

# DISCONTINUITIES IN BUSINESS MODEL INNOVATION OF THE DANISH NEWSPAPER INDUSTRY

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## 1. INTRODUCTION

The first decade of the 21<sup>st</sup> century saw the newspaper industry in Denmark and in other countries with developed media markets come under severe pressure from a number of technical and social innovations. These included the spread and availability of Internet broadband connections, mobile broadband communications, Web 2.0 and social networking (The Economist, Economist, 2006). Most significant, was the increasingly mobile nature of the news delivery channels and the way in which the consumption of news moved from print to online. Moreover, the industry became increasingly pressed from new untraditional types of international competitors such as various portals, news aggregators and online classified advertisement sites (The Economist, The Economist, 2006).

The impact of the Internet and related technologies on the newspaper industry also resulted in a massive increase in the volume of information that readers can access and process, while the time available remains more or less constant. As the penetration and speed of Internet connections have increased, an unprecedented number of news sources are now available to consumers even those in geographical remote areas. The increasing speed at which news and information circulate in society has led to a decrease in the time available for journalists to process, select, and edit news (Bardoel,

1996). In the broadest sense, newspapers now compete with for readers time in both traditional and online mediums (Chyi & Sylvie, 2000).

The objective of this research, which was part of a larger project sponsored by the Danish Research Council for Strategic Research, was to identify and analyse how leading Danish newspapers are in fact responding to the challenges explicated above. I looked at the newspaper industry in general and two largest Danish media groups through the management and business lens, and use a business model framework for the presentation, analysis and discussion of our findings.

Our sources of data vary in origin and nature. Initially, I performed an in-depth review of the literature in the field. I identified and collected relevant industry reports, participated in relevant industry fairs and events, recorded professional presentations, acquired annual reports and filed newsletters and press releases of professional newspaper organizations and associations.

Furthermore, I focused our efforts on the two largest newspaper organizations in Denmark, and performed a dozen in-depth, semi-structured interviews with their top managers, e.g. CEOs, editors-in-chief, directors etc.

The study has revealed that players in the Danish newspaper industry are in a situation where they have to reconsider the extent to which their existing business models are efficient as well as effective to adopt in light of the increasing speed at which digital and online distribution channels are replacing the traditional distribution channel, i.e. printed newspapers.

Within this study, I have analysed emerging business models in the newspaper industry at large, including the role ongoing technological developments play (from paper-based towards digital platforms), and the key activities, which the newspapers undertake in redefining their core business model. More specifically, I discuss how changes introduced during the on-going development of new content delivery channels have affected the traditional business model based on one delivery channel, i.e. printed newspaper.

Subsequently this paper is structured as follows. The next section opens with an introduction to business model theory and an explanation of the single delivery channel business model of the newspaper industry. It is followed by an analysis of how newspapers are responding to the challenges moving from printed to digital news publications by redefining their business logic and reconfiguring their business models. The paper further discusses and summarizes changes in the business models and strategy common for the two largest Danish media groups, and provides a brief summary, conclusions and implications.

## **2. THE BUSINESS MODEL FRAMEWORK**

Every company has a business model, whether they articulate it or not, and that at its heart, a business model comprises four important strategic functions: value proposition, value creation, value delivery and value capture (Kaplan, 2012; Osterwalder, Pigneur, & Tucci, 2005). New innovative business models are often considered as a source of competitive advantage as competitors might find it more difficult to imitate or replicate the entire novel activity system than an innovative product or service (Amit & Zott, 2012).

To study business models of the newspaper industry, I employ a business model framework, as it is presented in Figure 1. The framework comprises parts or building blocks of a business model, which represent the value the firm offers to one or several segments of customers, the architecture of its internal processes, as well as the network of partners needed to create, market, and deliver value to the firm's customers in order to generate profitable and suitable revenue streams (Nadler, Tushman, & Nadler, 1997; Osterwalder et al., 2005). In practice, the business model framework helps to capture, visualize, understand, communicate and share business logic (Nadler et al., 1997; Osterwalder & Pigneur, 2010).

