press in Spain, along with a brief discussion of the Spanish readership of papers. However, all advertising-based media face a dual market, where they have to please readers on the one hand and advertisers on the other hand. This is true also for publications that are not paid for through subscriptions and/or through non-subscription sales, such as free papers. Free papers have to prove their potential to get advertising, and the main way of doing this is to refer to the popularity of the publication through circulation and readership. Therefore the publication has to adjust to the tastes, needs and preferences of its readership on the one hand, and on the other hand, it has to consider the advertisers' demands and willingness to pay (Helgesen and Gaustad 2002). The following analysis of the Spanish market for advertising and of the Spanish consumer may provide further hints as to why Schibsted targeted Spain with *20 Minutos*.

At first glance the Spanish market may not seem ideal for launching free papers. According to the Spanish Statistics Institute, Instituto Nacional de Estadística, Spain has one of the lowest GDPs per capita in Western Europe, and Spanish consumers have lower purchasing power than most other EU residents. The result is that advertisers are not willing to pay as high rates for the advertising space, and consumers have less money to spend on the advertised products and services than elsewhere in the EU (www.ine.es). According to the World Press Trends (2003), Spain's advertising revenue for 2002 was down 4 percent from the year before. However, a closer look at the macromarketing environment in Spain and the Spanish consumer reveals that there are several points that speak in favor of the Spanish market for advertising and for the potential of free papers.

Firstly, the Spanish population is becoming more and more urbanized, and a large urban population is the pipe dream of any free paper publisher (The Economist Intelligence Unit). The main reasons for seeking a large urbanized population are that modern free papers target city youth, the papers are distributed at busy junctions for public transportation in cities, the free papers depend on local news and advertising, and they keep costs down through a large circulation. Thus, the Spaniards' attraction to the major cities becomes part of the free paper producers' attraction to the Spanish market.

The large-scale urbanization of Spain started several decades ago, and especially between 1950 and 1970 large groups of people moved from the poorer, less urbanized south to the north to find work (The Economist Intelligence Unit). Whereas Aragón, Castilla-la-Mancha, Castilla-León and Extremadura account for 52 percent of the landmass, they only account for 17 percent of the population. In 2002, 65 percent of a population of 41.1 million lives in towns of more than 10,000 people, and only 18 percent live in rural areas (www.ine.es).

Barcelona, Madrid and Seville where *20 Minutos* and *Metro* are distributed, are among the largest and most populous cities in Spain. Barcelona and its immediate suburbs have a population of over 5 million people. The region Catalonia, where Barcelona is the main

city, is Spain's industrial heartland with its high concentration of manufacturing industries. Annual advertising sales in Barcelona were approximately 380 million dollars in 2001, and about 30 percent of this was spent on newspaper advertising. Madrid has a population of 4.5 million, and has become one of Europe's major cultural and commercial centers. The annual print advertising market in Madrid was reported to be worth 330 million dollars in 2000. Seville city has approximately 700,000 inhabitants and is the fourth urban agglomeration in Spain. It is the capital of Andalucía, one of the biggest regions within the European Union, and the region has experienced a dramatic economic surge in the last two decades. Seville exerts nowadays a pivotal role in the articulation of the national economy, being the most important urban center in the Southern half of the Iberian Peninsula (www.ine.es). Advertising revenue in Spain fell sharply with the economic slowdown in the second half of 2001 and through 2002, but when analyzing figures for the past five years, Spain's advertising revenue was up 15.4 percent (World Press Trends 2003).

Spain's GDP per capita, which lingers around 15 300 euros a head, is rather low compared to other EU countries. However, the Spanish consumer has something better to offer than fat wallets. Spain's GDP growth continues to outpace the average growth in Europe, at a rate of about 2.7 percent year (2001) (The Economist Intelligence Unit, World Press Trends 2002). The Spanish economy suffered a slowdown in the second half of 2001 and growth slowed down somewhat, although it is still high compared to other EU countries. According to Pelle Törnberg, president and CEO of Metro International, the growth is part of what attracted Metro to Spain: "Spain is one of the countries with the greatest economic growth potential in Europe. The launch of Metro opens up another exciting market place and continues the momentum of our expansion" (www.metro.lu).

As people become richer, they also develop new consumption habits. People who are in the process of changing habits, are normally also more susceptible to advertising. This might be exactly what is happening in Spain. Traditionally Spaniards bought almost all of their consumer goods at small independent shops. Now the emergence and development of large

self-service retailing formats, which stock many alternative brands, has increased the importance of consumer point-of-purchase decisions. In the 1980s consumer goods companies reacted by reducing the percentages spent on in-store promotions. The huge increase in trade promotions demonstrates the considerable power that the retailing giants gained over the manufacturers. The excessive levels of promotions, whilst stimulating short-term demand, have endangered brand equity. As a result many manufacturers have increased their investment in traditional advertising, e.g. in media outlets, to maintain brand equity and to differentiate their brands from distributor brands (The Economist Intelligence Unit). This is good news for free papers in Spain, which represent new advertising channels.

The target group of the free papers is of high interest to advertisers, since traditional media outlets often neglect teenagers and young adults. Metro International's Törnberg also emphasized the importance of the target group upon the launch of Metro in Madrid: "The established Spanish newspapers are currently struggling with an ageing, male-dominated readership. We believe the launch of Metro in Madrid will attract a new and younger audience that other newspapers have not reached. Our appeal to younger and female readers is what has made Metro a success with advertisers in Barcelona and around the world."

The situation of the free papers' target group in Spain differ somewhat from other European markets. Teenagers and young adults in Spain seem to have more money to spend on themselves relative to the price levels, than elsewhere in Europe. The main reason for this is that Spanish people from 18-29 tend to live at home longer, mainly because of the economic situation and the increasing popularity of university education (www.ine.es). University students almost doubled from 744,000 in 1983/84 to 1,376,805 people in 1993/94. One reason for why a university education has become more popular is the high unemployment rate in Spain. Unemployment in Spain remains among the highest in the European Union, but seems to have decreased somewhat over the last few years. The group that is affected the most is 16-19 year olds, where unemployment is at 53 percent. This would imply that there is a pressure to get a higher education. As in most other developed

countries, the youth of Spain (16 to 29 years of age) have become eager consumers who spend their money on products that will improve their image or quality of life, or that incorporate the latest technologies (www.ine.es). This group is said to live for today, and often want to differentiate themselves through style and accessories, and therefore tend to be attracted to products that are new, original and dynamic. The increasing tendency to live at home reflects their need to save on general living expenses to purchase these items (Nueno and Bennett 1997).

Female consumers should be especially interesting to the free papers' advertisers. Metro International states that 48 percent of its readers are female, and 50 percent of *20 Minutes*' readers are female (www.metro.lu, www.20minutos.es). These trends in readership of the free papers are very different from that of the traditional papers in Spain, where more than 60 percent of the readers are men. This ratio might even out in few years, as the increase in education has been strong among women in Spain. In the 16 to 29 age-bracket more women possess high school or graduate qualifications than men. As well more and more Spanish women are employed, only between 1986 and 1994 the increase was 25 percent. Even this growth did not keep pace with the number of women seeking work, which grew by 36 percent to 5.8 million (www.ine.es). According to Nueno and Bennett (1997), the female consumer is a more rational and demanding consumer, she is not brand loyal and is responsive to price reductions and promotions.

The Spanish mentality also seems to fit well with the objectives of advertisers. According to Nueno and Bennett (1997), the dominant mentality in Spain is that employment is a means of getting money to spend on leisure activities. Traditional pastimes have involved a high level of social interaction, going out for a drink or a stroll down the main street of the city. In addition, physical appearance and image are important factors for the average Spaniard.

Theory on why companies, and especially media companies, globalize indicated that Schibsted might have globalized in the first place to be able to expand further than the

ownership rules intra-Norway commanded. According to theory, other likely reasons that Schibsted decided to globalize was to gain access to new markets for increased profits and company assets, alongside the wish to diversify risk and due to general trends in policy, trade agreements, and in communication and transportation. The above discussion has shown that the Spanish market holds several of these qualities along with other favorable characteristics, and there can be little doubt that the market is an attractive one for free paper publishers.

5.4 Factors contributing to the success of free papers

Before discussing to what degree free papers in Spain are a success, it is interesting to look at factors that may contribute to increases in readership, advertising revenue, and finally earnings.

The expert panel came up with several factors that they feel contribute significantly to the success of free papers. Several of the experts pointed out that any publisher of a free paper, such as *20 Minutos* and *Metro*, had to have a solid budget and be willing to invest heavily in the paper. The reason for this, is that these ventures are expensive to start up, since they will make minimal amounts of money in the beginning. Picard said that it often takes between two and three years for the papers to be successful financially (interview with Picard 2003). Sánchez Tabernero agreed with Picard's time aspect, and predicted that the free papers in Spain are finally getting close to a break-even point. Sánchez Tabernero pointed out that that there has been two years of recession in the Spanish advertising-market, and predicts an improvement in the market starting this fall (interview with Sánchez Tabernero 2003).

Several participants on the expert panel stated that most foreign free dailies, such as *Metro* and *20 Minutos*, would benefit strongly from having a strong local partner in the market they wish to enter. The reason for this is that traditional papers and others often use protective strategies to keep unwanted actors out of the market (Bakker 2002). Local, well-established actors can often break new foreign free paper-investors easily, first and

foremost because a well-established actor has a network to build on, can make use of existing distribution channels and printing-agreements, knows how to handle local politics, etc. One of the participating experts even said that local companies that are considering protective strategies may hold off until the foreign “intruder” has been in business for a while. By waiting, the local firm can make sure that the foreign intruder has lost large amounts of money and felt the resistance in the market, and this way the foreigner might break more easily when the local firm e.g. start up its own free paper, or assert pressure in other ways. If the free paper publishers should be able to partner up with one of these local companies from the start, this could save it from being pressed out the market. It might also be the case that if foreign “intruders” have a local partner to lean on, they could become more easily accepted as a natural part of the market by all actors, as people might not view it as a foreign intrusion, but a mere extension of an already existing local actor. Both *20 Minutes* and *Metro* have experienced the pressure of the local protective strategy, and were forced to pull out of the German market a while back. In Zurich, *20 Minuten* sold out to a local partner in the spring of 2003, and some experts speculated that this could be to achieve protection against hostile local powers. *20 Minutos* in Spain carefully advertises the fact that today’s paper is an extension of Barcelona y M@s and Madrid y M@s, which were start-ups published by the Spanish company, Multiprensa y M@s (interview with Bjølgerud 2003, www.20minutos.es).

