Online activities of Finnish newspapers in the changing media business environment

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Received: November 10th, 2014.
Accepted: February 27th, 2015.

Abstract

This article is concerned with changing online strategies in newspaper publishing. It examines the situation through the case of Finland, a country with an exceptionally high rate of printed press circulation. Despite declining readership, newspapers have still maintained a relatively stable economic position. Newspaper publishers have not rushed into online operations and other new forms of production and distribution because the traditional business models have secured their economy.

Within a European perspective, Finland is an exceptional market for newspapers because subscriptions have such a solid foothold. The home delivery system also makes newspapers an efficient marketing channel, and daily newspapers still continue to receive the largest share of total advertising spending. In addition, newspaper publishers have been able to retain or even improve upon their profits, despite convergence trends challenging the logic of media consumption through the emergence of web-based services.

In this study, our aim was to discover the views of newspaper editors and publishers on online operations now and in the near future. An online survey was conducted among newspaper editors and CEOs in 2013. The survey was sent to 236 people and 56 answers were collected (24 per cent). Respondents represented both daily and local newspapers, and the selection was geographically representative.

The results show that Finnish newspapers are still slow to change, maybe because they have done so well in a protected market. They are gradually adapting to new media and online operations, though development has been faster in large dailies than in small local newspapers. Some newspapers do not even have specific online strategies. However, smaller publications might be more flexible about change in the foreseeable future. Traditional trust in quality journalism produced by professional journalists is still alive, while, at the same time, respondents foresee that the role of user-generated content is growing.

Keywords: newspapers, multi-platform strategies, online, business models, survey.

Las actividades en línea de los diarios finlandeses en un ambiente cambiante para el negocio de los medios

Resumen

Este artículo trata sobre las cambiantes estrategias en línea en la edición de diarios. Examina la situación a través del caso de Finlandia, un país con un índice muy alto de circulación de diarios impresos. A pesar del descenso en el número de lectores, los diarios finlandeses han mantenido una posición económica relativamente estable. Sus gerentes no se han apresurado a iniciar operaciones en línea y a probar nuevas vías de producción y distribución, ya que sus modelos de negocio tradicionales han mantenido su economía.

Desde la perspectiva europea, Finlandia es un mercado excepcional para la prensa porque la modalidad de suscripción está sólidamente asentada. El sistema de entrega a domicilio también hace que los diarios sean un eficiente canal de marketing y a su vez estos siguen recibiendo la mayor parte del gasto en publicidad. Además, los gerentes de diarios han podido retener o hasta mejorar sus ganancias a pesar de la tendencia hacia la convergencia, que está desafiando la lógica del consumo mediático a través de la emergencia de servicios en línea.

En este estudio, nuestro objetivo fue descubrir las opiniones de editores y gerentes de diarios acerca de las operaciones en línea actuales y en el futuro cercano. Se realizó una encuesta por internet entre editores y gerentes de diarios en 2013, que fue enviada a 236 personas, de las cuales respondieron 56 (24 por ciento). Los encuestados representan a la prensa diaria y a la local, y la muestra fue geográficamente representativa.

Los resultados de la encuesta demuestran que los diarios finlandeses son lentos a la hora de adoptar cambios, quizás porque se han preservado muy bien en un mercado protegido. Lentamente, se están adaptando a los nuevos medios y a las operaciones en línea, aunque el desarrollo ha sido más rápido en los diarios de mayor tirada que en los de distribución local. Algunos diarios ni siquiera tienen una estrategia en línea específica. De todos modos, en el futuro los más pequeños podrían ser más flexibles ante el cambio. La confianza en el periodismo de calidad producido por periodistas profesionales sigue vigente, mientras que, al mismo tiempo, los encuestados anticipan que el rol de los contenidos generados por usuarios está creciendo.

Palabras clave: diarios, estrategias multiplataforma, en línea, modelos de negocio, encuesta, Finlandia.

As atividades online dos jornais finlandeses em um ambiente em constante mudança para o negócio da média

Resumo

Este artigo trata sobre as cambiantes estratégias online na edição de jornais. Examina a situação através do caso da Finlândia, um país com um índice muito alto de circulação de jornais impressos. Apesar do descenso no número de leitores, os jornais finlandeses tem mantido uma posição económica relativamente estável. Seus gerentes não tem se apressado na hora iniciar operações online e de experimentar novas vias de produção e distribuição, já que seus modelos de negócio tradicionais tem mantido sua economia.

Desde a perspectiva europeia, Finlândia é um mercado excepcional para a imprensa porque a modalidade de subscrição está solidamente assentada. O sistema de entrega em domicílio também faz com que os jornais sejam um eficiente canal de marketing e, a sua vez, eles continuam recebendo a maior parte do gasto em publicidade. Além disso, os gerentes de jornais têm podido reter ou até melhorar seus ganhos apesar da tendência para a convergência, que está desafiando a lógica do consumo mediático através da emergência de serviços online.

No presente estudo, nosso objetivo foi descobrir as opiniões de editores e gerentes de jornais com respeito às operações online atuais e no futuro próximo. Realizou-se uma enquete por internet entre editores e gerentes de jornais em 2013, que foi enviada a 236 personas, das quais responderam 56 (24 por cento). Os pesquisados representam a imprensa diária e a local, e a mostra foi geograficamente representativa.

Os resultados da enquete demonstram que os jornais finlandeses são lentos na hora de adotar mudanças, talvez porque se tem preservado muito bem em um mercado protegido. Lentamente, se estão adaptando aos novos meios de comunicação e as operações online, embora o desenvolvimento tenha sido mais rápido nos jornais de maior tiragem que nos de distribuição local. Alguns jornais nem sequer tem uma estratégia online específica. De qualquer jeito, no futuro os menores poderiam ser mais flexíveis ante as mudanças. A confiança no jornalismo de qualidade produzido por jornalistas profissionais continua vigente, enquanto que, ao mesmo tempo, os pesquisados antecipam que o rol dos conteúdos gerados por usuários está crescendo.

Palavras chave: jornais, estratégias multiplataforma, online, modelos de negócio, enquete, Finlândia.

Introduction

The operational environment for traditional newspaper publishing has been seriously challenged by developments in media convergence during recent decades. Technological, economic, and social changes have affected media business (see e.g. Doyle, 2013a & b; Kleis Nielsen, 2012). New economic realities, new competitors, and changing consumer habits have challenged established players. Many new forms of media production also challenge traditional conceptions of one-way communication and create new modes of audience participation (PEJ, 2011).

At the same time, old business models have been challenged and the desirability of existing products and services has decreased (see country reports by Casero-Ripollés & Izquierdo-Castillo, 2013; Friedrichsen & Mühl-Benninghaus, 2012; Holm, Uliyanova & Ellerup Nielsen, 2013; Krone & Grüblbauer, 2012; Vartanova, Makeenko & Vyrkovsky, 2012). Newspaper publishers are trying to transform themselves into sustainable digital media companies, but their measures have often been ineffective and their innovations have been scarce due to, for example, organisational reasons. Managing multi-platform strategies also sets new challenges for media organisations (Järventie-Thesleff, Moisander & Villi, 2014).

