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Online newspapers in search for profitable services

Carina IHLSTRÖM¹, Jonas LUNDBERG², Vivian VIMARLUND³
and Christer REHNSTRÖM⁴

^{1,4} *School of Information Science, Computer and Electrical Engineering, Halmstad University
P.O. Box 823, S-301 18 Halmstad, Sweden*

¹ *Tel: +46 35 16 75 31; Fax: +46 35 14 85 33; Email: carina.ihlstrom@ide.hh.se*

⁴ *Tel: +46 35 16 75 34 Fax: +46 35 14 85 33; Email: christer.rehnstrom@ide.hh.se*

^{2,3} *Department of Computer and Information Science, Linköping University
S-581 83 Linköping, Sweden*

² *Tel: +46 13 28 26 02, Fax +33 556 14 22 31 jonas.lundberg@ida.liu.se*

³ *Tel: +46 13 28 44 33, Fax +33 556 14 22 31 vivvi@ida.liu.se*

Abstract. Today online newspapers are putting a lot of resources into their news sites without profiting from them. They have to find ways to gain from them in order to keep them going. Lately there has been a move from print to multimedia, i.e. news is only a part among other services at the news sites and is presented as audio and video as well. We have conducted interviews at nine local newspapers in Sweden about their current situation and future plans. We have also used a cooperative scenario building technique aiming at finding new online services that could be profitable with both newspaper management and end users. The objective of this paper is to describe the current situation for these newspapers and to discuss possible new future services. Examples of services from the workshops are e.g. advertisement on demand and intermediary services.

1. Introduction

Web news publishing is now entering a more realistic phase. The initial excitement is fading, and the newspapers are looking for ways to profit from their news sites. Many stakeholders in the newspaper industry are beginning to reach issues about state-of-the-art business models that lead both to economic efficiency for their online newspaper ventures and to social efficiency [1]. In Sweden most newspaper companies have suffered from substantially reduced advertising revenues during the last year [2]. An advertising tax is imposed on the Swedish daily newspapers, while advertisements in radio and TV are exempt from tax [3].

In parallel, many of the newspaper companies are changing into media houses. Newspapers own radio stations and video production companies. Audio and video are used sparsely on the news sites today. However, the broadband networks, necessary to consume audio and video, are expanding everywhere, despite the recent period of decline of the dot com industry. The PTS (The National Post- and Telecom Agency) in its report "The IT-infrastructure of Sweden" (August 2001) estimate that almost all households will have access to an IT-infrastructure with high capacity within the coming three- to five years [4]. That is in line with the conclusions in the governmental broadband bill where it is laid down that almost all households, companies and institutions within four years shall have access to net for transferring multimedia services of high quality [5]. Even though the future looks bright from an infrastructure perspective, there are many stakeholders competing for the audience online.

Moreover, competing on the Internet is different from competing in the traditional

world. Competition no longer takes place in the physical marketplace [6]. It takes place through a computer-mediated environment with profound implications for how business may be transacted between buyers and sellers. Through this environment it is possible for the newspapers to take new roles as intermediaries between companies and end users, using their well known trademark to guarantee their trustworthiness. Smythe [7] argues that creating an audience is essential, since it attracts advertisers, which are the major source of funding. The newspapers are increasing their audience by being present on the Internet, since they reach readers who normally do not read the printed edition.

In this new world, presence is not achieved by purchasing limited physical space as with traditional newspapers, magazines or billboards. Space is unlimited to the extent that it can be easily increased although there are limitations as to what one can place on a single web page. The technology now exists to create an "electronic trade show", where speed is an important criterion for success, and the challenge is to quickly convert visitors into customers [8];[9].

The objective of this paper is firstly to describe the current situation of nine local newspapers in Sweden and secondly to discuss potential future services that could be produced in the electronic newspapers of tomorrow. Managers at nine Swedish local newspapers, all having online news services, were interviewed. Three cooperative scenario building workshops were conducted in the context of the Electronic Newspaper Initiative project (ELIN-IST-2000-30188) to envision future services. To the workshops we brought the ELIN technology vision of a future Internet, with broadband access to the home, and wireless Internet to use on the move. In this vision, there exist a diversity of platforms for news consumption; smartphones, media home platforms and PCs. Furthermore, the possibilities of interactive video, 3D and personalization were introduced to the participants during the workshop. From these two studies we conclude that the newspapers should prioritize services utilizing personalization and intermediary services, in the short run, since these will work using the present Internet infrastructure. In the long run, we conclude that the services will gain from using multimedia content, which will be possible with the Internet infrastructure envisioned in the ELIN project.