The target group of the free papers is a clear advantage of the free papers over traditional papers. Bakker said that one of the main reasons for why free papers attract so many readers is that these publications are made for those who do not read papers on a daily basis. If this is the fact, this is not only good from the readers point of view, it might even benefit society at large as this would imply that all over readership of dailies would increase (interview with Bakker 2003).

Above anything else, the target group is an excellent choice with advertisers in mind. By placing advertisements in the free papers, advertisers can reach people who have been more or less unavailable up till now, as there have been few publications targeting this group.

Not only does the advertiser reach a whole new segment of the market, he or she also reaches a group that tend to spend more money than the average citizen. Despite the fact that young people, including students, often have tight budgets, they tend to spend all they have each month. For this group it is also important to stay up to date, dress well, have the right gadgets, music, etc. (interview with Bakker, 2003).

Picard agrees that creating a niche is important to survival, and to create such a niche it is not enough to just target young people. The surviving papers in the future will be those that manage to differentiate themselves. By differentiating, the papers may be able to achieve loyal readers despite harsh competition from the other free papers. Schibsted's Petter Danbolt, and most all experts stressed the importance of differentiating. According to Bakker, the free papers in Spain today have already managed to differentiate somewhat, and are not complete substitutes. The Spanish readers have to a large extent developed a taste for the one paper or the other.

By building up a loyal readership base, the free papers attract more and more advertisers. Differentiating is one way of assuring that even the most fickle reader develops a taste for one of the papers. It would of course be even easier and a lot cheaper for the publisher to achieve readership if there was only one paper in each market. Although this fact was agreed upon by all the experts, most of them also pointed out that readers would benefit from having several papers in the market, as the papers then would feel the need to work harder to be good. According to Sánchez Tabernero: "Si no hay competencia, hay incompetencia" (translated from Spanish: No competition leads to incompetence^{ix}).

5.5 How to measure success

Not only are there many factors that could lead to the success of the free papers, there are also numerous ways of measuring the relative success. The following are the different types of measurements the literature and the expert panel suggested.

5.5.2 Circulation

Daily circulation could be one tool for measuring success, because a large circulation means that the newspaper estimates that many people are interested in getting their hands on a copy of the paper. *20 Minutos* now has a circulation of 300,000 in Madrid, 200,000 in Barcelona and 50,000 in Seville, to a total circulation of about 550,000 copies per day. This is the highest circulation of any daily in Spain (www.20minutos.es, www.ojd.es).

5.5.3 Intent

Although having a large circulation and making profit would constitute success for Schibsted and Metro International, there are publishers of free papers that view success as a completely different story. The local free papers in Cologne are a good example of how the definition of success depends on the intent behind launching the free papers. Established players in the Cologne market started up these local free dailies, and their sole aim was to press Schibsted and Metro International out of the market. Although the local start-ups were not in themselves a success financially, they were seen as successful by the established press, as both Schibsted and Metro were forced to pack their bags and go elsewhere with their free papers. This in itself could be a goal for some local publishers, because by keeping new players out of the market, the established players both save money and secure their own publications (interview with Bakker 2003).

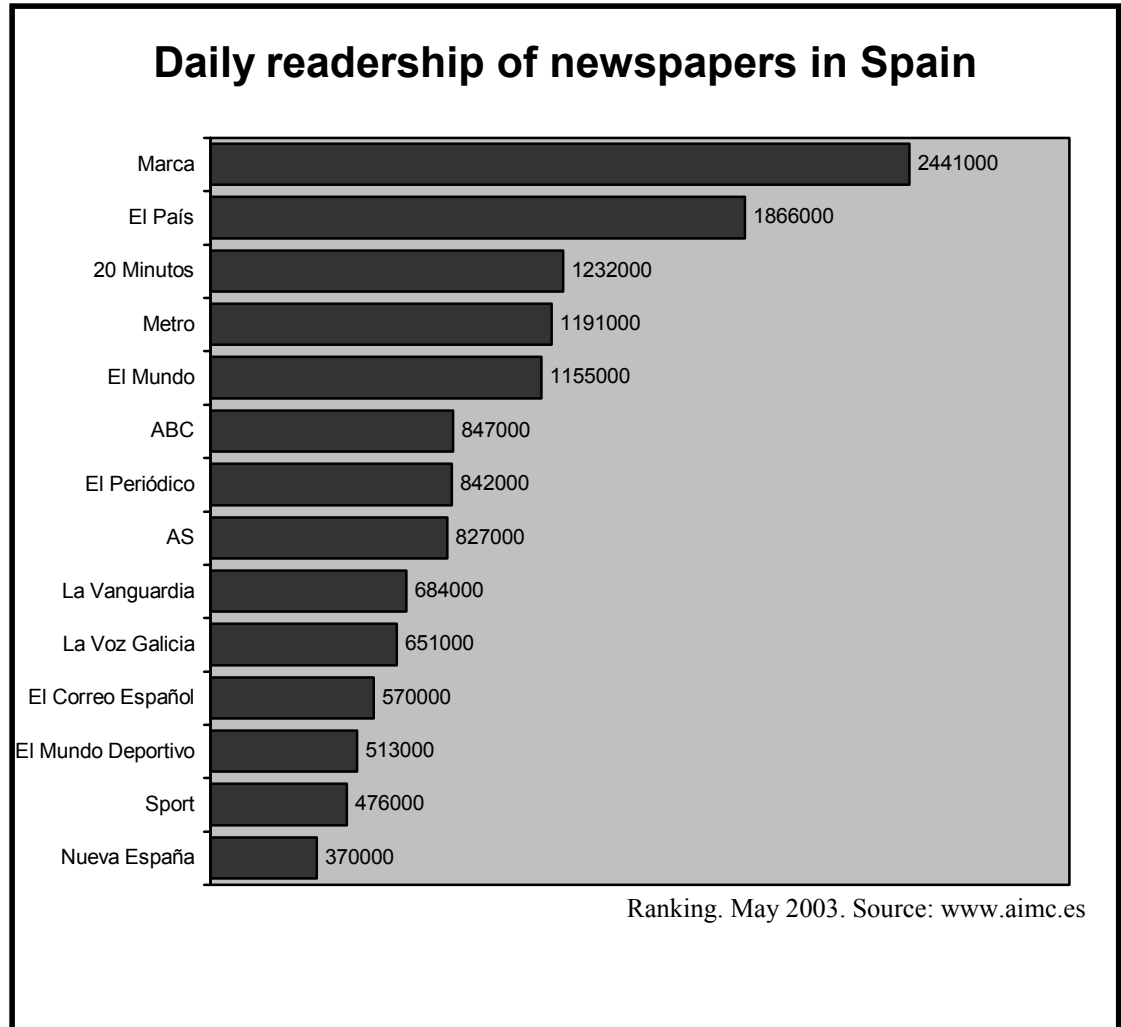
5.5.4 Societal success

In a more philanthropic sense of the word, success could also be an increase in people's welfare, e.g. through education. Spain has traditionally had a poor tradition for newspaper readership, and Schibsted's Danbolt questioned if this was because Spaniards have had no good dailies to cling to before now and that this could be one of the reasons for why readership has been low. Since the Scandinavian free papers were introduced, the Spanish readership has increased from 35.9 percent in 2001 to 38.8 percent in 2003 (AIMC 2003). There may of course be various reasons for this dramatic increase, and two and half years is also too short of a time to state any permanent changes in readership. It is, however, possible that the free papers have contributed to the increase in readership, and if this is

proven right in a few years when the trends in readership are clearer, this could translate to success in itself. The recent readership statistics from AIMC (2003) also proves wrong those opponents of the free papers who claim that the free papers do nothing but “steal” readers from the traditional papers. According to AIMC (2003), every single one of the 12 most-read dailies in Spain have either had stable readership or increased their readership from 2001 to 2003. *Marca* had a 6 percent penetration in 2001 and the year after the penetration was 6.5 percent, *El País* increased its penetration from 4.3 percent to 4.6 percent, and *El Mundo* increased from 2.7 to 3.1 percent (AIMC 2003).

5.5.5 Readership

Wadbring and Weibull (2000) claim readership is the main way of measuring success, if not the only one. Several participants of the expert-panel agreed that it comes down to readership, the main reason being that when people see proof of high readership, they view it as a success. When a paper perceived as a success, this creates an even higher readership as people will pick up a copy to see what the fuzz is about. As readership increases, advertisers view the paper as an increasingly attractive advertising spot, and this again leads to increased income for the free papers. Only two years after its introduction, *20 Minutos* is now Spain’s third most read paper with 1,232,000 daily readers^x, and it is currently the newspaper in Spain with the strongest growth (www.aimc.es, Schibsted’s annual report 2002). *Metro* is the fourth most read daily in Spain with an estimated 1,191,000 daily readers (www.aimc.es) (see table below). According to *20 Minutos’* homepages, *20 Minutos* is the largest newspaper in Madrid with 724,000^{xi} daily readers, and it is Barcelona’s fourth most read paper with 475,000 readers (www.20minutos.es/madrid).



5.5.6 Financial Results

The financial results of the free papers are yet another tool for measuring the success of the free papers. According to World Press Trends (2003), the world's free newspapers seen as one have performed extremely well, with advertising revenues increasing 55 percent over the past five years, despite a decline of 1 percent last year. Growth in the number of free newspaper titles is slowing as the market matures, but circulation is substantially increasing. The circulation growth of all the free papers seen as one was 8 percent from 2001 to 2002, and 6 percent from 1998-2002 (World Press Trends 2003).

Studying Schibsted's operating result for 2002 for all the editions of *20 Minutes*^{xiii}, the free papers seem less successful, although the figures show a clear improvement from 2001 (See table under). *20 Minutes*' operating revenue in 2002 ended up at 34 million euros, compared to 20 million euros in 2001. The loss in operating profit decreased from 51 million euros to 34 million euros. According to Schibsted, the poor results are typical of a new publication. In 2003, the company's focus will be on profitability within the existing business, in addition to a constant evaluation of new and interesting projects (Schibsted's annual report 2002). It is also worth mentioning that the Spanish advertising market has experienced a serious recession, just like many other places in the world, over the past few years. This has again affected *20 Minutes*' results negatively. According to Schibsted's annual report, the Spanish editions of *20 Minutes* have seen revenues increase by almost 70 percent over 2001 and had their first break-even month in October of 2002.

