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In search of a profitability framework for the local daily newspaper industry

A case study at *Göteborgs-Posten*

Master's thesis in the Master Degree Programme, Quality and Operations Management

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Abstract

Stampen Local Media is a newly founded local newspaper group, as a subsidiary to Stampen Media Group (SMG), a media group with a turnover of about five billion SEK. Local newspapers typically rely on a so called 33/67 business model where 33 percent of revenues stem from newspaper sales, mainly through subscription fees, and the remaining 67 percent are derived from advertisement. Thus, advertisement subsidizes the subscription price which is a newspaper business model that has prevailed for the past 150 years. However, the newspaper industry is experiencing a severe decline in terms of both circulation and advertisement revenue and there is talk of a pending newspaper death.

This thesis investigate preconditions for newspaper profitability in an industry severely altered by digital forces by means of a single case study at *Göteborgs-Posten* (GP), the largest paper within SMG with a yearly turnover of about one billion SEK. Through 2011 to 2013, GP's newspaper sales revenues remained stable meanwhile advertisement revenues decreased by about 100 MSEK a year. Swedish newspaper circulation has fallen steadily during the past years and GP has experienced one of the worst declines which so far have been offset by price increases revenue-wise. However, the traditional 33/67 business model crumbles as advertisement cannot subsidize the cost base which puts a tremendous pressure on the organisations profitability.

GP's foremost digital revenue stream is advertisement, where a lion's share stem from display banners at gp.se. However, internet reached a steady-state level of diffusion in Sweden around 2009 and web internet growth is weak in general and for display advertisement in particular. The diffusion of mobile internet on the other hand has completely exploded since 2010 and tablets are about to overtake personal computer (PC) sales. Leading online news sites have already experienced that mobile internet has overtaken PC traffic. GP's ratio between print and digital revenues is about 95-to-5 for and highly similar for web internet and mobile. However conversion is not at all smooth revenue-wise, a conversion heuristic states that converting from print to web as well as converting from web internet to mobile divides revenues by ten all else equal.

This is described as an innovator's dilemma where digital is seen as the dominant future platform meanwhile GP depend on print customers for 95 percent of their revenues. This is an issue of increasing concern as the capabilities needed in the digital marketplace differ from their print counterpart which calls for investments in digital capabilities. The future of the growing mobile segment is unknown and currently too small to make up for the revenue growth required by a newspaper of GP's size. In order to assess how to move forward, GP can assess which customer jobs they can perform successfully on print and digital platforms in order to identify suitable changes that can improve their profitability. Three such cases are investigated namely to first establish a price and product mix that nudges customers towards digital distribution, second to print newspapers earlier, thus allowing room for more cost-efficient production, and third to reduce the issue frequency. It is argued that GP not only needs to improve their profitability for the sake of turning a profit. Instead, it is likely mandated in order to be able to invest in needed capabilities to ensure the organisations longevity as the demise of the print newspaper has picked up its pace during recent years. It is concluded that newspapers should strive for profitable circulation irrespective of advertisement and all cases can support such endeavour, however case one and two are the recommended first steps.

Keywords: profitability, Stampen, *Göteborgs-Posten*, media, newspapers, circulation, advertisement, frequency, disruption, jobs-to-be-done.

Acknowledgements

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From Stampen Local Media (SLM), first the resigning CEO and later the board members Christian Elofsson, Helena Johnsson, Fredrik Dobber and Hanna Konyi has taken plenty of time out of their busy schedules to provide tremendous support in terms of interview time, referrals and access to organisational documents. In this aspect, Christian deserves a special mention for taking the time to schedule more than five individual meeting. One day was designated to experience the operations and following the entire process from the newsroom through printing and delivery. Such an opportunity is invaluable for anyone interested in business and operations. As an extension of this, several employees from V-TAB and VTD have provided highly valuable inputs. Both Anders Egerstad and Torbjörn Karlsson from VTD showed an extraordinary willingness to contribute to the project. Hopefully, some of the work conducted during this thesis can make up for all this generosity. Finally, thanks to *Göteborgs-Posten* for the free subscription during the thesis period. Besides increasing my product knowledge the daily newspapers also kept me dialled in.

As far as the overall Industrial Engineering and Management program that now is about to be completed, there are several students that would deserve mention for help, for good and bad teamwork and the many fun and valuable experiences one gets along the way. In my mind, the bachelor thesis group stand out. Our thesis work at Volvo Cars was the start for many good things to come for which I am the most grateful. My iPad was a great companion and I believe that it actually helped improve my academic performance. Finally, I would like to thank my family for support and inspiration.

Thank you,

Frank Eriksson Barman

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List of figures and tables

List of abbreviations

Ad - Advertisement

f - Forecast (Used in figure texts)

GP - *Göteborgs-Posten*

GT - *Göteborgs-Tidningen*

IRM - Institute for Advertising and Media Statistics

KSEK - Thousand SEK

MSEK - Million SEK

NORDICOM (Nordicom) - Nordic Information Centre for Media and Communication Research

SLM - Stampen Local Media

SMG - Stampen Media Group

t - Time or time period

TS - *Tidningsstatistik*

TU - *Tidningsutgivarna*

List of newspaper terminology

Circulation - The number of papers that are sold, or at least distributed, per day

Reach[1] - Circulation times the average amount of readers per newspaper

[1] Example:
$Reach = Circulation \times Average\ amount\ of\ readers\ per\ issue$
$Circulation\ = 100\,000\ issues$
$Average\ amount\ of\ readers\ per\ issue = 3\ persons$
$Reach = 100\,000\ \times 3 = 300\,000$

1. Introduction

Göteborgs-Posten, the Gothenburg Post, (GP) is a third generation family owned newspaper founded in 1859 (Wedel, n.d.). Harry Hjörne, the man who worked his way up until he attained ownership had a maxim saying one man one paper. However, the times have changed and what once was a local newspaper became a media group under the stewardship of the present family head Peter Hjörne, Harry's grandson. In 2012, a book titled 'The tale of the rise and success of a media group'; Westgårdh *et al.* (2012) describe how GP evolved from that one paper to the Stampen Media Group (SMG). This expansion is described as laying a foundation for future successes but also as an absolutely critical move to secure the very survival of GP in a new media landscape shaped by digital forces. (Westgårdh *et al.*, 2012) However, in early February 2014, the future survival would come to look highly uncertain for SMG as its financial situation at this point would be likened to a deck of cards by Leif Holmkvist (2014a). This is not criticism from just any journalist but rather the journalist, as Westgårdh *et al.* (2012) describe Holmkvist as Sweden's sharpest media journalist.

Years earlier in 2005, the present-day SMG had bought a consortium of newspapers, *Centertidningar*, from the Swedish Centre party (SCP) for an astounding 1 815 MSEK. This was far more than SCP was hoping for as they believed that the holding was worth around 800 MSEK or possibly even one billion SEK for the right buyer. Peter Hjörne had outbid the Norwegian Orkla and Schibsted among others in anticipation of printing synergies, economic growth and a relatively unchanged print advertisement revenue streams. By completing the purchase, SMG improved its position on the Swedish newspaper market and SCP became the richest political party in the world. (Holmkvist, 2013)

When *Centertidningar* was acquired, the goodwill of 1 815 MSEK (MSEK) exceeded the book value with about one billion SEK. However, come 2013, about 60 percent of SMG's total assets would be considered overvalued goodwill (Holmkvist, 2014b). Out of 3.3 billion SEK of goodwill, the sum of all devaluations between 2010 and the fall of 2013 constituted a mere 24 MSEK (Holmkvist, 2014a). Later, Holmkvist (2014c) reported that SMG had now been placed under conservatorship from its creditors. The operating result of 2013 was 41 MSEK in comparison with the 130 MSEK in 2012 (Byttner, 2014a) but the process of downsizing the goodwill post has begun. In 2013, the inevitable devaluation process was initiated with a staggering goodwill reduction of 790 MSEK. At this point the overall financial situation called for major interventions and 500 employees was given notice during 2013 (Östlund, 2014). In February 2014, reports of SMG being subject to conservatorship were firmly refuted by SMG's CEO Pelle Mattisson (Larsson, 2014). However, on the 20th of March the CEO Mattisson resigned and remained at SMG only until the 31th of March (Byttner, 2014b). In addition, some print newspapers were now reportedly up for sales (Helander, 2014a).

The newly appointed CEO Martin Alsander stated that SMG's profitability has to improve by 300 MSEK during the next 3 years (af Kleen, 2014). A union conversation told that SMG henceforth will use an axe rather than salami tactics to remedy its precarious situation (Byttner, 2014c). 700 Swedish journalists will leave their job in 2014 (Holmkvist, 2014d) and mid-June 2014, Stampen Local Media (SLM) announced the resignation of 100 people (Thomsen, 2014c). 40 out of the 60 concerned journalists belong to GP (Nesser, 2014a) leaving their journalist staff list reduced by 40 percent during the past 3 years (Nesser, 2014b). On the 25th of June 2014, it was reported that SMG had sold a group of newspapers worth 170 MSEK (Helander, 2014b).Then, 5 days later, on the 30th of June 2014 it was announced that Peter Hjörne now steps up as SMG's chairman of board (Byttner, 2014d).

1.1 Purpose and intended outcome

The purpose of this thesis is to develop a profitability framework for *Göteborgs-Posten* on behalf of the local newspaper group Stampen Local Media. It is a contemporary subject of vast importance as the industry is undergoing major structural changes facilitated by technological development. Specifically, the research aim to deal with the particularities regarding *Göteborgs-Posten* since it is the flagship newspaper within the media group. The intended outcome is to propose a framework and recommended actions to improve newspaper profitability in the digital age. Conclusions should include an assessment of the most significant parameters associated with overall profitability which then can function as management decision support.

1.2 Research questions

The specific research questions guiding the underlying research for this master thesis is listed below. These are derived somewhat independently of the case organisation although they are based on areas suggested by SLM.

R1. What are the underlying fundamental economics of the newspaper industry?
R2. Which are the most important newspaper industry trends?
R3. What is the current status of the profitability for *Göteborgs-Posten*?
R4. How do the parameters listed below affect the profitability of *Göteborgs-Posten*?
    a. Price and product mix
        i. Print
        ii. Digital
    b. Customer base
        i. Subscribers
        ii. Single copies
        iii. Digital readers
    c. Advertising
    d. Printing cost
    e. Distribution cost
    f. Time frame for news editing, printing and distribution
    g. Periodicity (Issue frequency)
R5. What main objectives should *Göteborgs-Posten* aim for in the near future?

1.3 Methodology

The methodology section describes the research and puts it into a context as a master thesis at the Chalmers University of Technology. As for an overview, this thesis work have been conducted during 22 weeks starting with week 3 2014. Appendix A provides specific information about the activities conducted during this period. As Chalmers is a technical University it is worth emphasising explicitly that the research conducted as the foundation for this thesis can be considered business research. Some view business research as an applied field as it is not only concerned with understanding but also solving managerial problems. However, Bryman and Bell (2011: 5) state that '…business research does not exist in a bubble, hermetically sealed off from the social sciences and the various intellectual allegiances that their practitioners hold'. Now, the research strategy will be presented alongside epistemological and ontological considerations before the research design and techniques employed are presented. Finally, the research quality is discussed.

Research strategy defines the general orientation of the research, which could be deductive or inductive. Deduction implies that hypotheses are formed which then are subject to empirical scrutiny where induction first conducts empirical observations before inferring its implications. Where deductions are associated with quantitative methods that test theory through observations, induction are associated with qualitative methods that allow observations to form theory. They are not mutually exclusive though as a mixed method research strategies can be used. For this thesis such a mixed method strategy has been used.