## **3. THE TRADITIONAL BUSINESS MODEL OF THE NEWSPAPER INDUSTRY**

From the mid-19<sup>th</sup> century until recently (The Economist, The Economist, 2011), the dominant business model of the newspaper industry has been quite similar across media markets. Printed newspapers have been delivering a bundled value to three major customer groups, i.e. readers, marketers and advertisers. The reader group is mainly interested in enjoyable and relevant content in form of news, comments, insights, background stories, and other relevant information. The marketer group wants to reach its potential customers with their advertising message. The advertiser group wants to find buyers and close transactions for their offerings, e.g. a property, a car or a job opening. In this way, the physical medium of newspaper tied together three different, yet mutually co-dependent, value propositions of the three customer groups (Stähler, 2009).

**Figure 1 The business model framework**

<i>Component</i>	<i>Business model building block</i>	<i>Description</i>
<i>Value Proposition</i>	Factors related to the offering	Value offering - company's bundle of products and their characteristics (e.g. product or service, level of standardisation, differentiation, brand, etc.)
<i>Value Creation</i>	Value configuration	Arrangements of activities and resources, i.e. key resources and processes, such as people, technology, equipment, etc.
	Core Competency	Competencies necessary to execute the company's business models
	Partner Network	Network of cooperative agreements with other companies necessary to efficiently offer and commercialize value
<i>Value Delivery</i>	Target Customer	Segments of customers the company offers value to
	Distribution Channel	Various means of the company to reach its customers
	Customer Relationship	Relationships the company establishes between itself and its different customer segments
<i>Value Capture</i>	Cost Structure	Monetary consequences of the means employed in the business model
	Revenue Model	The way the company makes money through a variety of revenue flows
	Profit allocation	Profitability and the way potential profits are used and shared

Source: Adapted and elaborated from Osterwalder et al. (2005), Shafer et al.(2005), Johnson et.al (2008), and Kaplan (2012).

For a long time, the main revenue generation approach embraced by newspaper companies was “selling readers” to advertisers and marketers. As a consequence, typical revenue for a subscription newspaper was split between subscription and newspaper sales (30%-50%) and advertising (50%-70%). Until recently, charging the reader the full covering cost of making the printed newspaper was not necessary, as the advertising income was largely sufficient to cover the costs. Then, content providers enjoyed a near monopoly on the distribution of advertising and set the price of ads high enough to provide cross subsidies that paid for the development of news stories (Clemons, 2009).

However, the current oversupply of media content and move of customers to online sources has led to audience fragmentation, and as a result, to a decreased ability by newspapers to consolidate audiences and thus charge advertisers premium for reaching a target audience (McPhillips & Merlo, 2008). Almost all consumer-to-consumer and corporate classified advertising has by now moved to the Internet. For instance, recruitment ads, which traditionally formed a significant portion of newspaper publishers' advertising revenue, migrated to the specialized job portals and job boards (PriceWaterhouseCoopers, 2009).

The rapid spread and adoption of the Internet and mobile technologies has created opportunities for newspaper publishers to utilize new platforms for news delivery. Practically, all major newspaper titles have launched websites and started publishing their content online. This move generated a stream of regular online readers, the numbers of which grew each year. The success of online editions and related services was due mainly to the brand loyalty, related newspaper reputation and well-known and recognized editors, journalists and news sources from printed newspaper (Trench & Quinn, 2003). Regardless of the growing number of online readers, newspapers, however, could not generate enough revenue from online advertising or newspaper websites. Thus many publishers realised that the previously dominant traditional business model simply couldn't be transferred to the Internet (Clemons, 2009).

With 75-85% of income for many European newspapers coming from advertising, traditional business models are hardly sustainable (Picard, 2008). As a result, newspaper publishers have begun looking for, and trying out, new business models, choosing different business model configurations on their way to either profitability or failure (Chyi & Sylvie, 2000). As a consequence, in many developed media markets, the newspaper industry can best be described as a sector undergoing a cycle of media evolution moving from older now unsatisfactory business models to development and diffusion of new ones (Stöber, 2004).

#### **4. RESEARCH DESIGN**

For the purpose of this study, I employed qualitative research methods and conducted case studies (Yin, 2003) of the two largest privately owned newspaper publishers in Denmark, i.e. JP/Politikens Hus and Berlingske Media. The two media groups own a number of national and regional titles, and together represent 50% of the total newspaper market in Denmark. At the time of the research, JP/Politikens Hus and Berlingske Media owned a vast portfolio of media, ranging from traditional daily newspapers to radio stations and web-TV channels.