Despite declining readership, newspapers have maintained a relatively stable economic position in Finland. In this Northern European country, newspaper publishers have not rushed into online operations and other new forms of production and distribution because traditional business models have secured their economy relatively well (Lehtisaari *et al.*, 2012; LVM, 35/2013; Picard, 2011b). Within a European perspective, Finland is an exceptional market for newspapers because subscriptions have a solid foothold (Nieminen, 2010). The home delivery system also makes newspapers an efficient marketing channel, and daily newspapers still continue to see the largest share of total advertising spending (Finnish Advertising Council, 2012). Finland is a market where newspaper publishers have been able to retain or even improve upon their profits, despite convergence trends challenging the logics of media consumption through the emergence of web-based services.

For the time being, newspapers' responses to these developments have been quite confusing and inefficient, and various organisational factors[1] have significantly delayed innovation. Short-term revenue streams and expected income formation by new innovations and products have been significantly smaller than revenue streams for print newspapers. This has slowed down investment and new business development. For almost all newspapers, revenues from online operations are marginal in comparison to those from print newspapers. In addition, organisational resistance prevents and limits the development of new operations (Picard, 2011b).

This article is based on a survey conducted among newspaper editors and CEOs in 2013. Our aim is to provide a descriptive analysis of the views of Finnish newspaper editors and publishers on online operations now and in the near future. In doing this, we aim to understand how newspaper publishers' strategies are changing in a converged environment where digitalisation affects content production and distribution.

Section 2 of the article gives an overview of media business models, while Section 3 briefly describes the newspaper publishing industry in Finland. Section

[1] According to Picard (2011b), such organisational factors include complex organisational structures, the organisation being targeted at the fluency of the present production, operation policy, and the strong occupational identity of different staff groups and professional values.

4 presents the methods and data used and the results of the analyses. Section 5 concludes and discusses possible extensions to this research.

Media business models and convergence

In recent years, the business model has been the focus of substantial attention from both academics and practitioners in different fields and industries. According to Zott *et al*. (2011), although business models have been integral to trading and economic behaviour since pre-classical times (Teece, 2010), the concept of a business model became prevalent with the advent of the internet in the mid-1990s, and it has since been gathering momentum.

In their broad and comprehensive analysis of business model definitions at a general level, Zott *et al*. (2011) found that business models have been referred to as statements (Stewart & Zhao, 2000), descriptions (Applegate, 2000; Weill & Vitale, 2001), representations (Morris, Schindehutte & Allen, 2005; Shafer, Smith & Linder, 2005), architectures (Dubosson-Torbay, Osterwalder & Pigneur, 2002; Timmers, 1998), conceptual tools or models (George & Bock, 2009; Osterwalder, 2004; Osterwalder, Pigneur, & Tucci, 2005), structural templates (Amit & Zott, 2001), methods (Afuah & Tucci, 2001), frameworks (Afuah, 2004), patterns (Brousseau & Penard, 2006), and sets (Seelos & Mair, 2007).

Traditionally, the business model for newspaper publishing has been rather straightforward: gather and publish news and information for which readers pay, and sell space to advertisers who are looking to connect with customers. This is referred to as the two-sided market model (Picard, 1989). Changes in the media business landscape have challenged the traditional model, and a great deal of research has recently been carried out on changing business models and responses within the newspaper industry to a shifting business environment (see, e.g., Hayes & Graybeal, 2011; Lehtisaari *et al*., 2012; Holm, Günzel & Ulhøi, 2013; Casero-Ripollés & Izquierdo-Castillo, 2013; Doyle, 2013b; Picard, 2010, 2014). This study follows the definition of a business model as a conceptual tool or model for a media company (Osterwalder, 2004; Osterwalder, Pigneur & Tucci, 2005). Combining market analysis and foresights by industry players, we attempt to add to the discussion on how newspaper publishers are building their business models in a changing business environment.

Business models have been defined and categorised in many different ways. Rappa (2005) presents a comprehensive and cogent taxonomy of business models observable on the internet. However, internet business models continue to evolve and new variations can be expected in the future. In addition, these models, without modification, may not be suitable to describe newspaper publishers' online activities. According to Rappa (2005), the basic categories of business models on the internet include the brokerage, advertising, infomediary, merchant, manufacturer (direct), affiliate, community, subscription, and utility models. In Rappa's classification, brokerage model agents are market makers. They bring buyers and sellers together and facilitate transactions in the B2C, B2B, or C2C markets.

The advertising model is an extension of the traditional media broadcasting model and it only works when the volume of viewer traffic is large or highly specialised. In the infomediary model, data about consumers and their buying habits are extremely valuable, especially when that information is carefully analysed and used to target marketing campaigns. Consumers can similarly find independently-collected data on products useful, and infomediaries provide information to both buyers and sellers. In the merchant model, companies are classic wholesalers and retailers of goods and services. The manufacturer (direct) model is predicated on the power of the internet to allow manufacturers to reach buyers directly and thereby compress the distribution channel. The affiliate model provides purchase opportunities from a number of different sites, and affiliate sites provide purchase-point click-through to the merchant. In the community model, users who have a common interest in an area congregate at community internet sites. The viability of this model is based on user loyalty. In the subscription model, users are charged a periodic fee to subscribe to a service. The utility model uses a metered usage or pay-as-you-go approach (Rappa, 2005).

These categories, especially the manufacturer, subscription, and utility models, provide the foundation for our survey of Finnish newspaper publishers. A study on the British regional press using Rappa's categories shows that publishers were engaged in many of these models in their online operations and that there were opportunities for them to grow their value propositions in the manufacturing and intermediary areas, as well as in content and advertising networks (Nel, 2010).

According to Picard (2011a), the internet provides some opportunities for online content, but it has yielded only limited monetisation for news and general information providers. In our survey, we wanted to see how dedicated the Finnish newspaper publishers were to online services and what their estimates were regarding their prospects for the near future. In this study, we refer to online development using the framework of convergence. Convergence, in this context, means a shift towards converging digital technologies in media content production and distribution (Doyle, 2013a, p. 25). Previously separate communication industry sectors and product markets have begun to use the same digital technologies, which mean, for example, easier content sharing in various forms and through different channels. The internet and the digitalisation of media content promote convergence, and its consequences can be viewed from the perspective of technology, media companies, content, or journalism.

Convergence has made it possible for newspapers to create content using a variety of multimedia elements (such as text, photos, audio, video, and graphics) and to distribute their products on a variety of media platforms. Many new forms of production challenge traditional one-way mass media and create new opportunities for the inclusion and participation of the general public (for example, PEJ, 2011). Convergence has influenced the strategies of media companies (*cf*. Doyle, 2013a; Küng *et al*., 2008) and has been seen to have tightened competition in the media industry. Many newspaper publishing companies have responded to the competition by creating online products and services (Doyle, 2013a, p. 26). Yet, in the 2010s, it has also been common for the Finnish press to cut expenses and eliminate operations outside the core business. Companies have many kinds of cross-media strategies. Some just re-distribute content at low cost and others invest large sums into different versions of content production and into the publication of additional materials (Doyle, 2013a, p. 31).

