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Local Swedish Newspapers Approaching e-Business?

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Abstract. Most Swedish newspapers have experienced receding advertising revenues during the last years and are now searching for new ways to profit from their online editions. We have conducted three future workshops with both management and end users to envision possible new services that could be profitable for the local newspapers. Furthermore we have conducted an online survey with users selected from a previous study. The objective of this paper is to describe these services and to give a user response to them. We have identified three kinds of services: advertisement services, intermediary services and news services. The results show that the end users preferred the intermediary services and that there is an interest for advertisements in a new setting.

1. Introduction

The first Swedish online news sites run by local newspapers were launched during 1995. The reasons for launching the news sites were for example to experience with technology, distribution to people not having access to printed edition and to advertise the printed edition [1]. The news sites are today still mainly financed by their media organizations and none of the newspapers are profiting from their news sites. Some revenue comes from online advertisement but the advertisement market has decreased in the last year [2]. Most newspapers in Sweden have experienced receding advertising revenues both in the printed edition and the Internet edition during the last years [3]. There is also an alarming disinterest in the current advertisements in the online edition by the users [4]. The declining revenues has lead the newspapers to rethinking their presence of the Internet, they have to find new ways to profit from their news sites to stay online [2].

In the beginning the news content on the news sites was the same as in the printed edition [1] while today there is a constant update of news during the day. Today, many of the newspapers consider themselves as media organizations instead of newspaper organizations. Some of them already own their own radio stations and has video production companies in their organizations as well [2]. The content is still mainly newspaper style with text and images but the newspapers have started to experiment with audio and video on their news sites [2];[5]. The broadband networks, necessary to consume audio and video, are expanding rapidly in Sweden [6], despite the recent period of decline of the dot com industry.

This paper contains recent results from a study that has been going on since the

beginning of 2001 involving management as well as end users from nine Swedish local newspapers all belonging to Citygate, an association of newspapers in which shared web solutions are being developed. This kind of alliance, since regional newspapers are comparatively small, is recommended as one strategy among others for increasing revenues [7];[8].

Carveth, Owers and Alexander [9] conclude that “companies must avoid treating consumers disinterest in long-predicted services as a problem in implementation, and to see it as evidence that people may be more interested in doing new things with the new media”. However, the audience trust in the newspaper brand is a potential asset when launching new services. More than 91% of the 153 end users in our study have the same trust for the online news site as for the printed paper. Almost 24% think that they would feel more secure shopping on the news site than on other sites, feeling that the newspaper trademark would guarantee safe shopping [10]. Trust is the calculation of the likelihood of future cooperation. “Organizations with high levels of trust can embark on more types of cooperative efforts” [11]. Kalakota and Robinsons [12] definition of e-business, as being a wider term than e-commerce, is used in this paper.

Mensing [7] discusses the economics of online newspapers and states that “if newspapers on the Web are going to succeed, it will take concerted, informed, and innovative leaders, attuned to the complexities of competing in this new medium”. The newspapers becoming media houses and considering taking a new role as intermediaries for the transaction between the buyer and the seller, could make it possible to offer multimedia and intermediary services that may affect the profitability of online news services in the future [2]. The objective of this paper is to describe such new services proposed by management or end users and to give a user response to these services. In consequence, the research question for this paper is; *Could new online services be a way for local newspapers to approach e-business?*

2. Method

We have conducted three future workshops in the ELIN (ELIN-IST-2000-30188) project, in the autumn of 2001 to envision potential new services for local online newspapers. One workshop was performed with management from the Citygate newspapers and two with end-users, representing early adopters of technology and a community of senior citizens. An online questionnaire was then mailed in the spring of 2002 to 153 end users, containing questions about their opinions of the proposed new services from the future workshops. These users are part of a longitudinal study, starting in the beginning of 2001, where they were interviewed about their preferences of the Citygate newspapers online editions [10].