The strategy is related to epistemology, which concerns what should or should not be considered acceptable knowledge. In this aspect the research is based on the notion of interpretivism rather than positivism. Positivism implies that the true domain of scientist is positive statements rather than normative (Bryman & Bell, 2011). Acknowledging interpretivism as the stance implies agreement with Gummesson's (2003: 484) notion that '…interpretation is inherent in all human effort to understand the world.' As for ontology, meaning '…whether social entities can and should be considered objective entities that have a reality external to social actors, or whether they can and should consider social constructions built up from the perceptions and actions of social actors' (Bryman & Bell, 2011: 20). These viewpoints adhere to objectivism and constructionism respectively where the master thesis research succumbs to a constructionist viewpoint as social phenomena are accomplished by social actors. (Bryman & Bell, 2011) To conclude, the overall research strategy is to be considered inductive as theory is the outcome rather than the input where the epistemological orientation of interpretivism and the ontological stance of constructionism are assumed.

Personal values can affect several research aspects such as research area, research questions, method design, data collection, analysis, interpretation of data as well as conclusions. Acknowledging that research is not value free but meanwhile not letting one's personal values take over are aspects of reflexivity. (Bryman & Bell, 2011) No direct measures have been taken against personal values and as the research is not free from personal bias the degree of reflexivity can be considered high. This is believed to be coherent with the adherence to an epistemological stance of interpretivism. A hermeneutic spiral illustrates a movement from pre-understanding to understanding which then is a new base of pre-understanding for further understanding and so forth (Gummesson, 2003). For this thesis, pre-understanding and personal values are believed to be of significant importance. The initial scope as a profitability case leaves an almost unlimited array of potential avenues to explore whereby the initial direction arguably determines the end-state of the research to a great extent. The initial direction chosen is likely influenced by prior personal experiences and values.

The research design is a single case study which implies focusing on examining a bounded situation (Bryman & Bell, 2011). This was chosen jointly with SLM where the case of GP was selected for two main reasons. First, GP is among Sweden's largest newspapers and the largest newspaper within SLM and SMG at a turnover of about one billion SEK. Second, the scope might be too wide-ranging too handle if several newspapers were chosen. Then, the main research techniques employed besides literature studies are interviews and reviewing documents. Interviews ranged from unstructured, resembling conversations, to semi-structured and structured where topics were discussed in a more structured manner. The interviewing can be described as qualitative as coding was of secondary importance to instead favour richness to facilitate further pre-understanding. Out of a total 20 scheduled interviews, 6 were unstructured, 13 were semi-structured and one was structured. There were also several unstructured interviews outside scheduled interviews. (Bryman & Bell, 2011)

Bryman and Bell (2011) list three main criteria for evaluating the quality of business research namely reliability, replication and validity which will be discussed in turn. First, reliability concern '…the question of whether the results of a study are repeatable' and specifically in terms of consistency of measures (Bryman & Bell, 2011: 41). What speaks in favour of repeatability is the extensive use of hard numerical data as an empirical foundation. As long as it in itself is reliable then the same figures should yield the same conclusion given that they were manipulated similarly. Thus, the reliability is likely to be considered relatively good. This is associated with the second criterion of replication which concern whether or not someone would be able to repeat the research at a later time (Bryman & Bell, 2011). Given the notion that a social system is not independent of its social actors it is difficult to see this research as highly repeatable as for instance the project's main initiator no longer remains within the organisation. If the study would have been conducted at a later time, a different industry environment could also be believed to have a significant impact on the findings. Neither is the thought processes explicitly stated, and they are believed to be highly influenced by pre-understanding. Thus, the research is to be considered more original than replicable.

The third criterion is then validity which '…is concerned with the integrity of the conclusions that are generated from a piece of research' (Bryman & Bell, 2011: 42). There are several domains of validity and for case studies the notion of external validity or generalizability is of particular interest. The question is to which degree the conclusions can be generalized beyond the particular case from which they were derived. For qualitative research, it might be appropriate to discuss this in terms of transferability. (Bryman & Bell, 2011) It is an especially interesting area to evaluate since the context of the case actually calls for high external validity or transferability as the studied case of GP is a part of a larger organisation hoping to capitalize on the findings. However, it would be hard to argue for perfect generalizability as there are many particularities such as for instance whether or not an organisation has its own production operations or outsources them. The degree of generalizability is likely high in terms of the overall description of the situation which then calls for certain general actions. It is believed that many research findings should be highly generalizable as the industry overall basically is in the same boat. The implications of GP's particularities compared to the desired transfer context needs to be considered where size and internal capabilities are believed to matter.

Gummesson (2003: 491) describe the ideal researcher as '…an Indiana Jones hunting hidden treasures and a Sherlock Holmes solving the mystery of The Speckled Band.' This is a level of research that this thesis work can only aspire to during its most pretentious moments. Although this might be the most unerring description of the research aim and preferred research approach. Such an approach is not believed to be free of research bias but at least able to produce somewhat interesting output.

1.4 Delimitations

The research is focusing on how to improve the profitability of GP so a general delimitation is the activities that are conducted outside the boundaries of GP and their production and delivery processes. This thesis does not discuss the practise of journalism, editing and such related operations. Staffing was not covered by the research question proposals from Stampen Local Media and this issue has thus not been researched. Although the printing organisation V-TAB and the delivery organisation VTD are members of the same media group, cost savings or new revenue opportunities are not considered beyond their direct interface with GP. Thus, for example the amount of newspapers waste at V-TAB and routing schedules at VTD is outside the thesis scope.

2. Theoretical framework

This part contains the main theoretical base that will be used to analyse the GP case. As it is a profitability case the theory starts out with business models and their relation to profitability. Then, the particularities of the newspaper are described in terms of general characteristics. Finally, tools such as a framework for disruptive innovations which help understand and frame the problem as a problem of industry transformation while also providing some tools to tackle such situations, as the concept of jobs-to-be-done.

2.1 Business models and profitability

A contemporary definition of a business model is provided by Osterwalder and Pigneur (2010: 14) and state that 'a business model describes the rationale of how an organisation creates, delivers, and captures value'. This definition is thus broader than a mere revenue and cost perspective as it consists of nine building blocks which are customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and the cost structure (Osterwalder & Pigneur, 2010).

When the business models of the daily press is discussed by for example one of the foremost Swedish Media Economists Karl-Erik Gustafsson (2009), the focus at time almost solely relies on revenue streams with some respect to the cost side. These are thus not the sole building blocks of a business model but integral parts of one. Their vast importance within a business model is of course explained by their relation to profits and profitability as profits is a function of revenues minus costs. To capture the fundamental economics with respect to the ability to turn a profit, this section will also provide a general description of how newspapers operate in terms of their business model in the more narrow sense of costs and revenues.

2.1.1 Newspaper characteristics and their business models

As GP is a local morning paper it is interesting to assess the business model such companies typically adhere to. To put a frame of reference, GP is a local morning paper, although from a big city, where *Svenska Dagbladet* (SvD) could be considered a national morning paper and *Aftonbladet* is to be categorized as a tabloid, an evening paper. The household coverage is the highest for local papers where figures above 60 percent are common whereas national papers enjoy lower coverage rates and tabloids even lower, typically below 20 percent. (Melesko, 1999) As the characteristics of the local daily morning press is described, similarities and dissimilarities between the three categories of local and national morning press along tabloid can help frame the local daily newspaper business model. A local newspaper is typically distributed within and around a main city whereas a tabloid targets the entire country. The issue frequency for a local newspaper is usually a bit lower at five to six days compared with seven days a week for nationals or tabloids. (Melesko, 1999)

2.1.2 Dual markets with two main revenue streams

Revenues are in general derived from two main sources, namely newspaper sales and advertisement. This is often a case of dual markets where there is a customer group for the actual newspapers and there is another group of customers that are interested in buying advertisement. (Melesko, 1999) The split between these two main revenue streams is thus an integral part of any particular newspapers business model. The composition of these revenue streams is discussed in terms of different business models with three main versions for paid for newspapers; a pure pay model, 33/67 circulation and advertisement or 75/25 circulation and advertisement (Gustafsson, 2009).

During the 17th and 18th century, the newspaper business model started out as a pure pay model. This changed during the first half of the 19th century when the daily press started targeting mass markets through a few ground-breaking French papers; notably *La Presse* and *La Siécle*. The concept of a lower price through advertisement subsidization was brought to Sweden around 1860. Felix Bonnier took the first steps with the pricing of GP in 1860 and Rudolf Wall went all in with regards to the low price model through the launch of *Dagens Nyheter* in 1864 where advertisement quickly rose to constitute about 55 percent of total revenues. The second model of 33/67 was thus establishing itself in Sweden. Finally, about one century later, during the 1960's, a 75/25 revenue split model was established through tabloids such as *Aftonbladet* and *Expressen.* These had single copy sales as their main source of revenue where direct newspaper sales started making up for about 75 percent of total revenues. (Gustafsson, 2009) To characterize the present-day overall market, the Swedish media economist Stefan Melesko (2004) suggests an advertisement share of 60 percent.

There are differences for the two main revenue streams with regard to their response to changes in the overall economic situation. Whereas advertisement on the one hand is susceptible and sensitive to fluctuations in the economy, circulation on the other hand has traditionally not been. The implication of this characteristic is that newspapers profitability usually varies with the overall economic situation as revenues are expected to fall during hard times and conversely rises during good times. As these variations occur, the profitability of a newspaper is thus somewhat determined by the cost structure with particular respect to fixed and variable costs (Melesko, 1999).

Finally, the price elasticity of demand for newspaper subscriptions has traditionally been relatively inelastic (Melesko, 1999). The concept of price elasticity of demand, denoted by epsilon, is defined as '…the percentage change in the quantity of a good demanded that results from a 1 percent change in price'[2] (Frank, 2008: 111). In microeconomics, low price elasticity of demand implies that a price increase results in increased revenues as the percentage price increase is a more significant factor than the lowered quantity. To maximize revenues from a microeconomic perspective, the price should be increased until the price elasticity of demand becomes unit elastic which occurs as the absolute value of epsilon becomes one. (Frank, 2008) The effect on pricing is described by the general rule of price reduction stating that 'a price reduction will increase total revenue if and only if the absolute value of the price elasticity of demand is greater than 1' and the analogous general rule of price increases state that 'an increase in price will increase total revenue if and only if the absolute value of the price elasticity is less than 1' (Frank, 2008: 117). Then there is another notion of cross-price elasticity of demand which is defined as '…the percentage change in the quantity demanded of one good caused by a 1 percent change in the price of the other'[3] (Frank, 2008: 125). The effect on a price increase of one good on another is used to evaluate if goods are substitutes or complements, thus if a price increase on one good increases the sales of the other good or if it decreases it.