20 Minutes' Operating Result 2002:

(EUR mill.)	2001	2002
Operating Revenues:	20	34
Operating Expenses:	(71)	(68)
Operating Profit (loss):	(51)	(34)
Number of people employed:	168	218

Exchange rates: 2001 EUR/NOK 8.05, 2002 EUR/NOK 7.51. Source: Schibsted, Annual Report 2002

5.6 What is needed to succeed in the future?

All participants on the expert panel agreed that the success of free papers depends on more than one single factor. Most everybody agreed that a free paper could be called successful if the financial results were satisfactory and the readership remained high. The first step on the ladder of success is a high readership, once this is accomplished the free papers can climb to the next step and start harvesting the fruits of their work through increased advertising revenue. Once the advertisers see the product as worthwhile, solid financial results could be the next step.

In the case of *20 Minutos*, readership seems to be at a level that most people would see as successful. The papers have also shown impressive growth in circulation and readership, and the papers keep climbing on the rankings. When it comes to the financial success, which also should be in place for a paper to be called successful, *20 Minutes'* is not there quite yet. The *20 Minutes*-papers had their first break-even month in October of 2002, but have yet to present positive results for a full year. Both Schibsted and Metro International are reluctant to reveal information on separate editions of the paper, but both companies claim to have had positive results for the last quarter of 2002 for their Spanish editions (interview with Danbolt 2003).

Having discussed the status quo of the free papers both as separate products and as part of a competitive market, it is of high importance to try to look ahead to determine whether or not free papers have potential for the future. In such a discussion it is not only important to look at successful features of the free papers, but to also include a more profound examination of the free papers' multilateral competitive conditions. Today and in the future, the free papers will have to compete with all sorts of media, such as the radio, TV, the Internet, etc. However, the two major sources of competition to the free papers seem to be the traditional papers on the one side, and other free papers on the other side. The following sections of this chapter go deeper into the discussion of the free papers' competitive structures.

First, I include a discussion of the classical economical trade-off between the Richness and Reach of newspapers, and the decomposition of the trade-off that has seriously started to manifest itself. This discussion will give an example of how differences between free papers and traditional papers make the free papers better equipped for the future. The next section of the chapter includes a SWOT-analysis that has been developed from the answers of the participants on the expert panel. The SWOT-diagram indicates which qualities of the free papers that the experts evaluated as strengths, weaknesses, opportunities and threats, and how these qualities can affect the free papers in the future. The participants on the

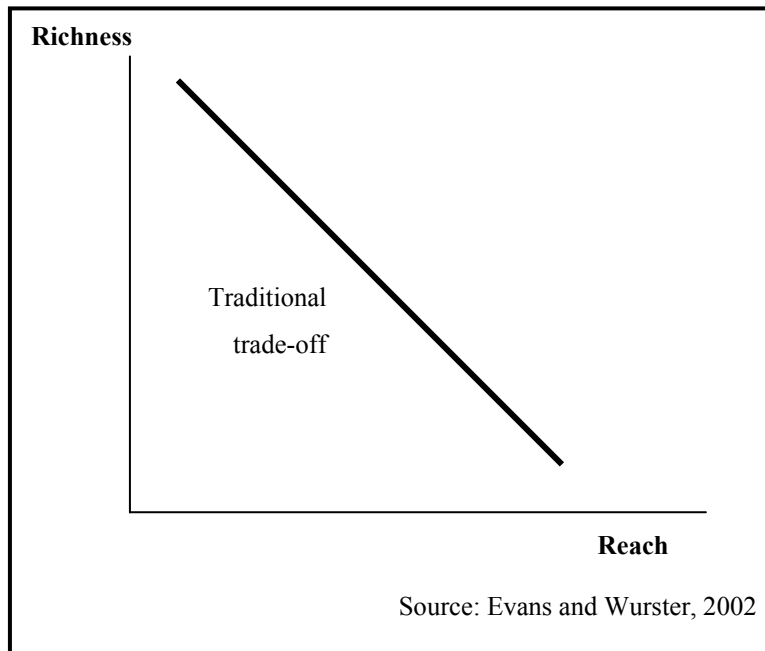
expert panel also indicated that the free papers might have to differentiate further to survive in a market with such a high degree of competition as the Spanish market. The last part of the chapter is therefore devoted to the discussion of how free papers can differentiate to stay successful even with several strong newspaper-products in the same market. I include an in-depth discussion of differentiation through distribution and local adaptation of the papers.

5.6.5 The trade-off between Richness and Reach

Not only do free papers have to differentiate to stay clear of the competition from the other free papers, as discussed throughout this thesis, the free papers also have to compete with traditional papers. The free papers are comparable with traditional papers, but also differ in several ways, often to the advantage of the free paper. The following discussion looks at the traditional trade-off between Richness and Reach, and discusses how free papers also score high in this arena compared to traditional papers.

According to Evans and Wurster at the Boston Consulting Group (2002), all businesses that deal with products where information is embedded in physical modes of delivery are governed by the same law of economics; the universal trade-off between richness and reach. “Richness” is defined as the quality of the information. In the case of newspapers, the richness-factor would include the amount of reading material, the accuracy of the stories, the quality of the writing, the relevance of the story to the reader’s everyday, how adapted the paper is to reader’s local community, etc. The “Reach” is defined as the number of people who participate in the sharing of the information, in the newspaper world this would translate to the number of readers. The reason for why researchers and others traditionally have evaluated there to be a trade-off between the two factors, is that until recently it has been impossible to share very rich information with high numbers of people (see figure below). Extremely rich information could only be shared with a very small number of people, whereas less rich information could be shared with a larger number of people (Evans and Wurster 2002). One implication of this in the newspaper world has been

that if a paper chooses a highly local profile, it automatically limits its readership. A paper featuring specialized news for a local community will not be very interesting to people outside of this community. A paper with a more general profile will be of interest to a wider audience, but might be seen as less interesting by each reader since it does not offer local news, which is often what people are the most interested in.



5.6.3.2 The deconstruction of the trade-off

In the current and future world of newspapers the trade-off between Richness and Reach will not be as explicit as before, much thanks to modern technology, such as the Internet. Today the newspaper industry has a vertically and horizontally integrated value chain, where journalists supply copy, editors and assistant editors lay it out, the press prints the product, and the distribution system assures timely delivery to the readers. Newspapers survive because it creates economies of scale in the printing press. Writers cannot reach readers directly, because it would be too expensive to print and distribute single articles. Because of the economies of scale, it also makes sense for newspapers to bundle together multiple news services, and add classifieds, advertisements, inserts, stock quotes, etc. to the

featured articles. These products cross-subsidize each other: Whereas some of the products pull in certain readers, others pull in other readers, which again might pull in certain types of advertising. Each product within the newspaper plays part in the cost and revenue of the finished product (Evans and Wurster 2002).

The newspaper industry is currently undergoing big changes, and forecasters point the newspapers in various directions. On the one extreme forecasters say the newspaper as we know it will disappear and be replaced with electronic “tablets,” yet others claim the paper version of the newspaper is a stable product that will also have an important function in the future. Evans and Wurster (2002) predict that the big question in the future of newspapers will be if newspapers will remain a vertically and horizontally integrated business. The researchers predict that a deconstruction is underway, where the glue that holds the newspaper’s value chain is melting. E.g. other forms of distribution could become commonplace, and journalists can for example just e-mail their article directly to a reader, who could then mix and match stories to fit his or her need, and combine stories of general interest with specialized and local stories.

However, Evans and Wurster (2002) do not see customized news or electronic tablets as a major threat of the future of newspapers. Instead, the researchers predict there will be a further deconstruction happening in critical parts of the newspaper product. According to the researchers, one of the most critical parts of a deconstruction is the classified advertising, as this section of a newspaper lends itself particularly well to the Internet. The Internet allows classified sections to grow, develop and become user-friendlier: Online classified ads offer continuous updates, advanced searches, extensive text, pictures, etc. The problem with allowing classifieds to become an online product, is that this might mean that the newspapers lose readership and a big source of income: Evans and Wurster say that in the United States, classified ads account for 40 percent of a traditional paper’s revenue, but only 10 percent of its cost. If newspapers should all of a sudden lose this source of revenue they would become financially unsustainable. According to the authors, this is the real threat of deconstruction and not customized news on the Internet, electronic tablets, or

anything else: “Deconstruction is most likely to strike in precisely that sliver of the value chain where the incumbent can least afford to let it happen” (Evans and Wurster 2002, p 42)


Evans and Wurster (2002) predict that even when newspapers fight back and host online classifieds themselves, they might still lose revenue as prices will probably be pressed down when both the barriers to entry and the cost of hosting classified ads decrease. If newspapers insist on keeping the cost of placing an ad high, a less greedy electronic-only competitor might try to take over the marketplace. If the newspapers lower their prices, they lose the cash flow that supports the economics of the print product.

The free papers do not face the same dilemma of deconstruction and the loss of revenue from classified ads. Quite like traditional papers, most free papers tend to include a classified section in their printed version, and many papers also offer an online version of the ads complete with features such as search-engines, updated listings, etc. Also quite like most of the traditional papers, the free papers do not charge for accessing these online ads. The big difference lays in the cost of placing a classified ads; quite *unlike* traditional papers, most free papers do not charge anything at all for placing an ad. Since it is already free of charge to place the classified ads, the free papers do not have to fear competition from Websites that offer cheaper placement of ads. In addition, it is possible that the free papers’ classifieds-markets could develop to be the preferred market place not only for its price, but also for its size. Since it is free to place the ads, nothing stops the service from growing and expanding. Since people who place classified ads tend to prefer the cheaper and bigger channel, this could lead to a positive spiral for the free papers.

5.6.2 The SWOT-analysis

The following SWOT-diagram has been worked out using the answers retrieved from the expert panel, and the in-depth-interviews with Schibsted’s Danbolt and Munck. The participants on the expert panel were each asked to evaluate a list of features of the free

papers as strengths, weaknesses, opportunities or threats, and give a short explanation for their choices. The experts were asked to have the free papers in Spain in mind, but give their evaluation based on free papers in general.

