



How Business Models in the Newspaper Industry are Selected and Innovated

A Case Study of Two Norwegian Media Groups

Ingrid Hognaland

Supervisor: Postdoctoral Researcher Tina Saebi

Master Thesis within the profile of Business Analysis and
Performance Management

NORWEGIAN SCHOOL OF ECONOMICS

This thesis was written as a part of the Master of Science in Economics and Business Administration at NHH. Please note that neither the institution nor the examiners are responsible – through the approval of this thesis – for the theories and methods used, or results and conclusions drawn in this work.

Abstract

The newspaper industry is a dynamic industry and the extent of this has increased in recent years. A likely consequence of this is a need to adjust and innovate the business models applied in the industry. Through a qualitative study of two media groups, this thesis explores the design of digital business models used in the newspapers of these groups, by assessing them through a framework. It further considers the rationale for why the current design has been selected, and in what manner relevant driving forces seem to influence innovation of the business models. Key findings are that group affiliation, experimentation, and the two external forces technological innovation and changing customer behavior, influence the choice of digital business models applied in the two media groups today. These aspects are found to be influencing the examined newspapers' selection of business models both directly, and both external factors and experiments are found to influence indirectly through one or both of the other aspects as well.

Acknowledgements

This thesis is written in the spring of 2014, as a part of the Master Thesis in Master of Science in Economics and Business Administration at the Norwegian School of Economics (NHH), within the profile of Business Analysis and Performance Management.

The thesis explores the selection and composition of business models in the newspaper industry and is conducted as a case study of four newspapers within two media groups. I would like to thank both the media groups and the newspapers in these two groups, for taking the time to discuss their business models and the selection and composition of these with me. I would like to thank both the three managers I interviewed at the group level of the media groups, the four managers I interviewed in specific newspapers in the groups, and also my two contact persons within one of the groups, who helped me get in touch with employees with great knowledge of business model processes within their newspaper. I greatly appreciate their time and their willingness to share their insights with me.

I have throughout several months of work with this thesis received assistance and good advises from my supervisor Postdoctoral Researcher Tina Saebi. Her academic guidance and always relevant and quick feedback are greatly appreciated, and I would like to thank her for invaluable assistance and useful guidance.

In addition, I would like to thank family members and friends who have taken the time to read through my thesis and helped me correcting typos and errata.

Bergen, June 19, 2014

Ingrid Hognaland

| | |
|---|-----------|
| 1. INTRODUCTION | 6 |
| 2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK | 8 |
| 2.1. THE BUSINESS MODEL CONCEPT | 9 |
| 2.1.1. <i>Defining Business Models</i> | 9 |
| 2.1.2. <i>Frameworks for Categorizing Business Model Elements</i> | 11 |
| 2.2. REVENUE MODELS IN THE NEWSPAPER INDUSTRY | 13 |
| 2.2.1. <i>Print Newspapers</i> | 14 |
| 2.2.2. <i>Digital Newspapers</i> | 15 |
| 2.2.3. <i>Two-Sided Platforms</i> | 17 |
| 2.3. THEORETICAL FRAMEWORK FOR BUSINESS MODEL SELECTION AND DESIGN | 18 |
| 2.3.1. <i>Group Affiliation</i> | 19 |
| 2.3.2. <i>External Forces</i> | 20 |
| 2.3.3. <i>Business Model Innovation and Experimentation</i> | 21 |
| 2.3.4. <i>Framework of Determinants Influencing Business Models in Newspapers</i> | 23 |
| 2.4. THE NEWSPAPER INDUSTRY | 24 |
| 2.4.1. <i>Characteristics of the Norwegian Newspaper Industry</i> | 24 |
| 2.4.2. <i>International Trends in the Newspaper Industry</i> | 26 |
| 3. METHODOLOGY | 28 |
| 3.1. RESEARCH DESIGN AND STRATEGY | 28 |
| 3.1.1. <i>Research Design</i> | 28 |
| 3.1.2. <i>Research Strategy</i> | 30 |
| 3.1.3. <i>Data Collection and Analysis</i> | 32 |
| 3.1.4. <i>Interview Methods for Qualitative Studies</i> | 34 |
| 3.1.5. <i>Research Approach</i> | 36 |
| 3.2. THE CHOICE OF UNITS OF ANALYSIS AND INTERVIEWEES | 37 |
| 3.2.1. <i>Units of Analysis</i> | 37 |
| 3.2.2. <i>Choice of Interviewees for the Study</i> | 38 |
| 3.3. CREDIBILITY AND ETHICS | 39 |
| 3.3.1. <i>Reliability</i> | 39 |
| 3.3.2. <i>Constructs Validity</i> | 40 |
| 3.3.3. <i>External Validity</i> | 40 |
| 3.3.4. <i>Ethics of Research Design</i> | 41 |
| 4. FINDINGS..... | 42 |
| 4.1. BUSINESS MODEL ELEMENTS | 42 |
| 4.1.1 <i>Overview over the Business Models in the Examined Newspapers</i> | 42 |
| 4.2. GROUP AFFILIATION REGARDED AS AN ADVANTAGE | 43 |
| 4.2.1. <i>The Newspapers have Great Autonomy</i> | 44 |
| 4.2.2. <i>Knowledge Sharing is Emphasized</i> | 45 |
| 4.3. TWO EXTERNAL FORCES INFLUENCE BUSINESS MODEL PROCESSES..... | 46 |
| 4.3.1. <i>Technological Innovations are Increasingly Adopted</i> | 46 |
| 4.3.2. <i>Customers` Expectations Increases</i> | 48 |
| 4.3.3. <i>Macroeconomic Conditions and Competitors</i> | 49 |
| 4.4. EXPERIMENTATION IS INFLUENCING THE BUSINESS MODEL DESIGN | 50 |
| 4.4.1. <i>Internal Initiatives leads to Experimentation</i> | 50 |
| 4.4.2. <i>Experimentation within the Area of Payment Models</i> | 53 |
| 4.5. SUMMARY OF FINDINGS ON THE THREE FACTOR INFLUENCE BUSINESS MODELS | 56 |
| 5. ANALYSIS | 58 |
| 5.1. RECENT BUSINESS MODEL SELECTION PROCESSES..... | 58 |
| 5.2. KNOWLEDGE IS SHARED WITHIN THE GROUPS..... | 58 |
| 5.3. IMPACT FROM TECHNOLOGICAL INNOVATIONS AND CHANGING CUSTOMER BEHAVIOR | 60 |

| | |
|--|-----------|
| 5.4. EXPERIMENTATIONS IN A VARIETY OF AREAS | 63 |
| 6. DISCUSSION AND CONCLUSION | 66 |
| 6.1. DISCUSSION..... | 66 |
| 6.2. CONCLUSION..... | 69 |
| 6.3. IMPLICATIONS | 70 |
| 6.3.1. Theoretical Implications | 70 |
| 6.3.2. Managerial Implications..... | 71 |
| 6.4. LIMITATIONS AND FURTHER RESEARCH..... | 72 |
| 7. REFERENCES | 74 |
| INTERVIEW GUIDE | 79 |
| QUESTIONS TO INTERVIEWEES AT THE GROUP LEVEL | 79 |
| Introduction..... | 79 |
| Description of Business Model elements..... | 79 |
| Business Model Portfolio questions | 79 |
| Innovation/experimentation..... | 80 |
| Additional questions if there is more time left..... | 80 |
| QUESTIONS TO INTERVIEWEES IN SPECIFIC NEWSPAPERS..... | 80 |
| Introduction and description of Business Model elements..... | 80 |
| Business Models in specific newspapers | 81 |
| Innovation/experimentation..... | 81 |
| Additional questions if there is more time left..... | 81 |

List of Figures

| | |
|--|----|
| Figure 1: Four Business Model Elements Framework. | 13 |
| Figure 2: Determinants Influencing the Business Model of Newspapers. | 24 |
| Figure 3: Aspects Influencing how Newspapers Select and Compose Business Models. | 69 |

List of Tables

| | |
|---|-------|
| Table 1: Overview of Business Model Definitions. | 9-10 |
| Table 2: Digital Revenue Models Applied in the Newspaper Industry. | 27 |
| Table 3: The Findings on the Four Business Model Elements in the Groups and Newspapers. | 42-43 |
| Table 4: Summary of Findings on the Three Factors Influencing Business Models. | 56-57 |

1. Introduction

The news used to be something people consumed once a day, when they scrolled through the newspaper during breakfast, or while relaxing on the sofa after work. Today, this is no longer the case, and technological innovations have largely contributed to changing our news consumption. Today it is possible to read the news even before we leave our bed, we are able to continuously stay updated on the latest news during the day, and can end the day by checking the news one last time while brushing our teeth. This is made possible because companies in the newspaper industry have exploited opportunities technological innovations have provided, and the most important example of this is probably the Internet, which introduced a new distribution channel for newspapers. When newspaper companies around the turn of the millennium started using this new channel, they did not seem to think thoroughly through what business model they should employ (Ottosen & Krumsvik, 2012). Most newspapers offered free access to their online newspaper, even though the online content became a substitute to most newspapers' print edition (Fetscherin & Knolmayer, 2004). In addition, the habits of newspaper readers have changed in recent years. Younger generations seem to prefer digital newspapers to print, and as a consequence of new services compete for people's time, the population as a whole is spending less of their time on reading print newspapers (Kulturdepartementet, 2010). The introduction of the Internet also led to the creation of new companies that have chosen advertising as a main revenue sources, like Google and Facebook. This has had the consequence that newspapers have not been able to achieve anything similar to a monopoly for digital advertising, like several newspapers used to enjoy for their print edition. Combined, these two factors have contributed to reduced revenue in the newspaper industry. In recent years, newspaper companies have realized that their business model with free online content is not very sustainable. After having given their content away for free for about ten years, a whole generation has grown up being used to digital newspapers being free. These young readers are an important segment for newspapers and they may prefer to consume the news in other ways than what the traditional print newspaper can offer. Companies in the newspaper industry seem to be trying to address this when they are adapting their business model. They are changing their value propositions, utilize new channels, and have started introducing digital user payment as a revenue source (Olsen et. al., 2010).

The concept of *business models* is a relatively new concept, but it has received increased attention by researchers since the mid 1990s (Zott, Amit & Massa, 2011). A great deal of existing studies of business models have focused on what different elements of building blocks a business model should contain, and have at times examined what types of business model that might be suitable in different industries or situations (e.g. Osterwalder, Pigneur & Tucci 2005; Osterwalder & Pigneur 2010; Smith, Binns & Tushman 2010; Zott, Amit & Massa 2011). Existing literature has thus outlined different business model options or patterns, but has not so much examined the reason for why a specific business model has been chosen in a specific company or industry, and what it is that influences the selection of business models. There is a lack of literature examining what factors are influencing the design and further innovation of business models in general and in the newspaper industry in particular. One important aspect that has received less attention is the role of experimentation in business model innovation. Extant research on business model experimentation has mainly discussed how it can be conducted and what a company might gain from it (e.g. Sosna et. al., 2010; Doz & Kosonen, 2010; Chesbrough 2010). More research is needed to examine how experiments impact the actual design of business models in the newspaper industry. Existing literature on business models in the newspaper industry has often either examined one specific newspaper or compared different newspapers companies in the industry (e.g. Fetscherin & Knolmayer 2004; Pauwels & Weiss 2008; Cook & Attari 2012; Doyle 2014). There is a gap related to examining newspaper business models within a media group instead of in one specific newspaper or newspapers in different media groups. Relevant issues to consider in newspapers within a media group are whether the different newspapers are or should be applying different business models, and how much influence the group level has on the design of the newspapers' business model.

The objective of this master thesis is to explore what aspects and driving forces that influence processes in which digital business model are being selected, designed and innovated in different newspapers within two media groups, and the groups' influence in such processes. To be able to assess this, the thesis will first clarify what elements the digital business models in the newspapers consist of, and then explore driving forces and types of processes that are likely to influence the choice and design of business models in the newspaper industry. In addition, it will explore what both the media groups and the specific newspapers emphasize in such selection and design processes.

This leads to the following Research Question:

What determines which digital business models a media group selects for its newspapers and its overall composition of digital business models at the group level?

And the Sub Questions:

What is the role of experimentation in business model selection and design?

What external factors play a role in the choice of digital business models in the newspaper industry?

A study of how two Norwegian media groups have selected and further innovated their digital business models will provide the possibility to compare newspapers both within and between media groups. This will provide a possibility to assess how much influence group affiliation might have when the design of a newspaper's business model is to be determined or adjusted. Other potential driving forces will be assessed as well, and the relative weighting of these both within different newspaper and within different media groups can be explored. This will provide information about selections and choices that have been made, the rationale behind these, and possibly indicate how business model development is likely to continue in the examined media groups. Business model researchers have argued that a generic and shared concept for describing business models can make it easier to understand the concept (Osterwalder, Pigneur & Tucci, 2005). Definitions and frameworks for business models developed by recognized business model researchers are therefore presented and used in this thesis, and the business models applied in the examined newspapers are described to establish a common understanding before the rationale for the selection and composition of the models are further explored.

2. Literature Review and Theoretical Framework

This chapter presents existing literature on the topics of business models and the newspaper industry, and thus places the research objective and question of this thesis into a larger context. The literature review starts with an overview of literature about business models in

general, looks further into literature on business and revenue models in the newspaper industry, and provides an overview of the Norwegian newspaper industry. Based on existing theory on group affiliation, experimentation and external environment, a theoretical framework is developed.

2.1. The Business Model Concept

The following part provides an overview of different definitions and frameworks applied in the field of business model research. It further describes the definition and framework the study of this thesis will apply.

2.1.1. Defining Business Models

The term *business model* is a relatively new term that has received increased attention the last 15-20 years. Zott, Amit & Massa (2011) have examined the use of the term *business model* in articles in academic journals. The examination was based on research by Ghaziani and Ventresca (2005), who found that the term *business model* was used in 1729 management articles between 1975 and 2000, and 1563 of these were published between 1995 and 2000. By extending the period of research to 2009, Zott, Amit & Massa (2011) found a similar pattern and concluded that the use of the term *business models* has increased greatly since the mid-1990. The increase in awareness of the concept *business models* has occurred at the same time as the Internet and e-business have become more widespread, and some business model research works have a strong link to e-business (Zott, Amit & Massa 2011). The fact that it is a relatively new term, and at times is being related to e-business, has had the consequence that there are several business model definitions, and it is still not reached agreement on a definition of *business model* (Zott, Amit & Massa 2011). *The following table shows some examples of business model definitions provided by business model researchers:*

| Authors | Definition |
|-------------------------------------|--|
| Timmers (1998) | <i>“an architecture for the product, service and information flows, including the various business actors and a description of the sources of revenues”</i> |
| Mahadevan (2000) | <i>“a unique blend of three streams that are critical to the business. These include the value stream for the business partners and the buyers, the revenue stream, and the logistical stream”</i> |
| Linder & Cantrell (2000) | <i>“the organization’s core logic for creating value”</i> |
| Zott & Amit (2001) | <i>“A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities.”</i> |

| | |
|--|---|
| Chesbrough & Rosenbloom (2002) | <i>"We offer an interpretation of the business model as a construct that mediates the value creation process."</i> |
| Magretta (2002) | <i>"Business model answers the questions such as who is the customer, what does the customer value, how do we make money in this business, what is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost." "a story that explains how an enterprise works"</i> |
| Osterwlauder, Pigneur & Tucci (2005) | <i>"A conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams".</i> |
| Shafer et al. (2005) | <i>"Business is fundamentally concerned with creating value and capturing returns from that value, and a model is simply a representation of reality. We define a business model as a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network."</i> |
| Tikkanen et al. (2005) | <i>"We define the business model of a firm as a system manifested in the components and related material and cognitive aspects. Key components of the business model include the company's network of relationships, operations embodied in the company's business processes and resource base, and the finance and accounting concepts of the company."</i> |
| Voelpel et al. (2005) | <i>"The particular business concept (or way of doing business) as reflected by the business's core value proposition(s) for customers; its configured value network to provide that value, consisting of own strategic capabilities as well as other (e.g. outsourced/allianced) value networks; and its continued sustainability to reinvent itself and satisfy the multiple objectives of its various stakeholders."</i> |
| Chesbrough & Schwartz (2007) | <i>"The business model performs two important functions: value creation and value capture. First, it defines a series of activities, from procuring raw materials to satisfying the final consumer, which will yield a new product or service in such a way that there is net value created throughout the various activities. Second, a business model captures value from a portion of those activities for the firm developing and operating it."</i> |
| Johnson, Christensen & Kagermann (2008) | <i>"A business model consists of four interlocking elements (customer value proposition, profit formula, key resources, key processes) that taken together create and deliver value."</i> |
| Zott & Amit (2009) | <i>"The content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities"</i> |
| Santos, Spector & van der Heyden (2009) | <i>"A business model is a configuration of activities and of the organizational units that perform those activities both within and outside the firm designed to create value in the production (and delivery) of a specific product/market set."</i> |
| Teece (2010) | <i>"A business model defines how the enterprise creates and delivers value to customers, and then converts payments received to profits"</i> |
| Doz & Kosonen (2010) | <i>"Business models can be defined both objectively and subjectively. Objectively they are sets of structured and interdependent operational relationships between a firm and its customers, suppliers, complementors, partners and other stakeholders, and among its internal units and departments (functions, staff, operating units, etc.). These 'actual' relationships are articulated in procedures or contracts and embedded in (often) tacit action routines. But, for the firm's management, business models also function as a subjective representation of these mechanisms, delineating how it believes the firm relates to its environment"</i> |
| Smith, Binns, Tushman (2010) | <i>"By business model, we mean the design by which an organization converts a given set of strategic choices - about markets, customers, value propositions - into value, and uses a particular organizational architecture - of people, competencies, processes, culture and measurement systems - in order to create and capture this value."</i> |
| Baden-Fuller & Haefliger (2013) | <i>"A system that solves the problem of identifying who is (or are) the customer(s), engaging with their needs, delivering satisfaction, and monetizing the value"</i> |

Table 1: Overview of Business Model definitions.