#### **4.1 JP / POLITIKENS HUS**

JP/Politikens Hus is one of Denmark's leading media companies, which was established on January 1, 2003 as a merger between Politikens Hus and Jyllands-Posten A/S. In 2010, the group had total revenue of around €438 million<sup>1</sup> and employed 2,345 staff. The media portfolio of the media house includes 2 national daily newspapers, 1 daily tabloid, over 60 local newspapers in Denmark and Sweden, two free-sheets, three publishing houses, a TV production, a range of online sites and portals, as well as other digital activities. The group also operates printing and distribution companies, has a majority stake in the media rating agency MediaWatch, runs advertising and photo agencies, and has a 18% stake in the news bureau Ritzau<sup>2</sup>.

The group owns a number of leading newspapers including the national paid-for daily *Morgenavisen Jyllands-Posten* (founded in 1871) and *Politiken* (founded in 1883), the daily tabloid *Ekstra Bladet* (founded in 1904), and part-owned free-sheets *metroXpress* and *24timer*. The circulation numbers of these newspapers are presented in Table 2. The three daily newspapers are the cornerstone of the group's business operations, and the vast majority of Group revenue comes from these activities<sup>3</sup>.

#### **4.2 BERLINGSKE MEDIA**

Berlingske Media A/S is the second largest media publisher and supplier of both print and digital publications in Denmark. In 2006, the group was acquired by the UK-based MECOM Group Plc. In 2010, Berlingske Media A/S generated total revenue of ca. €403 million<sup>4</sup> and employed around 2,800 staff. In 2011 the group's media portfolio included 11 national and regional dailies, 47 local weeklies, one weekly magazine, one free sheet paper, more than 60 websites and web services, FM radio stations, several digital newsletters and mobile sites. Additionally, the group operates printing and distribution facilities, a photo agency, a communications/PR-house agency, a web shop, and together with JP/Politikens owns media intelligence bureau Infomedia.

The group's most famous print titles are the daily paid-for Berlingske (founded in 1749 under the name Berlingske Tidende), the weekly paid-for *Weekendavisen* (founded in 1972), the tabloid *B.T.* (founded in 1916), the local daily paid-for *Aarhus Stiftstidende* (founded in 1794), and the free-

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<sup>1</sup> JP / Politikens Hus Årsrapport 2010

<sup>2</sup> <http://www.jppol.dk/>.

<sup>3</sup> <http://www.jppol.dk/en/artikler/daily-newspapers.aspx>

<sup>4</sup> MECOM Annual Report, 2010

sheet Urban (founded in 2001). The circulation numbers for these titles are presented in Table 2. Newspapers and on-line products are supported by a central production unit for printing and distribution, shared service units supporting areas, such as IT, finance, HR and business development services<sup>5</sup>.

### 4.3 DATA

Longitudinal data were collected in 2010-2012 from archival sources such as brochures, newspapers, newsletters, and press releases and professional presentation, in order to trace key developments in the business models of the two media groups between 2000 and 2012. Simultaneously, I conducted a dozen face-to-face semi-structured interviews with the executives and editors of the two groups. The data sources are summarised in Table 1.

The fully transcribed interviews and other data were exported to nVivo 9 software for qualitative analysis.

**Table 1: Data Sources**

<b>Data type</b>	<b>Sources</b>	<b>Data format</b>	<b>Length</b>
In-depth, face-to-face, semi-structured interviews	CEOs, editors-in-chief, business development directors, etc., of the leading Danish newspapers	Digital sound recordings and transcriptions	12 recorded interviews of approx. 99,600 words
Professional presentations	International media industry executives, i.e. editors, development directors, holding directors, CEOs, vice-presidents, etc.	Recorded sound files and copies of presentations	Approx. 14 hrs. of recordings and 22 presentation files
Archival data	Newsletters of the Danish Newspaper Association (2000-2012)	Text copies	409 documents of approx. 593,740 words
	Annual reports of Berlingske Media, MECOM, JP / Politikens Hus, and their Danish newspaper titles	Brochures and electronic files	20 documents of approx. 427,000 words

<sup>5</sup> <http://www.berlingskemedi.dk/>

The coding started with data reduction, where I selected the data with direct relevance for two media houses in the study. I then reduced the data further to the building blocks of the business model as defined earlier in the literature review part of the paper. I inductively coded for business model changes within the given time frame. All types of data were treated in the same way, which allowed cross-type data triangulation.