STRENGTHS:	WEAKNESSES:
<ul style="list-style-type: none"> • Target group • Native staff • Local adaptation • Presence in several markets • From readers' point of view: Several papers in each market • Free of charge • Length of paper • Short and easy articles • Distribution • Several papers in each market • Control 	<ul style="list-style-type: none"> • Rigid standardization
OPPORTUNITIES:	THREATS:
<ul style="list-style-type: none"> • Choice of market • Concept • Brand-name 	<div style="text-align: center;">  <p>!!!</p> </div> <ul style="list-style-type: none"> • From the free papers' point of view: Several papers in each market.

As shown in the SWOT-diagram above, the interviewees evaluated the majority of the current features of the free papers as strengths. But although the experts think the status quo in the free paper market is good, some worry that certain features that for the most part are strengths today, could create problems for the publications in other markets or in current

markets in the future. This does not necessarily mean that free papers have to change to be successful, but having an awareness of the potentially “problematic” features may help the publishers’ make strategic choices in the future.

One of the features that might be problematic is the very fact that the papers are free of charge. This feature is essential if the papers should call themselves free papers, and most experts agreed that free of charge is a strength as of today. Alfonso Sánchez Taberero said that free of charge works especially well with the target group, as this group is used to getting their news for free, such as through the Internet and on TV. Robert Picard on the other hand, said free of charge could potentially be a weakness and even a threat, as free is often perceived as something of poor quality. This is a very bad image to have for a paper, as readership depends on papers that are perceived as trustworthy and of quality, in addition to a few other factors. Of course, advertising revenue again depends on readership, which might fail if the paper is not perceived as serious (interview with Sánchez Taberero 2003, interview with Picard 2003). However, it seems that problems with low credibility because the papers are free of charge would mostly be a problem in a start-up phase. As people become accustomed to the product, they will probably also recognize the quality of it and make their own judgments as to credibility or not.

Most experts agreed that the length of paper (the page number) and the short and relatively easy-to-read articles are a definite strengths. The reasoning behind this is that people have a limited amount of time on their hands, and it is therefore preferable to have a short paper where the average commuter-time, 16.7 minutes, is enough to plough through the whole paper (www.metro.lu). Some experts also pointed out that the language and length that is used in the articles of the free papers suit the target group perfectly. The reasoning behind this is that this group is used to reading shorter articles, since they are accustomed to the Internet, which often features summary-like news, and TV, which also uses short sentences and easy language. Bakker said he sees it as a problem that the free papers have only enough articles to last the readers through a 20-minute train ride. According to Bakker, it would be better to have a few too many articles in the paper for that train ride, so that the

reader can pick the articles that he or she prefers, and skip the others. This would also be a good way to differentiate, as readers would be interested in having a wider choice of articles. Whereas including too many articles would not go so well with advertisers, as they might get fewer hits per advertisement, a longer paper could be good news to the free papers regardless. Today double reading is a big problem for the free papers in Spain, and when the free papers are handed out most tend to grab both a copy of *20 Minutos* and a copy of *Metro* instead of choosing one of the two. If one of the free papers would all of a sudden be thicker and offer a wider choice of articles, people might feel that this one paper was enough, and see the second free paper as abundant.

Distribution is another area that has traditionally been viewed as a strength, several experts pointed out that it is a problem to depend on monopolies such as the transit companies. It is also a problem with handing out papers, as this becomes more expensive for a product that may not be able to handle the costs as they are today.

Finally, the experts all agreed that having several papers in each market was very good for readers and advertisers, as this assured diversity and ample choice. However, it is a major problem for the actual paper publishers, as these have to spend money and resources just on keeping the other papers from choking them. Several experts pointed out that in the future it is unlikely that too many markets can handle two or more free papers, unless the market is big enough and the papers manage to differentiate enough to attract different readers.

5.6.3 Differentiation through distribution

There seems to be a wide array of issues that are part of the success of the free papers. One important issue, which Danbolt pointed out as something *20 Minutes* is working hard on, is the distribution of the free papers (interview with Danbolt 2003). This is also an issue that most of the experts considered important to free papers. Four experts named the distribution system as essential to the success of the publications, as it reminds people to take the newspaper with him or her on the way to the train or subway. Today all editions of *Metro*

and *20 Minutes* are hand-distributed near-by junctions for public transportation or left in racks at the actual stations.

Originally the free papers sought exclusive contracts with the transit-companies before they decided to enter a market or not. The contracts gave the free paper that won the contract exclusive rights to place the free paper in stands where people would easily be able to get hold of it on their way to the train or subway. According to Sverre Munck (interview 2003), Metro International's Pelle Törnberg once said "Give me a subway, and I'll give you a newspaper." Today the situation for the free papers has changed dramatically, and several of the editions both of *Metro* and *20 Minutos* do not have contracts with the transit companies. Instead they hand out papers by hand close by the stations. According to Munck, Schibsted "invented" hand-distribution when *20 Minuten* lost its contract with the transit-company in Zurich. The free papers saw that this method of distribution worked well, and it opened up new markets that had earlier been seen as closed because the publishers could not get contracts with the transit companies (interview with Munck 2003).

However, distributing free papers by hand could also carry with it disadvantages, mainly when it comes to cost, according to the expert panel. Despite the high price-tag on handing out papers instead of leaving them in stands, Schibsted's Danbolt praises this method of distribution, because it means that the free papers can target the readers better and thereby get more value per copy for the advertisers. Picard pointed out that *Metro London*, which is issued by Associated Newspapers, has had success with hand-distribution. In London the papers are only available by stations visited by the "right kind" of readers, such as: close to universities, schools, larger corporations, in upscale neighborhoods, etc (interview with Picard 2003).

Metro International is also positive to this method of distribution. About half of Metro International's editions of *Metro* are given to readers by hand, whereas the remaining half are distributed through fixed racks in local or national transport systems and racks located at central points in the city, such as outside stations, in offices and in shopping malls at

metro stations: “Because the paper is largely hand distributed, we are able to target the demographic group that is most attractive to advertisers” (www.metro.lu). However, even though both companies praise these new and different methods of distribution, one could speculate if these methods are expressed as positive just because the companies have not been able to get their hands on exclusive contracts with the metro companies. In connection with the launch in Zurich, Metro International mentioned that it is about 10 times more expensive to distribute by hand and that they had never succeeded with becoming financially sound with such a project (Wadbring 2003).

When entering the Spanish market, the free paper publishers originally sought contracts with the transit authorities. However, traditional papers along with other opponents of the free papers lobbied against giving out the contracts. Both 20 Min Holding and Metro International were left empty-handed, but decided to enter the market with hand-distribution instead. This option was not problem-free either, strict authorities along with a strong kiosk-culture limited the areas where the free papers could be handed out significantly. In addition, the limited areas where *20 Minutos* and *Metro* were allowed to hand out their papers, were the exact same spots for both papers. This has led to a large degree of double-reading; people who are on their way to the subway-stations will not grab one or the other paper, but feel that it is easier to grab both and decide later on which paper to read. Double reading is not the only problem with hand distributing, as mentioned the added cost of this distribution method is significant. According to Schibsted, hand-distribution in Spain is more expensive than it would have been to leave the papers in stands at metro stations. However, since cost of labor in Spain is low, the cost is bearable (interview with Munck 2003, interview with Danbolt 2003).

Schibsted has also experienced several positive sides of distributing by hand, this is especially true in the introductory phase of the free paper. The reasoning behind this, is that it is much easier for the readers to refer from picking up a paper from a stand, where they might have to take an extra round to get to it, compared to the ease of having a paper placed in reader’s hand without him or her even having to stop. After people have worked up a

habit of reading the free paper every morning, it would be less of a problem to make readers take an extra round to get to a potential stand of free papers (Interview with Munck 2003). The expert panel pointed out several positive sides to hand-distribution. Picard pointed out that basic psychology has showed that many people would not refuse to accept something that is handed to them. In addition handing out a free paper by hand also gives a personal face to the paper, and it provides access to people who work or shop in the areas where the papers are handed out (interview with Picard 2003). Wadbring said she was less positive to hand-distribution as this “forces” people to take a paper, even if they do not want one. This creates a negative and pushy view of the papers (interview with Wadbring 2003).

Several experts pointed out that the method of distribution will affect who reads the paper. With both methods of distribution the readership of the paper is colored by who the users of public transportation are in each market. E.g. in Southern Europe and North America, mostly blue collar workers use public transportation, whereas in Northern Europe white collar workers also frequently use the subway or train to get to and from work. This will again affect the contents and look of each edition of the paper (interview with Bakker 2003). Not only does it matter what groups of the population goes by subway, it does of course also matter how many total users there is of public transportation. This is first and foremost and issue when the free papers decide to settle in a new market. If the city of choice does not have a large commuter-crowd that prefers public transportation, distribution can fast become an expensive affair. Bjølgerud said that the cheap distribution is one of the main reasons why free papers can manage without income other than from advertising. If this becomes more expensive, the papers will need to generate more income.

Which of the two methods of distribution the publishers choose again affects the readership of the paper. According to both Metro International and Schibsted hand-distribution allows for better targeting of who gets the paper. Early morning hours at a train or subway station attracts active people who for the most part are either working or studying. The distribution personnel can make sure that an equal ratio of men to women get hold of the paper, and that

the readers are members of the right age-group (www.metro.lu, interview with Munck 2003). According to Ingela Wadbring, this is for the most part a sales argument. By distributing the free papers by hand, the publications are almost forced on people, and many feel obliged to take a paper even if they do not plan to read it. Sánchez Tabernero also pointed out that with hand-distribution, a lot of papers are wasted as not everybody that takes a paper wants to read it. With a distribution through stands or racks, it is for the most part people who are interesting in reading the paper that takes it (interview with Wadbring 2003, interview with Sánchez Tabernero 2003).