The cooperative scenario building technique was developed to support scenario building in the context of a future workshop. In its basic form, a future workshop has three main phases; critique, fantasy and implementation [13];[14]. The different phases of this method are Introduction, Trigger, Critique, Vision and Scenario building [15]. The workshop material was categorized into services, and was transformed into scenarios of technology use. These scenarios proposed by management and end users embody the new services with payment models presented in this paper.

The end users representing the early adopters were invited after answering an advertisement, which was published in both the printed and online edition of Östgöta Correspondenten, one of the Citygate newspapers. We were looking for both male and

female participants that should represent the regular reader of the paper. Ten people answered and were invited, all male, and during the workshop we experienced that all of them were early adopters of technology. The end users representing the senior citizens were invited through their community, three males and two females responded and were invited.

An email was sent after the future workshops to all the 153 end users participating in the interview study, inviting them to answer our online questionnaire. Two reminders were also sent, resulting in an answering frequency of more than 50%. All answers were stored directly into a database making it possible for us to identify the respondents. The questionnaire consisted of 19 questions.

We used a multi-page questionnaire, presenting one question or service per page. For each service we asked questions about their willingness to pay, preferred payment method etc. There was a progress indicator on each page, helping the respondents to estimate how close they were to the end of the questionnaire. This design was used since it has been shown that despite a longer completion time, multi-page designs have a lower rate of item non-response whereas there is no difference in the rate of partial non-response [16].

The profile of the respondents, derived from the interview study, were as follows; 37 were female and 40 male, 11 had compulsory school as their most advanced education, 22 had comprehensive school, and 44 had a university education. There were seven respondents in the 70+ age group, ten in the 60-70 years group, 14 in the 50-60 years group, 13 in the 40-50 years group, 15 in the 30-40 years group, 13 in the 20-30 years group, and five in the -20 years group. This profile mirrors the 153 respondents to whom the questionnaire was sent. The 17 respondents in the 60+ groups are referred to as senior citizens in this paper.

3. Future Services

In this section we present five proposed services proposed in the future workshops. Management proposed the first two services and the last three were proposed by the end users. We present each service with a name and a short description that was presented to the survey respondents. Then we present a scenario, which we have constructed on the basis of the scenario building workshop results, to illustrate the use of the service. In the table below each scenario, important aspects from the scenario building activity are highlighted. This is followed by what the survey respondents and workshop participants thought about the service.

The Apartment Intermediary Service

Exclusive apartment service, that notifies you directly via SMS when an apartment that match your profile comes up for sale.

“Sophia and Lucas are looking for an apartment. They have been looking for a while and have decided to join the newspapers exclusive apartment 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 an apartment has come up for sale in the neighborhood they have chosen in their profile. He could read all the details about the apartment and could also look at a map to get directions where to find it. Sophia gets really exited and they are responding to the message immediately. A few minutes later they have arranged an appointment with the seller later that afternoon.”

<i>Platform:</i>	<i>Features:</i>	<i>Content:</i>	<i>Payment model:</i>	<i>Setting:</i>	<i>Target group:</i>
Smartphone	Personalization	Intermediary service	Subscription fee on a monthly basis	Mobile	People looking for apartments

This service were proposed by the management, but was not their first choice. However, it was the first choice of the survey respondents with 20,8% willing to pay for such a service and 27,3% were interested but not willing to pay. 51,9% of the respondents were not interested at all. The willingness to pay was most distinct in the 20-30 group, whereas the interest in the service mainly spanned between 20-50. There was a tendency that more women than men were willing to pay and were interested in the service. 36,4% of the respondents thought that the reputation of the newspaper is important for them to consider this service while 36,4% were item non-respondents. Invoice was the preferred way of payment method along with special subscription paid in advance. The subscription fee proposed by management was 20 Euro and the respondents suggested a fee of 8-20 Euro for a monthly subscription and 0,1-0,5 Euro per usage.

The Weekly Groceries Service

Suggestions of a weekly menu with discount coupons adapted to your family needs, with the possibility to order the groceries needed.

“Susan is at work 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. 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 and is using some of the offers for special price.”