The outlined business model definitions show that there is a great variety in how the concept is being defined, what business models are outlined as, and what elements they are said to consist of. Business models are for example being elucidated as architecture, critical streams and a construct, as well as a representation of underlying core logic, configuration of activities and identification system. There is however some similarities between the outlined definitions as well, and all, except three of them, mention value. Profit or monetization in some form is mentioned in two thirds of them. The lack of a common definition and the fact that the term *business model* has been used to explain different concepts, have led some researchers to try to further categorize the different concepts the term has been used to explain. Zott, Amit, & Massa (2011) use three categories and stress that these could both be used individually and in relation to each other. The categories are e-business model archetypes, business model as cost/revenue architecture, and related to strategy studies they regard business model as an activity system. Quite a few of the outlined business model definitions focus on value creation and capturing and thus fit well with Zott, Amit, & Massa's (2011) category *cost/revenue architecture*. A few fit in the category *activity system*, while none of the outlined definitions seem to be directly related to e-business. For the purpose of this thesis, the following definition is adopted; "*A business model consists of four interlocking elements (customer value proposition, profit formula, key resources, key processes) that taken together create and deliver value*" (Johnson, Christensen & Kagermann, 2008, p. 60). This definition acknowledges the connection between the different elements a business model consists of, and it expresses the included elements in a compressed manner.

2.1.2. Frameworks for Categorizing Business Model Elements

To be able to explore what it is that influences a newspaper's selection of business models, a framework that describes the business models in the newspaper industry is needed. This thesis applies a framework based on Osterwalder and Pigneur's (2010) framework called the *Business Model Canvas*.

In the field of business model research, various frameworks and models have been developed to categorize the elements business model definitions describe business models to consist of (Osterwalder & Pigneur 2004; Osterwalder & Pigneur 2010; Zott & Amit 2010; Teece 2010; Baden-Fuller & Haefliger 2013). Different authors have used different numbers of dimensions in their categorization and the result has been different business model frameworks. Zott &

Amit (2010) have developed *An activity system design framework*, which distinguished between the two categories design elements and design themes. Design elements include content, structure, and governance, while design themes include novelty, lock-in, complementarities and efficiency (Zott & Amit, 2010). Another example of categorization of the different elements in a business model is outlined by Baden-Fuller & Haefliger (2013), who use the four dimensions customer identification, customer engagement, value delivery and monetization, and examine these in relation to innovation. Teece (2010) depicts six factors that need to be determined in business model design, and these are; selection of technologies and features to be embedded in the product/service, determination of benefit to the customer from consuming/using the product/service, identifying market segments to be targeted, confirmation of available revenue streams, configuration of costs appropriately, and designing mechanisms to capture value. Osterwalder and Pigneur (2004) has developed a model that divides business models into four pillars and nine building blocks, which is outlined in Osterwalder, Pigneur and Tucci (2005). The framework is called *Nine Business Model Building Block*, and a further developed version of the framework called *The Business Model Canvas* is presented by Osterwalder & Pigneur (2010).

Osterwalder, Pigneur and Tucci (2005) identify different domains, concepts and relationships addressed in business model research, and state that there is a need to create a common language in the field of business models. They argue that a generic and shared concept for describing business models can work to formulate business models in a way everyone understands (Osterwalder, Pigneur and Tucci, 2005). Building on this, for the purpose of this thesis, a framework based on Osterwalder & Pigneur's (2010) *Business Model Canvas* will be applied. This choice is made because the framework of Osterwalder & Pigneur (2010) is a distinct framework that covers the essence of the majority of the outlined business model definitions. All the four pillars in the framework are covered, and based on the number of elements included in the business model definition adopted for this thesis, the nine buildings blocks are merged into four elements. The framework of this thesis contains the four elements *Cost/Revenue Structure*, *Customer Impact*, *Value Proposition* and *Key Processes*. In relation to Osterwalder & Pigneur's (2010) framework, Cost/Revenue Structure covers Cost Structure and Revenue Stream, Customer Impact covers Customer Segment, Customer Relationship and Channel, Key Processes covers Key Activities, Key Resources and Key Partners, and Value Proposition is similar to how Osterwalder and Pigneur define the term. The focus area of each of the elements are further defined in this manner:

- **Cost/Revenue Structure:** How the firm makes money from offering its value proposition and what costs that follows from offering this.
- **Value Proposition:** What the firm can offer its customer that is of value for the customers.
- **Key Processes:** What the firm does to deliver its value proposition and the resources used in this delivery.
- **Customer Impact:** Who the customers are, and how and where they interact with the firm.

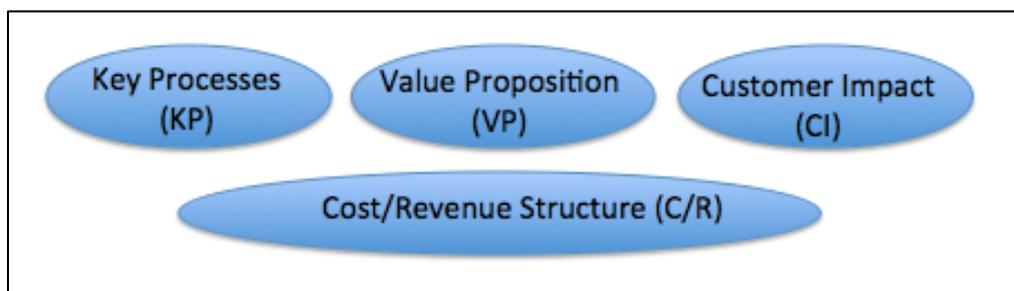


Figure 1: Four Business Model Elements Framework.

Source: Based on Osterwalder & Pigneur`s Business Model Canvas (2010).

This framework is applied in the research to describe the business models used in the examined newspapers. The purpose of the application of the framework is to establish a common language for the further exploration of business model selection and composition. When the newspapers` business model elements have been outlined, it is further possible to explore why they have been designed the way they have, how similar or different they are in different newspapers, and explore explanations for possible differences.

2.2. Revenue Models in the Newspaper Industry

This part reviews existing literature on revenue models applied in print and digital newspapers. The industry`s traditional revenue model for print is presented, a model based on a mix of user payment and advertising, which is being criticized for being unsustainable and too dependent on advertising. Digital newspapers are to some extent applying a somewhat different model, and issues particularly concerning to digital newspapers are described as

well. In addition, concerns arising from the two-sided platform features of business models in the newspaper industry are outlined.

2.2.1. Print Newspapers

Teece (2010) portrays the traditional revenue model of newspapers, where the paper has been sold inexpensively and profit has been secured through advertising. The revenue from newspaper sales has traditionally been too low to be able to cover all the costs, and advertising revenue has covered remaining costs and provided a profit (Teece, 2010).

Changes that have occurred in recent years have showed that this business model no longer is sustainable. Classifieds websites like Craigslist and Ebay in the US and Finn.no in Norway have acquired a large share of advertising revenue from classified ads. New advertising channels have been created, and newspapers also have to compete with social media platforms like Facebook and LinkedIn for advertising revenue.

According to Clemons (2009) it has been argued that innovation in the advertising industry will ensure that online ads will replace the loss of traditional ads in traditional mass media. Clemons (2009) contradicts this and argues that advertising pushed on people while they are in the middle of something will have trouble succeeding, and that traditional advertising in addition has lost quite a lot of its credibility simply by being commercial messages. Clemons (2009, p. 17) defines advertising as *“using sponsored commercial message to build a brand and paying to locate these messages where they will be observed by potential customers performing other activities; these messages describe a product or service, its price or fundamental attributes, where it can be found, its explicit advantages, or the implicit benefits from its use”*. Consumers’ objection to advertising has increased, and regardless of whether the advertising is found on the Internet or in more traditional forms, spam is regarded as spam (Clemons, 2009). Print newspapers have in the past enjoyed something close to a monopoly on advertising distribution, which impacted how they set their prices. By charging high prices from advertisers, they were able to give readers access to content without the readers having to pay the full production cost. The increase in places to advertise has forced newspapers to charge less for digital advertising compared to advertising in print, and it has become harder to depend on advertising revenue to fund content delivery (Clemons, 2009). According to Clemons (2009), newspapers need to utilize more online revenue streams in addition to advertising. Content delivery companies therefore have to look for other revenue streams than advertising, and to succeed it is important to both have a unique asset and to be able to profit

from providing this. In the case of newspapers, they have had a unique asset, which is accurate reporting, but because it is easy for others to copy published stories, it has been difficult to profit from this asset (Clemons, 2009).

Most newspapers have in recent years experienced a decline in the circulation of their print edition. A contributing part to this development is the increased Internet usage for news consumption, which is accelerated by the fact that younger generations read less print newspapers, compared to older generations. This has led to decreasing income from subscriptions fees, and fewer readers might make the print newspaper a less attractive place for advertisers. Through their investments in digital editions of their paper, where content has been free of charge, newspapers have partly contributed to this development. This has challenged their core product, the print newspaper, but it has also contributed to positioning the newspapers online (Krumsvik & Ottosen, 2012). Before they invested in a digital edition, several newspapers were considering whether an investment in a digital edition of their paper could cannibalize the print edition or not. Competition and fear of being left behind drove them to go online with their content without having a well-defined business model, and owners accepted to finance the *digital exploration* (Krumsvik & Ottosen, 2012). In some newspapers this choice was rationalized by the potential of recruiting new readers to the print edition through the digital edition, or the possibility to provide a wider breadth of service to both readers and advertisers. According to Krumsvik & Ottosen (2012) readers now spend more time reading print and online content combined, compared to how much time they earlier spent reading print newspapers, but digital presence has not increased the number of readers of the print edition of newspapers.

2.2.2. Digital Newspapers

Companies in the newspaper industry seem to have tried to transfer large parts of their business model for print newspapers to their business model for the digital edition. However, there are some distinctions. Initially they did for instance only include the revenue stream from advertising, and omitted subscription or another forms of user payment. To be able to capture value, a well-developed business model is necessary and this is particularly applicable for companies operating in an Internet business industry, since customers expect services online to be free (Teece, 2010). Teece (2010) outlines a model most companies in the newspaper industry seem to have been following, where content has been given away for free,

supported by revenue from advertising, while a large customer base has been established. Thereafter, a premium priced value added service has been introduced for customers who are willing to pay a fee, a *freemium*-version. For most companies the conversion rates to paying customers have been poor, and according to Teece (2010) it therefore is not clear whether this model works or not.

Fetscherin & Knolmayer (2004) have outlined a business model suggestion for content providers, where they suggest the five components product, consumer, revenue, price and delivery. They find that product is considered the most important profit driver among these five components, followed by revenue and pricing, while consumer and delivery were rated as less important. The profit driver *product* is further examined, and Fetscherin & Knolmayer (2004) find the majority of the newspapers included in their study to follow either a differentiation strategy or a cost leadership strategy, where cost leadership is the most widely used strategy. A third option, to provide free content after registration, is according to Fetscherin & Knolmayer (2004) not used very often, and they regard a possible explanation to be that content providers want to avoid getting *stuck in the middle*. Porter (1985) has derived the three generic strategies *cost leadership*, *differentiation* and *focus* based on possible competitive advantages and scope of activities, and states that one of these three strategies should be applied to be able to achieve profitability above the industry average. Firms that follow a cost leadership strategy try to be *the* low-cost producer in its industry, and the sources to cost advantage depend on the industry it operates within (Porter, 1985). When a differentiation strategy is applied, a firm tries to offer one or more unique attributes that are valued by customers, and because of the uniqueness the firm can charge a premium price (Porter, 1985). Porter (1985) warns against becoming *stuck in the middle*, which means trying to engage in all of the three strategies, and not succeed with any of them, and thus risk ending up performing below average. In the newspaper industry, the cost leadership strategy usually implies to offer a large part of the digital content to customers for free. Fetscherin & Knolmayer (2004) further emphasize two important issues for companies in the business of content delivery, which is how much of their content should be available for free, and whether a digital product should be a complementary or a substitute to the physical product. By testing hypotheses about the positioning of the examined newspapers' product, they conclude that newspapers are primarily not positioning digital products as a complement. This is because much content is provided both digitally and physically, and this leads to the risk of cannibalizing the physical product. Fetscherin & Knolmayer (2004) do however emphasize

that there is a risk of cannibalization only if there is a high percentage of both free digital content and content that is provided in both digital and physical format.

If the management of a newspaper decides to introduce a fee, like many newspapers have during the last couple of years, they have to make both a restriction-level decision and a pricing decision (Pauwels & Weiss, 2008). This means that they have to consider if readers should have to pay a fee to be able to read their content at all, or if only parts of it should be restricted by a fee. They also have to decide what the prices of the content should be, if they should offer one variety or several varieties of subscriptions, and whether or not to introduce for example usage-based pricing as an option. When making these decisions, managers also have to consider that even though going from free to fee is likely to increase the subscription revenue, it is likely to reduce the advertising revenue at the same time (Pauwels & Weiss, 2008). This is because the total amount of readers is likely to be reduced when readers have to pay a fee to see all or parts of the content, and fewer readers make a newspaper less attractive for advertisers. From this it follows that whether the move from free to fee is profitable for the firm or not, depends on whether the resulting subscriber revenue is greater than the reduction in advertising revenue (Pauwels & Weiss, 2008).

2.2.3. Two-Sided Platforms

The use of two-sided platforms has been a basic feature in the traditional design of business models in the newspaper industry. The widespread use of this feature in the newspaper industry means that it is advantageous to be acquainted with its possible influence on the design of digital business models in the industry.

A two-sided platform is a form of multi-sided platform, which according to Osterwalder & Pigneur (2010) are characterized by bringing two or more distinct but interdependent groups of customers together. The different groups interact through the platform, and how valuable this interaction is for a specific group, depends on how many users the group(s) on the other side of the platform has. To achieve a sufficiently high number of users the operator may choose to subsidize one of the customer groups, and if this solution is chosen, it is important to both choose the right side to subsidize and to price correctly (Osterwalder & Pigneur, 2010). If one of the sides is to be subsidized, one should according to Eisenmann et. al. (2006) choose to subsidize the side that has the most quality- and price-sensitive users. Subsidizing

might lead to a business model pattern Osterwalder & Pigneur (2010) call *Free* as a business model, where at least one customer segment benefit from having another segment financing the product or service the platform provides. Subsidizing is being used to create a *cross-side* network effect, where more users on one of the sides increase the value of taking part in the platform for users on the other side (Eisenmann et. al., 2006). The two-sided platform incorporates two value delivery systems, and in the case of a newspaper there is one for the reader, and another for the paying customer, an advertiser who wants to reach customers through the newspaper (Baden-Fuller & Haefliger, 2013). One variety of a two-sided platform is a business model where users initially do not have to pay, and the revenue is derived from advertising and a freemium pricing model users are able to choose (Baden-Fuller & Haefliger, 2013).

2.3. Theoretical Framework for Business Model Selection and Design

This part will review existing literature concerning group affiliation, knowledge sharing, experimentation and the external and the competitive environment. Aspects and factors from these research areas that might affect selection and design of business models will be outlined, and a theoretical framework for business model selection and design will be derived.

It is relevant to consider what influence group affiliation is likely to have when business models are being designed and innovated. Chen et. al. (2010) find that affiliation with a business group can affect the innovation of firms, and Sosna et. al. (2010) examine the importance of knowledge sharing within a group. To be able to address how newspapers' affiliation with a media group might influence business model selection processes, perceptions from these studies will be outlined and considered included in a framework.

External forces are present in all industries and such forces might influence how appropriate specific business models are in different contexts, and the way in which business models should be composed. The importance of a company's environment and competitive forces in its industry is examined by Teece (2010), Porter (2008) and Krumsvik & Sundet (2011). Findings from these researchers will be reviewed and considered included in a framework.

Experimentation seems to currently be affecting the operations of Norwegian newspapers. In 2013, Norwegian newspapers started to really experiment with different digital payment

models (Bisgaard, 2014). Research by Chesbrough (2010), Doz & Kosonen (2010), Sosna et. al. (2010) and Doyle (2014) examine innovation and experimentation, triggers of experimentation, various ways in which it takes form, and areas in which the newspaper industry might consider doing experiments. Perceptions from these studies will be outlined and considered included in a framework.

2.3.1. Group Affiliation

Ownership of enterprises can be organized in several different ways, an enterprise might be part of a larger business group, and in such cases it may vary how strong the ties to the group are. Chen et. al. (2010) call business groups a distinct form of business model, and examines how a firms` affiliation with business groups can improve the firms` innovation. The reason for a positive linkage between group affiliation and success of innovations is explained to be that firms affiliated to a group are more likely to acquire financial capital, scientific talents, valuable know-how and technologies that are needed to support innovation initiatives, and in addition that internal training, accumulation of experience, and external knowledge transfer is likely to contribute to innovation within business groups (Chen et. al., 2010).

The authors find empirical support for their propositions stating that business group factors have significant impact on the innovation of affiliated firms, and their findings show that firms that are affiliated with business groups achieve better innovation (Chen et. al., 2010). High degree of group diversification further promotes affiliated firms` innovations, and family ties to core leaders of the group will improve innovation as well (Chen et. al., 2010). The units of analysis for the research are companies in Taiwan, where shareholding is concentrated within families in many firms. According to Chen et. al. (2010), the findings have strong universal applications to countries where business groups and shareholding may be organized in other forms as well. To improve the performance of innovations, the findings suggest that firms could consider strengthening inter-firm cooperation and to establish ties to external institutions (Chen et. al., 2010).

Sosna et. al. (2010) study trial-and-error learning for business model innovation, and relate this to organizational learning. The authors underline the importance of learning from intelligent failures in trial-and-error processes, which are failures that still provide information to learn from. When viable business models emerge through innovation, Sosna et. al. (2010) stress that the knowledge individuals and groups have attained from trail-and-error processes

have to be integrated into the whole organization. In this context it is important to integrate knowledge that has been attained in each subsidiary into the group's knowledge base, and to use this knowledge to refine models.