Both methods of distribution seem to have flaws, and both seem to incorporate positive elements. However, for the most part it is not up to the free paper publishers to choose the method they like the most. If the publishers cannot achieve a contract with the local transit companies upon entering the market, they have no other choice but to distribute by hand. In markets like Spain the areas where the distribution-personnel can hand out the papers are limited, and this hampers differentiation in distribution further. As of today there seems to be little the publishers can do about this problem, but the future might hold further options. Munck said that Spanish authorities have changed their view on the free papers somewhat since their introduction in 2001. The free papers have not lead to the predicted littering problem, and with the large readership the authorities also see that the free papers hold a function. Kiosk-owners have also not experienced a large decrease in sales of traditional papers, and see the free papers as less of threat than before (interview with Munck 2003). These are all signals that could lead to possibilities for other venues of distribution for the free papers in the future.

5.6.4 Differentiation through local adaptation

Another issue on which *20 Minutos* and *Metro* differ today is that of locally adapting each edition of the paper versus standardizing the publications. This has traditionally been a hot topic of discussion both when it comes to media, as well as with other products and companies. One the one hand people are drawn to products that they feel are adapted

especially for their needs. On the other hand, McDonald's and IKEA are the living proof that not everything needs to be locally adapted to be a success. So what should the norm in the newspaper world be? Despite the many solid arguments and examples of companies that have had success with either strategy, the five of the six participants of the expert panel agreed that locally adapting each edition of the paper is the best strategy despite the high cost. I consider this an important finding of this thesis, and include a thorough discussion of the subject below.

The issue of whether or not to standardize clearly impacts knowledge creation in all Multinational Companies, including media companies: By successfully standardizing, an MNC can smoothly transfer knowledge through its entities, and achieve efficient, streamlined management. Bård Bjølgerud said that the free papers want to appeal to the common man, or the "McDonald's-segment" of the population, not too rich, and not too poor (Interview with Bjølgerud, 2003). The best way of running free papers, or any other company, might still not be to do it the McDonald's way. Instead of seeking maximum efficiency through standardization, organizations may want to adopt structures or processes that reflect the local, institutional environment (Rosenzweig and Singh 1991). I will look at the extent to which Schibsted standardizes its processes and how beneficial this may be to the organization.

5.6.4.2 Positioning

The main reason for why it is interesting to discuss standardization in the case of an MNC like Schibsted, is that according to theory, standardization of processes may lead to extremely positive outcomes for the organization if implemented correctly. Thus, standardization could really be something to aim for: It could lead to economies of scale and reduced costs; the subsidiaries may become easier to control through standardized reporting, -control mechanisms, and -work processes; and because a standardized process might lead to shared language and shared identity, it could increase ability for inter-unit cooperation and future knowledge transfers (Rosenzweig and Singh 1991). On the other

hand, standardization may also bring with it serious problems for the MNC that could end up hampering knowledge and value creation, and this is why it is such a dilemma to many MNCs (Lervik 2003).

The issue of standardization or adapting locally is an important one to any MNC, but maybe especially to newspaper publishers since all advertising-based media face a dual market, where they have to please readers on the one hand and advertisers on the other hand. This is true even for publications that are not paid for through subscriptions and/or through non-subscription sales, such as free papers. Free papers have to prove their potential to get advertising, and the main way of doing this is to refer to the popularity of the publication through circulation and readership. Therefore the publication has to adjust to the tastes, needs and preferences of its readership on the one hand, and on the other hand, it has to consider the advertisers' demands and willingness to pay (Helgesen and Gaustad 2002). Another reason for why standardization is a conundrum to a newspaper organization in particular, is that the customer, in this case the reader, often is attracted to a newspaper that offers news, classifieds, event-information and advertising that is locally adapted. Thus, if a multinational media company goes for standardizing of processes, this might shine through in the publication in a negative way, and the reader could, in the worst-case scenario, end up feeling turned off by the whole publication. On the other hand, standardizing processes might mean that you need to employ fewer journalists, photographers, and editors, and this could again dramatically reduce the cost of running the paper (Rosenzweig and Singh 1991).

5.6.4.3 Schibsted and the status quo

Before digging deeper into the discussion of standardization in newspaper organizations, I will affirm the status quo of Schibsted and its Spanish subsidiaries. Currently Schibsted "semi-standardizes" its operations in Spain, with a clear weight on locally-adapting each publication. The parts of the paper that *are* similar from one edition to the next, at least inside each country, are the international news, a celebrity column and to a certain degree

the sports section. The front page will always vary from city to city, and should always include at least one local story. The rest of the paper is a mix of the standardized contents mentioned above, local news, local entertainment news and local information and guides to events in the city. A popular feature of the Spanish editions of *20 Minutes* is letters from the readers. Including these letters gives the paper a very local feel (interview with Munck 2003).

Although parts of the *20 Minutes*' publications are standardized, the local flavor clearly shines through in each publication. "To Schibsted, newspapers are local business. It's a cliché, but we truly believe in it," said Munck (interview with Munck 2003). *20 Minutes*' homepages' reiterates this point of view on the newspaper business, and promises "commitment to the city and its citizens." The homepage also states that *20 Minutes*: "aims at being the preferred local media platform for the target group in each city," "20 Minutes should be a local newspaper and each edition is locally adapted," and "20 Minutes acts in accordance with local traditions" (www.20minutes.com). The stance is also evident in the fact that Schibsted has three Spanish editions of *20 Minutos*, as opposed to one single edition for the entire country: Schibsted claims that the need for a locally adapted newspaper is so large, it cannot be encompassed in one single publication. As a result, each local subsidiary is to a large degree self-sufficient and is given plenty of leeway to shape the edition it is in charge of.

Nohria and Ghoshal's theories (1997) echo Schibsted's findings on the need to allow local branches of a company, or subsidiaries, to make independent decisions. According to Nohria and Ghoshal (1997), the subsidiary context is differentiated into categories based on the joint conditions of its local resource level and its environmental complexity. As the complexity of the local environment increases, there is more and more need for local information, and the subsidiary must be allowed more leeway when making strategic choices. Referring to Michael Porter's theory, Rosenzweig and Singh (1991) claim it is typical that foreign subsidiaries of MNCs in multidomestic industries are relatively self-sufficient organizations. Such subsidiaries rely primarily on input from the local

environment, set prices based on local competition, and compete with different firms in the country. Because of their dependency on local resources, foreign subsidiaries in multidomestic industries, like *20 Minutos*, have a larger need to gain legitimacy locally, and typically rely on income from sales in local markets. As a result, subsidiaries often manifest more completely the features of other host-country organizations (Rosenzweig and Singh 1991).

Applying Hedlund's theory (1993), Schibsted is a typical example of an organization that is organized heterarchically instead of hierarchically. A heterarchy is a flattened organization with decision-making wherever the necessary knowledge is available. The necessary knowledge can exist e.g. in specific divisions or market regions where the technology or local markets are better understood. As a modern heterarchy, Schibsted believes in making decisions where the knowledge is the most profound, and accomplishes this by employing approximately 100 people in Spain, 50 in Paris, and 70 in Switzerland. All employees are of the same national origin as where the paper is issued. Schibsted claims this is absolutely necessary because maintaining the local flavor of each paper is imperative to the concept of *20 Minutes* (www.20minutos.es, interview with Munck 2003, interview with Danbolt 2003).

According to Rosenzweig and Singh (1991), the fact that Schibsted has employs such a high number of local people in its subsidiary would in itself would imply large differences between the subsidiary and the parent company, and these findings further supports Schibsted's emphasis on adapting each editions of *20 Minutes* locally. Although Schibsted organizes each edition along the same template, the paper is, as mentioned, allowed to vary according to local standards and tastes. Each editor-in-chief is responsible for the contents, and to help fit the paper to the specific readership of the country in question.

5.6.4.4 Other free papers and standardization issues

Not all free paper publishers and -researchers share Schibsted's point of view on the need to adapt each edition of a free paper locally. Researchers arguing in favor of standardization use the free papers' target group as a main argument. The free papers all share the somewhat special target group of the so-called Generations X and Y. Many would claim that these young people enjoy a similar culture across national borders, and in fact some researchers even claim that a generational culture may at times be stronger than the national culture (Price 2003). It might thus be possible to adapt a free paper to meet the needs of the modern young European, and only supplement it with local advertising.

This is exactly where Metro International, Schibsted's main competitor in Spain, stands on the issue of standardization. Metro International's slogan is: "A global message in local languages." The *Metro*-papers adhere to a style that is short and direct, and the format, look, and feel of the papers are consistent in every country in which Metro International distributes. Each edition contains a small portion of local content such as some local news, and according to Schibsted, *Metro's* Spanish editions have become more local than any of its other editions to not alienate readers who also get the very local *20 Minutos* (Interview with Munck 2003). The Spanish editions of *Metro* contain information on local sports, letters from the readers, etc. Even so, each edition of *Metro* is still similar to one another, and Metro International manages to run the papers in a highly cost-efficient way. Each newspaper only employs about 40 people, of which 14-18 are journalists. This is a large difference from a traditional newspaper that typically has a ratio of one journalist to 1,000 readers. Depending on the market, Metro employs one journalist for every 5,000 to 30,000 readers (Price 2003). Schibsted employs more journalists than Metro, and scores somewhere in the middle of Metro and the typical traditional paper. *20 Minutes* in France employs 28 editorial staff, *20 Minuten* in Switzerland employs 41 and *20 Minutos* in Spain employs 42 editorial staff including Web-journalists and editors (interview with Danbolt 2003, interview with Munck 2003).

Metro represents the McDonald's segment of the newspaper world. Each market Metro enters, it does so in the same exact way each time. To achieve cost-efficiency, Metro issues almost a similar newspaper in all its markets, the only significant difference is the language it is set in and a small selection of local news. Metro Stockholm is the benchmark for each new edition of the paper. A selection of people from the Stockholm edition of the paper are part of the start-up team of each new edition to assure the Metro concept is carefully followed. There is even a Metro Handbook, with guidelines for anything from contents of the paper, to business models to be followed (Wadbring 2003).

Metro International prides itself on the streamlined, mass production of newspapers, and compares itself to H&M and IKEA. In an interview with Ingela Wadbring (2003), Pelle Törnberg said that the idea behind Metro International and the ultimate goal of the production is to be best at cost efficiency.

All editions of *Metro* have the same contents, the same design and the same or a similar name. Even the newspapers with a slightly different name are easy recognizable as part of the Metro family, as the choice of colors is the same (printed in four colors, with an easily recognizable green logo), the format is the same, and the layout is also identical. In the Metro view of the world, the look and shape of a newspaper should not be determined according to the gut feeling of the editor of chief who is supposed to represent the taste of readers. Metro International drive their own race based on the notion that one can never guess how the population of one country differ from another population (Wadbring 2003).