The Finnish newspaper publishing market

Finland is often cited as having a successful newspaper industry model that is built upon a structure of strong national and provincial papers, supplemented by smaller, more local papers (Picard & Grönlund, 2003). The regional level[2] is the core of the Finnish newspaper industry. The characteristics of the Finnish newspaper landscape include a strong subscription model[3], subsidised with a zero

[2] Based on 2012 audited circulation figures, on average, 92 per cent (median 95 per cent) of the circulation of regional 7-day-a-week newspapers is in their home province. Only three newspapers have less than 85 per cent of their circulation in their home province. In fact, 15 newspapers have more than 95 per cent of their circulation in their home province, and 24 newspapers have a more than 90 per cent.

[3] 90 per cent of newspaper sales are based on subscriptions and home delivery, the only exceptions being the two national tabloids (*Ilta-Sanomat* and *Iltalehti*), which are sold as single copies. For other newspapers, single copy sales are marginal (Grönlund & Björkroth 2011, p. 31-32).

VAT rate until 2012[4]; and the home delivery system[5], which is exceptional from an international perspective.

However, there are threats on the horizon. The total circulation of newspapers, along with the number of newspaper titles, started to decline during the years of economic recession in the early 1990s. In 1990, the total circulation of newspapers was more than 4.1 million copies. Within a decade it had declined by almost 20

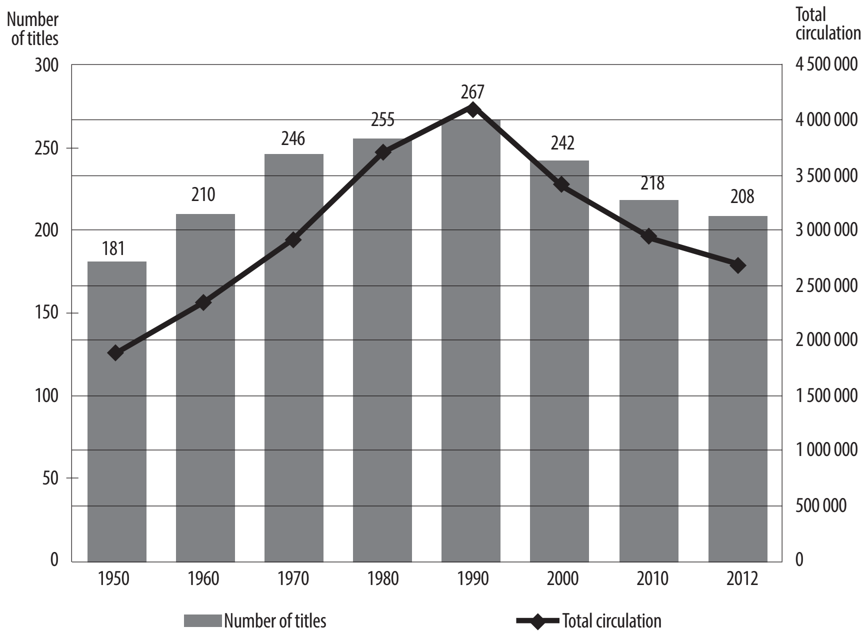


Figure 1. Number of newspapers and total circulation in 1950-2012.

4 When Finland joined the EU in 1995, it was agreed that Finland could retain its traditional zero VAT rate on newspaper and magazine subscriptions. In November 2011, the Finnish Parliament voted to increase the VAT rate on newspaper and magazine subscriptions from the zero VAT rate to the reduced VAT rate of 9 per cent. The new 9 per cent VAT rate came into effect on 1 January 2012. At the beginning of 2013, the reduced VAT rate was increased to 10 per cent. Single copy sales of newspapers and magazine have been subject to the standard value added tax rate, and the change had no effect on the taxation of single copy sales. The reduced VAT rate applies only to subscription sales of print newspapers and magazines and does not apply to electronic facsimiles or digital online editions, which are considered as services.

5 On average, approximately 1.5 million newspapers (70 per cent) are delivered daily via the early morning home delivery system, typically used in urban areas. The target completion time of early morning home delivery is generally between 6 and 6.30 a.m. During weekends, the target time can be a little later.

per cent to 3.4 million copies. In the 2000s, the total circulation of newspapers has continued to decline and currently amounts to less than three million copies. In the future, maintaining comprehensive household coverage will be even more challenging as the number of household-dwelling units increases. In the presence of viable alternatives for media consumption, price sensitivity in newspaper subscriptions may also be greater than in the past (Björkroth & Grönlund, 2014). At the same time, revenues gathered from online functions —online advertising, digital subscriptions— remain modest. The largest media companies in Finland began to actively develop new web-based publications as early as the late 1990s, but many of them were not profitable. They were typical of early internet projects fuelled by novelty, and development was guided by promises of a fantastic future. Soon after the beginning of the new millennium, the so-called "tech bubble" burst. It became clear that the internet business was not as profitable as expected. The second wave of convergence innovation started in the 2010s, driven by a forced need to be involved in development rather than hype (fig. 1).

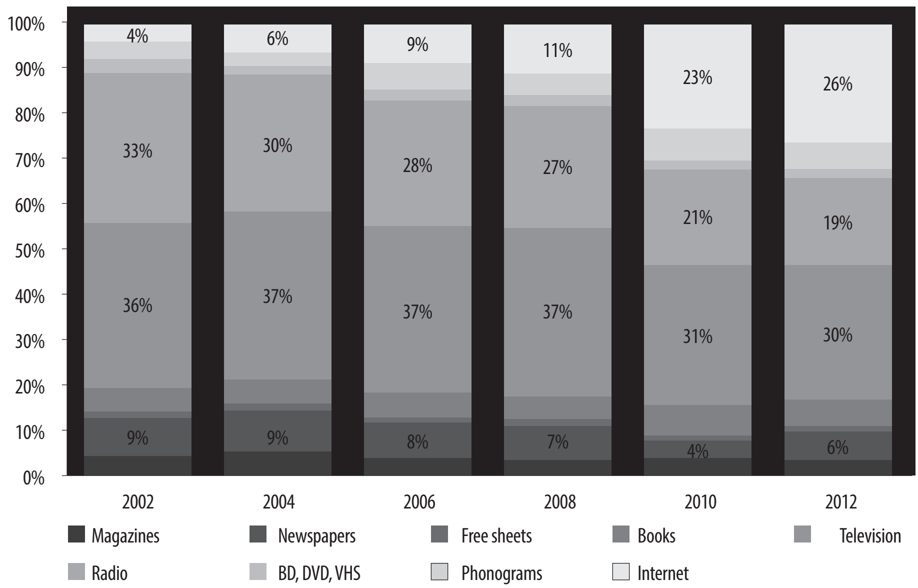
Competing for consumers' interest and advertising expenditures, newspapers are pressured by intra-media (between newspapers) or inter-media (newspapers vs. other media) competition (Grönlund & Björkroth, 2011, p. 25). The decline in circulation is acknowledged by both national and regional dailies, and the advertisement market has proven to be volatile and dependent on global economic fluctuations. The structure and proportions of these revenue streams have changed over time. In 2012, the shares of advertising and circulation revenues were both 50 per cent of total revenues. In 2000, the share of newspaper, magazine, and free-sheet advertising was still slightly over two-thirds of total media advertising, while in 2013, the share of print media advertising was approximately 50 per cent, just a little more than newspaper advertising alone at the turn of the millennium. Newspapers still have the relatively largest share of media advertising, but the share of newspaper advertising in terms of the total media advertising market has fallen to 47.3 per cent in 2000 and 34.7 per cent in 2013 (TNS Gallup Group, 2014).