2.3.2. External Forces

Teece (2010) examines the link between business models, business strategy and innovation, and states that selection and adjustments of business models is a complex art. His main focus is how to design business models, sustainability and impact from innovation, but he also depicts the importance of environment and context. Teece (2010) regards business models to be more generic than business strategies, and further emphasizes that business model design has to be coupled with careful strategic analysis to succeed commercially. It is not only bad business models that need to be adjusted over time, because of changes in the environment, good business models have to be dynamic as well. To increase the chances of achieving a good business model design, Teece (2010) recommends attaining an understanding of users needs, analyzing the value chain, to consider alternatives, and to listen and learn. He further describes the selection and design of business models to be based on dynamic capabilities and sensing, seizing and reconfiguring skills that enables firms to stay in sync with changing markets (Teece, 2010). The suitability of a business model can according to Teece (2010) only be determined by taking also the business environment or context into account.

Porter (2008) also emphasizes the importance of the business environment, more specific the competitive environment. He states that there are five forces that define the structure of a competitive interaction in an industry. The five forces are rivalry among existing competitors, threat of new entrants, bargaining power of buyers, threat of substitute products or services, and bargaining power of suppliers, and they are regarded as underlying drivers of profitability regardless of the industry (Porter, 2008). When companies are to formulate strategies, they should, according to Porter (2008) know how the competitive forces work in their industry, and the competitive force that affects the profitability of the industry the most, should be the strategic priority in strategy formulations. Porter (2008) regards the structure of most industries to be relatively stable, but emphasizes that structures constantly are undergoing modest adjustments, and that it at times may change abruptly. Reasons for abrupt changes can be external or related to the industry, and by knowing the structure of the industry well, a firm might be able to anticipate some possible future changes.

Krumsvik & Sundet (2011) analyze the Norwegian newspaper industry based on Porter's (2008) five competitive forces framework. They concluded that it is substitutes that to the greatest extent influence the prerequisite for profitability in this industry, which causes the ad prices to come under pressure. The players in the industry are fighting for the same advertisers, and because of this, rivalry among existing competitors is influencing the prerequisite for profitability as well. Krumsvik & Sundet (2011) further find the threat of new entrants and bargaining power of suppliers to be low, while the bargaining power of advertising buyers is increasing.

2.3.3. Business Model Innovation and Experimentation

Business models have to be adjusted as changes happen within the company and in its surrounding environment. It will at times be discovered that old business models do not work anymore, and experimentation might be utilized in the process of finding a new business model. When it becomes apparent that an old business model has to be changed, one approach a company can follow is to construct several business models and processes related to them, and use these as a source of experiments where different combinations of processes are considered (Chesbrough, 2010). It might be important for a company to develop and experiment with new potential business models, but it is equally important to ensure that its current business model and processes perform well. This might lead to a challenging time-period, because it might be necessary with an extended period of co-existence between existing and new business models (Chesbrough, 2010).

Doz & Kosonen (2010) present fifteen priorities and actions leaders can take, to accelerate renewal and transformation of business models, and increase the probability for success. Experimentation is one of these fifteen suggested actions, and Doz & Kosonen (2010) underline that conduction of experiments is not enough to change a business model, but experiments may challenge or help to define core business assumptions, and they might prototype and pilot change. Among the other actions Doz & Kosonen (2010) propose in business model innovation, is reframing, which involves gaining new perspectives by considering applying different business models to the same business. This is an action reactive companies might try to postpone, and only implement if it becomes necessary as a response to competitive crises. Another innovation action Doz & Kosonen (2010) outline is to create different business models that are parallel but separate, and use these to provide

different segments within the company with alternative business models they can chose among.

Business model experimentation was examined in Sosna et. al.'s (2010) study of trial-and-error learning for business model innovation. Sosna et. al. (2010) study an established organization in a dietary products business that because of changes in the external environment had to innovate its business model. The authors find that when firms try new business models, they might experience lock-in effects from existing business models, and cannibalization of existing business models might be necessary to be able to capture market shares. It is often external triggers of some kind that make firms plan, design, test and re-test different business models until they find a model they think is suitable (Sosna et. al., 2010). According to Sosna et. al. (2010) trial-and-error learning consists of different phases, where it starts with exploration and later switches to exploitation. The authors find two patterns of business model changes; when established firms start an experimentation process it is usually a reaction to difficulties, and for experiments to be approved, the resources that are required should be limited.

Doyle (2014) examines how newspaper publishers are distributing more content across multiple platforms, and in what way digital delivery of content might be encouraging innovation and experimentation in the areas of value and revenue. One consequence of increased use of multiple platforms is that the type of competence and resources that are needed is changing, and Doyle (2014) finds that resources are to some extent being relocated to digital functions in newspapers in the UK. The revenue from digital platforms in the newspapers Doyle (2014) examines, are largely similar to print newspapers' traditional revenue sources, where circulation sales and advertising are the most prevalent revenue sources, and this is the case for incumbent newspapers as well. One important distinction from traditional print newspapers is more an active use of data in digital newspapers. In the UK, some newspaper groups are of the opinion that their revenue streams in the future will consist of more than only revenue from advertising and subscriptions, and they think there will be a diversified range of commercial activities (Doyle, 2014).

2.3.4. Framework of Determinants Influencing Business Models in Newspapers

Based on existing literature published by the aforementioned authors, there are some determinants that seem to be likely to influence or affect the selection and design processes related to business model in the newspaper industry.

One of the determinants that might influence the selection and composition of a newspaper's business models is its affiliation with a media group, where the fact that its part of a group's portfolio might impact its innovation of various features (Chen et. al., 2010), which is likely to include innovation of its business model as well. Sosna et al. (2010) emphasize sharing of knowledge among companies in a group, to be able to develop and adjust business models in a sustainable way. Advantages from affiliation with a group and the extent of which knowledge is being shared within the group might thus influence the business models of newspapers.

Another determinant that might influence processes in which business models are being selected or composed is different external forces, and these might also influence a specific model's probability to work well. Teece (2010) regards good business models as models that are adjusted over time, according to changes in the environment, and he recommends to corroborate users needs and value chains, and to consider alternatives. Porter (2008) presents a framework for examining the competitive forces in industries, and Krumsvik & Sundet (2011) apply this framework on the newspaper industry. A firm's environment and external forces influencing its business could thus influence its business models.

A third determinant is experimentation and innovation. Sosna et al. (2010) and Doyle (2014) find that external factors in the industry or changes in internal processes might trigger experimentation processes, and Chesbrough (2010), Doz & Kosonen (2010) emphasize how experimentation and innovation processes can be conducted in different ways. If experimentation and innovation processes are being initiated, they are likely to influence the design of business models.

Determinants that are likely to influence the business model of a media group's newspapers:

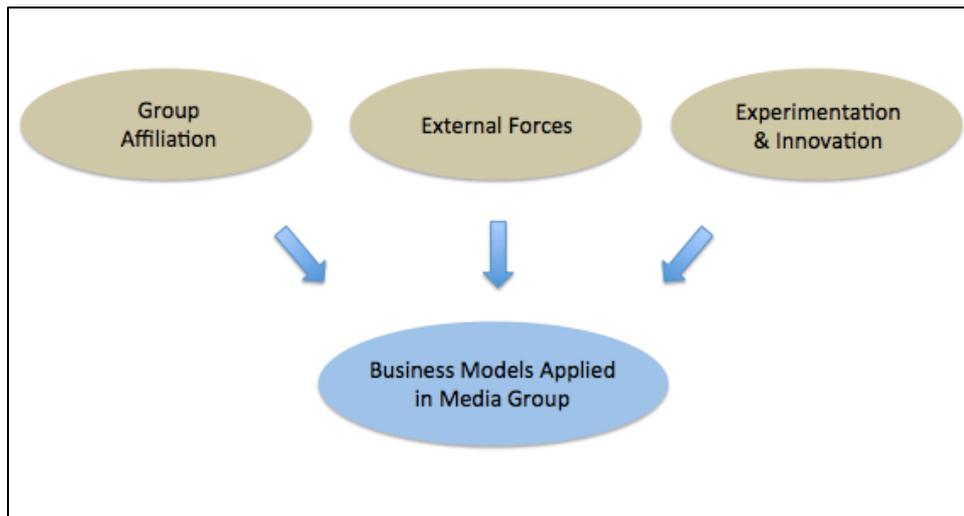


Figure 2: Determinants likely to influencing the Business Model of newspapers.

Source: Hognaland (2014).

2.4. The Newspaper Industry

The following part briefly describes the Norwegian newspaper industry and some important challenges the newspaper industry is experiencing worldwide. The part provides information about industry-specific issues that might be relevant to consider in an exploration of the business model selection process in the industry.

2.4.1. Characteristics of the Norwegian Newspaper Industry

The business model of the newspaper industry should be considered in conjunction with the current situation and the ongoing processes of change in the industry. The first Norwegian newspapers to introduce digital subscription fees did this the fall of 2011 (Jensen, 2011). In subsequent years most Norwegian media groups have gradually started to introduce fees for some or all of their digital content, in some, or all of their newspapers. In this process, media groups have reviewed the results from their first attempts before they have introduced fees in additional newspapers, and different revenue models have at times been chosen for different newspapers within the group (Fossbakken, 2014a). The newspapers where digital subscription fees have been introduced first, have often been either among the smallest newspapers in the group, or newspapers located in an area where the local competition is not too hard. An example of this is Polaris Media's first introduction of digital user payment in one of its newspapers in 2011. This happened in the newspaper Møre-Nytt in the village Ørsta, among the smallest of Polaris Media's newspapers, and located in an area with low local competition

and high customer loyalty (Hagen, 2011). The newspaper industry's seemingly gradual and carefully planned introduction of digital user payment, and the use of different payment models, suggests that media groups are experimenting with different business models. The major concerns in this process seem to be that customers might switch to free alternatives and that a decreased customer base can make them less attractive for advertisers.

The Norwegian newspaper industry consists of three medium to large media groups, and in addition some small media groups and independently owned newspapers. In January 2013 the two media groups A-pressen and Edda Media merged and established Amedia. After the merger Amedia had 25,4 percentage of the total newspaper circulation in Norway (Høst, 2013). At the same time, the media group Schibsted's share of total circulation was about 30,5 percentages (Høst, 2013). The third largest and medium sized media group, is Polaris Media, which had a share of 9,2 percentages of the circulation by the end of 2012. Together, these three media groups own 107 of the Norwegian newspapers, and account for almost 2/3 of the total circulation of Norwegian newspapers. Small media groups owned 34 newspapers in 2012, and 86 newspapers were organized as independent companies, which amounted for 9,1 percentage and 25,7 percentage of the total circulation (Høst, 2013). Among the most prominent of the small media groups are Mentor Media, Agderposten Medier, and Jæren Avis (Høst, 2013). The newspapers Polaris Media owns, are located from the region Trøndelag and further north in Norway, where it owns the only metropolitan newspaper in the area, and both local daily newspapers and local newspaper that are distributed less frequently. Amedia also owns local daily newspapers and local newspapers that are distributed less frequently in this area. All of Schibsted's newspapers are located in the southern part of Norway. Schibsted owns 15 newspapers in this area, but accounts for 38,3 percentage of the total circulation, while Amedia owns 49 newspapers and accounts for 24,4 percentage of the circulation, and together this constitutes 62,8 percentages of total circulation (Høst, 2013).

Krumsvik & Sundet (2011) has examined the competition and profitability in the Norwegian media and newspaper industry as a whole, and state that the last 20 years has been characterized by major changes in the industry because of technological, economical, political and cultural factors. The business model where readers and advertisers are being connected is still central within the media industry, but the growing number of digital and web based media has challenged this model (Krumsvik & Sundet, 2011). In the newspaper industry,

substitutes constitute a considerable threat since new players are challenging both the news and ads of newspapers. The substitutes in new media channels have provided free content and lower ad prices, which means that prices in the industry are being pushed downward (Krumsvik & Sundet, 2011). Decreasing ad-prices is a consequence of both decreasing circulations and substitutes in new media that offer lower ad-prices. It has been claimed that the fact that newspapers themselves have offered free online newspapers have contributed to destroying the willingness to pay for news online. However, according to Krumsvik & Sundet (2011), it is the digital market's characteristics that lead to this, because of low entry costs, many content providers who fight for the same customers, and it is easy to cite the content of others. Digital production and distribution also enable cost reduction in the industry. Players in different parts of the media industry have in recent years to a greater degree acted as substitutes for each other (Krumsvik & Sundet, 2011). This means that newspapers are not only competing for readers and advertisers with other newspapers, they are also competing against for example TV-stations. Another substitute, in addition to online newspapers, is mobile news services. Krumsvik & Sundet's (2011) findings show that the consequences of substitutes and increased competition has hit the newspaper industry harder than other parts of the media industry, where the newspaper industry has lost market shares to a greater degree than what players in the radio and television industry have.

A special feature of the Norwegian newspaper industry is what is called "*mediestøtte*", a form of state funded financial aid. The goal of this aid is to contribute to freedom of speech, diversity and quality in the media (Kulturdepartementet, 2010). A report presented in 2010 suggested possible changes in this aid, which are likely to affect the newspaper industry, but it is still not reached an agreement on changes. (Fossbakken, 2014b). Because of the fact that this aid is controlled and regulated by the parliament, that the players in the newspaper industry cannot affect this revenue source directly, and that it is likely to be changed, this thesis chooses not to consider this aid any further.

2.4.2. International Trends in the Newspaper Industry

The Norwegian newspaper industry is today experiencing challenges related to the introduction of digital user payment, and these challenges are similar to what the industry is experiencing in other countries. Cea-Esteruelas (2013) presents some of these challenges, and one of the issues is the ratio between advertising revenue and revenue from user payment.

Based on findings presented by Casero-Ripolles (2010), Cea-Esteruelas (2013) distinguishes between five possible revenue models for newspapers, which are free, total payment, metered model, Freemium and donations. To increase the number of subscribers, media actors have since 2011 started using a mixed financing structure where both free and payment services are included. While efforts have been made to increase the share user payment represents, Cea-Esteruelas (2013) finds that advertising still is the most important revenue source.

| Revenue models | Description |
|-----------------------------|--|
| Free (advertiser-supported) | All content is free and this is made possible by revenue from advertising |
| Total payment (pay-wall) | All content is behind a pay-wall and is accessible only for paying customers |
| Metered model | Customers reach a pay-wall after having read a certain amount of free articles |
| Freemium | A combination of free content and premium payment |
| Donations | E.g. used in crowdfunding journalism, where donations from readers finance all or part of newspapers |

Table 2: Digital revenue models applied in the newspaper industry.

Source: Based on Cea-Esteruelas (2013) and Filloux (2013).

Among what Cea-Esteruelas (2013) calls mixed models, the freemium model and the metered model are most frequently used. In the freemium model, some of the content is given away for free, while some content is put behind a paywall (Filloux, 2011). This often leads to two categories of content, where the content that is regarded as most valuable, often content also included in the print edition, is available only for paying customers. In the metered model, users can read a certain amount of articles for free over a given period of time, and when a limit is reached, they have to become paying customers or wait for the next period to start (Filloux, 2011). Decisions that have to be made if the metered model is to be used, is among others how many articles users should be allowed to read before they hit the paywall, and how much they then should be charged if they want to keep reading (Filloux, 2011). Testing is being used to find the right *formula* for this.

How successful an implementation of digital user payment is, and how many users that are filling to become paying customers, might be influenced by arguments presented by the newspaper company in the implementation process. Cook & Attari (2012) surveyed readers of The New York Times both before and after the newspaper’s introduction of digital user payment in 2011, and found that most readers planned not to pay and aligned with their plan.

Through experimentation Cook & Attari (2012) presented different groups with different justifications for the introduction of user payment, and found that justifications that emphasize fairness might make people more willing to start paying for something that used to be free.

3. Methodology

In this chapter, the methodology followed in this thesis is described. Possible alternatives for research design and strategy are presented, and the choice of design and strategy made in this thesis is explained. The units of analysis and interviewees are presented and an explanation for why these were selected is provided concurrently. In addition, possible threats to credibility and ethics are considered.

3.1. Research Design and Strategy

In this part, different variants of research design, research strategy, processes for data collection and analysis, interview methods and research approaches are outlined. For each of these topics, the varieties chosen in this thesis are described.

3.1.1. Research Design

The choice of research design for a study is likely to influence the direction and results of the study, and should therefore be considered thoroughly. Saunders et. al. (2009) recommend to derive a research design that contains objectives derived from the research question, specify the sources the data are collected from, and identify constraints and ethical issues that are likely to occur. Yin (2009, p. 26) defines research design as “*a logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions.*”

The way a researcher chooses to answer a research question further influences the choice of a descriptive or an explanatory study, or a combination of both (Saunders et. al., 2009). Another option is to conduct an explanatory study. Robson (2002) states that exploratory studies are valuable in situations where the objective of the study is to seek new insights or assess phenomena in a new light (Saunders et. al., 2009). Saunders et. al. (2009) further divide the

conduction of exploratory studies into three directions; to search in literature, to interview experts in the subject or to conduct focus group interviews. They underline that researchers conducting exploratory studies should be willing to change the research direction if new data or new insights necessitates it. In exploratory studies the focus of the study is broad in the beginning, and becomes narrower throughout the research process as the research develops (Saunders et. al., 2009). Referring to Robson`s (2002) definition of descriptive studies, Saunders et. al. (2009) describe descriptive studies as studies where the object is to describe or portray a person, event or situation in an accurate way. This type of study might be conducted prior to an explanatory study, or it might be conducted as a part of an explanatory study. An explanatory study establishes causal relationships between variables through studying a situation or a problem, and then explains the relationships between these variables (Saunders et. al., 2009). Hypothesis about potential correlations should be tested, and qualitative studies might also be relevant as part of an explanatory study.