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[2] $\epsilon = \left(\frac{P}{Q}\right)\left[\frac{\partial Q(P)}{\partial P}\right]$ is the calculus expression which can be simplified and rewritten as $\epsilon = \frac{\Delta Q}{\Delta P}\frac{P}{Q}$
As $Total\ revenues = P * Q$, the revenue-maximizing P satisfies $|\epsilon| = 1$, denoted as unit elasticity
If $|\epsilon| > 1$ then, the demand is said to be elastic or if $|\epsilon| < 1$ the demand is said to be inelastic

[3] $\epsilon_{XZ} = \left(\frac{P_Z}{Q_X}\right)\left[\frac{\partial Q_X}{\partial P_Z}\right]$ denote cross-price elasticity for X and Z
If $\epsilon_{XZ} > 0$ then, the goods are substitutes or if $\epsilon_{XZ} < 0$ the goods are complements

2.1.3 Characteristics of a newspapers cost structure

For print media, the content share of total costs typically reside around 10 percent. The joint share of printing and distributing usually vary between 40 and 60 percent of total costs. There are two main cost drivers associated with physical delivery for daily papers namely distance and density as figure 1, inspired by Picard (2002: 62-63), below illustrates. The newspaper cost structure is characterized by high fixed costs, high production costs and high distribution costs alongside low marketing costs and moderate variable costs which thus result in rapidly declining average total costs. (Picard, 2002)

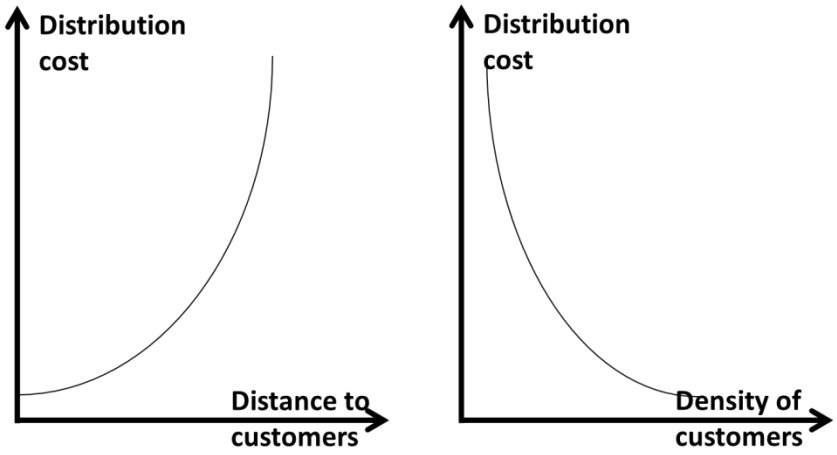


Figure 1: Distance and density of customer's impact on distribution cost

There are some final distinctions that are important to encompass the peculiarities of the newspaper industry. Circulation and household coverage have been shown to be important elements of the business model for a daily newspaper as they have a large influence on the two discussed revenue streams. During the 1960's, a model emerged that describe a spiral of circulation which basically state that a larger newspaper, in terms of circulation, attract more advertisers which provide funding for the publishing organisation to improve the product and reach an even higher circulation. Later, as a response to some empirical deviations, household coverage was added to the model as it was found that newspapers with low household coverage was less able to maintain a leading position which was explained in terms of their attractiveness towards advertisers. (Sundin, 2003)

2.2 Disruptive innovations and traditional management practises

As the newspaper industry is increasingly altered by digital forces, the framework of disruptive innovations can serve to facilitate an improved understanding of the ongoing transformative patterns. A concept popularised by Clayton Christensen through the seminal 1997 book *The Innovators Dilemma*. Prior to Christensen, Henderson (2006) explain that literature on technology management rather focused on the supply-side, meaning that incumbents failed due to competence-destroying innovations which left them unable to introduce the next technology generation. Thus, Christensen's contribution takes a step away from innovation as a problem of technological competences alone. Christensen has since been widely considered as a premier management thinker and was voted as the most influential business thinker in the world in 2011, a feat that was repeated in 2013 (Adams, 2013; Allen, 2011). Years later, when analysing the state of the newspaper industry for the Neiman Foundation for Journalism at the Harvard University, Christensen *et al.* (2012b) adapted several aspects from the disruptive innovation framework for the particularities of the newspaper industry. Some of those remarks will accompany the theory that follows.

The disruptive innovation framework consists of five principles that explain how well-managed companies can lose market dominance through technological shifts. (Christensen, 1997) The framework revolves around technology which is defined as 'the processes by which an organisation transforms labor, capital, materials, and information into products and services of greater value' (Christensen, 1997: xiii). Disciplines such as marketing and managerial processes are included which extends the definition beyond traditionally technology-based disciplines such as manufacturing and engineering. Innovations are defined as changes in technologies and a core element of the framework is that they exhibit sustainable or disruptive patterns. (Christensen, 1997)

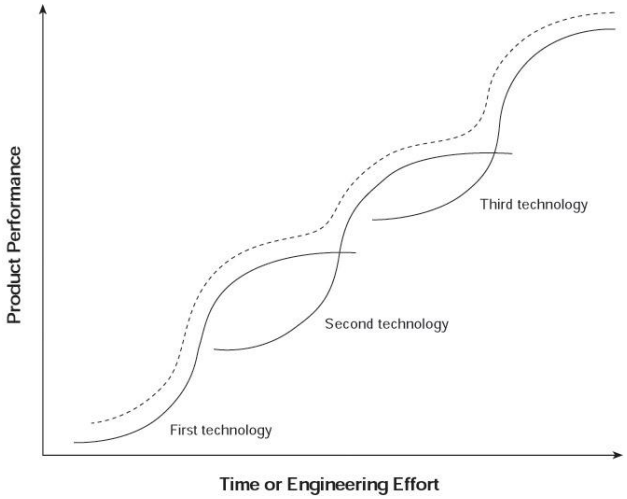


Figure 2: The conventional technology S-curve (Christensen, 1997: 40)

Sustaining innovations have a common denominator in that they result in improved performance for established products in dimensions that mainstream customer groups in major markets traditionally have valued. Figure 2 above shows a pattern of technological improvements through sustaining innovations. As illustrated, technological innovations and improvements can be measured along a performance continuum, in this case the vertical axis, for any given technology. In order for a technological innovation to be considered sustaining, the new emerging technologies must be attractive for mainstream customers which result in smooth technological transitions. One example of a sustaining innovation is data storage in megabytes per square inch of a disk drive of a certain type. Such sustaining innovations rarely lead to the downfall of established firms. (Christensen, 1997)

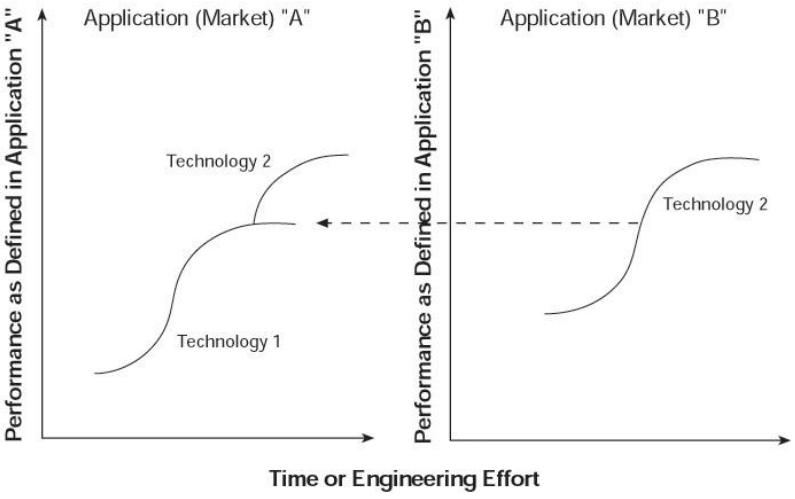


Figure 3: The disruptive technology S-curve (Christensen, 1997: 41)

A disruptive innovation on the other hand does not satisfy mainstream customer needs upon its introduction. Figure 3 above exemplifies how a disruptive 'Technology 2' at first does not compete along the mainstream performance continuum defined by 'Market A' and 'Technology 1' but instead develops on another 'Market B'. Thus, when 'Technology 2' exceeds the performance needs on 'Market A' there will not be a smooth transition from 'Technology 1' to 'Technology 2'. The disruptive technology thus flies below the 'Market A' radar until it can match its performance needs. Disruptive innovations are thus technological changes leading to worsened performance in the near-time for mainstream customers along a performance measure continuum that they value where sustaining innovations instead would have provided improved performance. A distinguishing feature upon the introduction is that a disruptive innovation has an intrinsic ability to exhibit a development pattern, through sustaining innovations, at a higher pace than the previously dominant technology. Such disruptive innovations have proven to precipitate the fall of leading firms. (Christensen, 1997) When companies are faced with disruptive innovations, they do not necessarily fail because their managers make poor decisions. Instead, they fail '…because they make the right decisions for circumstances that are about to become history.' (Bower & Christensen, 1995: 53) Figure 4 below illustrates a disruptive versus sustaining innovation pattern in which the disruptive technology starts by satisfying the low end of the market before ascending upmarket through sustaining innovations until it meets the performance needs of mainstream customer groups. This is analogous to the point in which 'Technology 2' entered 'Market A' in figure 3 above.

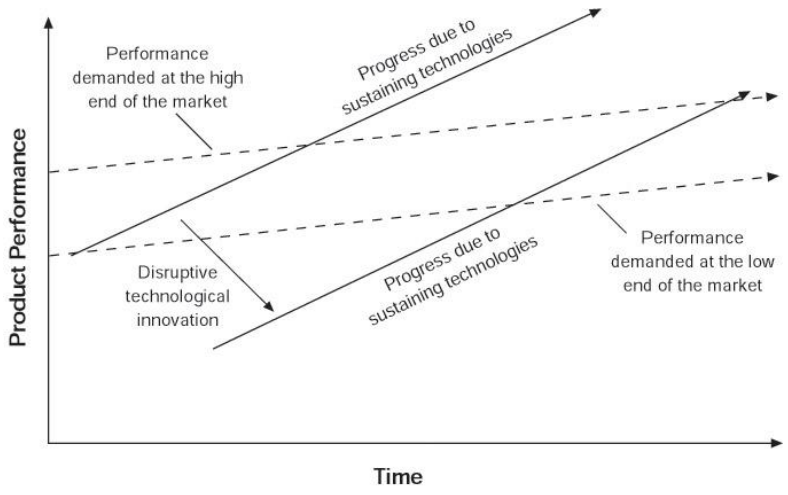


Figure 4: Sustaining and disruptive technological change (Christensen, 1997: xvi)

2.2.1 The five principles of disruptive innovations

Examples of disruptive innovations has been mobile telephony for wireline telephony, digital printing for offset printing, digital photography for camera film and music services such as Napster and Apple store for record companies (Christensen, 1997; Wessel & Christensen, 2012). To explain how this can happen, the five principles from the disruptive innovation framework are listed below as stated by Christensen and expanded upon in the subsequent sections 2.2.1.1 to 2.2.1.5 (1997: xix-xxiii):

1. Companies depend on customers and investors for resources
2. Small markets don't solve the growth needs of large companies
3. Markets that don't exist can't be analysed
4. An organisation's capabilities define its disabilities
5. Technology supply may not equal market demand

2.2.1.1 Companies depend on customers and investors for resources

As companies usually derive most of their funding from customers, an ability to satisfy the existing customer base is a key characteristic of a successful company. Thus, the first principle states that companies are dependent on its existing customers. (Christensen, 1997) The perils associated with this resource dependence is identified by other researchers such as Henderson (2006: 5) who describes experiences of '…senior conversations about long-term innovation strategy hijacked or short circuited by appeals to the pressing needs of large, highly profitable customers'. Initially, disruptive innovation's lower performance regarding traditionally valued performance metrics make it suitable for the very least profitable market segments. Therefore, a company set out to satisfy its customers must listen astutely to needs from their existing customer base. (Christensen, 1997) The threat from disruptive innovations, come when they ascends upstream segment by segment until it has intersected and surpassed the performance demands across the entire market.