In the case of Metro International as a business unit, free commuter newspapers are their only business and worldwide expansion is a goal, so here uniformity is necessary to publish the product on a global scale and keep operations cost-effective. Metro International has also established its own news- and graphics service to more easily share their contents internally, so a simple translation is all that is needed to publish the same story in all of Metro International's 25 editions in 16 countries (Rosenzweig and Singh 1991, www.metro.lu).

Törnberg's goal for the paper is not only to be best at producing newspapers cost-efficiently, if the organization in addition to excelling can produce better newspapers than anybody else, by using their network of journalists to achieve higher quality in addition to low prices, then that would make Metro invincible (Wadbring 2003). Although no one can deny the success of McDonald's and IKEA, newspaper organizations along with other organizations differ in their views on what the audience views as the best hamburger, the best armchair or the best free newspaper.

5.6.4.5 Schibsted and the advantages of adapting locally

Although Metro is the pioneer of free papers and already has 25 editions to boast about, Schibsted continues to follow the more time-consuming and expensive path of locally adapting each edition of its paper. Schibsted claims that after all, young people in Europe, although sharing certain values and norms, speak different languages both linguistically and culturally. Young Europeans are also for the most part only interested in events and city-specific information regarding their own town, and local news is an essential addition to international news. Readers differ from market to market, and despite his or her age, a Frenchman speaks a different language and has different norms and values than a Spaniard. In fact, even between the cities of Barcelona and Madrid, the cultural differences are so large that people from Barcelona say they do not feel Spanish, but Catalanian. With such strong feelings of national and regional belonging, Schibsted points out that people are extra aware of news that is not especially "fitted" to them. The need for local news becomes even more precarious (Interview with Danbolt 2003).

Schibsted has organized its operations in Spain according to its belief in adapting each edition of *20 Minutos* locally. All employees in Madrid are Spaniards to assure that *20 Minutos* becomes a truly Spanish paper, catering to a Spaniard's interests and needs. In Madrid there was no local newspaper before 2001, and *20 Minutos* sees it self as filling a role as the local newspaper for the people of Madrid. The situation of the local press is

different in Barcelona and Seville, but although the main office in Madrid is responsible for publishing the paper both in Barcelona, Madrid, and Seville, Schibsted employs people in the other cities as well. E.g. 20 additional people work in Barcelona, to assure that cultural differences between Barcelona and Madrid are reflected in the paper. As well, the journalists in Barcelona often publish stories in Catalan alongside the stories in Spanish language, and this attracts many young readers in Barcelona, since young people often use Catalan when communicating with each other (Rosenzweig and Singh 1991, interview with Danbolt 2003, interview with Munck 2003).

5.6.4.6 Issues affecting a standardization process

However, having made a strategic decision on going local and hiring natives to run the newsroom, is not enough to assure the success of *20 Minutos*. One of Schibsted's main problems with running a newspaper in Spain, is that the country is not home to a great newspaper-reading nation. The low Spanish rates are partly due to the fact that Spain is a country with a poor reading tradition, and this may imply that Spaniards are just not that interested in reading the news in general. This is a very serious problem for someone who wants to succeed with a new traditional- or free paper in Spain.

On the other hand, the low news reading traditions may also be related to the fact that Spain has had no popular, daily newspapers as in other countries (interview with Danbolt, 2003). If this is the main reason for the low readership figures, the situation is looking a lot brighter for Schibsted, since this could create a lucrative niche for *20 Minutos*. This also implies that depending only on local personnel to produce a locally adapted paper is far from enough. Such a publication would most likely end up resembling a traditional Spanish paper, and such a publication could easily end up with the same problem as the traditional Spanish papers face today: Extremely low readership per copy. Instead of relying only on locals to shape its paper, Schibsted needs to somehow assure that *20 Minutos* is a radically different paper from traditional Spanish newspapers, but with the same attention to local culture.

According to Danbolt, the former director of *20 Minutes*, Ove Johansen, once recited the following analogy to explain *20 Minutes*' vision of doing business in a country like Spain where readership of newspapers is low: Two shoe-salesmen were sent to Sahara to sell shoes. The first one complained that he would not be able to sell any shoes as no one in Sahara wears shoes. The other salesperson was very excited about the mission, and exclaimed that they had found a great market, as no one wears shoes in Sahara today! This situation is similar to the one in Spain, it is possible that the low readership of papers today is due to the many poor papers being issued today (interview with Danbolt 2003).

Schibsted views its publications in Spain as filling a niche by creating a product that has not previously existed. This is a very different view on the market than in any of the other cities *20 Min Holding* operates in. In Switzerland and France, the news reading traditions are more established and of higher quality than in Spain. In the markets further north *20 Minutes* becomes more of an addition to other publications people enjoy reading, whereas in Spain it is often the only publication people read (interview with Danbolt 2003). When the paper fills different roles in different countries, this is yet another argument for Schibsted for why each edition have to be local (Nohria and Ghoshal 1997).

In addition, it is important to note that the average Spaniard does not have the same financial power as people in Schibsted's other markets. In addition, a young Spaniard's everyday life is often very different from the everyday lives of youth in France or Switzerland. These issues are translated directly into pro-adaptation arguments for Schibsted. As shown in the discussion above, the Spanish Statistics Institute reports that Spain has one of the lowest GDPs per capita in Western Europe, and that Spanish consumers have lower purchasing power than most other EU- residents (www.ine.es). Spaniards are, however, becoming richer and many are in the process of changing habits. In Spain, teenagers and young adults, which comprise the target group of free papers, also seem to have more money to spend on themselves relative to the price levels, than elsewhere in Europe (www.ine.es). As a result *20 Minutos* in Spain has to focus on a

different type of readership group than in Switzerland or France, and the papers are adapted to meet the needs of these people.

5.6.4.7 Standardization and issues of control

To assure that *20 Minutos* fills the niche it sets out to fill, and that it does not fall into the trap of traditional Spanish newspapers that do not attract readers and frequently suffer financial losses, Schibsted maintains a high level of control over its publications. Achieving and maintaining control of operations is a complex task for Schibsted, as often is the case for MNCs. This is especially true for MNCs that choose non-standardized processes, since these organizations cannot fall back on standardized reporting, -control mechanisms, and -work processes (O'Donnell 2000). In addition, the fact that the organization operates multi-nationally often adds to the complexity. Geographic distance and language barriers may hamper communication, the evaluation of performance is complicated by shifts in currency exchange rates, and interactions between headquarters and subsidiaries could also be affected by cultural differences (Rosenzweig and Singh 1991). On this question the experts' answers were inconclusive, many claimed there was not enough information out there to provide an educated answer.

Often times the subsidiaries find themselves in a tug war between the headquarters and the local environment. In many cases, therefore, practices are *implemented* by the subsidiaries without being truly *internalized*. These two factors reflect the overall level, or depth, of adoption of the practice within the subsidiary (Kostuva and Roth 2002). To assure that Schibsted's routines and practices are both truly implemented and internalized in the subsidiaries, Schibsted emphasizes the need to continually consider new and old strategies, and even more importantly, to manage the subsidiary with a firm hand according to the chosen strategy. This is especially important since subsidiaries often face the demand of the local environment at the same time as they are forced to comply with headquarter objectives (Rosenzweig and Singh 1991). Pressures for internal consistency and pressures for isomorphism with the local institutional environment often go hand in hand. According

to Rosenzweig and Nohria (1994), the resulting configuration of management practices in subsidiaries is often times shaped by these opposing pressures, and if the strategies are not implemented and managed well, the result may well be one of conflict (Lervik 2003):

Schibsted overcomes some of these difficulties by adhering to one format and template for all its free papers, and making these an absolute obligatory issue. Schibsted demands loyalty to its template for the *20 Minutes* publications, where the general look and design of all the editions of the paper should be the same. All editions of *20 Minutes* should also always include various set items, such as international news, local news, TV-schedules, classifieds, etc.. Finally the type of advertising and the placement of such do also follow set rules. Schibsted charges 20-30 percent more per page of advertising in its papers compared to other publishers of free papers, so it is important that local subsidiaries of the free papers follow the rules on the placement of ads. E.g. In *20 Minutes* the advertisers are be assured that the ad is placed with editorial content, that ads for the same product from different producers are not next to each other, and that ad is not placed on the same page as editorial content that could lower the effectiveness of the advertisement (interview with Munck 2003).

But, as discussed above, at the same time it is also essential for Schibsted to demonstrate trust in the local newsroom and editor-of-chief by not interfering in the daily editorial process as long as the editor follows the template. It is of course also essential for the newsworthiness of the publication that it stays independent of its headquarters editorially. To handle this balance of local- and headquarter control, Schibsted employs four people in 20 Min Holding to supervise such issues. These people work as business developers and meet regularly with the various national editors to discuss strategy and to make sure the editors-in-chief stay on the correct track (Hedlund 1993, Nohria and Ghoshal 1997).

5.6.4.8 Should all free papers adapt locally?

The MNC often is valuable to the extent it is able to exploit knowledge from dynamic clusters, and because of its ability to create and share knowledge (Kogut and Zander 1993). It seems that Schibsted is able to create knowledge successfully via its subsidiaries in Spain, and the strategy to adapt processes locally seems to be advantageous to the company. This goes in the opposite direction of theory that states that standardization is an important tool achieve cost efficiency for MNCs by smoothly transferring knowledge through the entities, and thereby achieving efficient, streamlined management (Rosenzweig and Singh 1991). Schibsted's strategic choices also seem to go against what its main competitor in Spain and in other markets is doing. Each edition of *Metro* is similar to the extent that the news is often just translated from one language to the next, and Metro International runs the papers in a cost-efficient way where each edition is trim-staffed to save on expenses. Even though Metro International is the pioneer in the free newspaper world and keeps its expenses impressingly low, Schibsted continues to insist on adapting locally. It believes this is the best way to create value both for the MNC and its subsidiaries. Schibsted, on the other hand, believes that the readers in the different European countries speak different languages both linguistically and culturally, and therefore each paper must be locally adapted. To adhere to this principle, each of Schibsted's local subsidiaries is to a large degree self-sufficient and is given leeway to shape the edition it is in charge of (Nohria and Ghoshal 1997). As well, Schibsted also believes the Spanish *20 Minutos* fills a completely different need than the editions in Switzerland or France, and that this translates into another pro-adaptation argument.