The per capita consumption of print media in Finland is still one of the highest in the world, and the results of the Finnish National Readership Survey[6] indicate that reading habits are changing relatively slowly. Readership of printed newspa-

6 The Finnish National Readership Survey (Kansallinen Mediatutkimus KMT) determines readerships of publications, reading habits, and the structure of the readership. Extensive data is also collected concerning general media usage, purchasing habits of Finns, attitudes, and use of products and services.

pers has remained relatively constant for the past few years, despite the fact that reading online publications has become more common. Approximately 90 per cent of the population over the age of twelve read printed newspapers and about 60 per cent read online newspapers during a week. In 2012, average media use was 8 hours and 39 minutes per day, out of which 31 minutes (approximately 6 per cent) were used for newspaper reading. The factors behind avid newspaper reading are deeply socio-economical. The welfare state model, strong public education, and a widespread network of libraries are among the factors that have led to high literacy rates. However, the age when people first subscribe to a newspaper is rising. As in OECD countries in general, newspaper readership is usually lower among younger people, who tend to give less importance to print media (OECD, 2010) (fig. 2).

In 2010, the method and target group were changed. Therefore the results are not comparable with previous results[7].



(Source: TNS Atlas Intermedia/TNS Gallup)

Figure 2. Shares of use by media 2002–2012

[7] The figures until 2009 come from a telephone survey involving circa 20,000 people aged 10+ years. The 2010 figures come from TNS Gallup's internet panel involving circa 21,000 people aged 15–69 years.

Regional ownership concentration levels in newspaper circulation and especially in newspaper advertising are extremely high (Björkroth & Grönlund, 2014). After the turn of the millennium, concentration of ownership in the newspaper publishing industry has continued and, as a result of company takeovers, mergers, and organic growth, the market shares of the largest newspaper publishing companies, measured by circulation, have increased to a high degree. Concentration of ownership is expected to continue in the foreseeable future. At the regional level, concentration is even more distinctive and most Finnish regions are dominated by one major player. In addition to concentration and very complex cross-ownership, newspaper publishing companies have intensified their editorial and marketing cooperation both within newspaper chains and between rival chains (Grönlund & Björkroth, 2014).

Between 2000 and 2012, the median operating margin of all paid-for newspaper publishers was approximately 11 per cent, while median net profit was 6 per cent. Newspaper publishing remained a profitable business in Finland, but this does not mean that the industry does not have its own difficulties and declining profit margins. Until 2010, newspapers were able to compensate for decreasing circulation and a narrowing advertising market by raising subscription prices and cutting costs. For example, the total number of employees[8] in the newspaper publishing industry has been falling in the 2000s. Between 2008 and 2012, it suffered a 15 per cent decline, from approximately 6,400 to 5,400 employees. During the same period, the total number of editorial staffers declined somewhat less: 13 per cent, from 3,300 to 2,900.

Solvency is the ability of an entity or individual to pay its debts, meet its long-term fixed expenses, sustain losses, and accomplish long-term expansion and growth. The majority of newspaper publishing companies in Finland have a good or excellent equity ratio and have sustained losses under the current economic recession. The median equity ratio of newspaper publishing companies has been declining for the last couple of years, but in 2012 it was still over 50 per cent.

Data, method, and analysis

For this case study, on the online strategies of Finnish newspapers, we conducted an online survey in 2013 focusing on the changing landscape of newspaper

[8] The Finnish Newspaper Association data covers the member publications (1-7 times a week paid-for newspapers) of the Association, but excludes free papers and some other very small local paid-for newspaper titles. The data from the FNA covers more than 90 per cent of all newspaper titles and more than 95 per cent of the total newspaper circulation in Finland.

publishing in Finland (for a more detailed analysis, see Lehtisaari & Grönlund, 2014). We studied the views of representatives of Finnish newspapers[9] on their current status and future trends, such as changes within audiences and directions for online activities. The target group of the online survey was comprised of chief editors and managing directors of all newspapers published in Finland. Therefore, one of the objectives of the study was to discover similarities and differences in the views of those in charge of newspaper content and of the business side of the newspaper operation.

An e-mail invitation to take part in this online survey was sent to 236 people. In total, 56 people responded. The majority of respondents (64 per cent) were chief editors; 14 per cent were both chief editors and managing directors; and the rest, 18 per cent, were CEOs. The response rate was approximately 24 per cent. A third of the respondents were representatives of 7-day-a-week newspapers. Slightly less than half of the respondents represented dailies (4-7 times a week) and the remainder represented local non-dailies[10] (1-3 times a week). There was no significant difference between non-daily and daily newspapers in the distribution of representatives by position. The newspapers in this study are a comprehensive sample of the Finnish newspaper landscape: Finnish and Swedish language newspapers, newspapers that belong to a newspaper chain[11], and independent and party affiliated newspapers[12]. The geographical distribution of newspapers also reflects the Finnish newspaper industry.

The questions in the survey stemmed from the discussion on business models presented in the previous section. The survey placed special emphasis on different approaches to payment models and on views regarding the advertising market and audience behaviour. It was assumed that many of the newspapers act online, as described in Rappa's manufacturer model (2005), and see the internet as an addi-

9 According to the definition of the Finnish Newspapers Association (Sanomalehtien Liitto), the newspaper is the entirety of the paper newspaper and of a possible online version and electric news services and announcement services. The criteria for a printed newspaper are that it is paid for, appears at least once a week, has a checked circulation and versatile and current content.

10 According to the definition in general use in Finland, a local newspaper is a newspaper that is published in the area of one or more municipalities one or more times per week and can be ordered. According to an international definition, a local newspaper is a newspaper that can be ordered and is published 1-3 times a week. A local newspaper concentrates on news related to its circulation area, reporting on matters regarding local inhabitants, events, local sports, politics, and matters at grass-roots level. Advertisements in local newspaper are local and reach inhabitants of the circulation area.

11 The respondents included representatives from all of the largest newspaper companies, measured by circulation numbers (Sanoma Oyj, Alma Media Oyj, Keskisuomalainen Oyj, TS-Yhtymä Oy and Ilkka Oyj).

12 Two interviewees represented politically-bound party newspapers.

tional delivery channel that allows them to directly reach buyers. The subscription and utility models, for example, go a step further and suggest a paywall method or a periodic fee to subscribe to an online service.