Based on the recommendations from Saunders et. al. (2009), this thesis derives a research design based on objectives derived from the research questions, specifies the units and sources the data are collected from, and identifies constraints and ethical issues. For the purpose of this thesis, a combination of exploratory and descriptive study was chosen as research design, with emphasis on exploratory. The reason for this choice is that the thesis tries to not just describe the business model of the newspaper industry, but also to assess it in a new perspective. A descriptive study is included to describe the business model applied in the examined units, and an exploratory study based on interviews is included to seek additional information about what it is that has contributed to this design of the business models. Business models are often studied in a descriptive way, where the business model of a company or an industry is outlined. This thesis presents business models applied in the newspaper industry in a descriptive manner as well, and further uses this as an important reference point. This study thus tries to examine the reason for why the models have been composed as they have, and an exploratory study is an appropriate approach to assess this. The newspaper industry has in recent years become an increasingly dynamic industry, where changes in its environment have had an impact on the industry`s business model. Different aspects are examined, and under such circumstances an exploratory study might be a good choice. The thesis derived relevant knowledge on what it is that seems to influence the design and choice of business model in the industry from existing literature. In addition, both during

the interviews and afterwards, it was considered whether insight from the interviews implied a change in the direction or focus of the study or not.

3.1.2. Research Strategy

When the type of study to use in a research project is decided, one has to choose a research strategy. Saunders et. al. (2009) list seven different research strategies which can be used for exploratory, descriptive and explanatory studies. They emphasize that the choice of strategy should be suitable for answering the research question and objectives of the current study, and that more than one strategy can be chosen and combined (Saunders et. al. 2009). The seven strategies are experiment, survey, case study, action research, grounded theory, ethnography and archival research.

Based on the research questions and objectives, this thesis chose a case study strategy for the research project. A case study is relevant to choose as research strategy when it is desirable to be able to answer questions like *why, what and how*, especially why-questions, and the case study strategy is most often used in explanatory and exploratory studies (Saunders et. al., 2009). Yin (2009) states that a case study should not be regarded as a variety of the research design of other methods, but should be recognized as a separate research method. According to Yin (2009), a case study is appropriate to use when contemporary events are to be examined and relevant behavior cannot be manipulated. Five components that are regarded as especially important for case study research design are presented by Yin (2009), which are the study's questions, its eventual propositions, the unit(s) of analysis, the logic connecting data and propositions, and criteria for interpreting the findings. Yin (2009) further provides a comprehensive technical definition of case studies where he distinguishes between the scope of the case study and technical characteristics regarding collection and analysis of data. In the part concerning the scope of the case study, a case study is defined as *“an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.”* (Yin, 2009, p. 18). Saunders et. al. (2009) emphasize that there are several ways of collecting data for a case study and suggested ways are interviews, observations, documentary analysis and questionnaires. To make sure that the interpretation of data is correct, Saunders et al. (2009) recommends triangulating multiple sources.

The case study strategy can be divided into subcategories, where there is a distinction between a single case and multiple cases, and between a holistic case and an embedded case. Yin (2009) thus distinguishes between four types of designs for case studies, which are holistic single-case designs, embedded single-case designs, holistic multiple-case designs, and embedded multiple-case designs. To choose a single-case is recommended if the case represents a critical, extreme, unique or typical case, or if the researcher has been able to gain access to a phenomenon that it usually is hard to access (Yin, 2009). Fragility associated with a single case is that a case thought to be for example extreme might turn out not to be that after all, and to choose multiple cases is therefore often considered more robust. When multiple cases are chosen, the researcher has to ensure that each case either predicts similar results or predicts contrasting results for anticipating reasons (Yin, 2009). The amount of cases included in the study might influence what it should be predicting, where a few cases might be used to predict similar results, and four or more might be used to predict contrasting results (Yin, 2009). A distinction is also made between a holistic and embedded case, which regards the unit of the analysis. While a holistic case studies an organization as a whole, an embedded case studies sub-units on different levels (Saunders et. al., 2009). Although a case study can give the impression of being less scientific, Saunders et. al. (2009) emphasize that it can be a suitable approach for exploring existing theory, or for challenging existing theory by providing new research questions.

The objectives of this thesis are to study newspapers' current business models and possible new business models that might result from selections and composition choices made today. This qualifies as a contemporary event, and even though the interviewees might choose not to reveal some information, it is not very likely that relevant behavior will be manipulated. Based on Yin's (2009) description of when a case study is appropriate, this thesis has chosen to apply a case study. The study examines two cases and is thus a multiple case study where only a few cases are examined. Two cases are included to achieve as robust results as possible, and because of the study's time frame it was difficult to include more than two cases. Regarding Yin's (2009) distinction between cases predicting similar results and cases predicting contrasting results for anticipating reasons, the aim of this study is to predict similar results, which is preferable when a few cases are examined. Within the research cases of this study, interviews are conducted on both group level and in different units (newspapers), and the thesis is thus using an embedded approach. The rationale for the choice of multiple but few cases and an embedded approach is that this enables both examination of

different aspects of the cases and thoroughly exploration of some aspects. By examining different units, it is possible to do comparisons both within cases and between the two cases. A case study makes it possible to examine thoroughly how media groups and their newspapers select and innovate their business models, and the objective of this thesis is not to generalize on behalf of the industry, but to reveal aspects that might influence the selection and design of business models in at least some companies in the industry. The findings do not become more generalizable by including two media group, but this might strengthen the validity of findings.

3.1.3. Data Collection and Analysis

Saunders et al. (2009) distinguish between two main methods of data collection techniques and data analysis procedures, which are quantitative and qualitative techniques and procedures. In the data collection process, quantitative methods largely centers on numeric data like numbers, while qualitative methods focus on non-numeric data like word, pictures and videos (Saunders et. al., 2009). There is a quite clear distinction regarding what data collection technique that normally is used in relation to each of the two methods, where quantitative data often is collected through questionnaires, and qualitative data is collected through interviews (Saunders et. al., 2009). Quantitative and qualitative data is analyzed in different manners as well, where graphs and statistics often are applied for quantitative data, and categorizing is being used for qualitative data. The two methods do not have to be used exclusively they can also be combined. Saunders et. al. (2009) further make a distinction between mono method, where one single data collection technique and analysis procedure is applied, and multiple methods, where more than one technique and procedure is used in the research study. When a qualitative analysis is conducted through categorization, categories first have to be developed, and then data have to be attached to the categories. Through these activities, relationships between data will emerge and categories might need to be changed or rearranged (Saunders et. al., 2009). The categories used in such analysis can be derived from the data, theoretical framework, terms used in existing literature or terms used by interviewees (Saunders et. al., 2009). Throughout the analysis process, the categories are likely to be reviewed in a more hierarchical way. Saunders et. al. (2009) refer to King (2004) and Strauss & Corbin (2008), who emphasize that some category codes are likely to be used to show linkages that seem to be developing between data and indicate how the data can be interpreted. If computer software programs for qualitative analysis are used in the data

analysis process, Yin (2009) states that definition of initial code and subsequent codes added in the computer program need to be clarified and connected to original research design.

Yin (2009) further states that it is necessary to choose both an analytic strategy and an analytic technique for data analysis of case studies, and he describes four possible strategies and five possible techniques. The strategies are to rely on theoretical propositions, to develop a case description, to use both qualitative and quantitative data, or to examine rival explanations. The last strategy can according to Yin (2009) also be combined with any of the other three. The five techniques are pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis. A strategy should according to Yin (2009) contribute to evidence being treated fairly, it should produce compelling analytic conclusions, and it should rule out alternative interpretations. For this thesis a combination of the strategy of developing a case description and the strategy of examining rival explanations were chosen, and the technique chosen was a variant of pattern matching where rival explanations constitute the patterns. When *development of a descriptive framework* is used as strategy, a descriptive framework should be developed, preferably before the design for data collection is chosen, and ideas for themes to include in the framework should come from review of existing literature (Yin 2009). When *the rival explanations* strategy is applied, the researcher should be aware of rival explanations already before data is collected to try to collect possible evidence about these as well, but some might not become apparent before the data collection has started (Yin, 2009). When the number of rival explanations that can be rejected increases, the confidence that can be placed in findings increases as well. When the analytic technique pattern matching is used, an empirically pattern is being compared with one or several predicted pattern(s) (Yin, 2009). The technique *pattern matching* includes several subcategories, and propositions constitute the reference point in some of these subcategories. Rival explanation as patterns uses rival explanations as reference point, where the rival explanations involve a pattern of mutually exclusive independent variables (Yin, 2009).

In the study of this thesis qualitative techniques and methods were applied. The characteristics of the data that was desirable to collect, which are information about choices, reasonings and processes, implied that the data best could be provided through interviews, words and sentences. Some advantages interview as a research method has, is that it is possible for the researcher to explain and specify possibly unclear questions, and it is possible to ask follow-up question if the interviewees' answer is too blurry. These are issues that were considered to

possibly be relevant in this research study, and it was therefore desirable to collect the data through interviews. During the interviews, the possibility to provide further explanations and to ask follow-up questions was used in some of the cases. The analysis of this thesis was conducted without use of computer software program for qualitative analysis. A qualitative method was applied, and this was done through the use of categorization. Yin's (2009) recommendation to clarify definitions and connections of codes was still applied. The names for the categories were derived from the theoretical framework of this thesis, existing literature, and data from interviewees. Like Saunders et. al. (2009) state, connections and linkages between data and categories did emerge, and categories were both changed and rearranged several times during the analysis process. Close to twenty categories were initially established, but after further analysis some of them could be combined, and some categories turned out to be less relevant for answering the objectives of this thesis. According to Yin's (2009) suggested strategies and techniques, a combination of case description and rival explanations were used as strategy, and pattern matching of rival explanations was used as technique. A descriptive framework of potential explanations and connections was developed based on existing literature. This was done before the data collection started, but the framework was also to some degree revised after the data collection had started. In addition, rival explanations to the explanations included in the framework was developed. When the questions for interviewees were designed, rival explanations were taken into account, and it was attempted to design *open questions*. This study is explorative and has not applied propositions, and this was taken in to consideration when the analytic technique was chosen, and the pattern-matching variety based on rival explanations was therefore chosen. After possible adjustments, combinations and rearrangements of the derived categories had been considered and undertaken, explanations and rival explanations that were likely to occur were outlined and addressed. The thesis's theoretical framework was thereafter adjusted in accordance with the outcome of pattern matching processes.

3.1.4. Interview Methods for Qualitative Studies

Interview is the research strategy most often used in qualitative studies and interviews can be conducted in several different ways. Saunders et. al. (2009) divide different interview types into the three categories structured interviews, semi-structured interviews and in-depth interviews. Structured interviews usually ask the same questions to every interviewee, the questions are predetermined and standardized, and this type of interviews are sometimes

referred to as *quantitative research interviews* (Saunders et. al., 2009). Semi-structured interviews are non-standardized, where the researcher will have a list of themes and questions to cover, but these are not necessarily identical in every interview (Saunders et. al., 2009). In this way, the context of the interview is entitled to influence what questions should be asked in each interview, and questions can be adjusted, dropped or added, depending on the flow of the conversation. In-depth interviews are also non-standardized and this type of interview is used to explore a topic in depth. This kind of interviews does not have a predetermined list of questions and it is possible to talk freely about events and beliefs in relation to a topic (Saunders et. al., 2009), and the interviewee's perspective will often influence on the direction of the interview. There is also a distinction between different interview types regarding the amount of interviewees participating. In some situations a one-to-one interview is conducted, often face-to-face, and in other situations a group interview is conducted, most often in small groups if it is a non-standardized interview (Saunders et. al., 2009). Another issue to consider is whether interviews are to be conducted face-to-face or by the use of telephone or Internet, and there are both advantages and disadvantages associated with the use of such technical aid. Phone interviews are easier to conduct fast and has the benefits of lower cost, but it is harder to establish personal contact and trust over the phone, to control the pace of the interview, to record data, and non-verbal behavior of the interviewee can not be observed (Saunders et. al., 2009). In qualitative studies, the disadvantages associated with conducting interviews over phone might be particularly applicable, and it should thus be attempted to arrange for a face-to-face interview for qualitative studies.

This thesis used semi-structured interviews for the data collection process of the study. This choice was related to the fact that the case study of this thesis uses an embedded approach where different units across different levels in the media groups are included. This means that a question that is relevant for one unit might be less relevant for another unit, but the topic the questions regard might still be of relevance for both units. By conducting semi-structured interviews, all the interviewees can be asked about the same themes and topics, but the exact questions might differ to some or to a great degree. This approach also allows follow-up questions to the interviewees, and such questions have to be customized to what is being said in the conversation, and is hard to prepare in advance. The interview guide for this study was therefore prepared in a way where the numbers of questions were kept at a certain level, to attempt having time and the possibility for follow-up questions. To enable comparison between the units included in the case, it is useful to ask about the same themes, and this

made semi-structured a better choice than unstructured interview for this thesis. The interviewees were located in different newspapers and geographical places, and it was therefore preferable to conduct one-to-one interviews. The interviewees are in addition not sited in Bergen, but it was attempted whenever possible to still conduct the interviews face-to-face. This was achieved for more than half of the interviews, but three out of the seven interviews were conducted as phone interviews. The phone interviews ended up being shorter than the interviews conducted live, and somewhat less information was received through these three interviews. To try to avoid the way in which the interview were conducted would influence for instance the amount of information, the initial plan was to conduct all of the interviews face-to-face. The reasons for why not all the interviews were conducted this way were both large geographical distances and consideration of available time.

3.1.5. Research Approach

There are mainly two research approaches to apply in a study, a deductive approach or an inductive approach. The deductive approach involves developing a theory and hypothesis that are being tested through the research, and the inductive approach involves collecting data and developing a theory based on the data analysis (Saunders et. al., 2009). Characteristics for the deductive approach is that it tries to explain causal relationships between variables, controls are used to be able to test a hypothesis, concepts need to be operationalized to enable quantitative measurement, and it should be possible to generalize the research (Saunders et. al., 2009). Supporters of the inductive approach have criticized the deductive approach of being a rigid methodology that is not very open to alterative explanations. The inductive approach has the context where events happen as its main area of focus, and it is more open for alternative explanations (Saunders et. al., 2009). The two approaches might also be combined, which Saunders et. al. (2009) think can be advantageous in some studies. By conducting studies in an inductive way, researchers might end up with a theory quite similar to what existing theory says. The difference is according to Saunders et.al. (2009), that unlike studies based on a deductive approach, the theory that is developed would follow the data instead of the data following a theory.

This thesis will apply an inductive approach, where a theory is formulated based on the data analysis. The reason for this choice is that there is not necessarily a causal relationship between different aspects influencing a newspaper's business models and the design of these

models. This might vary from media group to media group and newspaper to newspaper. The industry that is being studied has become increasingly dynamic, where major changes have happened in recent years, and changes are likely to affect the industry in years to come as well. The current context of the industry should therefore be emphasized in the study, and this is more eligible with an inductive approach. This thesis desires to understand what it is that determines how the newspaper`s business models are designed and not just describe business models applied in the industry, and an inductive approach seems more appropriate in such a context.

3.2. The Choice of Units of Analysis and Interviewees

Two Norwegian media groups and a selection of their newspapers are the units of analysis of this thesis, and managers who primarily work in commercial departments constitute the interviewees. This part will elaborate on why the specific units and interviewees were chosen, but because of regard to anonymity, some considerations cannot be explained in detail.

3.2.1. Units of Analysis

According to Yin (2009), the selection of appropriate unit of analysis starts occurring when the primary research question has been specified accurately. Based on the research questions of this thesis both a media group and at least some of its newspapers should be the units of analysis. Both the use of a single case and multiple cases is in compliance with the research questions, and for reasons explained regarding research strategy, this thesis includes two cases. The study examines two Norwegian media groups, which are referred to as media group 1 and media group 2. One of the media groups expressed a desire to be featured in an anonymous way, and the amount of information that can be provided about why these two media groups were chosen as cases is therefore limited. To ensure the anonymity of the groups, the two media groups cannot be presented in a detailed manner, but they are portrayed in a more general manner. Both of the media groups are key players in the Norwegian newspaper industry, and the newspapers that are part of their portfolio differ in both size and geographical area. Both of the media groups are currently going through a digital transformation, but the stage they are at in this transformation differ, and it is therefore interesting to examine both of these two groups. The business model that currently is being developed has many similarities with the traditional business model for print newspapers. In

order to be able to also assess the model's new features and innovations, the media group that so far has made the most progress in the digital transformation is studied most thoroughly.

3.2.2. Choice of Interviewees for the Study

In both of the two media groups, employees at both the group level and in specific newspapers in the groups were interviewed. This choice was made in order to be able to assess both how the business model of specific newspapers are like, and how the group's portfolio of business models are composed. Both the group level and the unit level are likely to have the right to influence when the business model of a newspaper is to be adjusted or changed, but what they emphasize in such processes might differ at different levels. To be able to display different views and considerations, it was desirable to include interviewees that are located in different units, and this was attained.

It was further attempted to interview employees with relatively similar responsibilities in the two different media groups, and this was attained as well. This choice was made in order to try to enable a comparison to some extent. In the newspaper industry some employees work in the editorial department while other work in the commercial department, and there is often a quite clear division between the two different departments. Since revenue is an important part of business models and a part that has been challenged in the newspaper industry recently, it was attempted to interview employees in the commercial department of the groups and newspapers. Six out of seven interviewees work in commercial departments, and the interviewee from an editorial department has been involved in projects where both editorial and commercial issues have been considered. It was also attempted to include approximately the same amount of newspapers from both groups, but one of the media group thought it would be best to only include the newspaper it considered most relevant to include in this kind of study. There is therefore a distinct difference in the amount of interviewees in the two media groups. In media group 1, two managers at the group level were interviewed, and three managers in different newspapers. In media group 2, one manager at the group level and one manager in a newspaper were interviewed. Media group 2 regards its newspapers to have more similar business models, and when further interviews were attempted to arrange, the media group stated that it thought the current interviewees would represent its newspapers in a detailed enough manner. Because of the desire for anonymity, all the interviewees are referred to as *manager*. The newspapers are further referred to as newspaper X, Y, Z, and Q,

where X, Y, Z are parts of media group 1, and Q is part of media group 2. In addition, in both media groups, during the interview some of the interviewees referred to another newspaper in the group that is not examined in this thesis. The newspaper in media group 1 that was mentioned is here referred to as newspaper W, and the newspaper in media group 2 that was mentioned is here referred to as newspaper R.