Since both *20 Minutos* and *Metro* are still young, and both seem to be surviving in the market, it is difficult to say which strategy works the best. Readership statistics show that the free papers are close on the rankings, and other results also do not clearly distinguish the companies. As well the publishers hold different objectives for their papers; whereas Metro International aims for global expansion, Schibsted seems to go for high quality papers in few markets. Wadbring said that currently both *20 Minutos* and *Metro* are different and foreign to Spaniards, and therefore it is likely that the readers do not notice

much of the differences between the publications' strategies (interview with Wadbring 2003). Thus, at this moment in time it is not possible to conclude with certainty which strategy works the best, although this could become more evident in the future. Although adapting locally seems to work well for Schibsted there does not seem to be any reasons for other publishers of free papers to change their strategies.

5.7 Preliminary conclusion

This chapter has discussed the findings from the expert interviews in light of various theory and empirical material. First, I tried to uncover what the appeal of the free papers might be, and how the free papers are similar and different from traditional papers. Secondly, I discussed Schibsted's choice to globalize and its attraction to Spain. I concluded that the Spanish market hold many qualities that would be important and attractive to a free paper publisher.

The second part of this chapter discussed what asks what is needed to succeed with free papers. I presented a list of characteristics that the expert panel judged important to the success of free papers in general. I concluded that *20 Minutos* is successful when it comes to readership and circulation, but that it still has some way to go before it can also present successful financial results. I presented my SWOT-analysis of free papers based on the answers of the participants of the expert panel, and determined that several of the current success-qualities of free papers, could become weaknesses or even threats in other markets or in another time. Theory on the reach-richness trade-off turned out to be another argument in favor of free papers, and provided yet another argument for why free papers have potential for the future.

I rounded off the chapter with a thorough discussion of various ways that free papers could differentiate in the market, such as through distribution or by adapting each edition of the paper locally. I concluded that Schibsted's way of doing business through locally adapting each edition of the paper seems to be a good approach to producing free papers, but that the strategic choices should depend on the intent of the producer. In the case of Metro

International standardization could work better as this company's focus seems to be on worldwide expansion, and such a situation would require a larger degree of cost-efficiency and streamlined production.

6. Final conclusion

The objective of this thesis has been to examine why Schibsted has invested time, money and prestige in free papers. The thesis has also examined why Spain was targeted for the free papers, and whether or not Schibsted's investments seem to have paid off, or if the free papers have earnings-potential in the future. The research question for the thesis has been:

Why do Scandinavian publishers of free paper globalize, what are the reasons behind targeting Spain and why do they enter the markets with free papers? –Is it possible to succeed with these publications?

In chapter three of the thesis I wrote about the theoretical and empirical foundation for the research question. I studied different types of free papers, and defined the free papers for the purpose of this thesis as modern, commuter dailies that target young, urban people. I also examined prior research on free papers, and the history of free papers in Spain. In the next section of the chapter I looked at background material for the part of the research question that asks why Schibsted globalized and why it chose to launch free papers in Spain. I determined that theories on globalization, and especially theory on the globalization of service- and media companies would be helpful to find out more about Schibsted's decision to globalize. I included an overview of the print media landscape in Spain, national media policies and some recent media developments. I also examined the concept of success, and looked at factors that have been thought as essential to the success of free papers in other markets.

The fourth chapter of the thesis presented the methodological approach for the thesis and the method for collection of data. I chose a case-study approach, and in addition to empirical material, I interviewed a business-developer and the director of 20 Min Holding to achieve proper background-information. I set up an expert panel with two media analytics and four members of academia. I used the Delphi-technique to organize two rounds of in-depth interviews. I structured part of the questionnaire around a SWOT-

analysis, which looks at Strengths, Weaknesses, Opportunities and Threats of the free papers.

In the fifth chapter of the thesis I presented the findings from the two rounds of interviews with the participants on my expert panel, the empirical data and the two background interviews with Schibsted's Munck and Danbolt. I applied the findings related to each part of the research question. First I expanded the discussion of free papers from chapter three, to try to uncover what the appeal of the free papers might be. I discussed free papers in relationship to traditional papers, and concluded that the attraction to free papers lie both in the differences and similarities between free papers and traditional papers. I concluded that free papers might be representing something safe to advertisers, as they resemble traditional papers in many ways. E.g. free papers come in sheet form, they are issued Monday through Friday, they are in tabloid format, and contain local, international and other news. However, advertisers also seem to be attracted to the differences between free papers and traditional papers. Attributes that entice advertisers include the free papers' highly specified target group, the fact that the free papers are free of charge, and the high hit-rate per advertisements since the free papers only contain enough articles to last the reader through his or her commute.

When discussing why Schibsted globalized and why it chose Spain, I examined theories on globalization more thoroughly than in chapter three, and focused on Picard's (2002b) theories on why media companies go abroad with their services. Judging by theory, there seems to have been several reasons for why Schibsted decided to globalize. I concluded that several of Picard's theories seem to fit well with the case of Schibsted. It is highly possible that Schibsted wished to expand across Norway's borders because of Norwegian media-ownership regulations. It is also likely that Schibsted wished to access new markets for increased profits and company assets, to diversify risk and as a result of general trends in policy, trade agreements, and in communication and transportation. Spain seems to have been a good choice of market for Schibsted taking these factors into consideration. The country does not restrict foreign ownership in media, it has liberalized and privatized

significantly over the past few years and the Spanish media market seems to have been ready for an advertising channel for teenagers and young adults. A thorough investigation of the print media landscape, the written press and the macromarketing environment in Spain helped me conclude that the Spanish market is very attractive to free paper producers. I concluded that the Spanish macromarketing environment is attractive to publishers of free papers. Spain's GDP per capita is among the lowest in the EU, but the growth in GDP outpaces that of most EU-countries. When it comes to the media landscape, Spain does not have a strong newspaper reading-tradition, but this seems to have worked out well for the free papers that did not have to change their readers' habits, but create a brand new habit instead. Creating a new habit in these readers does not seem to have been too hard, since reading a free paper every morning is a pretty effortless affair for the readers. Bored morning commuters are handed an interesting product at no charge, and all they have to do is to open the paper and read it while waiting for the train or subway to get them to work. This finding proves that previous research on the success of free papers, which suggested that high readership of newspapers one of the reasons for the success of Metro in Stockholm, is not universal.

For the part of the research question that asks what is needed to succeed with free papers, I presented a list of factors that the expert panel found important for the success of free papers in general. I discussed each finding in light of Schibsted, and concluded that *20 Minutos* is successful when it comes to readership and circulation, but that it still has some way to go before it can also present successful financial results. The participants on the expert panel suggested more focus on differentiation for the free papers, to assure that they achieve a loyal readership. I discussed different distribution alternatives for the free papers, and rounded off the chapter with a thorough discussion on whether or not free paper publishers should standardize the papers, or locally adapt each edition. Based on the opinions of the participants of the expert panel and the theory on the subject, I concluded that Schibsted's way of doing business through locally adapting each edition of the paper seems to be the better approach to producing free papers, although the strategic choices depend on the intent of the producer. In the case of Metro International standardization

could work better as this company's focus seems to be on worldwide expansion, and such a situation would require a larger degree of cost-efficiency and streamlined production.

There is little existing research on free papers, and especially on the situation in Spain. It is the goal of this thesis to fill a gap in the existing research material on free papers. More research in this arena can benefit already existing actors in the free paper market and help future actors in the market to make decisions about their investments. The findings of this thesis will hopefully also be of guidance to future researchers, and inspire to further research on the topic.

6.2 Theoretical and methodological choices

Choices of theory and methodology influences any research project immensely, and I therefore include the following section to explain some of the choices I have made throughout the writing of this thesis. First I discuss some major decisions that was made when performing the situation- and industry analysis of the free papers in Spain. Finally, I explain some of the methodological choices of the thesis.

As part of the situation analysis, I presented a SWOT- analysis, which identified major strengths, weaknesses, opportunities and threats of the free papers as we know them today. The analysis was worked out from the answers I retrieved from the two rounds of interviews with the participants on the expert panel. Main reasons for deciding to make use of a SWOT- analysis were the simplicity of the framework and the ease with which the framework may generate strategic alternatives from a situation analysis. As well, the analysis combines an external analysis by looking at threats and opportunities with an internal analysis of strengths and weaknesses. This is beneficial when studying products, such as free papers, that are affected to such a large degree by both internal and external factors.

Expanding the external analysis of the free papers' environment, several frameworks and theories could have been used. However, the original plan was to not use a specific

framework for the industry analysis of the thesis, despite the structural problems this could have lead to. The main reasons behind this choice were that models that are often used to study industry structures, such as Michael Porter's five forces, seem to work well with the analysis of simple market structures, but are less optimal for complex industries. A major problem with attaching Porter's framework to a complex industry, such as that of the free papers, is that a comprehensive description and analysis of all five forces gets very difficult in complex industries with multiple interrelations, product groups, by-products and segments. A too narrow focus on particular segments of such industries, bears the risk of missing important elements (Ghemawat 1999). Despite these limitations, several of Porter's forces can, and have been, defined also in the study of the free paper industry. E.g. the analysis presented in this thesis included a careful examination of the degree of rivalry in the business, and touched upon some of the other forces, although they were not identified in the text using Porter's labels (Ghemawat 1999, Porter 1980):

Porter's first force, the degree of rivalry, is encompassed in the sections where I discuss the competitors to the free papers. To discuss this force in the light of free papers, one would have to divide it into several larger sub-groups of competitors. The free papers compete against other free papers, but they also compete against other media outlets, especially traditional papers. The conclusion is that the degree of rivalry between e.g. *20 Minutos* and *Metro* would be very high, and the Spanish authorities have increased competition between free papers further by restricting *Metro* and *20 Minutos'* distribution personnel to work in the exact same areas. The degree of rivalry between the traditional papers and the free papers is medium to high, since traditional papers are similar to free papers and offer many of the same features as the free papers. The competition between free papers and traditional papers is softened by the fact that the publications target different people. Finally the degree of rivalry between the free papers and other media outlets would be medium to low. E.g. TV often targets the same group of people as the free papers, but TV makes use of a different time-segment and is for the most part not available to morning commuters.