In recent years, the major newspapers of several regions have converted from the so-called broadsheet format to the tabloid format. In Finland, particular formats are not associated with particular types of newspapers, unlike what happens in other countries[13]. In some of the main quality newspapers, like *Helsingin Sanomat*, the format changed from broadsheet to tabloid in early 2013[14], and in *Aamulehti* a similar makeover took place on April 2014. It is not surprising that, in a survey carried out in 2013, almost all respondents considered that the tabloid format would become the most common choice for newspapers within the next five years (fig. 3).

Newspaper reforms do not tend to increase chief editors' and CEOs' trust in newspaper advertising growth. They did not believe newspaper advertising would grow in the following five years. Instead, they expected to see further growth of online advertising. This is not surprising, since online advertising has grown significantly since the start of the new millennium and since the share of online media advertising (in terms of total media advertising) rose from close to zero to almost one-fifth, almost matching the share of television advertising. Four-fifths of respondents believed that the share of online advertising (in terms of total newspaper revenues) would grow over the following five years[15]. Representatives of different newspaper groups had very similar views. Nine out of ten representatives of daily newspapers and eight out of ten representatives of local non-daily newspapers estimated that the share of online advertising in their newspapers would grow. Media advertising as a whole was expected to increase slightly over the following five years.

In almost all the newspapers represented by the respondents, online advertising's share of total advertising revenues in 2013 was less than 5 per cent. Yet three out of five respondents expected the share of online advertising to be between 5

13 For example, in the United Kingdom, there is a distinction between "tabloid" and "broadsheet" in terms of content quality, which derives from the more popular newspapers using the tabloid format; hence "tabloid journalism" .

14 More information about the change to tabloid size is available, for example, on *Helsingin Sanomat*'s website: http://www.hs.fi/dev/lehtiuudistus/ (in Finnish).

15 According to the Finnish Newspaper Association in 2011, newspapers derived less than 4 per cent of content and advertising revenue from digital media. In 2012, a serious effort was made to initiate the acquisition of online subscription revenue when *Kauppalehti* incorporated a "porous paywall system" in May, the first Finnish newspaper to do so. *Helsingin Sanomat* introduced the same type of paywall in November 2012.

and 15 per cent within five years, in tune with the strong growth in online advertising in the Finnish market during the last five years.

The largest discrepancies between respondent groups were seen in extreme views regarding shares of online advertising. One-fifth of the representatives of non-daily local newspapers expected the share of online advertising to continue being less than 5 per cent in five years' time. Conversely, one-fifth of the representatives of daily newspapers and 7 per cent of the representatives of non-daily newspapers expected the share of online advertising in their newspapers to be more than 20 per cent in five years' time. Representatives of local newspapers seemed, therefore, to rely on print's advertising revenues to continue bearing the load, and did not expect major developments in online advertising.

If respondents' views are compared by professional status rather than by newspaper type, managing directors of newspaper publishing companies had clearly gloomier views than chief editors on content and economic development of online activities. However, the number of managing directors in the data is small and the results can only be considered as indicative. Managing directors' expectations of

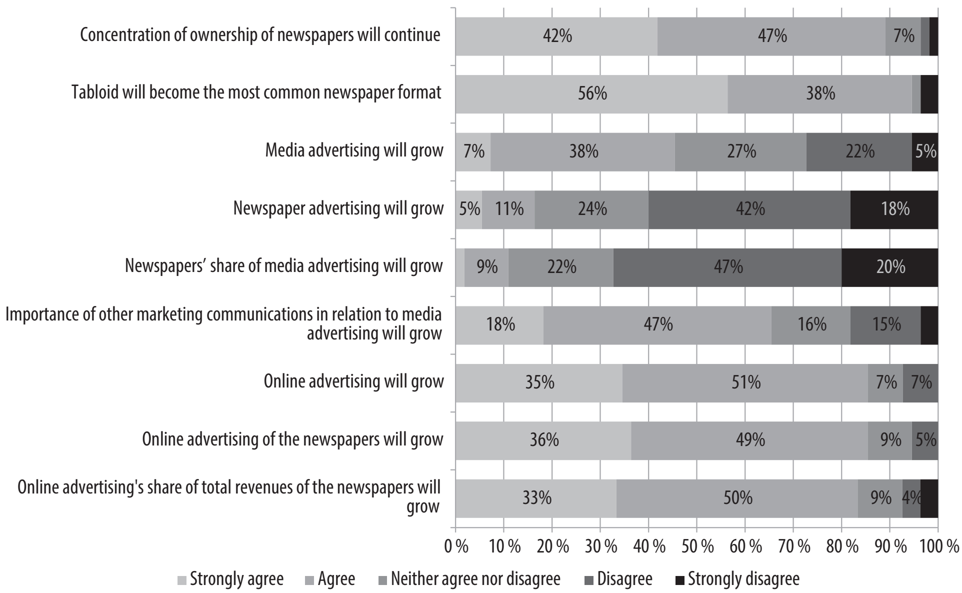


Figure 3. Respondents' views on factors affecting newspapers in the near future (n = 55)

future online revenue generation were lower than those of chief editors. It is worth considering why their views differ. Possible explanations might be differing views on what counts as sufficient economic development or the fact that editors, who are in charge of journalistic content, have a more positive outlook regarding online development.

All in all, chief editors and managing directors saw that online activities strengthen reader and subscriber loyalty, bring in new readers and subscribers, and help in providing readers with more targeted content (fig. 4). The main disagreements between representatives of local and daily newspapers were related to their willingness to seek innovation. In 2013, four-fifths of the respondents of daily newspapers believed that one of the objectives of their online activity was to seek new product and service development. Only two-fifths of representatives of local non-daily newspapers shared this view. Three out of four daily newspaper representatives thought their network operations should offer more focused services. Approximately half of the representatives of local papers had similar views on this issue.

However, change is in the air, particularly in the local press. From a five-year perspective, the views of different newspaper group representatives were similar. Nine out of ten respondents thought that developing new online products and services, as well as offering accurately targeted products and services to readers and subscribers, will be important. What might these new products and services be? In an earlier study, representatives of newspapers envisioned advancing the possibilities of online shopping and the e-marketplace, and even producing social services for older people (see Lehtisaari *et al*., 2012).

Even though respondents believed that prerequisites for operation will change in the near future, Finnish newspapers are not particularly well-prepared for this. Based on this survey, local non-daily newspapers have not systematically embraced environmental changes and their capabilities to create online businesses are still quite sparse. According to the responses, only about one-third of local newspapers have a separate online strategy. In a context in which circulations are falling, revenue structures are changing, and the importance of online businesses is growing, this result is quite extraordinary. The situation is clearly better for daily newspapers, because a clear majority (85 per cent) of them have a separate online strategy.