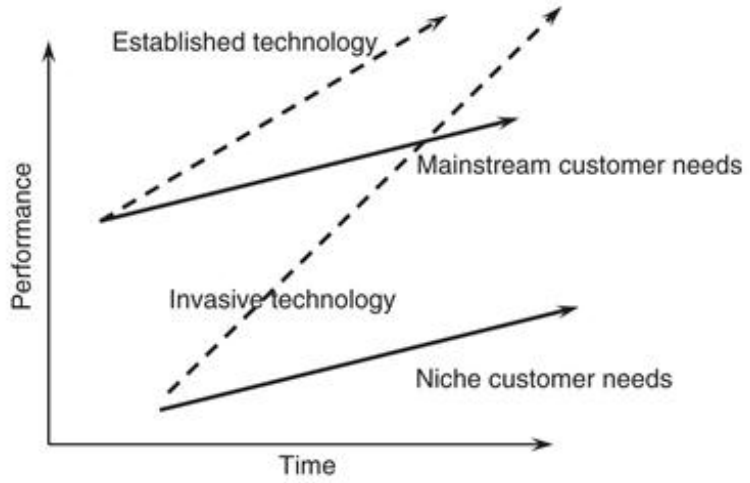


Figure 5: The progress of low-end disruptive innovations (Henderson, 2006: 8)

Henderson's (2006: 8) figure 5 above displays a trajectory where the invasive disruptive technology exhibits a superior pattern of sustainable technological improvement. Companies relying on the traditional technology for their main business thus have to retreat to segments with higher performance demands. Having to serve an existing customer base makes it difficult to simultaneously invest adequately in the emerging disruptive technology by pursuing low-margin opportunities beside the core business. The bulk of the existing customers initially do not find the disruptive technology satisfying their current needs, but as technology curves intersect customers can shift to the new disruptive technology which has a steeper rate of performance development. (Christensen, 1997) Disruption should thus not be viewed as a single event but rather more like a process and the degree of disruption varies both regarding speed and extent (Wessel & Christensen, 2012).

2.2.1.2 Small markets don't solve the growth needs of large companies

Principle two says that small markets can be too small to satisfy growth needs of large companies. For example, a company with a billion SEK in turnover needs 100 MSEK to grow its revenues by 10 percent whereas a company with 100 MSEK need only 10 MSEK for the same percentage growth. As emerging markets by definition are small, growth opportunities provided by these might not be attractive enough for large companies which therefore need to pursue other opportunities to satisfy their growth targets. Companies are thus inclined to wait until emerging markets are '…large enough to be interesting' when it might be too late due to first-mover advantages (Christensen, 1997: xxi).

2.2.1.3 Markets that don't exist can't be analysed

Principle three then point to an intrinsic characteristic of new emerging markets, if they do not exist they cannot be accurately analysed. Thus, traditional forecasts and budgeting tools that work well with sustaining innovations can result in severe mistakes when applied to disruptive innovations. As managers are well-versed in these tools and as they are successful practises for sustaining technological environments, this becomes an organisational issue. Christensen (1997: xxi) state that '…the only thing we may know for sure when we read expert's forecasts about how large emerging markets will become is that they are wrong'.

2.2.1.4 An organisation's capabilities defines its disabilities

The fourth principle in the disruptive innovation framework captures a double-edged nature of capabilities. Christensen (1997) argues that capabilities reside in processes and values which both work towards something but in the meantime against something else. If the behaviour to pursue high-margin projects or products is rewarded then the organisation creates effective mechanisms to avoid projects or products with lower margins. Therefore, what is a capability in one context also defines disabilities in another context. (Christensen, 1997) In the newspaper industry, advertisement sales teams are often more inclined to sell print rather than digital advertisement due to higher margins. This since salespeople rationally prefers print dollars to digital pennies but it meanwhile undermine capabilities vital to future competitiveness in the digital field. (Christensen *et al*., 2012b)

2.2.1.5 Technology supply may not equal market demand

If the pace of technological progress is higher than the performance needs of customers' increases the actual supply might overshoot the needs of the customers at some point in time. Recalling figure 4, the residual between the sustaining technology curve and the performance demanded by different market segments by the dotted lines create a vacuum. As this increase, the vacuum open up the market for a lower-performing product at a lower price point where the performance delivered is good enough to satisfy customers' needs regardless of whether it is as good as the sustaining technology in absolute terms or not. (Christensen, 1997)

2.2.2 Coping with disruptive innovations by identifying the extendable core

Christensen *et al*. (2012b: 8) sent a clear message to traditional newspapers by stating that 'waiting for online advertisement to materialize or hoping for a return to the old way of working in futile.' before asserting that the time for wait is over as disruptive forces needs to addressed head-on. Wessel and Christensen (2012) introduced the concept of extendable core. It is the practise of identifying which aspects of a business model a disrupter can maintain as they bring their performance advantages upstream. One way of viewing this could be to think of the extendable core as which markets the disruptive technology can enter without using traditional practices. Using an example from figure 3, if the disruptive 'Technology 2' can enter 'Market A' without adopting traditional 'Technology 1' practises then this market can be considered as a part of the extendable core of 'Technology 2'. Analogously, if 'Technology 2' would be unable to enter 'Market A' without adopting 'Technology 1' practises then it would not be a part of the disruptive technology's extendable core and this 'Market A' could be defended by 'Technology 1'. To deal with a disruptive technology, three main steps are suggested. First, to identify the advantage of the disrupter, second to assess one's own advantage and then third to consider the ease by which the disrupter will be able to bridge the traditional advantage held by the own organisation. (Wessel & Christensen, 2012)

2.2.3 Securing essential capabilities

As the past section introduced the concept of an extendable core, it is time to discuss capabilities and ways to secure the essential capabilities needed to compete in markets altered by disruptive forces. Prominent academic contributors such as Dorothy Leonard-Barton (1992) share Christensen's notion of a paradoxical nature of core capabilities. They are described as simultaneously constituting the competitive knowledge set meanwhile being a force of rigidity with regards to a firm's ability to adapt to changing environmental requirements. This is explained in terms of that 'each company displays a cultural bias towards the technical base in which the corporation has its historical roots.' (Leonard-Barton, 1992: 118) Leonard-Barton (1992) define capabilities as an interrelated and interdependent knowledge set based on four dimensions; employee knowledge and skill, technical systems, managerial systems and finally values and norms. Christensen *et al*. (2012b) instead understands capabilities through resources, processes and priorities.

Teece *et al.* (1997: 516) define dynamic capabilities as '…the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments'. According to Leonard-Barton (1992), to truly alter capabilities, all four interrelated and interdependent dimensions must be addressed. For example, a new technical system is not an inimitable capability unless interrelated dimensions such as employee skills are developed. However, all dimensions are not equally susceptible to change and the value dimension is believed to exhibit the least propensity to change. (Leonard-Barton, 1992) When disruptive innovations impose new tasks on the incumbent organisations it is thus likely that the current set of capabilities needs to be revised. A contemporary challenge for a newsroom is adaptations needed to transition into the digital world (Christensen *et al*., 2012b). Christensen (1997) describes three main ways of securing essential capabilities needed to cope with new tasks:

1. Change the values and processes in the existing organisation
2. Separate a part, a spin-out, of the existing organisation
3. Acquire another organisation

First, an organisation should assess if it is possible to develop capabilities internally. However, this is not perceived as an easily accomplished feat. Leonard-Barton's (1992: 123) shed some light on the intrinsic difficulties of changing capabilities internally by asserting that the norms and dominant roles of a workplace can become a self-reinforcing cycle as 'new values will not take root if associated behaviors are not rewarded'. As successful companies mature, employees are inclined to believe that the way work is performed is the right way. Then, unconscious assumptions replace conscious choice as processes become so ingrained that they start to constitute the very culture of the organisation. (Christensen & Overdorf, 2000) Christensen (1997) point to the fact that processes and values are far less flexible than other resources and it is thus difficult to change the ways by which an organisation operates even if it would be desired. Christensen *et al*. (2012b) state that it is difficult to create new capabilities internally in a print newsroom since there is a legacy of a print medium orientation that makes change especially hard. To overcome this, 'managers need to pull the relevant people out of the existing organization and draw a boundary around a new group´ which for instance could facilitate contemporary digital journalism instead of '…simply posting old-world newspaper articles online' (Christensen *et al*., 2012a: 18).

A successful organisation has processes and values that are closely matched with the tasks the organisation is set out to do and when tasks change new values and processes are needed. (Christensen, 1997) The second measure that could secure the necessary capabilities is to separate a spin-out from the existing organisation. Bower and Christensen (1995: 52) offered advice on this matter by stating that it is necessary to create separate organization '…when the disruptive technology has a lower profit margin than the mainstream business and must serve the unique needs of a new set of customers.' An organisation handling the disruptive technology should also remain independent upon becoming viable on the market. This is due to the notion that the mainstream technology and disruptive technology kept in the same organisation will result in resource allocation arguments and discussions regarding '…whether or when to cannibalize established products' (Bower & Christensen, 1995: 52) As for resource allocation, a spin-out need high-level support but also to be independent of the conventional decision making processes to avoid hostility from the legacy organisation (Christensen *et al*., 2012b). There are two final critical notions, first that '…what's most important is that a disruptive start-up not be placed at the mercy of the old organization' (Christensen *et al*., 2012b: 18). Second, that the old organisation should not be abandoned in favour of the new but rather that they are run in tandem. Thus, there is '…one set of processes geared towards the present and another geared toward the future' (Christensen *et al*., 2012b: 20).

The third way of securing essential capabilities is to create them through acquisitions. For this area, it is important to acknowledge which constituent of a capability that motivates the acquisition to facilitate an ability to assess whether or not to integrate the new organisation. One example is if it is a purchase motivated by resources, then it might make perfect sense to integrate. However, if it is priorities, being the standards that decide attractiveness given conflicting choices, or processes that motive the purchase, integration does not make sense. It is thus of great importance to meticulously assess which capabilities are needed to face new tasks in terms of resources, processes and priorities and handle the method of acquisition accordingly. (Christensen *et al*., 2012b) Finally, for all alternatives there is another dimension to assess before choosing direction namely the size of the organisation. Bower and Christensen (1995: 53) describe the key to managing disruptive but meanwhile strategically important innovations as to ensure that they exist '…in an organizational context where small orders create energy, where fast low-cost forays into ill-defined markets are possible, and where overhead is low enough to permit profits even in emerging markets.'. Christensen (1997: 121) later described this as to 'match the size of the organization to the size of the market'.

2.3 Product-orientation, marketing myopia and jobs-to-be-done

As the notion of assessing a disruptive innovations extendable core and to secure essential capabilities needed are ways of coping with disruption. This section will first discuss marketing aspects and perils associated with product orientation over a customer needs orientation and subsequently present a framework of jobs-to-be-done. First, the theory takes a step back to Harvard marketing professor Theodore Levitt (Christensen *et al*., 2005). Levitt (1960) argued that there is a widespread phenomenon of shortsighted marketing efforts, or rather not marketing at all but instead a focus on selling, and there are important distinctions between marketing and selling. As marketing emphasises the needs of buyers, selling instead focuses on the seller's needs. Marketing efforts strive to satisfy customers' needs, selling is the practise of converting products into financial assets. Then, management might drift away from the practise of assessing and satisfying customer needs and instead see provided products and services as the core mission in themselves. As a firm is

oriented around a product, there is a prevalent risk of not seeing how it is becoming obsolete. There are then perils associated with such behaviour, Levitt (1960: 53) wrote that 'the historical fate of one growth industry after another has been its suicidal product provincialism' and further explicitly clarified that '…there is no guarantee against product obsolescence.' (Levitt, 1960: 50) This thinking implies that the question as for what business a firm is actually conducting is not so straight-forward after all and overemphasizing on products and services delivered rather than true customer needs seemingly carry an intrinsic risk of obsolescence.