3.3. Credibility and Ethics

To ensure the quality of an empirical social research, Yin (2009) recommends considering the four aspects internal validity, reliability, constructs validity and external validity. Internal validity is according to Yin (2009) only applicable for explanatory or causal studies and will therefore not be further elaborated here. The three other aspects, and Saunders et. al.'s (2009) reference to ethics of research design will on the other hand be further elucidated.

3.3.1. Reliability

When the research design of a study is to be chosen, the reliability of the design has to be emphasized, to reduce the possibility to conclude on something that is wrong. The object of reliability is to ensure that if other researchers were to follow the description of how a case study was conducted, they should be able to settle on the same findings and conclusions (Yin, 2009). To enable this, a researcher should try to work as transparent as possible, and has to document the procedures that are being followed when the study is conducted, and Yin (2009) presents two tactics a researcher can follow to achieve a good documentation. The first tactic is to use a case study protocol where detailed documentation is noted, and the other tactic is to develop a case study database (Yin, 2009).

The fact that the study of this thesis was conducted through semi-structured interviews increases the likelihood of the context influencing the results, and that other researcher examining the same cases may not get the exact same result. This is according to Saunders et. al. (2009) not necessarily a problem for studies conducted by the use of non-standardized research methods. This is because such studies examine complex circumstances or cases. It is however necessary to emphasize that because of the design, it might not be possible to replicate the study and findings (Saunders et. al., 2009). This applies for this research, where the fact that it is a case study based on semi-structured interviews, and the fact that the cases are anonymous, has the consequence that it might be hard to replicate the study completely.

To the extent possible to enable replication of the study, a case study database has been used in the study, where data has been saved at different stages. The information in this database has been made anonymous and coded.

3.3.2. Constructs Validity

The validity of a study also needs to be assured. This regards the data that is to be collected through the case study. Case studies have been criticized for letting subjective judgments influence data collection, and Yin (2009) presents two steps that should be followed to attain construct validity. The first step is to define the object of study in terms of specific concepts, and the second step is to identify operational measures that match the concepts (Yin, 2009). To increase construct validity in case studies, Yin (2009) recommends different tactics that can be applied during the data collection and these are to use multiple sources of evidence, to establish a chain of evidence, and to let key informants review the draft case study.

To increase and attain construct validity, two of Yin's (2009) advices were attempted followed during the data collection of this thesis. To use multiple sources of evidence, more than just one person was interviewed in both of the media groups. Some of the questions that were asked were identical, and this was done to attain relevant information about current topics from several sources. In addition, after the interviews were conducted a quite raw draft on findings categorized in terms of specific concepts was sent to the interviewees. In this process, the interviewees could review if terms and concept in their view were being matched correctly. This did, however, have the consequence, that it took longer than planned before analysis could start. This was because it took a while to get feedback from some of the interviewees.

3.3.3. External Validity

External validity concerns to what extent the results of a study can be generalized beyond the current study to some broader theory. Before findings can be generalized they have to be tested by replicating them by the use of another unit of study where theory based on the first study predicts that the same result will occur (Yin, 2009). When a replication has been conducted, results of the replication might be accepted as supporting the theory, even based on only one replication (Yin, 2009). Yin (2009) recommends two tactics to increase external validity, and which tactic to follow depends on whether a single-case or multi-case study is

conducted. For single-case studies theory should be used and for multiple-case studies replication logic should be used. Regarding replication logic, Yin (2009) states that replication can be claimed if two or more cases are shown to support the same theory. Yin (2009) also emphasizes that when case studies are generalized, they are to be generalized into theoretical propositions, and not to populations. According to Saunders et. al. (2009), for studies conducted in one or a few organizations it is important to take into considerations that the goal of such studies will not be to produce a generalizable theory, but to explain what is going on in the current organization in a specific settings. If it is desirable to be able to generalize, findings can be tested in follow-up studies.

Based on Yin's (2009) advice, the study of this thesis uses replication to explore if both of the two cases can support the same theory. The fact that this study was conducted in two organizations also means that its findings might not apply to other contexts or other organizations. Possible theories from this study are therefore not to be presented as a generalizable theory, but rather as a theory for the two examined cases. This theory can be tested further, for example in other organizations in the same industry.

3.3.4. Ethics of Research Design

When deciding the design of a research study, it is important to choose a design that does not subject the research population to embarrassment, harm or other material disadvantages (Saunders et. al., 2009). One issue that needs to be considered is whether the research population should be aware of the data collection process or not. This might be an issue both if the research subject is an individual and if it is an organization.

Possible ethical issues in this thesis were considered when the questions for the interviewees were prepared. It was then emphasized to design the questions in a way that not should cause embarrassment, harm or other unpleasant situations. In the study of this thesis, individuals were asked questions regarding the organization in which they work. Whether or not all or great parts of the organization should know about the fact that the organization takes part in the study, were for the interviewees to decide. However, in both of the case media groups, the group level was contacted before specific newspapers were contacted, and the group level was allowed to influence on the selection of newspapers that was included in the study.

4. Findings

The answers from the interviews have been categorized according to categories based on theories from existing literature, statements from interviewees, and Figure 1 and Figure 2. In this chapter the findings are summarized, and interesting findings that during the categorization was found to be addressing the research questions, are presented.

4.1. Business Model Elements

Complying Osterwalder, Pigneur & Tucci's (2005) desire for employment of a generic and shared concept for describing business models, this thesis applied a framework based on Osterwalder and Pigneur's (2010) *Business Model Canvas* to examine the newspaper's business model. This was done to clarify denotations that were likely to be deliberated in further conversations on business models selection and composition.

The examination of the newspapers' business models showed that the interviewees regard their newspapers' to have two main business models, where one is based on advertising, and the other one is based on user payment. The users are paying for a print or digital product, and the advertisers are paying for range to reach consumers. The same division into two aspects was described for value proposition, customer impact and key processes as well. The interviewees' descriptions indicated that they all are applying a two-sided platform model.

4.1.1 Overview over the Business Models in the Examined Newspapers

| Unit: | Cost/Revenue structure | Value Proposition | Customer Impact | Key Processes |
|--|--|---|---|--|
| Group Level in media group 1 (general view on the newspapers in the group) | Revenue divided in two parts; user payment and advertising. Costs related to production, sales, marketing, print, distribution, and systems. | Value Proposition differs from unit to unit. A general trend is more personalized content for both registered customers and advertisers. | It used to be the newspapers impacting customers, but today customers increasingly impact the newspaper as well. Customer segmentation has become increasingly important. | Production processes have gone from hierarchical to more network and technology driven. Algorithms have become a supplement to editorial decisions. |
| Newspaper X | Revenue divided in two parts; user payment and advertising. Advertising is regarded as most important, and other parts of the business model should not be able to weaken this revenue stream. Costs | The unique offer to the readers is the way its newsfeed is handled, quick connection with readers, and a content mix that include both entertaining and serious articles. Advertisers are offered access to a | Digital readers are younger than print readers. The newspaper is increasingly communicating directly with readers and, technology is used to figure out what readers are interested in. | Retaining and strengthening X.no's position is regarded as important. It is emphasized to organize the newspaper efficiently, and to build up resources in new areas like data analytics. This influences both |

| | | | | |
|-------------------------------------|--|---|---|--|
| | related to production, sales, marketing, print, distribution, and systems. | digital newspaper with high number of readers. | | editorial and advertising processes. |
| Newspaper Y | Revenue divided in two parts; user payment and advertising, where both are regarded as equally important. The newspaper focuses on balancing these two revenue sources. Costs related to production, sales, marketing, print, distribution, and systems. | To the readers it provides a solid brand and strong position on serious news. It further provides insight and background information. For advertisers it offers range, and access to an educated and grown up audience. | Emphasizes communication with customers through surveys and insights provided through digital behavior. The newspaper is also emphasizing to be present where customers are, and to utilize different channel's advantages. | Editorial; content production, marketing and sale. Advertising; sale, producing ad products. Employees are the most important resource, and customers are also regarded more as a resource now than earlier. |
| Newspaper Z | Revenue divided in two parts; user payment and advertising, where advertising contributes the most today, but the newspaper has a stated goal to change this. Costs related to production, sales, marketing, print, distribution, and systems. | For readers it aims to be the best news provider in its region in Norway and an "intranet" for its city. Main offers are news and opinion journalism. Advertisers have traditionally been offered reach in the newspaper's regional area, but data will likely become more important. | The readers have traditionally been socially committed people with higher education living in its regional area. Digital readers are younger than print readers. The paper is trying to constitute kind of a bridge for readers from print to digital. | Processes related to making the content available for different channels, including social media channels. Processes related to both editorial content and advertisement is strongly affected by the goal of being able to perform its social responsibility solely funded by digital revenue by 2017. |
| Group level in media group 2 | <i>Did not discuss in detail.</i> | <i>Did not discuss in detail.</i> | <i>Did not discuss in detail.</i> | <i>Did not discuss in detail.</i> |
| Newspaper Q | Revenue divided in two parts; user payment and advertising. Online it is so far only the e-paper users have to pay to read. Cost related to production, sales, print, distribution, and administration. | Readers can stay updated and gain insight and perspectives on cases and events in the newspaper's region. Advertisers get access to a great marketplace and advertising solutions that provide impact in the region. | People living in or having connections to the region is the editorial customers. The advertising customers are businesses in the region. There is a lot of dialog with the biggest advertising customers and they thus have quite direct impact on development. | Key processes regard sales, production, marketing and distribution. Competence in both the editorial and the advertising area is regarded as key resources, and the newspaper's brand, content and different channels are also regarded as important resources. |

Table 3: The findings on the four business model elements in the groups and newspapers.

Source: Based on interviews conducted in the media groups and newspapers (2014).

4.2. Group Affiliation regarded as an Advantage

Findings show that both media groups have a stated strategy that involves letting their newspaper have a high degree of autonomy, and all of the newspapers report that this strategy is exercised in practice as well. This means that the groups have to, and do, involve the

specific newspapers in decision processes regarding the business models of their newspapers. Both of the media groups emphasize to share knowledge within the group, and the knowledge sharing the affiliation to a group entails, is regarded as particularly advantageous when models applied in the media group's newspapers are being changed and adjusted.

4.2.1. The Newspapers have Great Autonomy

Both the newspapers and the group level in media group 1 have the right to influence decision-making processes, that is the case also in decisions regarding the newspapers' business models. All the interviewees share the view, that the newspapers have a great deal of autonomy. This is exemplified by one of the managers' statement:

“The group gives terms on what models we think is important to learn more about, and the newspapers are in charge of take care of their customers in the way they think is the best. The group is providing terms, and at the same time relatively high degree of autonomy.” (Stated by manager at the group level in media group 1)

In some areas, the newspaper managers think the group has quite a lot influence on decisions, but that is areas where the managers believe this might be advantageous. The manager in newspaper Z reported:

“We feel that we have a great deal of autonomy and we are currently experimenting a lot with new business models and product development. At the same time we are collaborating closely with colleagues in other parts of our media group, which is great. However, being part of a larger media group, we have to report fairly stable revenues and margins, short and long term, which poses certain constraints.”

As the case is for media group 1 and its newspapers, both media group 2 and newspaper Q regard the newspapers within media group 2 to have a great deal of autonomy. This was illustrated in a statement from the manager in newspaper Q:

“I experience that we have a lot of autonomy. Our decision to choose freemium as digital payment model is one example of an area where we had a great deal of autonomy and flexibility.”

There are still some areas where media group 2 regards it as beneficial to have common solutions and systems, like explained by the manager at the group level in media group 2:

“We have some common technical solutions where it could be complicated if a lot of the newspapers chose something else. We wish to standardize where that is possible, but in areas like digital user payment, pricing strategy and whether or not to use bundling, it is up to the newspapers themselves to decide what they want to do.”

4.2.2. Knowledge Sharing is Emphasized

Media group 1 emphasizes transparency and enlightenment within the group, and one example of this is the groups working on reader market issues in the media group’s newspapers. These groups coordinate their activities, share experiences and test different solutions. The media group also arranges gatherings where competence can be shared for employees working with this in the different newspapers.

“When one of the newspapers launch a model, and another newspaper launch a corresponding model, they are able to see what works well, share experiences, and optimize in a structured way through experimentation. You start with a hypothesis, and then you validate it or figure out errors by conducting new experiments. It is also helpful in innovation processes that users already are known by another newspaper in the group.” (Stated by manager at the group level in media group 1)

The group level’s focus on knowledge sharing is something managers in the newspapers regard as useful both for themselves and for the group level, like the manager in newspaper Z explained:

“There is a lot of knowledge sharing in our media group. In terms of user payment, I think it is great that newspaper Y has chosen the metered model, whilst newspaper Z went for a freemium model. This allows us to compare the effects of two different models.”

In media group 2, a common way to share knowledge among the group’s newspapers is to let some newspapers test commercial or editorial products, and implement it in more newspapers

if the new products seem to work well. The manager at the group level in media group 2 presented examples of how this have been done in recent years:

“Experiences achieved internally are shared among the different newspapers. Newspaper R, our first newspaper to introduce digital user payment, is a good example of this. The group level was involved when the solution for webpage with user payment was developed, and newspaper R has further used and tested this solution. We have another newspaper in the group that has been a pilot in targeting advertising by the use of new technology.”

4.3. Two External Forces Influence Business Model Processes

Processes going on in the examined newspapers seem to be influenced by external forces, and *technological innovations* and *changing customer behavior* are the two most prominent. These two forces are however to some degree interrelated, and an illustration of this is the fact that some new products that are affecting customers’ behavior have been developed as a consequence of technological innovations.

4.3.1. Technological Innovations are Increasingly Adopted

Several external factors are regarded as affecting processes within media group 1, and the managers both at the group level and in the newspapers emphasize technological innovations as one of the most important external forces. Internal processes in the newspaper industry have in recent years been influenced by changes and innovations in other industries. This has been visible in for example production methods, which have been influenced by processes in social media. One of the managers at the group level in media group 1 described this:

“There has been a shift from a production method where the editor decides all the content, towards for example Facebook’s method, where algorithms are deciding all the content. The newspapers are now working on figuring out where on this axis they should be in the future, meaning how much algorithms should decide, and how much that should be decided by an editor.”

To be able to utilize new functions like recommendation and personification to a greater extent, and be able to compete with Google and Facebook within the field of targeting advertising, media group 1 is building up competence within the field of advanced data

analytics (ADA). Newspaper X is running an initiative within this field, which is related to both editorial (content) and the commercial (advertising) issues in the newspaper. The manager in newspaper X summarized this work like this:

“We have a ADA-team working on developing a recommendation engine for our premium edition, where Netflix and Amazon work as a model for this development. The recommendation engine will be based on algorithms that understand what different customers are interested in reading.”

The same manager explained that increasingly technological innovations have made their environment more dynamic, and this affects their business model:

“A cause of the digitalization that is present today is that newspaper X constantly has to be in motion, and change and renew itself. The threat from foreign players like Facebook and Google means that newspaper X must look at alternative revenue sources in addition to advertising, and try to develop new business models. It is also becoming more important to channel the ads to the right customers at the right time. To be able to achieve this, registration of customers is necessary.”

When media group 1's newspapers established digital user payment, the media group developed its own login system for customers. The media group then emphasized on developing a login system that is easy to use, and one of the managers at the group level in media group 1 explained that this is necessary in order to be able to compete with products and systems in other industries:

“Today it is harder to become a subscriber to one of our newspapers, compared to buying an app in App-store. We are therefore working on developing technology to make this easier, an area within development that will receive even more attention in the future.”

Media group 2 and newspaper Q regard technological changes as an important external factor as well. The manager at the group level in media group 2 regards changes in customers' behavior to often be closely related to technological changes:

“Changes in the market are driven by technological development and infrastructure development. Major development is happening in relation to mobile phones right now, and we have to keep up with that. Almost everyone has a smart phone now and data roaming is getting increasingly cheaper. Development in infrastructure and technology thus leads to greater accessibility.”

4.3.2. Customers` Expectations Increases

The customer`s behavior and their perception of newspapers` value proposition is the other external factor regarded to influence the players in the newspaper industry greatly.

Consequences following from this were explained in a statement provided by the manager in newspaper Z:

“Companies like Facebook and Netflix strongly influence people`s habits and expectations to availability, price, choice and product experience. They create new standards that we have to adhere to in order to meet people`s expectations. ... In addition to making our products easily accessible, we have to make sure our content is relevant and important to our readers.”

The music and film industry do, like the newspaper industry does, offer content users are charged for. The prices companies like Wimp, Spotify and Netflix charge thus influences what newspapers can charge.

“When these companies charge less than 100 NOK per month, it is hard to offer a newspaper, which is twice as expensive per month. This is because customers will compare the price with the price they pay for digital music.” (Stated by manager at the group level in media group 1)

Changing customer behavior concerns media group 2 and its newspapers as well, and the manager in newspaper Q explained how changes in the customer`s behavior affect them:

“More and more people state that they spend less time reading print newspapers than they did before. We therefore have to appear attractive, have a relevant product for the customers and distribute it at the right time through the right channels, and that influences our business model.”

To keep pace with and adjust to the changing customer behavior, newspapers have to be present with content and functionality where the customers are, as the manager in newspaper Y emphasized:

“The increased use of mobile phones means that we have to fight for the customer’s “micro time”. We have to be attractive for customers in situations where they have a couple of minutes to use their mobile phone for something.”