The supportive role of online activities will somewhat decrease in the future. In 2013, four out of five respondents thought that online services played an important

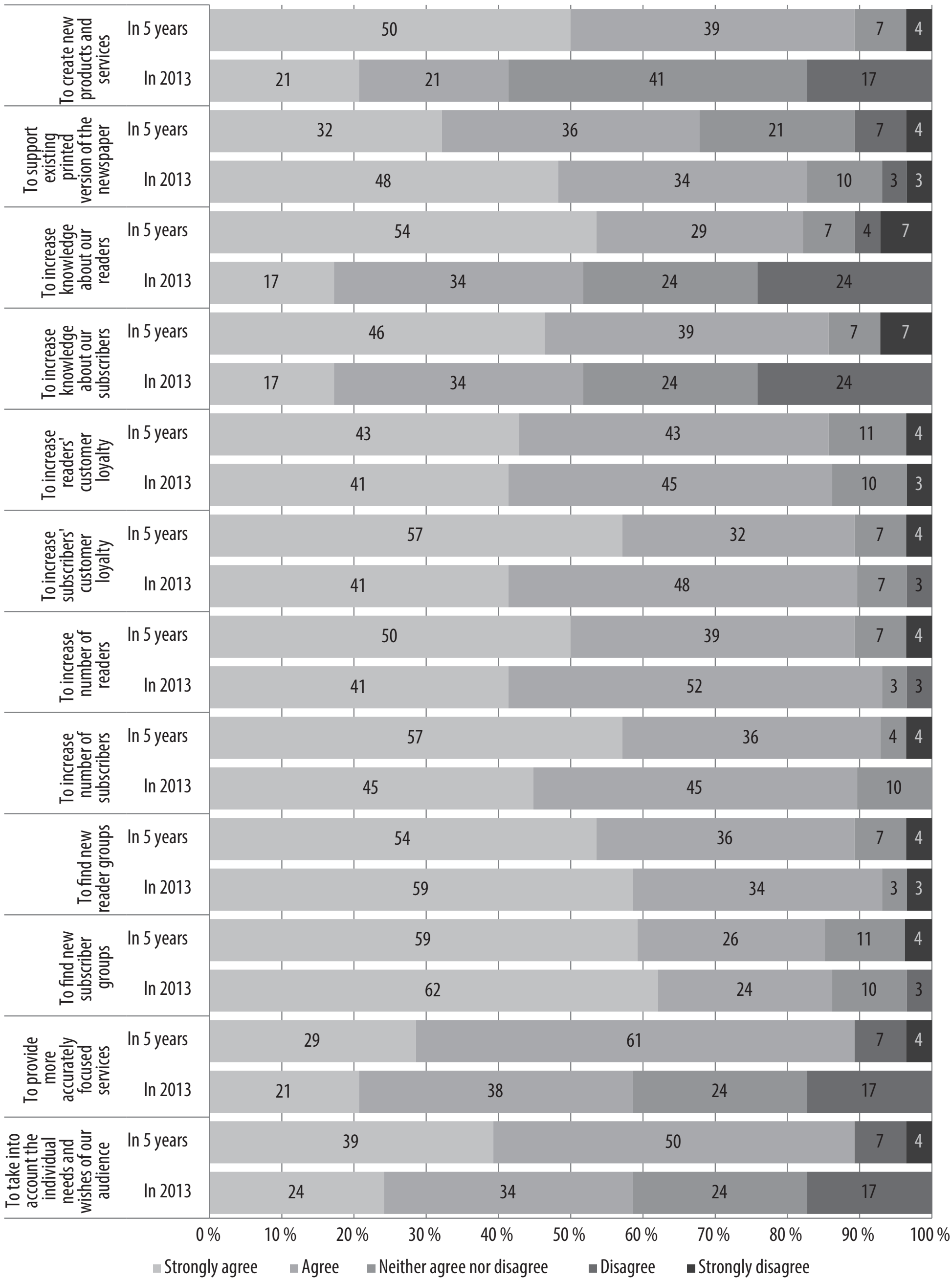


Figure 4. Tasks and goals of the newspaper's online operations in 2013 and after 5 years (N=55)

role in supporting the printed product. Two-thirds of the respondents believed that this supporting role would still be important in five years. Representatives of newspapers thought that online activities and services would enhance readers' commitment to their newspaper in the near future even more so than at present. At the time, many subscribers of online newspapers were also readers or subscribers of print newspapers. According to audited circulation data, in 2012, *Helsingin Sanomat* had approximately 131,000 subscribers who paid for their digital services. Four-fifths of them were subscribed to the print newspaper and had purchased access to online services for a small additional fee. Therefore, the number of online-only subscriptions was only just one-fifth of the total number of online subscriptions (Lehtisaari *et al*., 2012). So far, digital versions of newspapers seem predominantly to complement subscriptions to print newspapers.

Newspaper publishers considered social media and Finland's national public service broadcasting company (YLE) as the main competitors facing their online functions. In the survey, many respondents pointed out that, in the near future, there would be hard competition from players other than newspapers. Editors were particularly of this opinion. Meanwhile, nearly a third of managing directors estimated that other newspapers would continue being the main competition after five years. We might ask if editors are more aware of the reality of online functions than managing directors.

The views of representatives of local and daily newspapers regarding the current competition facing online functions differed distinctly. Almost half the representatives of local newspapers considered other newspapers to be their most important competitors. Only about a tenth of the representatives of daily newspapers had a similar view. Half of the representatives of daily newspapers and a third of the representatives of local newspapers considered a medium other than newspapers to be the main competition facing their online functions.

Nearly a third (30 per cent) of the representatives of local newspapers further estimated that other newspapers would remain the main competitors of their online functions after five years. Two-fifths (40 per cent) of the representatives of local newspapers considered that their main competition would come from other media in the near future. Half of the representatives of daily newspapers estimated that alternatives to traditional media companies would be the most important competitors in five years. Two-fifths (40 per cent) of the representatives of daily newspapers considered that other media companies would be the most important competitors after five years.

From the answers by representatives of daily newspapers, one can conclude that the significance of YLE as a competitor will decrease somewhat. In 2013, over a third of the interviewees mentioned YLE as one of their main competitors. A fifth of the interviewees estimated that, in five years, it would remain so. International actors, such as Google, Facebook, and Amazon were also considered as important competitors in the near future. In terms of journalistic content, interviewees were of the opinion that the development of their own newspapers' online functions met or surpassed expectations during the previous five years. In terms of economic indicators, however, development had met or fallen short of expectations (fig. 5).