2.3.1 The right product for the job by identifying jobs-to-be-done

Christensen *et al.* (2005: 76) later argued against prevailing marketing efforts by stating that although marketers typically agree with Levitt's old saying that '…people don't want to buy a quarter-inch drill. They want a quarter-inch hole!' they still segment, measure market share and benchmark based on drills rather than holes. Rather than segmenting based on products or even customer demographics, there is a better way proposed. The proposal is to instead segment based on what is called jobs-to-be-done. The rationale for this is that 'when people find themselves needing to get a job done, they essentially hire products to do that job for them.' (Christensen *et al.*, 2005: 76) The task of the marketer is then to identify which jobs that exists in people's lives and designing a product that can help them solve these as effectively and efficiently as possible (Christensen *et al.*, 2005). This can be assessed through a variety of methods such as interviews and surveys, observation, empathic observation of compensating behaviors and coevolution which then can be synthesized into desired jobs-to-be-done insights (Christensen *et al.*, 2007). The proper unit of analysis for marketing is thus the jobs that people want done. If segmenting on product or customer demographic levels there is a risk that several jobs are included in the data and product innovations based on an average could very well result in a one-size-fits-none product. (Christensen *et al.*, 2005)

One example from the fast-food industry highlighted by Christensen *et al.* (2007) is milkshakes. A product traditionally segmented by customer and product categories. A first attempt to improve a milkshake was conducted by profiling prospective milkshake customers upon inviting them to test the different shakes from which the feedback was used to alter the product. However, after the first attempt there was no impact on milkshake sales so a second improvement run was launched. The second time around, researchers spent time in the restaurant and reviewed purchase characteristics such for example time, complementary products and means of travel and whether or not customers came alone or with company. To the researcher's surprise, 40 percent of all milkshakes was bought during the mornings by driving customers who came alone without any complementary purchases. When asked why they bought the morning milkshake, most customers described a relatively coherent set of reasons. Customers bought milkshakes because it satisfied the job they needed done better than other available alternatives such as bagels, bananas and donuts. As customers faced long boring commutes in the morning, a milkshake was their most trusted proverbial employee to keep occupied during the ride meanwhile fight off hunger until lunch. The job-to-be-done was awarded the milkshake as 'it took 20 minutes to suck a viscous milkshake through a thin straw, hands remained clean and stomachs were satisfied until lunch' (Christensen *et al*., 2007: 39). The health aspects of a milkshake was not on the list of searched for features so it did not matter. So as the jobs-to-be-done morning milkshake customers were looking for became apparent, the milkshake could be improved accordingly. It was made thicker so it would last longer and chunks of fruit were added to make it more interesting while a system was set up so that they could drive through and pick up morning milkshakes without getting stuck in the regular drive-through lane. (Christensen *et al*., 2007)

When recently analysing the state of the newspaper industry, Christensen *et al.* (2012b) pointed to digital disruptive forces but also urged newspapers to consider marketing through jobs-to-be-done instead of other traditional measures such as demographics. Instead of assuming that members of a particular demographic would want to read a newspaper it could be way more rewarding to assess opportunities from a jobs-to-be-done perspective. Such as for example the job that arises when someone have ten spare minutes of downtime. From this point of view, newspapers compete with Twitter, the e-mail inbox or even an iPhone game as these are other possible products or services that can be hired for that particular job. One example where the newspaper industry failed to satisfy the desired jobs-to-be-done was classified ads. The American site Craigslist, founded 1995, identified discrepancies between the performance of print classified newspaper ads and the underlying jobs customers wanted done almost two decades ago. Classified printing ads were a frustrating experience for several reasons. For example, the ad was destined to be buried between similar ads, there was no search function or ability to withdraw an ad upon completing a sale or purchase and there would be a lead time before entering the ad and seeing the ad in the paper. These are all beside the point that they cost money, typically per row. Digital advertisement exhibited performance better suited for customers jobs-to-be-done. Gone was lead time, search ability was introduced and some services even offered these jobs free of charge. By looking for answers to questions such as which jobs people want done and which way to best conduct those jobs is, the classified ads turn of events can be readily analysed and understood. (Christensen *et al*., 2012b)

2.4 A brief note on strategy and some context for the newspaper industry

In order for this thesis to contribute to the way forward for the newspaper industry it is difficult to completely avoid the field of strategy where the academic contributor is Richard Rumelt. A strategy professor from UCLA described as a strategy's strategist by the McKinsey Quarterly. And Rumelt does not seem overly impressed with most prevalent corporate strategy plans. (Lovallo & Mendoca, 2007) To put it in Rumelt's own words: 'Most corporate strategic plans have little to do with strategy. They are simply three-year or five-year rolling resource budgets and some sort of market share projection. Calling this strategic planning creates false expectations that the exercise will somehow produce a coherent strategy.' (Lovallo & Mendoca, 2007: 58)

The kernel of a good strategy contains three elements. First a diagnosis, second a guiding policy and third a set of coherent actions. A good strategy can include more than the kernel but Rumelt (2012) state that it will spell serious trouble if any element is missing as it should not only define what to do, it should also define why and how. The diagnosis should explain and define the nature of the challenge in a way that simplifies the complex reality into understandable critical aspects. It links facts and patterns to bring perspective thus allowing for focus and stating the diagnosis explicitly enable future revisions as assumptions and circumstances changes. Guiding policies then describe the methodology for how to deal with the obstacles identified by the analysis of the situation through the diagnosis. They are not descriptions of end states, visions or performance goals but rather measures to channel and direct actions. Rumelt (2012: part 1, 3:28:43) state that 'many people call the guiding policy "the strategy" and stop there' and further state that this is a mistake as strategy is about action. The final component thus is a set of coherent actions which are the means by which the guiding policy is to be operationalized. To satisfy the last condition of coherence, actions needs to be both consistent and coordinated which then creates leverage. (Rumelt, 2012)

Rumelt (2012: part 1, 4:20:14) state that 'many writers on strategy seem to suggest that the more dynamic the situation, the farther ahead a leader must look' before proceeding by not agreeing the slightest with such a statement. Instead, the more dynamic the situation the more proximate the objectives must be (Rumelt, 2011). And concerning dynamics, Rumelt objects to annual strategic cycles and instead points to strategy as episodic events made possible through identification of changes (Lovallo & Mendoca, 2007). There are two ways of achieving the metaphorical high ground, either by innovating or by exploiting a wave of change (Rumelt, 2012). However, the time to take a strong position is during a wave of change and not after it as Rumelt stated that 'if you want certainty and clarity, wait for others to take a position and see how they do. Then you'll know what works, but it will be too late to profit from the knowledge.' (Lovallo & Mendoca, 2007: 60)

As for the newspaper industry, Rumelt (2012) actually discusses the current wave of change. First, by identifying the change as twofold caused by reduced readership and declining newspaper advertisement revenues. Media is likely headed towards increased specialization through its differentiating dimensions of territory, frequency and depth. Further, Rumelt (2012: part 2, 2:22:03) believes that general purpose media will suffer and ultimately fade away as '…there is simply no good reason to continue to bundle local, national, and world news together and add weather, sports, comics, puzzles, opinion, and personal advice to the mix.'. Instead, national and world news can be delivered online while traditional newspapers can provide local news through newspapers if able to reduce costs (Rumelt, 2011). This note on strategy thus concludes the theory chapter as the current state of the newspaper industry now will be presented in the empirical chapter of the report.

3. An empirical assessment of the situation

This chapter presents empirical findings corresponding to the research questions. First, the development for the Swedish daily press is presented in sections 3.1 and 3.2. Second, a brief history of GP is presented in section 3.3 before presenting SML along the printing and distribution organisations in their organisational context in section 3.4. Third, section 3.5 presents the development for GP is alongside the most recent figures. Fourth, trends that are believed to explain some of the development patterns are described in section 3.6. Fifth and finally, the empiric chapter concludes with a foreword to the analysis in section 3.7.

3.1 The Swedish media landscape and newspaper industry development

The Swedish media landscape has changed quite significantly in terms of reach as it has evolved during 33 years between 1979 and 2012 which is illustrated by figure 6 below (Nordicom, 2013a). The underlying data set is found in Appendix C along several other figures based on numerical data, this information will hence not be repeated in the text. During this period there has been new entrants such as mp3 and internet itself. A few traditional media types such as television and books have kept their positions. However, some have not been able to stand the test of time as for example CD's, videos and DVD's which have lost about half their reach. They are not worst off though, casette tapes fell from being the media with the fourth highest reach to becoming obsolete. At its height, in 1987 casette tapes had a reach of 39 percent which at the time was higher than tabloids and books at 36 and 35 percent respectively and almost twice as high as CD's at 21 percent. Between 1979 and 1999, morning papers fluctuated around 75 percent. Since 1999, morning papers lost 14 percentage points and reached 61 percent in 2012. The daily press actually started to experience an economic downturn as early as 1989 (Gustafsson & Rydén, 2010). Finally, it is noteworthy that no media type in this comparison has recovered from a major declining trend and the future of the newspaper industry thus seem highly uncertain, at least as we have known it until now.

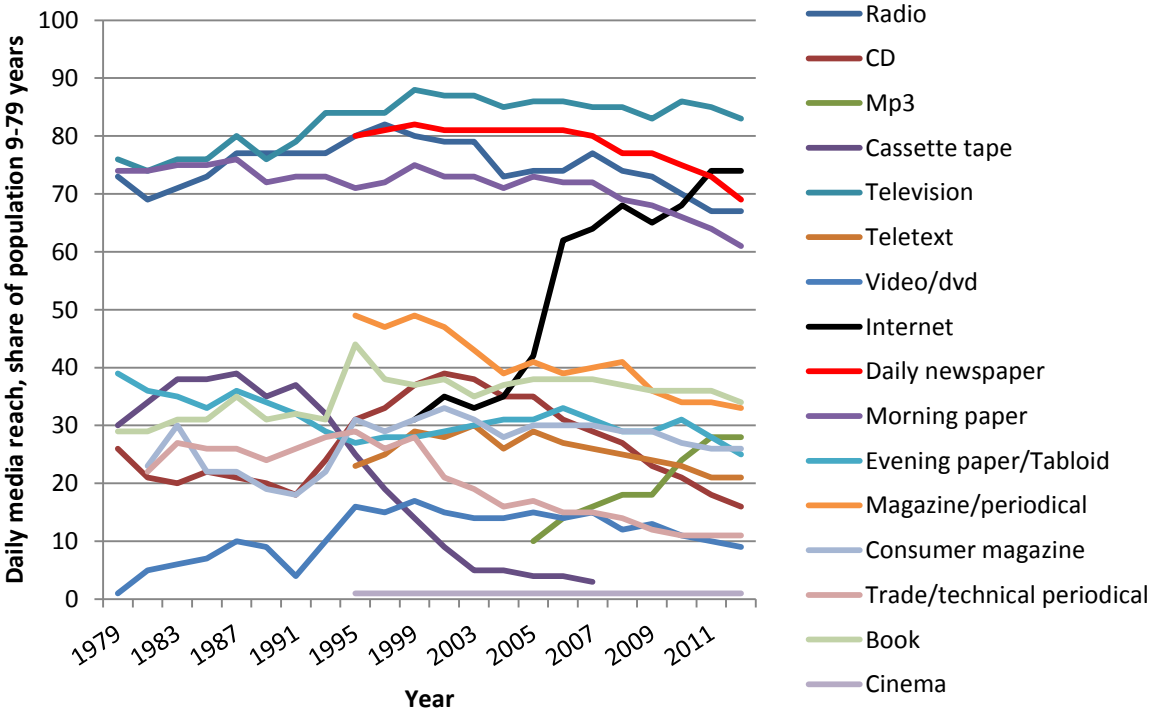


Figure 6: Swedish media reach, 1979-2012

3.2 The state of the newspaper industry

The Nordic markets for daily newspapers have long been exceptionally good, even to the point where growth might even have been implausible. However, for quite some time now newspaper organizations have been facing a situation where readers on the on hand are less committed to newspapers meanwhile on the other hand there has been increased competition regarding advertisement. (Weibull, 2003) When GP's owner Peter Hjörne (2003) discussed the longevity of the newspaper industry about 10 years ago examples of how the industry survived the introduction of the telegraph, radio, television, colour television, commercial television and VCR's as well as satellite television was used. The subsequently inferred argument was that the newspaper industry so far had survived every new wave of technology, every recession and so forth, thus basically every attack. However, Hjörne (2003) did add a concluding remark stating that past events cannot to be seen as determinants of future events in an industry facing radically increased competition. A few years later in 2007, the legendary investor Warren Buffett stated that the '…fundamentals are definitely eroding in the newspaper industry' and that '…if cable and satellite broadcasting, as well as the internet, had come along first, newspapers as we know them probably would never have existed' (Morton, 2007: 76). Fast-forwarding until late 2013, when asked about predictions for journalism in 2014, media consultant Giner (2013) wrote that 'if we don't change the editorial model, our print product becomes just a compilation of old news, known stories, and heard comments. Dead bodies. Forensic journalism. Outdated content that nobody needs, nobody will pay for, deserted by advertisers that will realize that we are losing ground, not having anything new, unique, and necessary to buy our print paper.'