This is emphasized in newspaper Z as well, where they increasingly are using new approaches to engage customers, like a statement from the manager in newspaper Z illustrated:

“We are focusing on how to use social media to make our journalism more accessible. We can no longer expect customers to come to us, but have to actively reach out to new readers in various channels.”

4.3.3. Macroeconomic Conditions and Competitors

Another external force influencing the newspapers’ models and internal processes is macroeconomic conditions. This is an external force the media groups cannot control very easily.

“The financial crisis made it clear how common it was for newspapers to be very dependent on revenue from advertising, and this revenue stream decreased quickly during the crisis. A newspaper we own abroad, that introduced online user payment in the 90s, fared much better during the financial crisis than the other newspapers in the media group. This gave us a clear indication of the importance of building up digital revenue streams.” (Stated by one of the managers at the group level in media group 1)

Media group 2 and newspaper Q also regard macroeconomic conditions as an influential external force, and refer to competitors as an important external force as well. Competitors influence the advertising business in particular, and the players that are regarded as the most important competitors are social media channels and search engines, where personification and segmentation of products are central features. The advertising part of the newspapers is

also particularly exposed to macroeconomic changes and economic recession, which became quite clear during the financial crisis.

Competitors are regarded as an external factor influencing media group 1's newspapers as well, but while some of the managers in the newspapers still regard other Norwegian newspapers as important competitors, the group level however regards other newsfeeds around the world to be of greater importance. One of the managers at the group level in media group 1 explained why this is:

“These are free of cost for users, funded by advertisement, something that influences our business models on the advertisement side greatly.”

4.4. Experimentation is influencing the Business Model Design

Findings show that experimentation is going on in both the two media groups and in all the newspapers. A large and extensive experimentation process currently taking place in the newspapers is the establishment of digital user payment. The high degree of experimentations does in addition disclose a need to consider ethics and personification issues following from experimentation initiatives.

4.4.1. Internal Initiatives leads to Experimentation

All the examined newspapers in media group 1 have recently introduced digital user payment, and these introductions have been run independently in each of the newspapers. The group level was not directly involved in the decision-making in these processes, and it thinks it makes sense to have different newspapers running their own solution and initiatives on user payment. One of the managers at the group level explained why this is:

“There are different hypothesis about which payment models that works in different newspapers. We tested freemium in newspaper W at first where we bundled print and digital, to see how this affected print subscriptions. As a part of our strategy, the group gives terms for which models are important to learn more about, and the newspapers test models in the way they think take care of their customers in the best possible way.”

Experimentation in the newspapers is conducted carefully and often gradually, and the manager at the group level further explained why:

“All of media group I’s newspapers have customers that have been a customer for a long time, and we therefore do not wish to do anything too hasty.”

Some of the ongoing innovation processes are focusing on developing new revenue sources. Web-TV is a focus area in newspaper X, and Web-TV and access to copyrighted content is an area the manager in newspaper X thinks might become a potential revenue source in the future. User payment and advertising are the two main revenue sources for all the newspapers today. For newspaper X, advertising is arguably the largest revenue source, and the manager in newspaper X thinks access to copyrighted content will become one out of several revenue sources:

“Newspapers will in the future look for several revenue sources. They will probably not experience one revenue source as particularly important compared to the others, like single copy sale was for some newspapers in the 80s and 90s.”

Other newspapers in the media group also seek to find new revenue sources through innovation. Newspaper Z is considering new and additional ways to earn income from advertising, and in addition to range, use of data and sponsored content is considered. The manager in newspaper Z explained the reason for this:

“We want to differentiate our advertising more, and we are currently experimenting with sponsored content and behavioral targeting. ... For instance, a local establishment recently sponsored a video project.”

Newspaper Z has established a new subsidiary, which is running innovation projects on the side of the newspaper’s core product. Initiatives in the subsidiary can provide new revenue streams, and can constitute new business models, but they are still somewhat related to the position newspaper Z has through its core product. Through this subsidiary, the newspaper can try to take positions in attractive niches, which the parent company itself not can afford.

“Our subsidiary recently launched a news-site and acquired two news-sites together with another newspaper in our media group. The focus areas of these news-sites constitute important industries in our region of Norway, but traditionally few news organizations have covered these industries. ... We are also experimenting with organizing conferences and debates through “Z Debates”, and we are actively involved in sporting events” (Stated by the manager in newspaper Z)

The use of data is crucial in several of the innovation processes taking place in the different newspapers, and the manager in newspaper Y stated some important issues that need to be considered when the use of data increases:

“It is extremely important to act in an accountable and open manner, regarding data. To succeed in the future it will be crucial to act ethical, be open about how data is being used, and let the customers be involved in determining how data should be used and saved.”

A related matter is innovation progresses. Newspapers are constantly considering how much of the content that should be data driven. Developments make more personification possible, and in such innovation processes the newspaper is considering to what degree all new possible features should be implemented. The manager in newspaper Y explained this by outlining possible considerations they might have to take:

“We might picture a future when we are able to create digital Y-products where the articles the customer sees at the front page are based on what the person has read earlier and thus is likely to be interested in. But we have to consider why customers seek newspaper Y in the first place: Do they seek us to get more of what they already are interested in, or do they visit newspaper Y motivated by a desire to get to know more about things they did not know they were interested in?”

Media group 2 focuses on building digital revenues and lets its newspapers decide and find the alternative revenue streams they want to apply. Newspaper Q` the main focus is currently to secure revenue from readers online as well as from print. The newspaper believes a great part of digital revenue in the future will come from advertising, especially targeted and segmented ads, but the newspaper also sees other areas where revenue can be further explored:

“Distribution is one area where it is possible to look for increased revenue. We have people delivering our newspapers every morning, and we can use this infrastructure to deliver more than just our own newspapers. We just have to try things out, and find something related to our value proposition. It is likely to be a lot of trial-and-error.” (Stated by the manager in newspaper Q)

4.4.2. Experimentation within the Area of Payment Models

When digital user payment recently was introduced in media group 1`s newspapers, most of the newspapers chose the freemium model as digital subscription model, while one of them chose the metered model. The group level regards the fact that different models have been chosen as positive.

“It is important to get to test these two different models. That is the best way to learn what model that achieves most conversions, and it is a better choice to test than to guess. Media group 1 therefore has an incentive to test different models to be able to draw lessons across models.” (Stated by a manager at the group level in media group 1)

The same manager further elaborated on some of the explanation for the difference in the choice of model:

“The value proposition and customer segments of our newspapers are not identical. The newspapers therefore have to choose a model that fits well for their segment and the problem they are solving for their customers.”

When the metered model is chosen, the customers indicate themselves as a *plus customer* when they read more than a certain amount of articles per week. In the freemium model some articles are open and other are plus-articles that only paying customers can access. Freemium has so far seemed to work well in media group 1`s regional markets, but one of the managers at the group level stated that it is hard to predict what models its newspapers will use in the future:

“It is hard to say what models media group 1’s newspapers are using 3-5 years from now. By testing different models in different papers and websites we have learned and gained information about what it is that works, but this is a process that still is taking place. The newspapers have to tweak on how to present their value propositions, pricing and what it is that should be bundled, and this process will take at least six more months.”

When the media group is to evaluate what models that work the best, they consider the amount of users that become digital subscribers and how loyal they become. Data and conversion analysis is being used to measure this.

Some of the newspapers are developing an intermediate function as well, where customers register, but it is free of cost. This is because if customers register, the newspapers get more knowledge about them, knowledge that can be used to improve their offer above advertisers. The manager in newspaper X explained the reasoning behind this:

“It is essential to get as much knowledge as possible about the users, through behavior, what they share and what they read. Our recommendation engine will use such data to steer ads based on users interests. To be able to do this we have to motivate users to register.”

In media group 2, the small newspaper R is so far the only newspaper that has introduced digital user payment. This happened at a time when digital user payment had been established in only a few other newspapers. The metered model was chosen as payment model, and the manager at the group level in media group 2 explained what the group and the specific newspaper emphasized when this choice was made.

“When newspaper R’s payment model was established, there were little experience with payment for digital content in the market. We wanted to try a solution in the middle and chose a metered model with the possibility to read five free articles per month. When digital user payment now is to be introduced in newspaper Q, we build on experiences we and other companies have gained since 2011.”

Freemium has been chosen as digital payment model for newspaper Q, and is to be implemented in June. Newspaper Q has decided to implement freemium, and a goal of still maintaining the traffic at a highest possible level was according to the manager in newspaper

Q an important aspect when the newspaper chose freemium. Media group 2 does not have clear plans for further digital payment implementations in their newspapers, and the manager at the group level elaborated on the reason for this:

“It is up to each of our newspapers to chose for themselves if they want to introduce a payment model, and in such cases which model they wish to introduce... It is important to build traffic for the website before payment is introduced, and it is therefore likely that some of our newspapers will continue with e-paper and free websites for a while. Our strategy is to build up a strong digital position for those newspaper who do not have this today.”

4.5. Summary of Findings on the Three Factor influence Business Models

| Unit | Group affiliation | Experimentation | External forces |
|-------------------------------------|---|--|---|
| Group level in media group 1 | The group is providing terms, and then it is up to the newspapers to take care of their customers the way they think is the best. The newspapers have a high degree of autonomy. The group is emphasizing to have transparency and alignment in projects, to be able to share competence. | Different newspapers and sites are testing different payment models, and this gives the group information about what it is that works. The group level thinks the level of experience will increase when the newspapers have learned more about the payment models they recently introduced. To accommodate the newspapers existing customers, experiments are conducted in a gradual manner. Innovation have in recent years greatly focused on how to capture value from existing value propositions in a more segmented manner, and in the future the group level thinks the newspapers will focus on innovating the value. Recommendation engines are being developed to be able to provide more targeted content and advertising. | The group pays little attention to what Norwegian competitors are doing, and is rather focusing on international competitors, the newspapers' users, and what the users might be interested in. The group is also emphasizing to utilize technological development, and one example of this is its login system for digital user payment, where the goal is to enable an easy payment. Technological changes it also influencing how models are being organized, where things are becoming more platform driven, and the competence that is needed in the group and its newspapers. |
| Newspaper X | The newspaper experience to have a great deal of autonomy, and regards this as part of the group's strategy. An example of this is the decision of what payment model to chose, where it was up to the newspapers to decide. The autonomy might also have the consequence that similar projects are being initiated in different newspapers in the groups. The group level influences the direction to a greater extent in decisions regarding costs and technological solutions. | The amount of innovation and experimentation has in recent years increased in the newspaper. As a consequence of the ongoing digitalization, the newspaper has to renew itself, and it has to develop other revenue streams than advertising. Another focus area is to channel ads to the right users at the right time, and user registration is regarded as central in this process. A team in the newspaper is working on developing a recommendation engine modeled after Amazon and Netflix. | How the user's behavior is changing has a great impact on the newspaper. It is paying attention to where its users are at any given time, and that is defining for the business models that are being chosen. It is regarded as important to get a high amount of "free" users both to create an environment for user payment and to stay attractive above advertisers. The main competitors, Google and Facebook are utilizing user data they attain from registration, and this is getting increasingly important for newspaper X to do as well. |
| Newspaper Y | The newspaper experiences to have a great deal of autonomy, and thinks this was particularly visible during the process when a digital payment model was to be chosen and introduced. The newspaper still sees the advantage in having common technological solutions within the group, for example for digital login, and thinks more compelling reasons need to be present to chose different solutions in this area. | Trends and changes in the market that affect the newspaper's revenue sources has the consequence that the newspaper has to think new about product and service innovations, how to keep existing revenue sources and how to obtain new ones. In addition, it has to innovate production, distribution and sales processes. Data will in the future play an important role in innovation processes related to both editorial and advertising products, and the newspaper thinks it is important to consider ethical concerns that might follow from this development. | The newspaper regards competitors as an important external factor, and in the term competitors it includes everything that is competing for the readers' time. In this regard, it is important to have payment systems that are easy to use, and the group's login system is regarded as having contributed to making payment processes easier. The newspaper is paying attention to what both editorial and commercial competitors are doing, to be able to secure that its products and prices are competitive. |

| | | | |
|-------------------------------------|---|---|--|
| Newspaper Z | The newspaper experiences to have a great deal of autonomy. Being part of a larger media group, it also has to report fairly stable revenues and margins, short and long term, which poses certain constrains. The newspaper thinks there is a lot of knowledge sharing in the media group, and thinks the fact that newspaper Y and Z have chosen different payment models is great, since this allows them to compare the effect of different models. | The newspaper has established a subsidiary that is running innovation projects on the side of its core products. This subsidiary has among others both established a news site and bought two news sites together with another newspaper in the media group. The newspaper is also experiencing with organizing conferences and debated through "Z Debates", and it is actively involved in local sporting events. | The newspaper regards other news providers as competitors, but it also regards itself as competing for the readers' time. It sees a strong connection between changes in the readers' media habits and technological development, and this is influencing its product development. The print edition is internally regarded as the bridge to the digital future, and the newspaper is emphasizing to convert the print customers into digital customers as well. |
| Group level in media group 2 | The group's newspapers have a great deal of autonomy, but for some technological solutions it is emphasized to use the same systems within the group. Specific newspapers are being used to test both commercial and editorial products, and the products are then implemented in a greater scale if they seem to work well. Experiences that are developed within the group's different newspapers are shared internally within the group. | The group has until recently emphasized measures focusing on maintaining and increasing the advertising revenue, and to charge from users. In further development it will emphasize to not cannibalize its advertising revenue, but at the same time develop new ways to charge for its newspapers' unique content. Tools that enables measurement and adjustment to different segments will be used increasingly in the group's newspapers in the future. | The competition and user behavior is influencing the commercial side greatly. The establishment of new channels and new competitors makes it necessary for the group's newspapers to offer just as popular services and products as the competitors. To adjust to the change in user behavior, it is important to offer products for personalized and segmented advertising. Both technological and infrastructure changes are regarded as important to pay attention to as well, where prices are decreasing and accessibility is increasing. In addition, decreasing circulation numbers makes it necessary to implement digital user payment. |
| Newspaper Q | The newspaper experiences to have a great deal of autonomy, but thinks the degree of autonomy depends on how big the possible changes will be. The choice of digital payment model is an example of a decision-making process where the newspaper had high degree of autonomy. The newspaper regards the group level and other newspapers in the group as key partners. | The newspaper is prepared for having to test new features in the future, and having to test this more often than earlier. One area where it plans to experiment is regarding how many articles that should be plus-articles when it introduces digital user payment. Both the amount and where on the website the articles should be placed will be tested. The newspaper will work on developing new revenue sources, and one possibility it sees is in the area of distribution. In development processes, the newspaper will emphasize to find areas closely related to its value proposition, and it is prepared for a period of trails-and-errors. | The competition situation the newspaper operates in influences greatly, especially on the commercial side where social media and search engines have become strong competitors. Technological development and changes in the reader's behavior is influencing as well. More and more readers say they spend less time reading the newspaper, and it is therefore emphasized to be attractive for the customers, have relevant products and to distribute it at the right time through the right channels. The macroeconomic context is also regarded as important, especially for the commercial side. |

Table 4: Summary of findings on the three factors influencing business models.

Source: Based on interviews conducted in the media groups and newspapers (2014).

5. Analysis

The research objectives of this thesis are to explore what determines the selection and composition of digital business models in the examined newspapers and media groups. This is explored by elucidating the importance of three driving forces that potentially can influence these processes, which are group affiliation, external forces and experimentation. In this chapter the findings of the thesis are analyzed in relation to relevant findings in existing literature. Part 5.3 and 5.4 address the two sub questions and all the parts aggregate address the main research question, and the conclusion that follows from the analysis and discussion should provide an answer to the main and sub research questions.

5.1. Recent Business Model Selection Processes

All of the examined newspapers established a digital newspaper edition in the 90s, and this can be characterized as the initial digital business model selection process. In this process, all of the examined newspapers choose to transfer the print business model online, with advertising as the only revenue source. According to Krumsvik & Ottosen (2012), fear of being left behind drove many newspapers to go online with their content without having a well-defined business plan.

One of the managers at the group level in media group 1 explained that during the financial crisis, a newspaper in the group that had introduced digital user payment already in the 90s, fared much better than the other newspapers in the group did. This made the group realize the importance of building up other digital revenue streams in addition to advertising. All of the examined newspapers of media group 1 have in recent years established digital user payment, and this process can be characterized as a second digital business model selection process. Another statement from the same manager indicated that several smaller business model selection processes also are likely to appear in near future. He stated that the newspapers in the coming months will test the models they chose when digital user payment was introduced, and tweak how to present their value proposition, pricing, and bundling. In media group 2, newspaper Q is currently in the middle of implementation of digital user payment.

5.2. Knowledge is Shared within the Groups

According to Chen et. al. (2010), firms affiliated with a group are likely to achieve more success in innovation processes, because these firms are likely to have access to among others

financial capital, valuable know-how within the group, necessary technology, and an accumulation of experience. The managers in both media groups seem to share this view, and they seem to utilize this when business models are being adjusted or innovated. A statement from one of the managers at the group level in media group 1 illustrated this, when he explained that the newspapers launch different models and share experiences. They thus share know-how they attain through experimentation with different models, and build up an accumulation of experience within the group. Both media groups are in addition emphasizing to increase their competence within the area of advanced data analysis, and increased technological knowledge at the group levels is something their newspapers are likely to benefit from as well.

Sosna et. al. (2010) emphasize the use of trial-and-error in business model development processes. They accentuate the importance of achieving both individual and organizational learning from experimentation processes and to integrate knowledge from learning into the whole organization. A statement from the manager at the group level in media group 2 shows that the media group seems to take this into account. Internal sharing of knowledge within the media group is emphasized, and if a product tested in one of the group`s newspapers turns out to work well, it is implemented in other newspapers as well. Newspapers in the group are acting as pilots within different areas, the experiences they achieve are shared within the group, and this gives other newspapers the opportunity to learn from these experiences as well. The testing conducted in media group 1`s newspapers is being used to learn as well. The media group regards it as important to draw lessons across different models, and to be able to this it has an incentive to let its newspapers test different models.