Respondent groups strongly disagreed on the business development of online functions. More than half (57 per cent) of the representatives of daily newspapers were disappointed with business development, while distinctly fewer (21 per cent) representatives of local newspapers held this view. However, a fifth of the representatives of both local newspapers and daily newspapers estimated that the

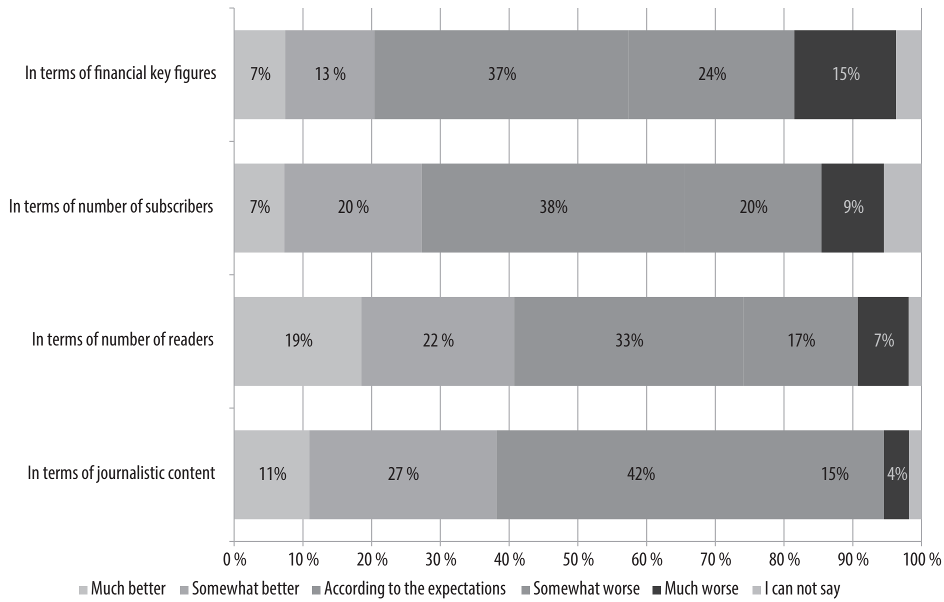


Figure 5. Views on how online operations in the respondent's publication have developed compared with expectations during the last five years (n = 55)

economic development of online functions was better than expected. This probably demonstrates that some newspapers, especially daily newspapers, have already been systematically developing their online functions for a long time and have found new functional business models. Some publications have obviously concentrated on the production of a print newspaper and have assigned online development a smaller role or have made allowances for different experiments without finding economically profitable solutions. This group includes local newspapers in particular. Some publications, however, may have invested in digital functions even without expecting immediately large profits.

According to editors and managing directors, in 2013, social media was part of everyday life in newspapers (fig. 6). It was seen as an active tool for communicating with readers. Only some newspapers saw it as merely the print newspaper's advertising channel. While most respondents saw social media as an active tool for

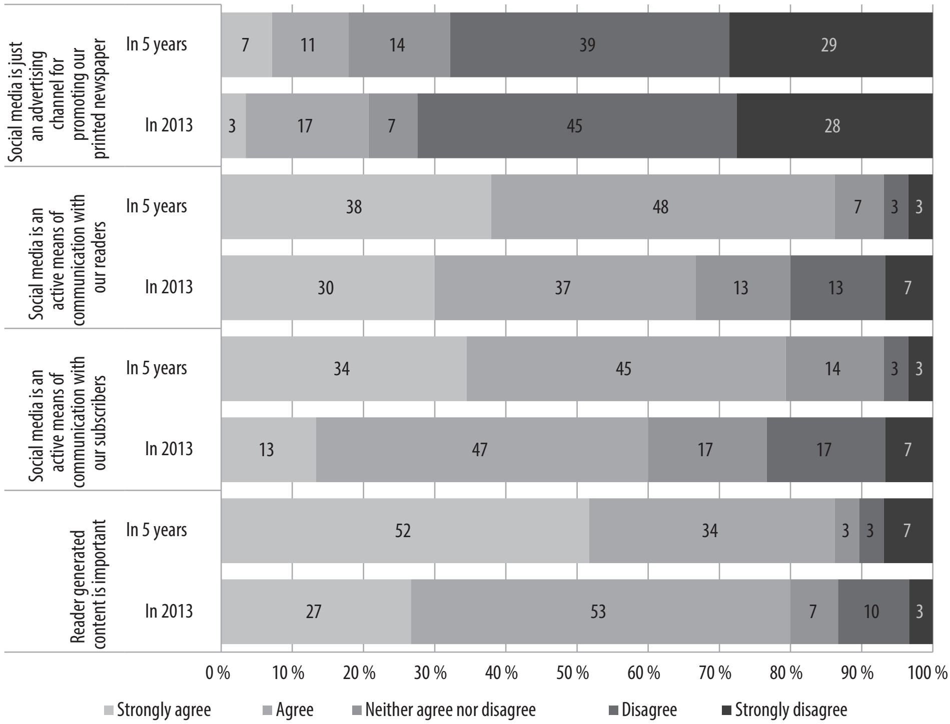


Figure 6. Place and position of social media for newspapers: in 2013 and after 5 years (n =55)

communicating with readers, social media was not so crucial in communicating with subscribers. Many readers still only follow the print newspaper.

Views on social media's position and its significance for newspapers in the near future were consistent among editors and managing directors of local and daily newspapers. According to them, content produced by readers will be more significant. Furthermore, the use of social media in active communication —especially with subscribers but also with readers— will increase.

In 2013, content produced by readers arrived to newspapers mainly be email, social media, and telephone. It was believed email would, in the near future, become a little less significant, especially in daily newspapers. Social media was obviously expected to replace email, telephone, and the traditional post office. Other methods of collecting content by readers, such as text messages and different electronic messaging systems, were considered important by a fifth of the representatives of daily newspapers.

In 2013, content produced by readers found its way to print newspapers more often than to digital versions of both local and daily newspapers. The majority

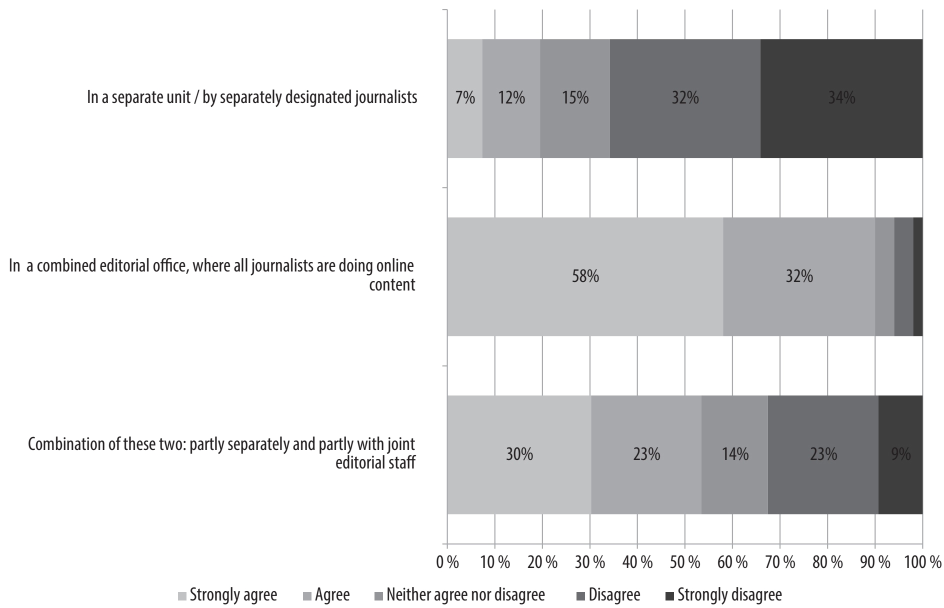


Figure 7. Ways of producing online content after five years from 2013 (n = 45)

of daily newspapers and only about half of local newspapers utilised reader-produced content in their online functions. However, representatives of daily and local newspapers mostly agreed on the use of reader-produced content. Most of them estimated that they would use reader-produced content in print newspapers, their online versions, and social media.