The case analyses involved looking inductively for changes related to the different parts of the newspapers' business models. Codes, categories, and themes were then introduced inductively to represent specific characteristics of business model innovation and experimentation activities, such as "digital content", "platform", "smart phone", etc. These categories were refined and modified iteratively throughout the analysis process (Eisenhardt 1989). Finally, I analysed the relationships between different parts of the business model before and after the introduction of digital content and news delivery solutions to the newspapers' product portfolios.

## **5. FINDINGS**

During the first decade of the 2000s, the Danish newspaper industry followed the same trajectory as other newspaper industries in developed media markets. Total circulation of Danish newspapers declined rapidly during this decade, from 1,600,000 in 2000 to 1,130,000 in 2010 (free newspapers not included). Newspaper circulation in the paid-for national daily market in Denmark declined by 8.8% in 2009 and by 6% in 2010. During 2010, the overall tabloid market declined by 10.1% and regional newspaper circulations by 6.5%. According to the statistics provided by The Danish Audit Bureau of Circulation, this declining trend persisted for practically all daily and weekly newspapers in 2011 and 2012 (see Table 2).

During the first decade of the 21<sup>st</sup> century, the Danish newspaper industry went through a period of mergers, acquisitions and consolidations. One of the major developments was the merger of Politikens Hus with Jyllands-Posten A/S in 2003 to form the largest media group in Denmark with three major daily titles. Another significant event was the acquisition of the Berlingske Media by the UK-based Mecom Group in 2006.



**Table 2. Newspaper circulation, selected titles of  
JP / Politikens Hus and Berlingske Media**

Media group	Main newspaper titles	Daily circulation, first half of				Evolution 2009-2012
		2009	2010	2011	2012	
<i>JP / Politikens Hus</i>	Morgenavisen Jyllands- Posten	119,583	111,796	104,195	97,481	-18%
	Politiken	108,430	102,619	98,973	97,820	-10%
	Ekstra Bladet	83,899	74,128	66,764	59,342	-29%
	metroXpress	227,530	199,034	200,974	200,400	-12%
	24timer	179,739	137,559	157,404	147,060	-18%
<i>Berlingske Media A/S</i>	Berlingske	102,571	101,231	100,811	90,006	-12%
	Weekendavisen	53,465	53,639	56,625	50,089	-6%
	B.T.	74,794	68,372	66,547	59,401	-21%
	Aarhus Stiftstidende	24,231	22,168	20,329	17,635	-27%
	Urban*	162,473	126,914	93,415	n/a	n/a

\*discontinued

Source: The Danish Audit Bureau of Circulation, 2013

Both JP/Politikens Hus and Berlingske Media undertook a number of steps in order to cut costs through organisational restructuring, staff lay-offs, and outsourcing non-key activities. For example, JP/Politikens Hus outsourced the vast majority of its printing and distribution work to various external suppliers as they constitute a weighty cost in newspaper production, making up about half of the newspapers' cost budget. In cooperation with another holding, Syddanske Medier, JP/Politikens Hus and Berlingske Media established two distribution companies, i.e. Bladkompagniet and Dansk Avis Omdeling.

Morgenavisen Jyllands-Posten was one of the first Danish newspapers to launch an online edition [www.jp.dk](http://www.jp.dk) in early 1996. Online editions quickly attracted high numbers of unique visitors, however, online versions did not bring the revenues the industry had hoped for. Furthermore, switching to the Internet editions for quick news led some readers to abandon printed editions.

Subsequently, the newspaper industry blamed itself for devaluing the content in the minds of the consumers by making the news available free of charge on the Internet.

**Table 3. Online readers of selected websites,  
JP / Politikens Hus and Berlingske Media**

Media group	Main newspaper website	Online readers, as per January of				Evolution 2009 - 2012
		2009	2010	2011	2012	
<i>JP / Politikens Hus</i>	Morgenavisen Jyllands- Posten, jp.dk & jyllands-posten.dk	679,427	688,507	780,435	728,208	7%
	Politiken, politiken.dk	719,297	784,754	833,067	898,614	25%
	Ekstra Bladet, eskrabladet.dk & eb.dk	1,366,960	1,401,638	1,454,227	1,603,241	17%
	metroXpress, metroexpress.dk	79, 676	82,624	67,548	52,837	-34%
	24timer, 24timer.dk	170,965	158,780	194,950	127,519	-25%
<i>Berlingske Media A/S</i>	Berlingske, b.dk	542,699	438,814	597,381	536,888	-1%
	Weekendavisen weekendavisen.dk	18,929	12,997	17,228	14,815	-22%
	B.T., bt.dk	891,787	899,680	1,220,741	1,156,036	30%
	Aarhus Stiftstidende, stiften.dk	76,215	72,730	81,256	92,639	22%
	Urban, urban.dk	38,634	45,464	32,190	26,075	-33%