In addition, both media groups have provided their newspapers with a great level of authority, something both managers at the group levels and in the newspapers stressed. The groups have thus reduced some of their right to determine selection and design of business models, to let their newspapers have a greater right to determine and influence. The fact that the group level does not fully control decision processes regarding the selection and composition of its newspapers` business models, and thus neither the composition of the group`s business model portfolio, does not mean that business models are selected in a random manner. To let the specific newspaper have a large degree of influence is a conscious choice the media groups have made, and a choice both managers at the group levels and in the newspapers support and regard as advantageous for their group.

Statements from one of the managers at the group level in media group 1 illustrated why the choice to reduce some of its right to determine business models is regarded as beneficial. He explained that the group gives terms on models it wants to learn more about, and then it is up to the newspapers to act on this, in the way they think is most compatible with their customers' desires and needs. The manager emphasized that all of their newspapers have loyal customers they have to consider, and they therefore do not want to make too hasty changes. The findings show that the value proposition and the customers of the newspapers in media group 1 differ, and since the specific newspapers know best what their customers desire and would prefer, they are given right to determine in decisions regarding the composition of their business models. Statements from the managers in media group 2 depict a similar picture, where the newspapers have a great deal of autonomy. One example of this is the digital user payment model in newspaper Q, where the newspaper experiences to have a great deal of both autonomy and flexibility in the implementation process.

5.3. Impact from Technological Innovations and Changing Customer Behavior

Sosna et. al. (2010) state that external triggers might lead companies to experiment with business models by planning, designing, testing and re-testing different business models. The findings show that this seems to be the case in the examined newspapers, and among the external forces triggering experimentation, all of the managers emphasized the importance of technological changes and changes in the customers' behavior. In addition, some of the managers stated that these two external forces seem to be somewhat related. The manager at the group level in media group 2 stated that changing customer behavior often is closely related to development within technology and infrastructure. The fact that the majority of their customers own a smart phone with a payment plan including cheap data roaming leads to greater accessibility, and the media group's newspapers therefore need to be present with relevant content at almost all times. This is something newspaper managers emphasized as well, and the manager in newspaper Y stated that they have to fight for the customer's *micro time*, and thus have to be an attractive choice when their customers have just a couple of minutes to use their mobile. This is affecting how they should compose their business models.

According to Teece (2010), the business environment or contexts need to be taken into account to assess how well a business model works. The examined newspapers seem to

consider this, concerning how technological innovations in other industries are likely to affect their business. According to one of the managers at the group level in media group 1, their newspapers are increasingly adopting methods used by among others Facebook, where algorithms decide all of the content. The recommendation engine newspaper X is developing is made possible because of this kind of technology. A relevant issue to consider in this regard is how much algorithms should be allowed to decide, and how much editors still should decide. The use of algorithms is based on the data which customers self report or leave behind, and the manager in newspaper Y emphasized that he thinks it in the future will become very important to be open about how data is being used and saved, and act in an ethical and accountable manner.

Teece (2010) states that for industries operating online it is particularly important to have a well-developed business model. This is because customers expect online services and products to be free. The manager in newspaper Z emphasized that companies like Facebook and Netflix influence both people`s habits and their expectations to availability, price, choice and product experience, and thus create new standards the newspaper industry has to follow as well for their products to maintain attractive for the customers. The findings show that customers increasingly are becoming willing to pay for digital content, but the price for such content must to some degree be adapted to the price of other digital services. This is thus likely to affect the newspapers` business models, because they have to align the other parts of their model to the fact that digital revenue and profit might not achieve the same level as the revenue and profit that print newspapers used to have. Changes in customers` behavior implies that internal processes might have to be changed as well, and the manager in newspaper Z stated that they increasingly are applying social media to make their journalism more accessible. This is because they no longer can expect the customer to come to them without having specifically been “invited”. Related to this, the manager in newspaper Q stated that they are experiencing that customers spend less time reading their print edition, and that they therefore increasingly have to make sure both to have an attractive and relevant product, and to distribute it through the right channels at the right time.

A relevant issue to address, is whether technological innovation and changing customer behavior are the external forces that have the most significant impact on the design and selection of business models, or if other external forces could be of greater importance. Other external forces should not be ignored, and some of the managers noted macroeconomic

conditions and competitors as important as well. These were however not mentioned by all of the managers, and the importance of these was not stressed in the same manner as the importance of technological innovations and changing customer behavior. Compared to Krumsvik & Sundet's (2011) analysis of the newspaper industry based on Porter's (2008) five forces framework, substitutes, particularly in the form of technological innovations and customers' behavior and expectations, seem to still affect the profit in the industry negatively. The importance of rivalry among competitors in the industry seems to have stayed quite stable. However, the importance of customers' bargain power seems to have increased. Macroeconomic conditions influence the industry as well, but this external force is not specifically related to industry and should therefore not be addressed in an industry framework.

A further elucidation of each of these detections shows that technological innovations have led to the development of new products and services that might cover similar needs as newspapers do. When people have *a couple of minutes* of spare time and want to be entertained or updated, they do not necessarily choose newspapers to satisfy that need. In addition, enterprises can today reach consumers through other channels than the traditional media channels. Products and services stemming from technological innovations that can satisfy similar needs as newspapers should thus be regarded as substitutes for newspapers. Technological innovations have in addition had the consequence that companies like Facebook, Google and Netflix have become strong competitors to newspapers. These companies compete for the same advertising revenue, which might contribute to increased rivalry for advertising revenue in the newspaper industry. Still, these companies operate in other industries and could be regarded as substitutes as well. The findings show that the interviewees have different opinions on the impact of other newspapers in the industry. The group levels do not regard these as important competitors, while some of the managers in the newspapers say they still pay attention to what these competitors do. Changes in customers' behavior indicate that customers' bargain power is increasing, where customers by choosing to spend their time on other activities *force* the newspapers to make sure that their value proposition actually is of value for their customers.

5.4. Experimentations in a Variety of Areas

In addition to illustrating an important selection and decision process, the establishment of digital user payment in media group 1 serves as an example of experimentation that has occurred in the media group. Managers in both newspapers and at the group level in the two media groups emphasize the role of experimentation as a means to develop models that work well, and this shows that experimentation has an impact on the design and selection of business models in the media groups' newspapers. This was clearly stated by one of the managers at the group level in media group 1 when he depicted the value of experimentation. The manager explained that when the group's newspapers launch different models, they are able to see what works well, share experiences, and optimize in a structured way through the experimentation process. Quite a lot of experiments currently taking place are testing recommendation and personification features, and area in which newspaper X so far has made the most progress. Newspaper X has a dedicated team working on developing a recommendation engine based on algorithms. There is however a great variety in the fields in which experiments are being conducted. Through a subsidiary, newspaper Z has for instance both launched and bought niche news sites together with another newspaper in the group, and the newspaper is experimenting with organizing conferences and debates as well.

A great deal of the experimentations going on in the examined newspapers in both media groups aspires to develop new digital revenue sources. Both managers in the newspapers and at the group level in the two media groups stated that they have to increase the newspapers' number of digital revenue sources, and experiments are regarded as a manner to possibly attain this. Doyle (2014) finds that newspapers in the UK are of the opinion that their revenue streams in the future will have to consist of other revenue streams, in addition to revenue from advertising and subscription. The managers in the examined newspapers seem to be of the same opinion, and the manager in newspaper X stated that he thinks the revenue structure in the newspaper industry is likely to change in the future. The manager does not think one specific revenue source will stand out as particularly important, but rather that newspapers will have to look for several revenue sources in the future. The manager in newspaper X also emphasized that because of the fact that Facebook and Google have become significant players in the advertising market, the newspapers have to look for alternative revenue sources in addition to advertising and try to develop a new business model. Clemons (2009) is of the view that more revenue sources need to be applied in the newspaper industry, and he stresses that more online revenue sources should be applied in addition to advertising. In this regard, it

seems as if the examined media groups have a slightly different opinion of the importance of advertising as a revenue source in the future. While media group 1 and its newspapers are emphasizing the use of digital user payment, only a few of media group 2's newspapers have implemented this, and media group 2 thinks some of its newspapers might have to focus on strengthening their digital position before digital user payment will be applicable. Media group 2's newspapers are thus likely to maintain their dependence on revenue from advertising in the future. The managers in media group 2 did however emphasize that they increasingly are utilizing new forms of advertising, which are more targeted than what traditional advertising is. In addition, some of the examined newspapers are experimenting with new and more varied designs of advertising, for example by adopting sponsorship. This experimentation with expansion of an existing revenue source has so far not made newspapers less dependent on advertising, but they seem to become less dependent on the traditional form of advertising.

The findings show that some experiments the examined newspapers currently are conducting attempt to create new revenue sources by utilizing digital features and possibilities. The new revenue sources are not necessarily new inventions, but they might be new for the newspaper industry. An example is newspaper X's experimentation with Web-TV, where it might gain new forms for revenue. The newspaper may buy copyrighted content and thus attain exclusive content that customers may be willing to pay to gain access to, and advertisers may be willing to pay more to advertise in relation to this content. In addition, the newspaper might try to produce its own copyrighted content, where a possible new revenue source might be to later sell videos, seasons of production series, or production concepts to other content providers. This example illustrates that a consequence of experimentation seems to be that borders between different media industries currently are diminishing. This is coherent with Krumsvik & Sundet's (2011) finding that players in different parts of the media industry increasingly act as substitutes for each other. Even though the newspaper and television broadcasting industries are starting to coincide in the search for new revenue sources, variants of advertising and user payment are still the two main revenue sources in both of these industries.

An area of experimentation that is related to the introduction of digital user payment is the development of an intermediate function where customers register, but are not charged for reading articles. The choice to provide free content after registration is by

Fetscherin & Knolmayer's (2004) regarded as a possible attempt to mix strategies of cost leadership and differentiation, and few of the respondent of their study were found to have chosen this solution. Fetscherin & Knolmayer's (2004) found a possible explanation for this to be the potential of becoming *stuck in the middle*. According to Porter (1985), firms trying to mix cost leadership and differentiation risk not succeeding with any of them, and thus perform below average. Two of the examined newspapers in media group 1 stated that they currently are developing an intermediate function, with registration and free content. The choice to establish such a solution was explained by the possibility to achieve more knowledge about their customers when the customers register. The manager in newspaper X emphasized that knowledge attained about customers' behavior, what they share and read, in combination with a recommendation engine, can be used to steer ads based on customers' interests. What content and functionalities registered non-paying customers will get access to, is not yet decided. This is an area where experimentation might become prevalent in the coming months. All of the interviewees emphasized the increasingly importance of using data to steer ads, and the importance of data is likely to have increased significantly since Fetscherin & Knolmayer's (2004) study. The newspapers might still risk to become *stuck in the middle* when registration with free content is applied, but in the examined newspapers, this solution is chosen in addition to other solutions, and to "lose" advertising revenue to Facebook and Google, which utilize registration, seems to be what the newspapers consider as the greatest threat today.

According to Doz & Kosonen (2010), changes of a business models does not automatically follow from experimentation, but experimentations help challenge assumption business models build on, and they pilot change. This point seems to be of relevance in the examined newspapers, where they are experimenting within different fields, but their digital business models are still quite similar to the traditional print business model. Experimentations going on today might however contribute to greater changes of the newspapers' business models in the coming months and years.

6. Discussion and conclusion

In this chapter possible implications and results from the analysis of the findings are discussed, and answers to the research questions are provided in a conclusion. In addition, implications and limitations of this thesis and suggestions to further research are presented.

6.1. Discussion

The analysis shows that the three aspects presented in a framework in figure 2 seem to have influenced the selection of digital business model in the examined newspapers, both for smaller adjustments and for more significant changes like the introduction of user payment. These three aspects are group affiliation, external forces, and experimentation and innovation. The findings and analysis show that group affiliation can be advantageous when newspapers select or adjust their business models, where a high degree of autonomy and emphasis of knowledge sharing within the group is of particular importance. Different external forces, in particular the two forces technological innovation and changing customer behavior, are influencing both experimentation processes and other processes concerning selection and composition of business models. In addition, experimentation processes, in which business models are considered, are taking place in all of the examined newspapers.

The analysis shows that media groups pay attention to what it is that works well when their newspapers launch different models. Experiences are further shared, and the models are being optimized in a structured way through experimentation. The media groups are found to be emphasizing knowledge sharing, transparency and autonomy, which enable their newspapers to learn different models' advantages and weaknesses without having to test all of them themselves. The newspapers can thus learn through other newspapers' experimentations, and take this in to account when they adjust and compose their own models. Both media groups are in addition currently building up competence on *advanced data analytics* at the group level. This is relatively new competence within the newspaper industry and it has become increasingly relevant in this industry because of technological innovation in competing industries. The group levels' build-up of such competence is something the groups' newspapers are likely to benefit from as well, for instance by consulting this competence, or if the group level develops products all of its newspaper can implement. Firms that are part of a group might receive different forms of support from its group in innovation processes, which might increase the probability of success for innovations. In the examined newspapers,

knowledge sharing contribute to both sharing of know-how and build up an accumulation of experience. This shows that the newspapers' affiliation with a group is an advantage when they are to innovate their business models. In addition, the prevalence of knowledge sharing and build-up of new competence indicate, that interaction between group level and newspapers within the groups, are being influenced by both external forces like technological innovations, and experimentations taking place in different newspapers. Group affiliation thus influences the composition and selection of business models in the examined newspapers directly, and in addition, both experimentation and external forces influence these processes indirectly through group affiliation.

In the newspaper industry, about all digital content was available for free until a couple of years ago, and an increasing number of newspapers are now introducing digital user payment. The findings and analysis show that different expectations from customers are affecting choices the examined newspapers make regarding digital user payment. Netflix, a company offering movie subscriptions, is described as influencing both customers' habits and their expectations to availability, price, choice and experience. Customers do not necessarily compare newspapers' products with free products, but they are often comparing digital newspapers with other digital products, which they are charged less for the use of. Netflix offers functions that until recently have not been very common in the newspaper industry, for example *recommendations for you*, where customers are recommended a movie based on what they have watched earlier. This function is made possible by technological innovations where the use of algorithms play a central role and the fact that customers have to register and login. This indicates that there is a connection between different external forces. The examined newspapers are now adjusting their business models to be able to provide equally attractive offers, and to be able to meet customers' expectations. This shows that external forces are affecting the composition and selection of business models applied in newspapers.

The findings and analysis reveal that there seem to be a connection between external forces and experimentation, and show that experiments in the examined newspapers and media groups are greatly influenced by the external triggers technological innovations and changing customer behavior. Some experiments that currently affect the composition of newspapers' business model might in the future even develop into autonomous value propositions or products that require new business models. An example of this is newspaper X's establishment of internal competence on advanced data analysis. If this unit turns into

constituting a significant part of the newspaper's internal competence data analysis might eventually be considered as an independent service the newspaper can offer for external customers. Another example is newspaper Z's experimentation with organizing conferences and debates through "Z debates". Journalists and editors often have profound knowledge of a specific topic, and there might be a market for arranging debates, conferences and other live events with cover charge, where journalists or editors debate and present insight on specific topics. As a consequence of the external force technological innovations, new companies like Facebook and Google are increasingly competing for the same advertising spending as newspapers are. These companies have utilized technological innovations like data algorithms, which have enabled them to offer more personified and segmented ads. To be able to constitute an equally attractive advertising medium, newspapers are now experimenting with this type of technology. This shows that in the examined newspapers, experimentation influences the selection and composition of business models. In addition, external forces influence this selection and composition indirectly through experimentations.

The selection and determination of the business model of the examined newspapers thus seem to be influenced by a desire from the group to develop the business models in its portfolio by giving its newspapers a high degree of autonomy, internal experimentation initiatives taking place in the newspapers to achieve this, and external forces that have to be considered to develop competitive and sustainable business models that meet the customers' needs, desires and expectations both today and in the future.

The aspects influencing how the examined newspapers select and compose their business models and the connections between the different aspects are illustrated in this model:

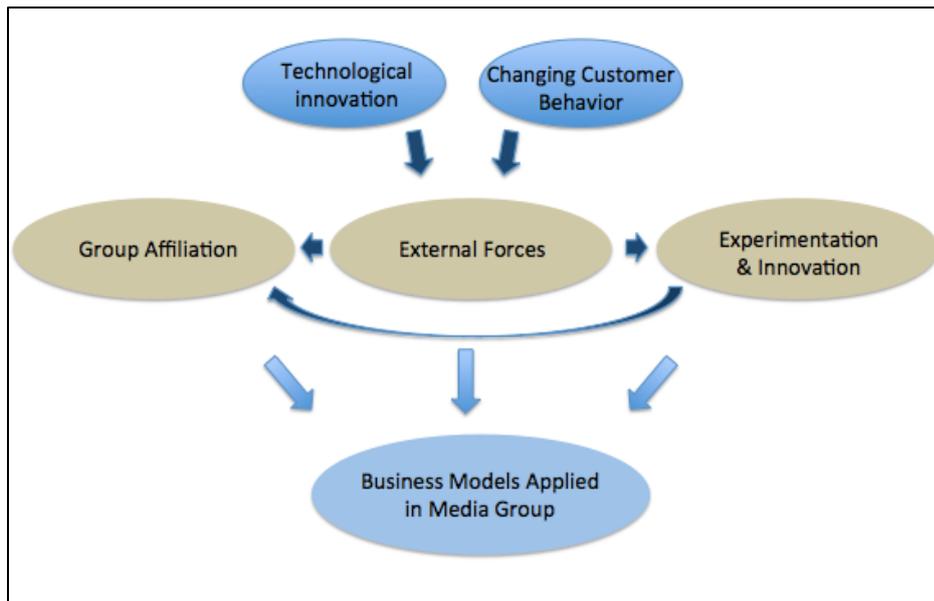


Figure 3: Aspects influencing how newspapers select and compose business models.