<i>Platform:</i>	<i>Features:</i>	<i>Content:</i>	<i>Payment model:</i>	<i>Setting:</i>	<i>Target group:</i>
Media Home Platform, PC	Audio/Video, Personalization	Advertisement	Packet price for advertisement in the newspaper and online. (The advertiser pays)	Work, Home	The Household/ family with kids

This service was proposed by the management and was one of their first choices. As much as 36,4% of the survey respondents were interested in the service, whereas only 2,6 % were willing to pay for it. 61% of the respondents were not interested. The interest for this service is most distinct in the 20-50 group. No gender differences were found. 27,3% of the respondents thought that the reputation of the newspaper is important for them to consider this service while 45,5% were item non-respondents. A special subscription paid in advance was the preferred way of payment along with supplement to the newspaper subscription. Note, however, that management propose that the advertiser pay for this service.

Weather Service

Weather service, i.e. local warnings of slippery roads and information about snow clearance status.

“Kent is going to buy a pair of gloves downtown. It is early in the morning, and he has just finished his breakfast. He has been reading about the harsh weather in the news, and would want to know whether he could get safely and comfortably downtown,

from the suburb in which he lives. He picks up his TV remote, and pushes the speech command button. - "Transportation map", he says. The TV brings up the local newspaper transportation service. - "To the Center", he says. A map is then shown of the routes from his house to the center, displaying the current state of snow removal, and warnings about slippery streets and houses with dangerous icicles. An advertisement in the corner of the screen proclaims that there is now a sale on cotton gloves and caps in a shop downtown. There is also a warning about a half-hour bus delay on the closest bus downtown. He looks at the map carefully, and decides to take a different route downtown than he usually does, since the snow will not be cleared on his favorite shortcut until the afternoon. He also decides to bring his smartphone to stay updated on the weather condition."

Platform:	Features:	Content:	Payment model:	Setting:	Target group:
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	Mobile	The commuters / The Senior Citizens

The senior citizen group proposed this service and it was one of their first choices. It was also one of the first choices of the survey respondents, with 54,5% interested and 5,2% willing to pay while 40,3% were not interested in this service. There was a wide interest in this service for all age groups, whereas only respondents from the 50+ groups expressed a willingness to pay for the service. No gender differences were found. 42,9% of the respondents thought that the reputation of the newspaper is important for them to consider this service while 33,8% were item non-respondents. Special subscription, invoices and supplement to the newspaper subscription were the preferred payment method by the respondents.

Advertisement on Demand

Individually adapted advertisements with offers for your special needs.

"Margaret 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. Margaret 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, trying different colors, and comparing prices at different stores."

Platform:	Features:	Content:	Payment model:	Setting:	Target group:
Media Home Platform	Personalization, 3D	Advertisement	The advertiser pays	Home	All consumer groups

This service was proposed by the senior citizens, and was one of their first choices. The survey respondents were also interested (33,8%), but only 3,9 % were interested in paying for it and 62,3% were not at all interested. The interest for this service is most distinct in the 20-50 group. There was a tendency that more women than men were interested in the service. They would like a special subscription as the preferred payment method. 28,6% of the respondents thought that the reputation of the newspaper is important for them to consider this service while 45,5% were item non-respondents. Note, however, that management propose that the advertiser pay for this service.

The News Portal

Individually adapted news portal, i. e. news from the local newspaper, economic news from a financial paper and so on.

“David is in the living room. He is reading his personalized news for the day, through his news portal. Through this portal he receives news from a variety of sources, presented in a coherent way. He first reads the daily news, with the local news bought from the local paper, the morning news from a national paper, the evening news from one of the evening papers, and the international news from a news service abroad. He also reads the economy news from an economy paper. He reads the news both from work, from home, and while commuting to work.”