Source: FDIM, 2013 (*fdim.dk*)

The changing competitive environment led the Danish newspaper industry to realize the severity of threats posed by the global media players in the advertising market. The two media groups agree that Google and social media sites, such as Facebook, are “the most dangerous competitors”. They are seen as powerful rivals “stealing” the traditional media’s customers and advertisers.

“Well, our main competitor is Google, because Google mainly takes our ads. Google enters both the nationwide market and very soon also the local market and gains a very large part of the ad turnover, we had previously. So, they are actually our biggest competitor. Facebook is also a big competitor, but mostly in terms of time. I mean, the consumers’ time and attention is what we are competing for, and Facebook steals a lot of people's time which they should spend on something more reasonable, like reading our products.”

Respondent from Berlingske Media (our translation)

As a result of this changed competitive landscape, the industry concentrated its efforts on defending and strengthening its overall position by cooperating with traditional rivals on a number of projects. For example, JP/Politiken Hus and Berlingske Media started a number of shared digital projects. One of the most noticeable is the job portal Jobzonen.dk. According to the Internet statistics, Jobzonen.dk is the second largest and second most visited job portal in Denmark. Another similar project is BilZonen.dk, an Internet portal and marketplace for buying and selling second-hand vehicles, where JP/Politikens Hus has a 32% and Berlingske Media a 34% stake in the company.

### **5.1 BUSINESS MODEL INNOVATIONS**

Despite extraordinary efforts to ensure survival and profitability, the media groups in the study did not initially engage in real business model innovation, such as e.g. business model revision, extension, or termination. These type of business model innovations occurred only in the late 2000s, when the two media groups came under increasing pressure through deepening losses and could therefore no longer ignore the falling circulation and sharp decrease in revenues.

The most significant development in business model innovation relates to disassembling the traditional business model of one delivery channel, i.e. the printed newspaper, and instead managing multiple distribution channels based on digital technologies. Some newspapers have managed to benefit from new opportunities within the merged media space and have focused strongly on building their brand on multiple platforms, offering people access to their content through various channels. The interviewed newspaper managers were convinced that the future of the newspaper industry is in delivering customer value through preferred multiple media platforms and channels, and that is what the industry is now striving for.

The Danish newspaper sector is also experiencing media convergence expressed through increased focus on web-TV for the dissemination of news, debate and entertainment and integration of web-TV-channels among their digital activities. Berlingske Media and JP / Politikens Hus have

increased their focus on web-TV, integrating web-TV channels into their digital activities for the dissemination of news, debate and entertainment.

Both media groups have started focusing on maintaining and building their strong brands, recognising the fact that in the current market conditions, the medium is secondary to the brand. For instance, one of the interviewees from JP / Politikens Hus points out the value of building a strong brand in the following way:

” ... We will live for our brand. We want to be a media house with a common denominator that is our brand. And that's what we are doing at full speed. I mean, with both going on the radio and online, and in so many different niches which we are working with, right. Here, we are, in fact, going in the direction that we say, our asset is our brand, and it is a hat covering all of the activities here”. (My translation).

Advertisers and marketers are the other customers whom newspaper publishers are trying to satisfy with their offerings. Newspaper publishers have also started experimenting with digital channels to serve their advertisers more effectively. This includes Internet activities, web-TV, mobile, social media sites etc., although there can be differences to how quickly the advertisers react towards new advertising platforms:

”... Well, our experience shows that we as media have been far more ahead than the advertisers were willing to pay for. [...] We saw it in the beginning online. We see it on web TV. Well, it took a long time before advertisers came to Web TV. We see it on mobile which generates almost no turnover. We saw it also back then, when we had social media [introduced]. The advertisers liked it at first, but the money never came. [...] As a starting point, we have historically been ahead of what the advertisers were willing to do, actually. [...]”.