3.2.1 A macroeconomic note

As described in the theory section, advertisement usually varies significantly with the overall state of the economy whereas revenues from newspaper subscriptions generally do not. Thus, before more specific figures and trends are reviewed, it can be useful to be familiar with the Swedish macroeconomic development during the past two decades. Figure 7 below depicts the Economic Tendency Indicator, which is an indicator of the macroeconomic state, from the Swedish National Institute of Economic Research (*Konjunkturinstitutet*, 2014). Noteworthy variations can be seen such as during the most recent financial crisis where the index was below 100 throughout the period through May 2008 to November 2009 with its low point of 69.1 during March 2009. This can help explain the dip that many later figures display during this period around 2009.

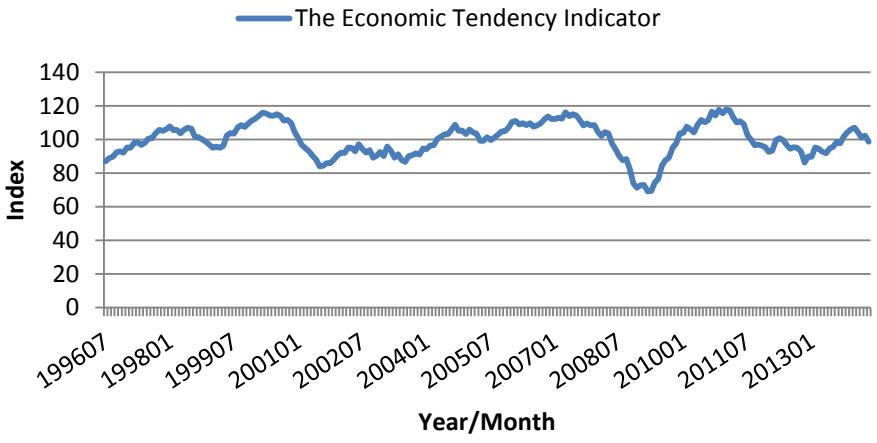


Figure 7: Swedish economic tendency indicator, 199607-201405

3.2.2 Trends associated with newspaper reading

Newspaper reading has changed substantially during the past decades with regard to the share of the population that subscribe and read newspapers as well as the actual time spent reading. Between 2006 and 2012, the share of Swedes with access to a print newspaper was reduced from 72 percent to 59 percent (*Myndigheten för radio och tv*, 2013). Alongside this decline in access, figure 8 below illustrates how daily morning newspaper reading habits have changed for different age segments between 1996 and 2012 (*Tidningsutgivarna*, 2013a: 7). In total there is a decline of about 16 percent. However, as the dotted lines reveal the rates of decline differ substantially per age group. The 65 to 79 segment did not actually decline at all. For 45 to 64 year olds the drop was about 12 percent. The group from 25 to 44 years declined by around 23 percent and the most significant deterioration was exhibited by 15 to 24 year olds which dropped by about 47 percent.

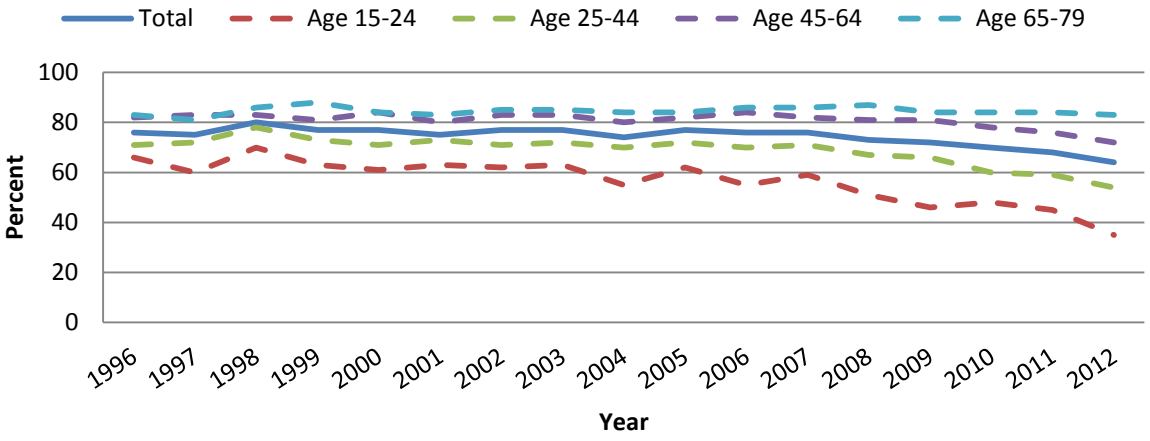
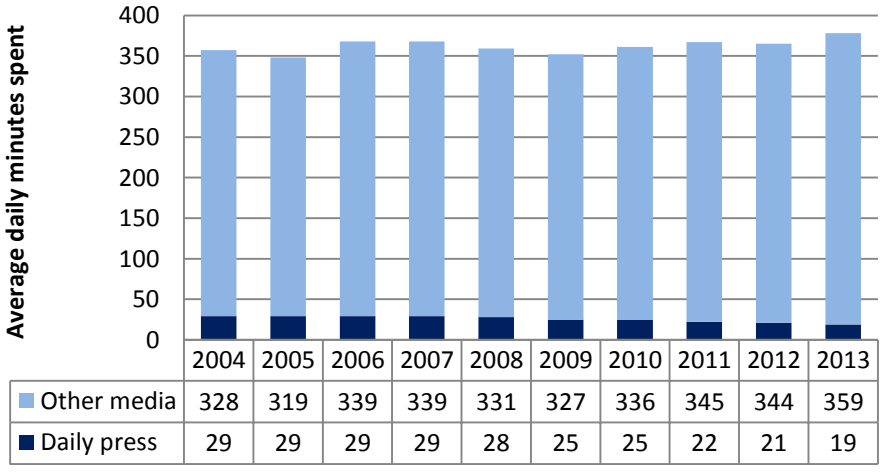


Figure 8: Swedish average daily morning newspaper reading habits segmented by age

As figure 9 below displays, it is not only that the base of readers is reduced (Nordicom, 2004, 2005a, 2006-2010, 2011-2012a; *Myndigheten för radio och tv*, 2013; Nordicom, 2014). Although the overall media consumption has increased, the actual time spent reading daily press by those who still read has declined by 10 minutes a day during the past 10 years. It is to be noted that the reading time remained relatively stable up until 2008 where it since has decreased by 9 minutes during the course of merely 5 years, which is a percentage decline of about 32 percent.



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other media	328	319	339	339	331	327	336	345	344	359
Daily press	29	29	29	29	28	25	25	22	21	19

Figure 9: Swedish average daily time used for different media types in minutes, 2004-2013

3.2.3 Trends associated with frequency of publication

The number of daily papers in Sweden has barely changed during the past 32 years as figure 10 below shows (Nordicom, 2013b). However, the amount of daily papers issued per week has decreased by slightly above 13 percent between 1980 and 2012. Since the mathematical relationship says that the number of daily papers multiplied with the mean number of papers issues per week equals the average frequency of publication it has to have been reduced during this period. This is displayed by the right vertical axis where the average frequency of publication in 1980 was 4.08 compared to 3.56 in 2012. It was not until year 2000 that this statistic headed south of 4 and the decline between 2000 and 2012 comprised approximately 10 out of the total 13 percent reduction during the overall 32 year period.

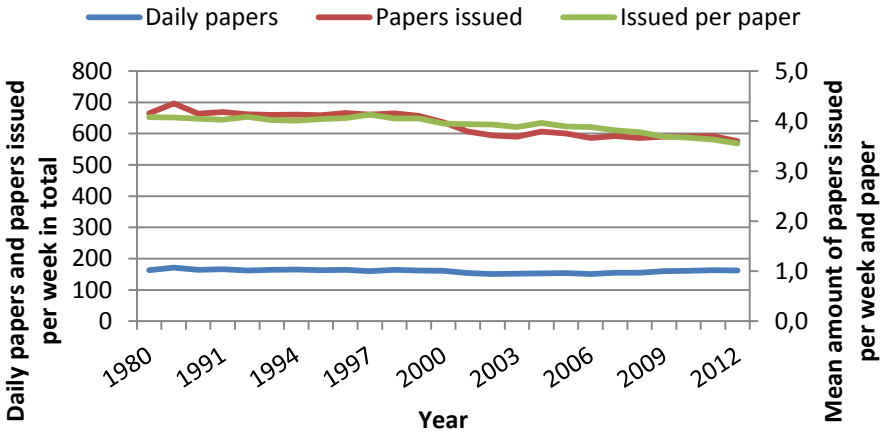


Figure 10: Swedish number of daily papers and issue frequency per week and paper

As for the division of frequency of publication, figure 11 below illustrates the spread among the daily papers (Nordicom, 2013b). There has been a migration from four to six day papers towards two and one day papers whereas both three and seven day papers have kept their shares throughout the period. So as the number of daily newspapers practically has not changed during the past decades, the composition with regard to issue frequency has where there is a general trend of reducing the issue frequency. In this aspect, seven day papers have been rigid alongside three day papers. It should be noted that newspapers need to increase their issue frequency to reach seven whereas three days can be reached both by papers with a lower and a higher initial issue frequency.

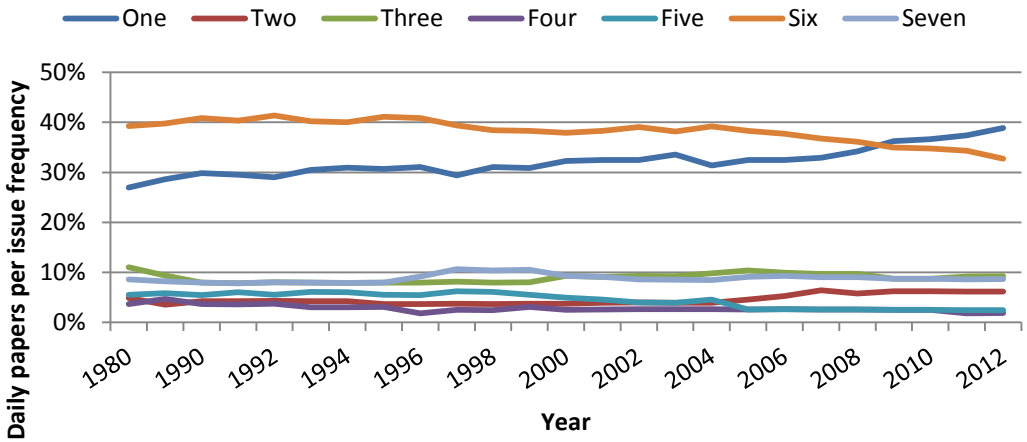


Figure 11: Swedish number of daily papers issue frequency shares

3.2.4 Trends associated with newspaper sales

The Swedish newspaper industry revenues have grown in nominal terms but remained rather flat in fixed prices during the past two decades as seen in figure 12 below (Nordicom, 2005b, 2012b; *Statistiska Centralbyrån*, 2014). The yearly industry turnover amounted to 19 154 MSEK in 1994 compared to 19 147 MSEK 16 years later in 2010. However, as revenues are the composite of the two factors of circulation and average prices these will have to be further investigated to understand the situation.