At the beginning of the 2010s, production of online content in a separate unit was extremely rare in Finland. In 2013, online content was typically produced in a shared newsroom, where all journalists worked on content for both print and online productions (61 per cent). Gestating online content in a shared newsroom, as described above, was distinctly more common in local newspapers than in daily newspapers. In over a third of the respondents' newsrooms, online content was partly differentiated and partly produced by the same people. Trends point towards an increasingly uniform production chain (fig. 7). Nearly all representatives of daily and local newspapers more or less agreed on the fact that online newspaper content would, in the near future, be created in a shared newsroom. Managing directors supported a shared newsroom model more often than editors, as much

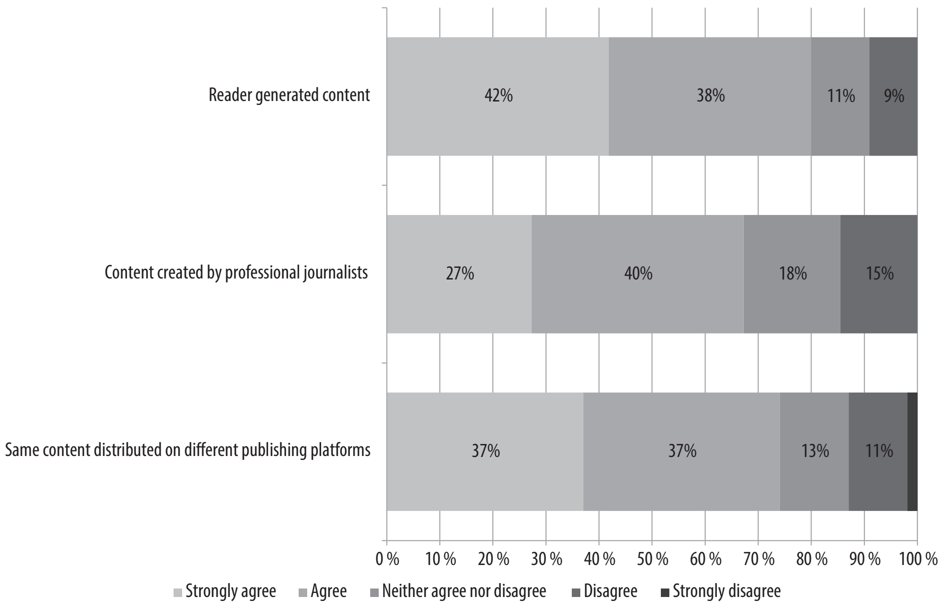


Figure 8. Amount of subsequent content will grow in our online operations in five years starting from 2013 (n = 55)

as half of whom totally or partly supported the view that online content could be produced in a separate unit or with separate journalists.

Only a little more than half (56 per cent) of the newspapers whose representatives replied to the survey had a separate online strategy in 2013. This demonstrates that either online functions had been combined with other operations or that development of online functions was at an early stage. Small newspapers in particular seemed content with what was already being done, even if they had had time to carry out development work for years. Although new functions had not yet been developed, profits were expected from online operations after five years. For big newspapers, it is typical for online functions to be a central part of the company's strategy. For example, *Helsingin Sanomat* announced that it would no longer publish new print products without a digital element (Lehtisaari *et al.*, 2012, p. 24).

According to representatives of daily and local newspapers, the amount of content produced by readers is growing (fig. 8). Two-thirds of the representatives of both groups estimated that the amount of content produced by professional journalists would also grow in the near future. Three-fourths of the interviewees agreed, to some extent, that versioning of identical content for different platforms will increase. A separate question, of course, is whether readers will enjoy this kind of development or if they are willing to receive different content from different channels.

Conclusions

According to the online survey, Finnish newspapers have reacted rather slowly to online development, despite high expectations. In most newspapers, the online component is seen as an additional delivery channel that does not yet produce separate earnings. The amount of financial and personnel resources allotted to online development in many newspapers has been moderate. Yet, at the same time, companies expect online services and products to secure larger profits in the near future. Although it has been possible to develop online functions for years, at the time of this survey, in 2013, many newspaper publishers were still waiting for others to set the example. Under the shadow of digital product development, cost-cutting has been seen as an alternative, as demonstrated by dismissals carried out at *Helsingin Sanomat* in early 2014 (Luukka, 2014).

In many Finnish media companies, online functions are still minor in the profit-making sense, although companies are seeking to utilise different payment schemes based on time-based subscriptions or pay-as-you-go models. In 2013, Alma Aluemedia received only about 2 per cent of its turnover from online sources, and its director, Kari Juutilainen, admitted in an interview with *Markkinointi & Mainonta* that the company had fallen off the digital development sled because it had gone on too well for too long with the print newspaper (Lundén, 2013). Similar developments have also been seen in other countries. So-called paywalls have been introduced as a solution to charge for online content. They are used in some Finnish newspapers and planned in most dailies. On the basis of our survey, managing directors seem to be more sceptical than editors regarding journalistic and economic development of online functions. However, in the early 2010s, social media adopted roles in the maintenance of reader relationships and in content production. These roles are seen to be increasing, especially in local newspapers. Representatives of newspapers expected journalist-produced content to remain a strong cornerstone of the business, even with growing audience participation.

One could suppose that there is an incentive to draw up an online strategy for newspapers. Online publications and other kinds of digital distribution make it possible to use content more widely than before and to produce unique examples of it for online-only platforms. Critical voices have claimed that development leads only to the recycling of identical content through different channels and unbalanced supply. However, many newspapers produce content unique to certain distribution channels or different types of it for different channels. This makes it possible to produce surplus value, which helps get readers committed to newspapers. This falls in line with survey results on the growing role of online activities and services in enhancing readers' commitment to their newspaper.

Although the number of survey respondents was limited (a 24 per cent response rate), the respondents reflected the Finnish newspaper landscape: among them were representatives of daily, local, independent, and chain-owned newspapers; and the selection was geographically representative. Results of the survey show that although newspaper publishers and editors recognise the need to change their online operations, the shifting media landscape is an increasingly challenging environment for traditional print newspapers. Online operations were still relatively new for many of them in the early 2010s, especially at the local level.

More analyses are needed of the effects of these transformations on —for example— online strategies, producer-user relationships, and newsroom practices. In addition, the survey identifies possible disagreements on some topics between managing directors and editors-in-chief, especially regarding content and economic development of online activities. Essential questions, for future research on the management of multi-platform companies, are how traditional newspapers are coping with their shift from manufacturers to service providers and what incentives and strategies different managerial groups (CEOs, managing directors, editors-in-chief) employ to move towards digital and grow production of online and mobile products.

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