Respondent from JP / Politikens Hus (our translation).

Both media groups have integrated several media channels in efforts to deliver news content in many different forms. In 2010, Berlingske Tidende and other of Berlingske's media titles started publishing the most suitable articles from [berlingske.dk](http://berlingske.dk) on Berlingske's Facebook page. Designated community managers keep an eye on the debate, the initiatives in progress and responded to users questions. However, the issue of Facebook owning the copyright for all the content uploaded on their pages prevents news providers from uploading professional content.

In 2010, Berlingske launched Go News, a news channel on the Microsoft owned MSN.com. This move allowed the group to deliver its content to 1.3 million MSN.com's users in Denmark.

In 2011, Berlingske also expanded its TV capabilities and audience by going into cooperation with the Danish news channel TV2 News. In September 2011, Berlingske Media's team of journalists started broadcasting financial news three times a day on its business portal Business.dk/WebTV as well as airing the programme on TV2 News channel.

In July 2011, the newspapers Jyllands-Posten and Berlingske joined forces with the Denmark's largest cable TV provider, TDC, to deliver news on TV. This joint initiative enables 120,000 cable subscribers to read newspaper sites jp.dk and b.dk on their television sets. TDC calls this news service *TV apps* and considers it a modern version of Teletext with news, weather, music etc. The service is easily accessed with the remote control via applications at the bottom of the TV screen and available for TDC Internet TV subscribers<sup>6</sup>.

Newspapers from both media groups have additionally established a number of partnerships previously unknown to their businesses. One such partnership is the advertising agreement between JP/Politikens Hus and eBay. Another example is Berlingske Media's development of mobile solutions with a Ukrainian IT-firm in the Ukraine. According to one of the representatives from this media group, there is a fairly strong development in this field with collaborative constellations increasingly reflecting two directions: "the digital development and a high degree of internationalization."

For the media groups in the study, also e-commerce became one of the new and important sources of revenues, allowing media groups to capitalize on their brands, reputation and huge Internet traffic to their online sites. In 2004, Politiken launched the e-commerce site plus.politiken.dk where it offers specially selected goods and services. Berlingske Media also operates a number of e-commerce websites with special offerings, e.g. sweetdeal.dk, lidtmere.dk and downtown.dk, which have no connections to the newspaper's core business activities.

## **5.2 CONSEQUENCES OF THE BUSINESS MODEL INNOVATIONS**

Changes in the newspaper value proposition, combined with competition from other media sources led to a decreasing number of traditionally loyal and paying readers. E.g. in 2012 printed editions were preferred only by the over-45 reader segment, and the average reader of the main national dailies printed editions was over 60 years. On the other hand, newspapers targeted increasing

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<sup>6</sup> <http://www.berlingskemedias.dk/83723/>

numbers of broadly defined and mostly non-paying customer segments online and mobile, which are generally young and fast-moving. Additionally, the newspapers acquired diverse business-to-business customers for their content, including Internet portals, TV and cable TV companies with news feeds and companies with special interests. This fragmentation of customer segments led to the newspapers' inability to perform effective target marketing and build closer relationships with new customers groups.

The change from a structure based on channel distribution to one based on content production implies creating content which is then fed through multiple platforms. This change in distribution mode frequently led to organisational restructurings at Berlingske Media. It had 3 rounds of organizational changes in 2007-2011 to keep up with changes in the technological and consumer trends.

Changes in technology and competition also caused both groups to reassess the qualifications of in-house personnel. One of the examples is a growing need for journalists with digital skills.

"We need people who can develop the journalistic products. Content developments now goes in tandem with technological developments. So we will just look as often for IT people or those with the background in digital media studies because they have a slightly broader perspective on product development and innovation [than traditional journalists]... "

Respondent from JP / Politiken Hus (our translation)

Differently put, the business model innovations in the two media groups had however a disruptive effect on the existing business models summarised in Figure 2 below.