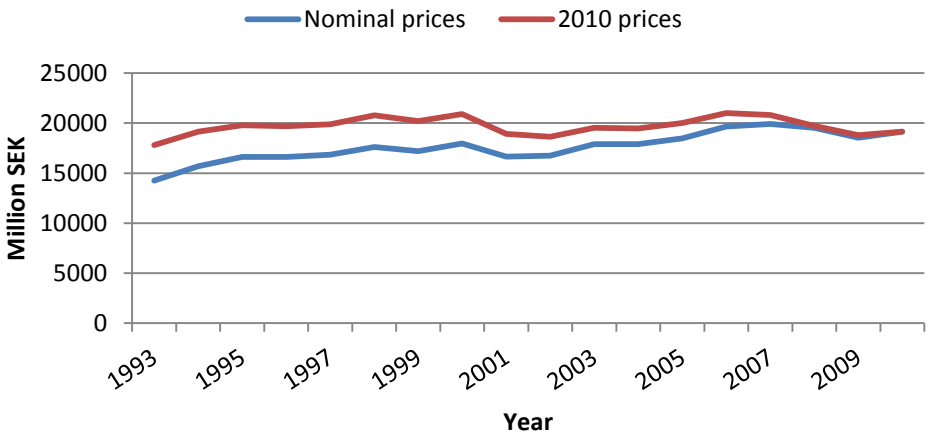


Figure 12: Swedish newspaper revenue development, 1993-2010

Figure 13 below illustrates the weekday development of the big city daily press circulation from 1980 until 2010 (Nordicom, 2013c). As can be seen, there has been an overall declining trend for more than two decades. During this period the big city morning press and tabloids lost 22 and 48 percent in circulation respectively. The reason for not presenting more recent data, although it is available, is that leading papers have withdrawn their contributions since 2010. The leading Swedish tabloid *Aftonbladet* withdrew from the statistics in 2011 followed by two major Swedish morning papers, *Dagens Nyheter* and *Dagens Industri* in 2012. Thus, the figure encompasses statistics that can be readily compared as the withdrawals resulted in a significance circulation drop from the statistics presented below.

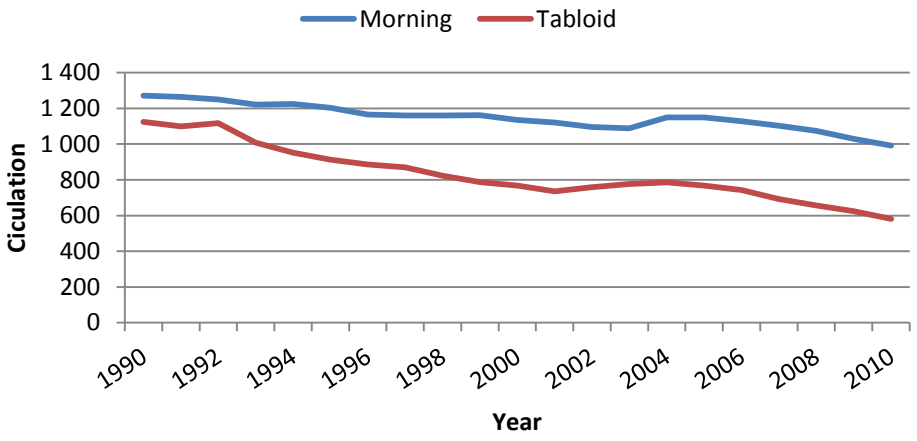


Figure 13: Swedish big city daily press weekday circulation development, 1990-2010

Figure 14 below exhibits the development of the total Swedish Sunday circulation, which can be considered a proxy for weekend reading, circulation for the daily morning and tabloid press during the same period between 1990 and 2010 (Nordicom, 2014d). The morning press and tabloids lost 19 and 47 percent in circulation respectively which mean that weekend circulation in large followed a similar trend as the weekday papers during this period. So as the circulation have decreased substantially meanwhile revenues have remained flat in fixed prices, the price development is the next piece needed to improve the comprehension of the Swedish market for the daily press.

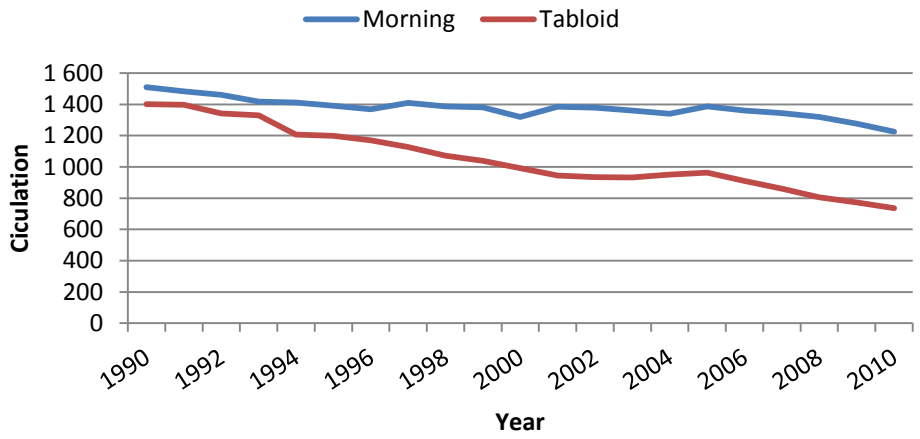


Figure 14: Swedish total daily press Sunday circulation development, 1990-2010

The price of a yearly morning newspaper subscription has increased substantially since 1960, according to figure 15 below (Nordicom, 2011b). As most leaps represent about a decade there has been noticeable increases per decade. During the 1960's the price increased by about 41 percent to 1972. The increase during the 1970's was approximately 23 percent. Then, the subsequent 1980's experienced the most modest price increase of about 8 percent. The most significant price increase was during the 1990's and amounted to more than 61 percent. The 2000's display some volatility as there was a 30 percent price increase between 2000 and 2008. Following the financial crisis, the average price decreased by about 13 percent from the high point in 2008.

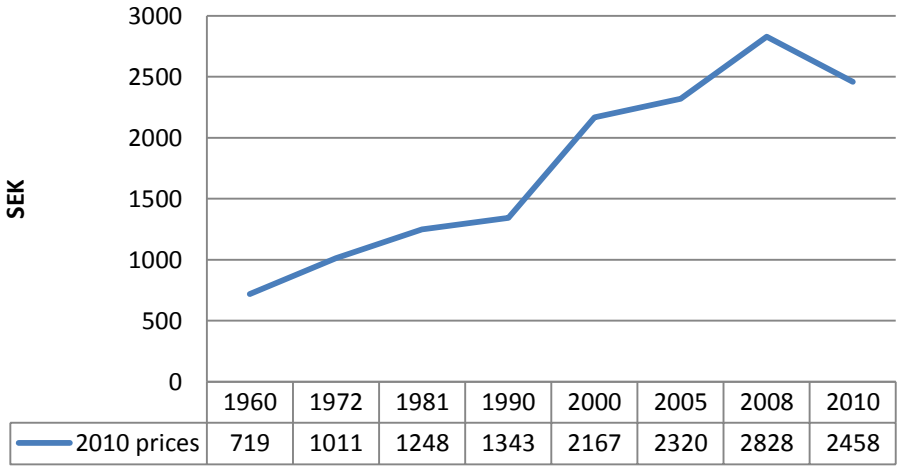


Figure 15: Swedish average yearly morning paper subscription fees, 1960-2010

3.2.5 Trends associated with advertisement

To assess the development of the advertisement market the following sections will start broadly and narrow in on more detailed statistics. First, figure 16 depicts the development of the world-wide advertisement spending (*Tidningsutgivarna*, 2013a: 20). Since the crisis around 2008 to 2010, the daily press seem to have disconnected from the overall market and have since been shrinking on an overall growing market. This is in contrast to TV advertisement which seems to follow the overall market and internet advertisement that has even grown faster than the overall market.

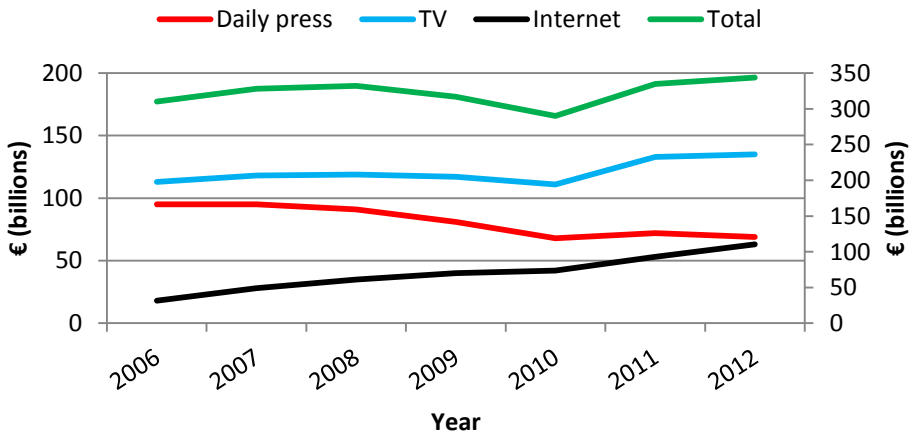


Figure 16: World-wide advertisement spending in billion Euros, 2006-2012

The development on the Swedish market follows a similar pattern as the world-wide market. It should be noted that the Swedish daily press historically have enjoyed an exceptionally strong position. Radio advertisement was banned in 1925 which later also included television commercials in 1955 which enabled the daily press to build a strong position as advertisers had few other options to turn to (Gustafsson & Rydén, 2010). Figure 17 below illustrates a sharp rise of internet advertisement and an across the board decline for daily press advertisement (*Tidningsutgivarna*, 2013a: 24). The IRM Institute for Advertising and Media Statistics (IRM) reported that internet surpassed the daily press in terms of advertisement revenue in 2012 as the total advertisement spending online amounted to 7.7 billion SEK compared to 6.9 billion SEK for the daily press (Djelevic, 2013).

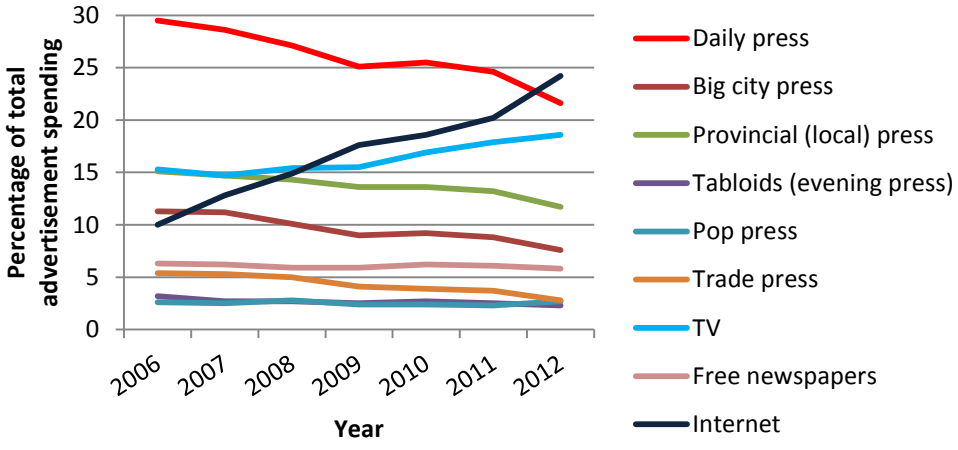


Figure 17: Swedish advertisement spending in percentages, 2006-2012

In order to facilitate further understanding of the advertisement market development for the daily press figure 18 displays Swedish revenue per segment for the daily press market divided into big city, local and tabloids along estimations for 2014 (IRM, 2014). The difference between big city and local press is the size of the city where it resides. As can be seen, there has been significant declines for both the big city and the local press and a modest but steady tabloid decline. In absolute terms, the local press lost about 1 billion SEK in 2 years from 2011 to 2013 to reach a total just above 4 billion SEK which correspond to about 25 percentage points. Big city press lost about 800 MSEK during the same period but in this case the percentage loss was even greater. Tabloids did lose significant amounts of around 100 MSEK during the same period but the loss was not nearly as severe as for the local press and the big city press.