2. Method

Nine Swedish local newspapers with online news services participated in our study. All nine newspapers belong to "Citygate", a newspaper association composed by ten newspapers in which joint web services are being developed. Two different groups of end-users from one of the newspapers in Citygate also participated. During a period of three months managers and editors-in-chief at the newspapers were interviewed about issues as their current situation and future plans. Three future workshops were then held to discuss visions and potential new services in more detail. One of the workshops was performed with management from newspapers in Citygate and two with end-users, representing early adopters of technology and a community of elderly people.

2.1 Interviews

The interviews were based on an interview guide approach [10]. The interview guide was used to ensure that we got the information we needed in the interviews, but it did not determine the sequence or structure of the interview. Our aim was to allow new topics of interest to emerge as the interviews went on. A wide range of questions was discussed covering design aspects, user interaction, current status related to the future expectations

and so on. Three interviewers were present at each interview. The interview leader ensured that no important questions were overlooked, whereas the other two interviewers took notes and asked follow up questions. All the interviews lasted between 60-90 minutes.

In order to analyze the collected data and to find common patterns, all interviews were transcribed. The patterns include issues raised repeatedly during the interviews or opinions that kept re-appearing and can be described as commonly found views or opinions. These patterns were then consolidated into categories, and successively used to build a more accurate picture of the reality of the newspapers today. Some quotations from the respondents are used to elucidate different parts in the result. All quotations are translated from Swedish, thus the wording is not exact, thus the message and style is preserved.

2.2 Cooperative scenario building

The technique, cooperative scenario building [11], is assimilated in the context of a future workshop [12]; [13]; [14]; [15]. However, while a future workshop normally has three main phases; critique, fantasy and implementation, in this method only the critique and fantasy phase (vision and cooperative scenario building) remains, whereas the trigger phase has been added. A facilitator sequences the workshop, deciding when to switch from one phase to another. The facilitator further is responsible for stimulating representatives to participate, asking questions to those who are not active in the discussion.

All workshops had the ELIN technology vision as a starting point, presented to the respondents in the introduction and trigger phases of the workshop. The workshop material was categorized into services, and was transformed into scenarios of technology use, and into lists of problems and visions. These scenarios proposed by management and end users embody the new services with payment models presented in this paper. Finally a selection of scenarios was made using the criteria that they should represent services that cover all proposed platforms, features, content, and proposed payment models. Each scenario describes a service, highlighting the technical platform used (e.g. smartphone, PC, media home platform), technical features (audio/video, personalization, intermediary service, voice control, 3D), setting (home, work, mobile), content (advertisement, news, special news, intermediary service) and payment model (per usage, subscription fee, advertisement, collective licence, on the rent, pay per article).

3. Results

The interview results are presented in section 3.1, and the results from the cooperative scenario building workshops are presented in section 3.2.

3.1 The current situation and future plans

The results support a five-area division of the presented reality; a) situation today b) finance of the new sites today, c) plans for the future, d) transformation from news to media houses and e) possible payment systems.

a) The analysis of the performed interviews with the management shown that the newspapers of today is characterized by producing services financed by their media organizations and that none of the newspapers are profiting from their news sites today. But they still have a positive attitude towards the future, hoping to find new ways to profit from their online news sites. They are beginning to find new ways for interaction between the two media. For example, when creating a forum for "How to build your veranda" on the

net, they at the same time offer the retailers a special price on a small advertisement to be placed in an advertisement page in the printed edition that is targeted towards the online forum. They are also aware of the new audience they are getting on the net. One of the respondents stated that *“The web is a way of strengthening our trademark partly for those who are abroad and partly for those who do not read the printed edition, like young people. It is branding in the long run”*.

b) The news sites are today mainly financed by their media organizations. Some income is coming from online advertisement but the advertisement market for the printed edition as well as online edition has decreased in the last year. *“The advertisement market is sluggish, the only thing that works is a combination of print and banners”*. A few of them are providing a web design service that contributes with some income. None of them makes enough money out of their news services today. One of the newspapers is charging for access to their news site by subscription fees but they do not have many subscribers.

c) Some of the newspapers stated that offering an attractive news site is a way of attracting new subscribers to their printed editions by using branding. They all agree on the importance of increasing traffic on their news sites. *“Increasing traffic is a condition to gain any money if it is at all possible”*.

The plans for earning money out of the news sites in the near future are: advertisements, services liable to a charge and different subscription fees (e.g. for searching the archives, more and faster local news and so on), personalized news services, deepened news services, parallel publishing in print, web and radio and SMS services.