Source: Hognaland (2014).

6.2. Conclusion

The purpose of this thesis is to explore what aspects and driving forces that influences selection, design and innovation of digital business models in the newspaper industry, and the role of experimentation and external factors when these choices are made. This is explored through a case study of two Norwegian media groups and a selection of their newspapers. The thesis explores the importance of group affiliation, external forces and experimentation, and finds these three aspects to both influence processes in which business models are being selected or changed, and also to be connected with each other. The majority of the examined newspapers have in recent years introduced digital user payment, and this introduction process can be characterized as a business model selection process. The findings of this thesis show that experimentation has played a central role in business model selection and design processes in the examined newspapers. This is visible both in the processes where digital user payment were introduced, and in other experimentation processes currently taking place in both media groups. In addition, the findings show that technological innovation and changing customer behavior are the two external forces that have influenced business model selection and design in the examined newspapers the most, and this has happen both directly and indirectly through group affiliation and experimentation. Group affiliation is exercised in a manner where the newspapers have a great deal of autonomy, and as a consequence of this, the specific newspapers have had a great influence in business model selection and design

processes. The media groups' overall composition of digital business models is thus partly determined by their specific newspapers.

6.3. Implications

6.3.1. Theoretical Implications

Based on existing literature on business models, revenue models in the newspaper industry, and literature on the newspaper industry in general, this thesis has explored the influence some aspects might have on the digital business models applied in newspapers. The exploration is conducted through a case study of two specific media groups, and might not be generalizable for all newspapers, but it might present issues that are relevant to consider or test in future research on business models in the newspaper industry.

The two external forces technological innovation and changing customer behavior are found to influence the choice of digital business models in the examined newspapers. The exploration of this thesis finds this to happen both directly and indirectly through group affiliation and experimentation. The view that external forces influence experimentation, which further influence development of business models is in accordance with Sosna et. al.'s (2010) findings that experimentations are often triggered by external triggers. This study suggests that for the newspaper industry, technological innovation and changing customer behavior seem to be the external forces influencing the most. As a consequence of the few cases included in this study, it should however be further examined if this applies to other newspapers in the industry as well.

Experimentation and trial-and-error processes are found to be important in the field of business models (e.g. Chesbrough 2010; Sosna et. al. 2010; Doz & Kosonen 2010). This thesis explores the role of experimentation in the newspaper industry and finds it to play an important role when digital business models are selected and adjusted in this industry. It finds experimentation to be connected to both group affiliation and external factors. This connection is found in the newspapers of two case media groups, and it might not apply to the same extent for other newspapers or businesses in other industries.

This thesis finds that some of the examined newspapers are developing an *intermediate* solution, where customers register and login to their newspaper, but not are charged. This

alternative has by Fetscherin & Knolmayer (2004) been characterized as an alternative where newspaper risk ending up *stuck in the middle*, which according to Porter (1985) might have the consequence that they perform below average. In Fetscherin & Knolmayer's (2004) study, few respondents were found to have applied an intermediate solution. The importance of user data has in recent years increased, and this thesis find that the risk of not being able to match competitors' data utilization in ads, seem to have made the risk of getting *stuck in the middle* less emphasized in such cases today. The intermediate solution is however still not fully implemented in the two examined newspapers that plan to utilize this to accumulate user data, and it might be too early to conclude.

6.3.2. Managerial Implications

The motivation and rationale behind decisions and choices might be challenging to describe in retrospect, because they might have happened by a coincidence or as a result of trial-and-error processes, and not as a result of carefully planned actions. By exploring the reasoning that seems to have determined how business models have been designed, this thesis might contribute to structure and clarify motivation and driving forces. A structured overview might be useful for the examined media groups to consult when they experience similar selection or decision processes in the future. Both examined media groups emphasize to share knowledge within the group, and this thesis might constitute a tool for employees in the newspapers to assess information about why the group level and newspaper units have undertaken specific priorities and choices in business models selection and composition processes. This might contribute to further knowledge sharing within the media groups.

Figure 3 shows that the explorations of this thesis identify three aspects influencing processes in which business models are chosen and designed. In addition, it finds external forces to influence the choice and design of business models both directly and through group affiliation and experimentation, while experimentation also seem to influence these processes indirectly through group features like knowledge sharing. It is a prerequisite for the newspapers to know how different aspects in their environment are likely to affect their business, and by disclosing connections between some of the aspects in the newspapers' environment, this thesis might make the managers and employees of the newspapers more aware of these.

6.4. Limitations and Further Research

The cases of this thesis have been four newspapers in two Norwegian media groups, three of them are part of media group 1 and one is part of media group 2, and the group level of these two media groups. The fact that there are few observations means that the result of this study cannot be directly transferred to other media groups and newspapers.

Throughout the analysis of this thesis, specific explanation and rival explanation regarding what is being emphasized in business model selection and composition processes, has been explored. The analysis found the two external forces, technological innovation and changing customer behavior, to have the greatest impact. It should be noted that a few other forces were found to have an impact as well, but to a less extent in the examined newspapers. In future research it could however be relevant to further address a rival explanation that other external factors than technological innovation and changing customer behavior might have more significant impact on business model selection processes. In addition, the findings of this thesis was compared with Krumsvik & Sundet`s (2011) five forces framework analysis of the newspaper industry, but to get a more complete overview of the relative importance of external forces that seem to of significance, a complete analysis based on the five forces framework should be conducted.

The analysis also found that the media groups consciously transfer some determination right regarding determination of business models to their newspapers. As a consequence of this, the media groups do not have full empowerment to selects its newspapers business models and the overall composition of digital business models at the group level. In the examined newspapers, this was found to be a conscious choice, but if this results in a great variety among the chosen business models, it might develop into a situation where a rival explanation stating that the composition of a media group`s newspapers` digital business models takes place in a random manner will apply, and this issue might be explored in further research. A challenge for this study was that some business model information was regarded as sensitive, something that resulted in the anonymization of the cases. Because the media group wanted to verify the anonymization, the analysis process was somewhat delayed. For further research it could be interesting to examine more newspapers than this thesis has included, and to be able to gain access to the necessary information, a quantitative research design could be considered.

All the newspapers examined in the study were well-established print newspapers before they introduced a digital newspaper as well. This might act as a constraint for the digital part of the newspapers compared to how the case might be for digital newspapers that was established as a pure digital newspaper. For further research it could also be interesting to compare the business model of digital newspapers developed from print newspapers and digital newspapers that was established in a digital form initially.

7. References

Amit, R. & Zott, C. (2001), Value creation in E-business. *Strategic Management Journal*, **22** (6-7): 493-520.

Baden-Fuller, C. & Haefliger, S. (2013). Business Models and Technological Innovation. *Long Range Planning*, **46** (6): 419-426.

Bisgaard, A.B. (2014). Slik får FT flere digitalkunder. *Kampanje*, January 22, 2014 [Internet] Accessible from: < <http://www.kampanje.com/medier/article7118962.ece>> [Visited February 17, 2014].

Cea-Esteruelas, M-N. (2013). Cybermedia economics: revenue model and sources of financing. *El profesional de la informacio*, **22** (4): 353-361.

Chen, Y., Hsieh, T. & Yeh, R. (2010). Business group characteristics and affiliated firm innovation: The case of Taiwan. *Industrial Marketing Management*, **39**: 560-570.

Chesbrough, H. & Rosenbloom, R.S. (2002). The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin-off companies. *Industrial and Corporate Change*, **11** (3): 529-555.

Chesbrough, H. & Schwartz, K. (2007). Innovating business model with co-development partnerships. *Research Technology Management*, **50** (1): 55-59.

Chesbrough, H. (2010). Business Model Innovation: Opportunities and Barriers. *Long Range Planning*, **43**: 354-363.

Clemons, E. (2009). Business Models for Monetizing Internet Applications and Web Sites: Experience, Theory, and Predictions. *Journal of Management Information Systems*, **26** (2): 15-41.

Cook, J.E. & Attari, S.Z. (2012). Paying for What Was Free: Lessons from the New York Times Paywall. *Cyberpsychology, Behaviour, and Social Networking*, **15** (12): 682-687.

Doyle, G. (2014). Re-invention and survival: newspapers in the era of digital multiplatform delivery. *Journal of Media Business Studies*, **10** (4): 1-20.

Doz, Y.L. & Kosonen, M. (2010). A leadership Agenda for Accelerating Business Model Renewal. *Long Range Planning*, **43**: 370-382.

Eisenmann, T.R., Parker, G. & Van Alstyne, M.W. (2006). Strategies for Two-Sided Markets. *Harvard Business Review*, **84** (10): 92-101.

Fetscherin, M. & Knolmayer, G. (2004). Business Models for Content Delivery: An Empirical Analysis of the Newspaper and Magazine Industry. *The International Journal on Media Management*, **6** (1&2): 4-11.

Filloux, F. (2011). Analyzing the metered model. *Monday Note*, June 5, 2011 [Internet] Accessible from: <<http://www.mondaynote.com/2011/06/05/analyzing-the-metered-model/>> [Visited March 27, 2014].

Fossbakken, E. (2014a). Får flere digitalabonnenter. *Kampanje*, February 13, 2014. [Internet] Accessible from: <<http://www.kampanje.com/medier/article7166462.ece>> [Visited February 17, 2014].

Fossbakken, E. (2014b). Siv Jensen åpner for nullmoms. *Kampanje*, June 4, 2014. [Internet] Accessible from: <<http://www.kampanje.com/medier/article7399411.ece>> [Visited June 4, 2014].

Hagen, A.W. (2011) Tar betalt lokalt. *Dagens Næringsliv*, 5. September 2011, p. 38

Høst, S. (2013). *Avisåret 2012*. Serie Rapport, Høgskulen i Volda.

Jensen M.H. (2011) Skimter nettgullet. *Journalisten*. September 27, 2011 [Internet] Accessible from: <<http://www.journalisten.no/node/35761>> [Visited February 17, 2014]

Johnson M.W., Christensen, C.M., & Kagermann, H. (2008). Reinventing your business model. *Harvard Business Review*, **86** (12): 59-68.

Krumsvik, A. H. & Ottosen, R. (2012). Digital Challenges on the Norwegian Media Scene. *Nordicom Review*, **33** (2): 43-55.

Krumsvik, A. & Sundet, V.S. (2011). Etablerte medier og deres forutsetninger for fortjeneste: en komparativ analyse av konkurranseforholdene i norsk avis-, radio- og fjernsynsbransje. *Norsk medietidsskrift*, **18** (3): 188-216.

Kulturdepartementet. (2010). *Lett å komme til orde, vanskelig å bli hørt – en modern mediestøtte*. NOU 2010:14. Oslo, Departementets servicesenter Informasjonsforvaltning. Accessible from: <
<http://www.regjeringen.no/pages/14757510/PDFS/NOU201020100014000DDDDPDFS.pdf>>
[Visited June 4, 2014].

Linder, J.C. & Cantrell, S. (2000). Changing business models: surveying the landscape. *Accenture Institute for Strategic Change*.

Mahadevan, B. (2000). Business Models for Internet-based e-Commerce: An anatomy. *California Management Review*, **42** (4): 55-69.

Margretta, J. (2002.) Why Business Models Matter. *Harvard Business Review*, **80** (5): 86-92.

Olsen, R. K., Bech-Karlsen, J., Hjeltnes, G. & Selmer-Nedrelid, T. (2010). *Mediehus 2010*. Mediehusrapporten, Handelshøyskolen BI & Insitutt for Journalistikk

Osterwalder, A. & Pigneur, Y. (2004). *An ontology for e-business models*. in Value Creation from E-Business Models. W. Currie, Butterworth- Heinemann.

- Osterwalder, A., Pigneur, Y. & Tucci, C.L. (2005). Clarifying business models: Origins, present, and future of the concept. *Communication of the Association for Information Systems*, 16: 1-25.
- Osterwalder, A. & Pigneur, Y. (2010). *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*. Hoboken, NJ: Wiley.
- Pauwels, K. & Weiss, A. (2008). Moving from Free to Fee: How Online Firms Market to Change their Business Model Successfully. *Journal of Marketing*, 72 (3): 14-31.
- Porter, M.E. (1985). *Competitive advantage: creating and sustaining superior performance*. New York, The Free Press, p. 11-26.
- Porter, M.E. (2008). The Five Competitive Forces That Shape Strategy. *Harvard Business Review* 86. (12): 23-41.
- Santos, J., Spector, B. & van der Heyden, L. (2009). Toward a theory of business model innovation with incumbent firms. Working paper no. 2009/16/EFE/ST/TOM, INSEAD, Fontainebleau, France.
- Saunders, M., Lewis, P. & Thornhill, A. (2009). *Research methods for business students*. Essex, Pearson Education Limited.
- Shafer, S.M., Smith, H.J. & Linder, J.C. (2005). The power of business models. *Business Horizons*, 48 (3): 199-207.
- Smith, W.K., Binns, A. & Tushman, M.L. (2010). Complex Business Models: Managing Strategic Paradoxes Simultaneously. *Long Range Planning*, 43 (2): 448-461.
- Sosna, M., Treviño-Rodríguez, R. N. & Velamuri, S. R. (2010). Business Model Innovation through Trial-and-Error Learning. *Long Range Planning*, 43 (2): 383-407.
- Teece, D. J. (2010). Business Models, Business Strategy and Innovation. *Long Range Planning*, 43 (2): 172-194.

Timmers, P. (1998). Business models for Electronic Markets. *Electronics Markets* **8** (2): 3-8.

Tikkanen, H., Lamberg, J-A., Parvinen, P. & Kallunki, J-P. (2005). Managerial cognition, action, and the business model of the firm. *Management Decision* **43** (6): 789-809.

Voelpel, S., Leibold, M., Tekie, E. & von Krogh, G. (2005). Escaping the red queen effect in competitive strategy: sense-testing business models. *European Management Journal* **23** (1): 37-49.

Yin, R.K. (2009). Case study research: Design and methods . Sage.

Zott, C., Amit, R. & Massa, L. (2011). The Business Model: Recent Developments and Future Research. *Journal of Management*, **37** (4): 1019-1042.

Zott, C. & Amit, R. (2009). Business Model Design: An Activity System Perspective. *Long Range Planning*, **43** (2-3): 216-226.

Interview Guide

Questions to interviewees at the Group Level

Introduction

- The student presents herself and the thesis
- The research question and formalities are explained
- The interviewee is asked if he/she has any questions before the interview starts
- The interviewee is asked about position and area of responsibility

Description of Business Model elements

Purpose: Examine how the media group/newspapers view business models.

- What is your understanding of the expression *cost/revenue structure* and how are the cost- and revenue structures in your media group`s newspapers?
- What is your understanding of the expression *value proposition* and what are the main value propositions in your media group`s newspapers?
- What is your understanding of the expression *key processes* and what are the key processes in your media group`s newspapers?
- What is your understanding of the expression *customer impact* and what are the main sources of customer impact in your media group`s newspapers?

Business Model Portfolio questions

Purpose: Gain an overview over different business models in the group, and explore how and why these models has been chosen.

- How many different business models are in use in your media group, and what are the main differences between the different models that are being used?
- If several models; why are several business models in use in your media group?
- *Regarding the cost/revenue structure of business models;* why have the metric model been chosen as digital revenue model for one newspaper, while freemium have been chosen for other newspaper within the media group?
- What is decisive for the selection of business model for each of the newspapers in your media group?

- Of what significance are the following factors for the selection of business models in your media group; *a) competitors/competitive environment, b) newspaper's size and prevalence, and c) development in the paper's print circulation? d) changes in technology and user behavior? e) other relevant factors?*
- What new revenue streams do you consider when you experience that advertising and subscription revenue (from the print editions) are decreasing?

Innovation/experimentation

Purpose: Explore how business model innovation processes are being conducted in the group, and how this is related to business model selections.

- In what ways have your business models been innovated in recent years?
- In what ways do you experiment with different business models in the different newspapers in the group?
- How much autonomy does the group's newspaper have regarding choice and innovation on business models?

Additional questions if there is more time left

- What have influenced the timing for when digital user payment has been introduced in different newspapers in the group?
- What challenges and synergies do you experience in relation to the use of several business models at the same time in your company?
- What is it you emphasize when you are to change or innovate the group's current business models?
- In what ways has the introduction of digital user payment affected the group's attractiveness above advertisers?

Questions to interviewees in specific newspapers

Introduction and description of Business Model elements

The questions are similar to the questions to group level, but focus on business model elements in the specific newspapers.

Business Models in specific newspapers

Purpose: Figure out what business model specific newspapers use and why these are used.

- How many business models are in use in [name of newspaper], and what are the main differences between different models that are being used?
- Why have the freemium/metric model been chosen as digital revenue model for [name of newspaper]?
- In what way does the digital revenue model that is chosen influence the other elements in [name of newspaper]'s business models?
- What determines what percentage/how many articles that should be available for free in [name of newspaper]?
- Of what significance are the following factors for the selection of business models in [name of newspaper]; *a)* competitors/competitive environment, *b)* newspaper's size and prevalence, and *c)* development in the paper's print circulation? *d)* changes in technology and user behavior? *e)* other relevant factors?
- What new revenue streams do you consider when you experience that advertising and subscription revenue (from the print edition) are decreasing?

Innovation/experimentation

Purpose: Explore how business model innovation processes are being conducted in the group, and how this is related to business model selections.

- How much autonomy does [name of newspaper] has when it comes to business model selection and innovation?
- In what ways have your business models been innovated in recent years?

Additional questions if there is more time left

- What have influenced the timing for when digital user payment has been introduced in different newspapers in the group?
- What do you emphasize when you make changes to or work on innovation of [name of newspaper]'s current business models?
- In what ways have the introduction of digital subscription fee affected the attractiveness of your digital newspaper as an advertising place?