The threat of entry into the Spanish market of free papers has not been discussed as thoroughly throughout this thesis as the degree of rivalry. However, as the free papers mature in the market, it is naturally becoming harder and harder for new players to enter. Today's free papers benefit from recognition in the market, they have built a solid brand-name, and are slowly, but surely, becoming recognized by the authorities as having a function in the Spanish media market. However, several people speak of the Spanish market for free papers as almost insatiable, and use this fact to explain the success in readership of the free papers. Thus, the threat of entry into the Spanish market for free papers is medium.

The discussion of the threat of substitutes in the Spanish free paper industry is similar to that of the threat of new entrants. A substitute product have to satisfy the same basic need in customers as the already existing product, and switching costs will also have to be included. It seems to be fairly easy to provide news to the people, but it is not equally easy to convince people that a new source of news is reliable and worth their time. The switching cost from a free paper to a completely different product is high, especially as the free papers mature in the market. The switching cost of going from a free paper to a traditional paper is fairly low, the products are fairly similar in their way of presenting the news. The threat of substitutes to the free papers becomes medium.

Porter's fourth force, the buyer power, is a more complex force to discuss in the case of free papers. This is because a buyer could probably encompass both readers and advertisers. One of these "buyers," the readers, is already not paying anything for the product, and their only investment is 20 minutes of their time. Since the buyers, in form of the readers, invest so little in the products, they would also not have a large buyer power. At the same time, the readers' interest is what the free papers live off of, so if the readers had the incentive and could organize themselves they could stop reading the paper and thereby execute their power although this is fairly unlikely. The advertisers in the case of free papers have a larger power, and big advertisers, or many advertisers together, could

potentially press the prices of the placement of their ads down. Thus, the buyer power probably also ends up somewhere in the medium range.

The supplier power in the free paper industry would encompass paper-companies, the printing press and maybe even the Spanish authorities that “supply” the space in which the free papers can be distributed, or transit companies that sell rack-space to the free papers in other markets. All of these players would have power, and some would also have the incentive to use this power, e.g. by increasing prices of paper or restricting distribution further. Thus, the supplier power is fairly high.

The above sums up one way of defining the five forces for the complex industry in which the free papers operate. A more thorough analysis along with sharp definitions of each force would be necessary to determine with certainty if the five forces framework could work in an analysis of the free paper industry. However, the above overview of each force demonstrates that some of the forces would harbor serious definitional problems, such as the force of buyer power. As well, it seems additional forces also impact the free papers to a large degree, and these forces could be minimized or even neglected if using Porter’s framework. Likewise, other forces that are less important in this particular industry, could be exaggerated. E.g. external forces such as the market for advertising seems to have great power on the free papers’ profitability. The last two years the advertising climate has been cold world wide, and this has affected the free papers much more than supplier power or the threat of new entrants into the market. As well, in the economic sense Porter’s five forces assumes a classic perfect market, and the more an industry is regulated, the less meaningful insights the model can deliver. The media market in Spain is librated, but the free papers’ everyday has been clearly affected by the authorities’ restrictions (Ghemawat 1999, Porter 1980).

When it comes to the methodology of the thesis, the choice fell on the delphi-method. Other qualitative methods could also have worked, but the delphi-method inhabits a list of important qualities that worked very well for this thesis. E.g. the method is an excellent

way of structuring group-discussions, and a good way of achieving predictions for the future. However, it is important to note that the result of a delphi-study is always going to be based on opinions, and some of the results might even be guesses. The good news is that these will always be highly qualified guesses, as the method involves a panel of experts on the topic. Even so no-one can see into the future, and even though six experts think the free papers have potential for the future, it remains to be seen if this holds true.

6.3 Limitations:

The main limitations of the thesis is that free papers have not existed for very long, and therefore readership-statistics, financial results and other findings cannot be put in perspective. This again makes it difficult to determine which factors in relations to free papers that are important, and to conclude with any certainty whether or not the free papers will be a success in the future. It would be interesting to revisit the topic in a few years when the relative success or failure of the publications, financial results, readership statistics, etc. can be put in a time-perspective. Finally, this thesis looks only at the Spanish market, and only discusses two free paper producers. This implies that whereas some of the findings will be generalizable to other markets and to other publishers of free papers; other findings refer only to the Spanish market and Schibsted. Future research could concentrate on proving if the findings hold true for all the free paper publishers and markets.

Another major limitation of this report is the lack of background material. So far research has depended a lot on the introduction, reactions of the established publishers, the rapidly changing markets, specific markets, and some general research on the free paper phenomenon and the industry (Picard 2001, Bakker 2001, Vogel 2001, Wilkinson 2001, Wadbring and Weibull 2002, etc.). The last year or two, some of the larger reports that talk about press trends, issue readership and distribution figures, etc., are also including the free papers, but there is little to no documentation from the early years (World Press Trends 2002). There is also information-sites and several reports out from the free paper publishers themselves, which is often times meant to tempt advertisers. Due to the lack of material, I have been forced to use some of these last-mentioned reports as well, despite the fact that

these are clearly tainted and offer serious reliability and interpretation problems. I also struggled with getting enough information from the two free paper publishers in question, as much of the information is confidential. Again, these publishers worry that sensitive information may reach the competitors, and prefer to safeguard by releasing as little as possible. It was also a problem finding enough true experts, as discussed in chapter four. The problem again, is that free papers are new products, and few people have researched or studied the ventures. Of the experts interviewed in the thesis, some had first-hand knowledge of free papers from their own research-projects, but some of the other experts had gained their knowledge through studying other people's research. This clearly affected the participants' answers.

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<http://www.20min.es/barcelona>.

In addition to the above references I performed the following interviews:

Individual in-depth interviews to retrieve background information:

Petter Danbolt, Assistant Director, Business Development. 17/3/2003 at Schibsted's headquarters, Oslo, Norway. Main topics of discussion: Background information, why did Schibsted choose Spain as another market for the free papers? Free papers versus traditional papers.

Sverre Munck, CEO of 20 Min Holding. 14/8/2003 at Schibsted's headquarters, Oslo, Norway. Main topics of discussion: Can Schibsted differentiate through distribution? Why does Schibsted choose to adapt their free papers locally?

Expert panel. 1 round of interviews May 18- June 6, 2003: All participants interviewed in person or by phone. Each interview lasted for approximately 30 minutes. 2 round of interviews, August 2003: E-mail interviews. 5 out of 6 experts responded. The following people formed the expert panel:

Ingela Wadbring –Institute for Journalism at the University of Gothenburg, Sweden.

Robert Picard –Turku School of Economics, Finland.

Piet Bakker –The University of Amsterdam, the Netherlands.

Alfonso Sánchez Tabernero –The University of Navarre, Spain.

Bård Bjølgerud –Alfred Berg Brokerage Firm, Norway.

Einar Strømstad –First Securities, Norway.

Appendix:

Table 1, Questionnaire, round 1 of the interviews:

The following questionnaire was presented to each of the participants on the expert panel either in person or over the phone. Each interview lasted 20-30 minutes.

- 1) How would you define the relative success of a free paper (, e.g. is it enough to look at readership)?
- 2) What are in your opinion factors contributing to the relative success of a free paper?
- 3) Do free papers have a future? If yes, what does it look like?
- 4) Would you say the following features of free papers represent a strength (S), weakness (W), opportunity (O) or threat (T)? Why do you characterize your statements as you do?

CHARACTERISTIC:	S	W	O	T	WHY?
Free of charge					
Target group					
Distribution					
Short and easy to read articles					
Length of the paper (amount of reading material)					
Choice of market					
Coexisting with other free papers in the same markets					
Presence in several markets					
Locally adapted					
Adhering to the same concept in all cities					
Native Staff					
Control from headquarters					

Table 2, questionnaire, round 2 of interviews

- 1) Today some of the editions of the free papers are distributed by hand close to metro stations. Do you think this is a good way of handling distribution? Why?
- 2) Some editions are still distributed at metro stations in stands. Is this a better way of distributing? Why?
- 3) Schibsted has chosen to locally adapt each edition of 20 Minutes, is this worth the extra cost? Why?

Endnotes

- ⁱ *20 Minutos* is part of the *20 Minutes*-concept. The free papers are called *20 Minuten* in Switzerland and *20 Minutes* in France.
- ⁱⁱ For simplicity-reasons I use the title *Metro* when discussing *Metro Directe* and *Metro Directo*.
- ⁱⁱⁱ My own translation of the following quote: "Gratisaviser undergraver dagens pressemønster, ødelegger grunnlaget for de tradisjonelle avisene og utgjør en trussel mot den seriøse og kritiske journalistikken. Gratisavisenes snevre mål er å suge mest mulig fortjeneste ut av annonsemarkedene og sikre eierne størst mulig profitt. Disse utgivelsene fører dermed til en ytterligere kommersialisering av pressen idet de er prisgitt annonsørene og må spille på deres premisser. Resultatet kan bli en forsøpling av pressen, heter det i uttalelsen."
- ^{iv} Merriam Webster, 1996: "A paper that is printed and distributed usually daily or weekly and that contains news, articles of opinion, features, and advertising." Collins Dictionary, 1999: "A weekly or daily publication consisting of folded sheets and containing articles on the news, features, reviews and advertisements."
- ^v The audit period for all the circulation figures are from January-December of 2002. Source: http://www.ojd.es/f_medios_impresos.htm
- ^{vi} Figures are from October 2002-March 2003. Source: http://www.aimc.es/aimc.php?izq=egm.swf&pag_html=si&op=cuatro&dch=02egm/24.htm
- ^{vii} Directly translated from Spanish: "Periodicals of the heart."
- ^{viii} Figures from March 2003: 8,375,000 people, or 23.76 percent of the population, use the Internet per month.
- ^{ix} Author's own translation.
- ^x Figures from May 2003. Source: http://www.aimc.es/aimc.php?izq=estudios.swf&pag_html=si&op=uno&dch=06otroestudios/61.html
- ^{xi} Figures from October 2002-May 2003.
- ^{xii} Schibsted and Metro International do not publish figures for the separate editions of the free papers.