**Figure 2. Disruptive Changes in Newspapers' Business Models**

<p><b>Value proposition</b></p> <ul style="list-style-type: none"> <li>• The offer of “free” content, and as a consequence the execution of a “free” business model;</li> <li>• New types of content, genres and media types and media convergence;</li> <li>• Support of the overall brand, not the printed newspaper per se;</li> <li>• New, specialized, niche online products and apps for the web, smart phones and tablet computers.</li> </ul>	<p><b>Value creation</b></p> <ul style="list-style-type: none"> <li>• New organisational structures for producing and publishing content on printed and digital platforms;</li> <li>• New IT resources required;</li> <li>• Need for journalists and communication workers with new skills;</li> <li>• New key partnerships with information and communication technology (ICT) companies.</li> </ul>
<p><b>Value delivery</b></p> <ul style="list-style-type: none"> <li>• Fragmentation of the reader segment;</li> <li>• New multiple business-to-business customers;</li> <li>• Multiple delivery channels instead of one, i.e. the printed newspaper;</li> <li>• Lost ownership of delivery channels and distribution of content through third-party channels.</li> </ul>	<p><b>Value Capture</b></p> <ul style="list-style-type: none"> <li>• Increased unit costs of printed newspapers;</li> <li>• Changes in the revenue structure;</li> <li>• Continuous experimentation with pricing of digital products;</li> <li>• Dependence on revenues from non-core activities.</li> </ul>

## 6. DISCUSSION AND CONCLUSIONS

The newspaper industry in Denmark has been experimenting with business models for the last decade. It introduced new value propositions, attracted new customer groups, shifted focus from production and distribution of printed products to digital ones, deployed new delivery channels for content, revised its key partnerships and cost structure. However, the industry is just slowly beginning to recover financially, after a number of years with big losses. It appears that it is just learning how to capture value from renewed, changed or novel business models.

The newspapers have experimented to a large extend with technological and social innovations such as the World Wide Web, Web 2.0 and various mobile platforms as well as other new forms of reader involvement in the last years. As a reaction to the increasing decline in circulation and readership, newspapers in Denmark launched websites and designed apps for smartphones and tablets - most often providing professional journalistic content free of charge. Despite the usefulness of such measures to attract online users in great numbers, newspapers found it hard to adopt new technologies and use them to monetize content, which in turn led to loss of a share of the advertising market and, consequently, the revenues. Differently put, this initial openness towards

technological and social innovations in the newspaper industry has led to an erosion of the industry's dominant and until recently widely embraced business model (Holm, Günzel, & Ulhøi, 2013). It appears, that the newspapers have made the same mistake as many companies before – they have assumed that quick adoption of technological innovations would automatically guarantee business and economic success.

Newspapers attempted to innovate their business model to their best ability, but the many changes in their business model business blocks were of disruptive nature, and undermined the value capture flow. The challenges and the complexity of the markets that newspapers are facing to stay afloat and to generate profit, require a mix of revenue models. To secure the success of bundled business models (Osterwalder & Pigneur, 2010), newspapers need to ensure that they continue to deliver value to readers, advertisers and marketers.

Clearly, changes to single elements, but not on the model linking them, can even be harmful, since they can disrupt the existing business model's logic. The feedback loops that are so crucial to learning and development (Casadesus-Masanell & Ricart, 2010) are still not always in place in the media groups' newspapers. The process of business model innovation always needs to be coupled with business model logic thinking to ensure the value of each innovation step.

## **7. IMPLICATIONS**

Introducing changes to various parts of a business model may not bring the desired outcomes if it simply adds complexity and heterogeneity, and may even disrupt and harm the existing business logic (Günzel & Holm, 2013). Therefore, innovation in newspapers' business models should go hand in hand with the testing and experimentation, and if it disrupts the business logic and does not secure the feedback loops, managers should focus their efforts on either restoration or innovation of the flow of the business model logic.

The traditional printed media advertising model was based on a one-to-many communications model, while the web is based on a many-to-many communication model (Hoffman and Novak, 2000). Therefore, as a revenue source, Internet advertising needs to ensure better targeted ads by using readers' interests and behaviours. This will ensure that newspapers provide information that readers want, when they want it, rather than “bothering” or interrupting readers (Clemons, 2009). Therefore, newspapers need to redefine their value propositions and reposition their products based on a behavioural segmentation approach. This approach implies that the customer groups will be



defined on their reading behaviour - online or offline, and not on their psychographic profiles. In practice, it will require newspapers to segment their customers on the preferred delivery channels for news content, be it digital or analogue. In business model terms, the change will require a business model innovation based on the redefinition of the customer groups, redesigning value proposition, and tailor-crafting subscriptions and other revenue streams for each delivery channels individually.

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