They think that the possible solution for increased advertisement revenue is a combination of print, web and radio aimed at both local and national advertisers. They intend to train their sales personnel how to sell this idea in a strategic way and also to educate their advertisers of this new way of thinking. Searchable archives are considered the best possible service that both could add value to the users and make revenue for the media organizations. Plans for the future taking a long view are: news sites using multimedia, intermediary services, special services for subscribers of the printed edition, integration with other parts of the media organization (multi-publishing) and e-commerce solutions.

d) Most of the newspapers consider themselves as media organizations instead of newspaper organizations. Seven of them already own their own radio stations and two has video production companies in their organization as well. They all vision a future of multimedia, using print, audio and video over different media terminals in a broadband context. *“It is a total media” “It will be about presenting editorial and commercial information in different ways for the readers own choice”*.

e) Addition to the subscription fee has been discussed by all of them. Membership (registered users have access to certain services) is also a subject that have been discussed. For micro payments, a joint solution, SpaceCoin, have been purchased by Citygate. But they have not yet solved all problems involved in offering chargeable, searchable archives.

3.2 The visions: services of the future

In this section we give an overview of the new possible services for the online newspapers with payment models (table 1) proposed by the participants of the workshops, both by management and end users. For each service, we present the preferred platform, features, and content involved. Below table 1 we present five of the services from the table as scenarios (No. 1, 3, 4, 6 and 8), illustrating their use. As already indicated in the method chapter, the scenarios were selected to illustrate all proposed platforms, features, content, and proposed payment models.

Table 1. The services proposed in the workshops

Proposed service	Platform	Features	Content	Proposed payment models
1. The Trotting Tips service	Media Home Platform	Audio/Video, Intermediary service	Intermediary service	Per usage and Subscription fee
2. Heating Calculation service	PC	Audio/Video	Intermediary service	Subscription fee
3. The House Intermediary service	Smartphone	Personalization, Intermediary service.	Intermediary service	Subscription fee on a monthly basis
4. The Weekly Groceries service	Media Home Platform, PC	Audio/Video, Personalization	Advertisement	Packet price for advertisement in the newspaper and mobile use. (The advertiser pays)
5. The Special Dinner service	Smartphone, Media Home Platform	Audio/Video, Personalization	Intermediary service, Advertisement	Per usage or The advertiser pays
6. The Special News Flash service	Smartphone	Personalization	Special news	Subscription fee paid by the employer
7. Weather service – (snow clearance)	Media Home Platform, Smartphone	Intermediary service, Voice control	Intermediary service, News	Collective license, for a group, or by the town. Per usage On the rent
8. Advertisement on demand	Media Home Platform	Personalization, 3D	Advertisement	The advertiser pays
9. The News Portal	Smartphone, Media Home Platform, PC	Audio/Video, Personalization	News	Subscription or Pay per article
10. News and Complementary Information on demand	Smartphone, PC, Media Home Platform	Audio/Video, Intermediary service	News, Intermediary service	Pay per article

1) The Trotting service: “David is sitting at home at night using his digital TV to get the latest tips regarding trotting races from professionals. He is looking at one of his favorite horses training this afternoon. She is looking good, he establishes with satisfaction. He goes on to look at her time records during the last week and decides that he would place a bet on her at the next race. When he has decided on all his bets, he uses the digital TV to place them.”

3) The House Intermediary service: “Sophie and Lucas are looking for a house in Gothenburg. They have been looking for a while and have decided to join The Newspapers exclusive house agency service. This Friday lunch they are sitting at a cafe, planning for the weekend when Lucas gets a message on his smartphone. The message tells him that a house has come up for sale in the neighborhood they have chosen in their profile. He could read all the details about the house and could also look at a map to get directions where to find it. Sofia gets really excited and they are responding to the message immediately. A few minutes later they have arranged an appointment with the seller later that afternoon.”

4) The Weekly Groceries service: “Susan is at work at a Tuesday morning when she gets a personalized e-mail on her multimedia computer with tips for meals for the week along with recipes. These tips take into account that her daughter is allergic to certain food. The mail also consists of a link to a video production of how to cook some of the meals and tips of where to find some of the ingredients for a special price. She takes a quick glance at the

food show at once, finds it interesting and then decides to look at it later that evening when her husband has put the children to bed. After watching the food show later that night on the TV/computer she orders all the groceries that she will be needing during the week with her remote control and is using some of the offers for special price.”

6) The Special News Flash service: “This Monday morning John’s PDA give him a notice by a sound. He is reading that one of his employees has falsified his university diploma. He quickly react on this, getting all the information he needs so when he is contacted by a local reporter 30 minutes later he is prepared and knows what to say.”

8) Advertisement on demand: “Isadora decides to go shopping downtown. She wants to know if there are any clothes sales at the moment, and Kent wants to know if there is a good price on an electrical drill somewhere. Isadora is very annoyed at the commercials from one of the electronic equipment stores, and selects it to be removed from her future edition. Then she brings up a particularly interesting piece of clothing as a 3D model, considering whether she likes it.”