<i>Platform:</i>	<i>Features:</i>	<i>Content:</i>	<i>Payment model:</i>	<i>Setting:</i>	<i>Target group:</i>
Smartphone, Media Home Platform, PC	Audio/video, Personalization	News	Subscription or Pay per article	Work, Mobile	News readers

This service was proposed by the early adopters and was their first choice. The survey respondents also appreciated it, 29,9% were interested and 11,7% were willing to pay for this kind of service. 58,4% were not interested. There was a tendency that more men than women were interested in the service. The willingness to pay was found in all age groups, whereas the interest in the service mainly spanned between 20-60. 37,7% of the respondents thought that the reputation of the newspaper is important for them to consider this service while 36,4% were item non-respondents. Invoice and supplement to the newspaper subscription was the preferred payment method by the respondents. The respondents suggested a fee of 10-20 Euro per year for this service.

4. Discussion

We have identified three different types of services proposed by management or end users; advertisement services, intermediary services and news services. The distinction between these three categories is fluid though, since the weekly groceries service is an example of where advertisement evolves into an intermediary service, and the weather service is a news service which evolves into an intermediary service with advertisement.

As stated in the introduction there is an alarming disinterest in the current form of online advertisement by the users [4] and the newspapers are experiencing declining revenues [3]. Therefore it is interesting that advertisement on demand and the weekly groceries has an interest rate of almost 40%. Almost no one was willing to pay for these services, however that is no cause for concern since management states that these should primarily be paid by the advertiser. The interest for these services is also spread in the 20-50 years group, which is quite large. Taking into account that more than one fourth of the respondents consider the newspaper brand important for trusting these two services, they seem rather promising due to the importance of trust [11]. This also indicates that intermediary services could well be a good development of the advertisement of today.

This argument is strengthened by the interest in the apartment intermediary service, which is an evolution from a normal apartment ad, into taking the broker role. There is also a willingness to pay for this service from as much as 20% of the respondents, in particular 20-30 group, which is the age group that is most likely to be looking for

apartments. It is interesting to note that the management that proposed this service did not have it as their first choice since the interest in this service was expressed by almost 50% of the respondents.

Regarding the weather service, only the 50+ group expressed an interest, however weak, to pay for it. The service was proposed by the senior citizens who also is the target group, but there is a wide interest (almost 60%) from all age groups for this service. The opportunity to present weather related commercials and to have sponsoring from the councils and local traffic could make this service possible.

A weak willingness to pay was found in all groups, regarding the news portal. Interest was mainly found in the 20-60 years group, in particular by the male respondents, and the all-male early adopters group also proposed this service. For these last two services, the weather service and the news portal, the newspaper brand seems important for trusting the service, with as much as 40% of the respondents expressing that it is important.

The suggested features for the proposed services is to a large extent connected to multimedia, which is in line with the newspapers becoming media houses [2] and the expansion of broadband connections in Sweden [6]. Previous research suggests that multimedia will make the services more attractive in the long run, whereas in the short perspective, they may be implemented using personalization as the core feature, and adopt the use of multimedia to the current broadband and platform situation [2].

Regarding the need for innovative leaders stated by Mensing [7], it is interesting to note that management has proposed two of the services, the weekly groceries, and the apartment intermediary service, which the audience has expressed interest in. They are trying to be innovative to find new ways of profiting from their news sites. Being involved in this kind of research is one way for the newspapers to get updated and compare their ideas to those of the audience which is in line with what is proposed by Mensing [7]. The newspapers involved in this study could develop the services through Citygate, their alliance, which is in line with the proposition by Mensing [7] and Beamish [8]. We believe that starting to implement and further explore the kind of services discussed here would be a way for local newspapers to approach e-business. It is even more so considering the expressed importance of trust for the newspaper brand, indicating that the newspapers are the right service providers.

5. Conclusion and Further Research

We conclude that of the three kinds of services identified; advertisement services, intermediary services and news services, the most promising concept is the intermediary service. It is a way to develop both news and advertisements into more profitable services. The expressed importance of trust for the newspaper brand concerning these services gives a strong indication that the newspapers could be the right services providers. There is a substantial interest in all services described here, but the willingness to pay is low except for the apartment intermediary service.

Further research, using prototypes of the services that the users can test, might give a different result regarding the willingness to pay. The strong interest in these services might lead to a willingness to pay, when actually experiencing the benefits of the services.

We believe that developing and implementing these kinds of services could be a profitable way for the newspapers to approach e-business.

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