4. Discussion

As stated in the introduction, few newspapers profit from their online editions today and they also earn less from advertisements in the printed editions than in previous years. Consequently, one of their objectives today is to find new ways to gain revenue looking at alternative ways that could attract new audiences. The results show that the newspaper companies are in the process of becoming media houses, expanding their organizations to include radio and video editions. This at the same time lays the groundwork for multimedia online editions. Today, no newspaper is considering taking their news site offline. However, we believe that not presenting news on the web could lead to a loss of audience, since they reach another audience online that is not reading the printed edition. Moreover, they could not work with the interaction between the two media, regarding for example advertisement and user forums. Furthermore, we believe that they want to stay on the net, since they think that the news sites will be profitable in the future and they would not like to fall behind their competitors. Thus, instead of taking their web sites offline, they are in search for new profitable services.

The newspaper’s plans for earning money in the near future were for example advertisements and personalized services. This corresponds well with for example the suggested new services, "The special news flash service" and "Advertisement on demand". The special news flash service is using SMS, and is therefore something the newspapers could produce today, if they had the technology of personalization (indeed CNN.com is currently offering this kind of service). The use of 3D in “the advertisement on demand service”, would belong to what the newspapers would like to offer in the future regarding multimedia, whereas a basic version using personalization, and less advanced content, would be possible to produce today.

A promising concept for profitable services in the long run was for the newspaper to intermediate online services between a company and a customer. This was mentioned both in the interviews and in the workshops as possible new services. This concept could be seen as a development of the normal printed advertisement and the online advertisement of today, providing added value for the audience and the company providing the service. It could also be seen as a transaction potential, of which they may be able to profit from a commission charge. The services exemplified here are for example "The trotting service" and "The house intermediary service". The core technology for these services is personalization, with which it could be produced today, again with less advanced content.

However the use of multimedia, also proposed both in the interviews and the workshops as something to produce in the long run, could be seen as a key ingredient for these services to be more attractive. Furthermore, "The weekly groceries service", embodies their ideas for personalized multimedia advertisement for the future.

Most of the proposed services are related to the media home platform, to replace the PC as the primary platform in the home and several mobile services based on smartphones were suggested. Some of the services rely on the ELIN vision of wireless and broadband Internet access, and widespread use of smartphones and media home terminals. However, we believe a first step would be to introduce the services without multimedia, since as we discussed above, that the key technology is personalization, which can be implemented today. Furthermore, we also believe that as a first step, the PC will work as the platform for the home, and that the mobile devices of today may be used to implement the services, with less advanced content. When media home platforms, smartphones and the broadband Internet access become more common technologies, the more advanced content should be introduced, and the services will most likely be more effective. Since the TV seems to be a more natural and central device in people's homes, we believe it will eventually replace the PC as the device where to present the online news content.

Regarding the proposed payment methods in the workshops, it is interesting to note that the main payment model chosen was subscription to specialized services. The second choice was per usage of service or per article, both corresponding to the future plans of the newspapers. As stated in the interviews with the newspapers, the technology to charge for content is already in place, although all problems with the implementation are not yet solved. However, at this time it is difficult to say how profitable these new proposed services could become mainly because the audience has yet not tested the services.

Furthermore, the plans for the future are based on assumptions and expectations, not taking into account that before producing new services it is necessary to change the consumer behavior and that this transition can cause failures in a first phase. Thus, the scenarios presented in this paper should be seen as a first step in the exploration of new profitable services. We think that the newspapers most likely could start producing the less advanced versions of the services presented in this paper right away, but the problem still is whether the audience is willing to pay for such services. We believe that in future studies it would be interesting to study user's apprehension and willingness to pay for services that online newspapers will offer. It would also be interesting to study how the online news sites in general are perceived by their users in order to suggest new sources of income for the newspapers.

5. Conclusions

In this paper we have described new services that could contribute to the profitability of the online newspapers, meeting the profitability problems expressed by the newspapers. Managers at the newspapers as well as end users have proposed these services. The newspapers becoming media houses and considering taking a new role as intermediaries, could make it possible to offer multimedia and intermediary services that may affect the profitability of online news services in the future.

We recommend that the newspapers start exploring these kind of services; aiming firstly to produce the services using less advanced content, while exploring forms for more advanced content, to be able to launch these when the market is ready. In particular, the services utilizing personalization as the core technology, and the intermediary services, could be produced in the near future. We think that online newspapers should support both

subscription and pay per usage payment models if they want to reach different cluster of users. In the subscription-based models, our recommendation is to explore the possibilities of offering news in a package of online services.

In sum, the proposed services could be seen as visions of the future, thus giving the newspapers a point of departure in the process of searching for profitable services.

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