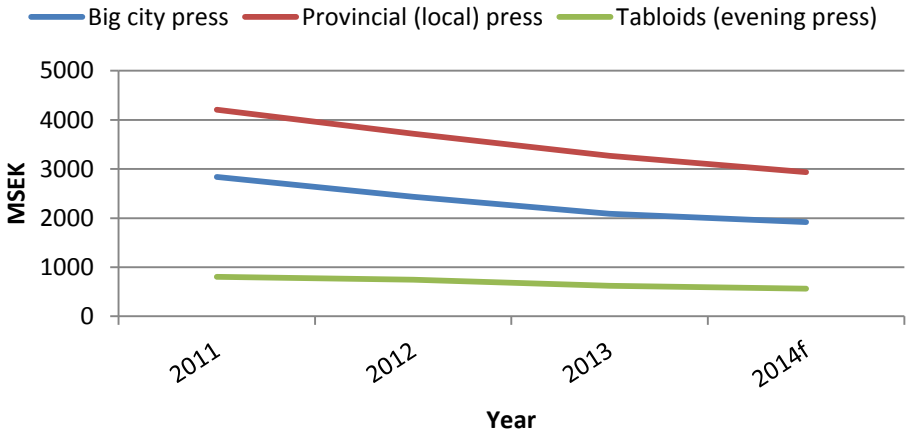


Figure 18: Swedish daily press advertisement spending in million SEK, 2011-2014f

To understand the advertisement situation as revenues are declining, figure 19 below illustrates how the total advertisement volume has developed between 1997 and 2012 (*Presstödsnämnden*, 2007-2013). 1997 is used as an index year for the total market volume. Although there was a declining trend before the financial crisis, it is interesting to note that there has been no recovery after the financial crisis. Up until 2008, the index was still above 95 which indicate an advertisement volume loss of less than 5 percentage points during a period of over 10 years. However, since 2008 the indexes have plunged to below 78, which in total amount to a loss of about 19 percentage points in the 4 years up until 2012.

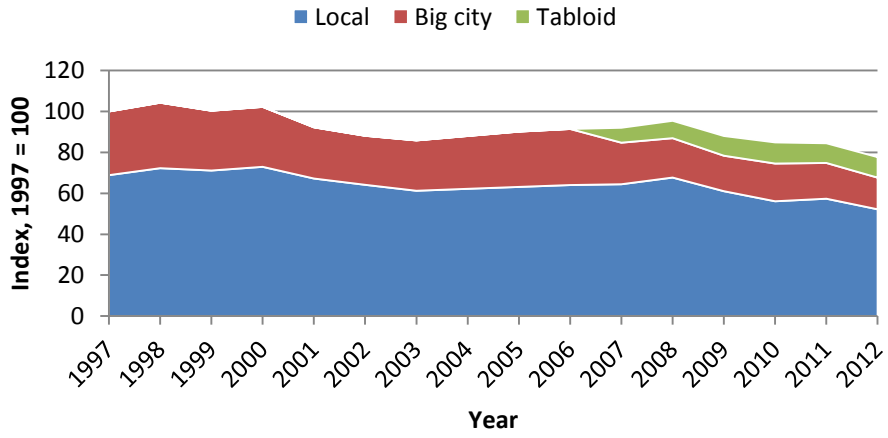


Figure 19: Swedish advertisement volume development, 1997-2012

3.2.6 Trends associated with digital advertisement

To grasp the relation between print and digital advertisement for newspapers figure 20 plots a general relationship based on American data from Mitchell *et al.* (2013). It displays how the fall of print advertisement drags down total advertisement revenues as digital revenues grow from a very small base. Although digital advertisement revenues grew by 170 percent during this period there was an overall advertisement revenue decline of 42 percent as print revenues fell by 58 percent. Research by Rostensteil *et al.* (2012) suggests a ratio of printed advertisement losses to digital advertisement gains of 7-to-1 based on a sample of 38 American newspapers with circulations ranging from smaller newspapers at 25 000 to large newspapers above 100 000. The head of analysis at IRM suggested a rule of thumb stating that 100 SEK in print equals 10 SEK in traditional digital revenues and 1 SEK in mobile advertisement[4]. The graphical illustration of such a relationship would be that the print curve would fall about 10 times as fast as the digital curve increases which seem relatively coherent with the figure below.

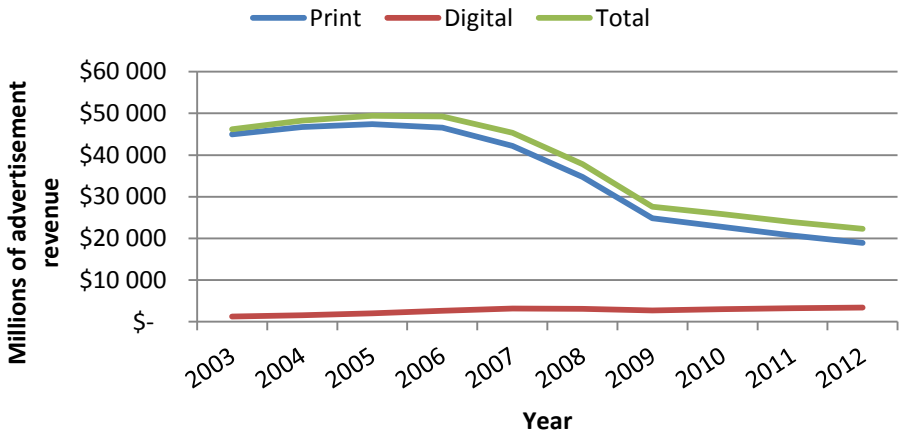


Figure 20: American newspaper advertisement development, 2003-2012

The Swedish daily morning press have also experienced growing digital advertisement revenues for the past few years. Digital advertisement revenues for the daily morning press increased by about 10 percent during 2013 and reached 554 MSEK (*Tidningsutgivarna*, 2014a) following an increase of 6 percent in 2012 (*Tidningsutgivarna*, 2013b) and an increase of 9 percent during 2011 (*Tidningsutgivarna*, 2012). However, as newspapers moved online there would come to be significant differences for the print and digital revenue shares as figure 21 below illustrates (*Presstödsnämnden*, 2013). For print advertisement, local press had 54 percent, big city morning press had 35 percent and tabloids had 11 percent of the total daily press advertisement. However, the relation between these press groups online is quite the opposite. Tabloids take about 50 percent of online advertisement revenues compared to 30 percent to the big city morning press and only 20 percent for local papers. As figure 18 above illustrated that there are vast differences between big city, local and tabloids in terms of percentage declines it seems from the illustration below that local newspapers followed by print have the most to lose if the print decline continues.

[4] Head of Analysis, IRM. Semi-structured interview, 2014-04-04

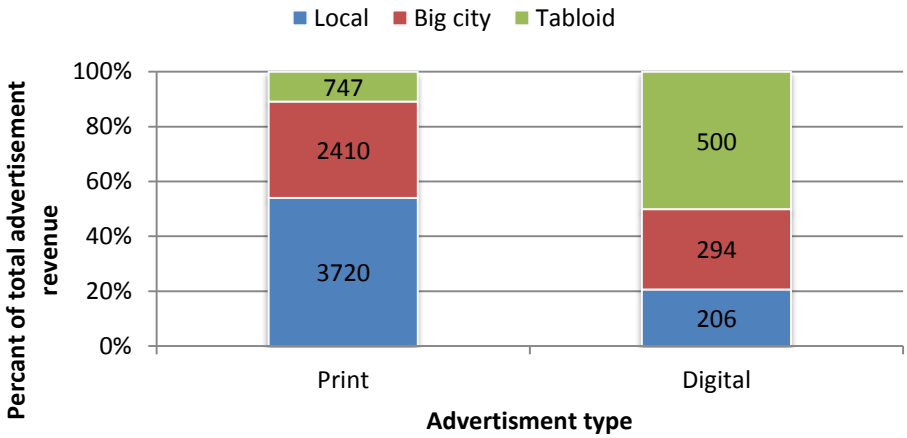


Figure 21: Swedish print-to-digital advertisement revenue comparison, 2012

The next important issue is to assess the growth trends for digital advertisement. Figure 22 below display the development through 2011 to 2013 along estimated figures for 2014 (IRM, 2014). The declining trend from 2006-2012 shown in figure 17 above thus continued throughout 2013 with a staggering decline of 15 percent for the first 6 months (Andén, 2013) before barely making it above a 10 percent decline for the latter half of the year (Marklund, 2014). As for 2014, IRM predicts an overall advertisement spend increase of 1.6 percent but a decline of 10 percent for the daily press advertisement segment (Marklund, 2013a).

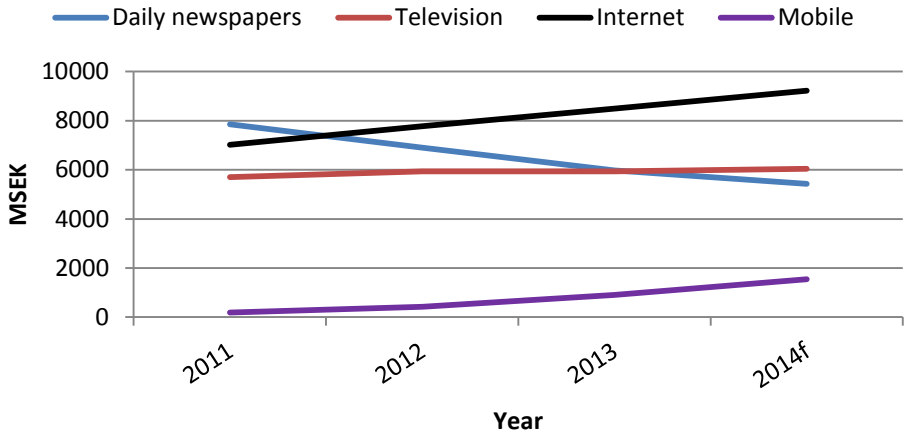


Figure 22: Swedish advertisement spending in million SEK, 2011-2014f

Internet advertisement in general is expected to see yearly growth rates around 16 percent for 2014 to 2016 world-wide. However, internet web browser growth is widely outpaced by mobile growth as mobile internet is expect annual growth rates around 50 percent until 2016. (ZenithOptimedia, 2014) On the Swedish market, overall advertisement was reduced by 1.8 percent 2013 meanwhile several internet categories still displayed strong growth figures. Figure 23 below plots IRM's (2014) digital advertisements spend 2014 predictions alongside the actual spend figures between 2011 and 2013. There is significant growth expected for search and mobile advertisement, mild growth for web-TV and rather flat outlooks for display, classified and email advertisement spend in Sweden.

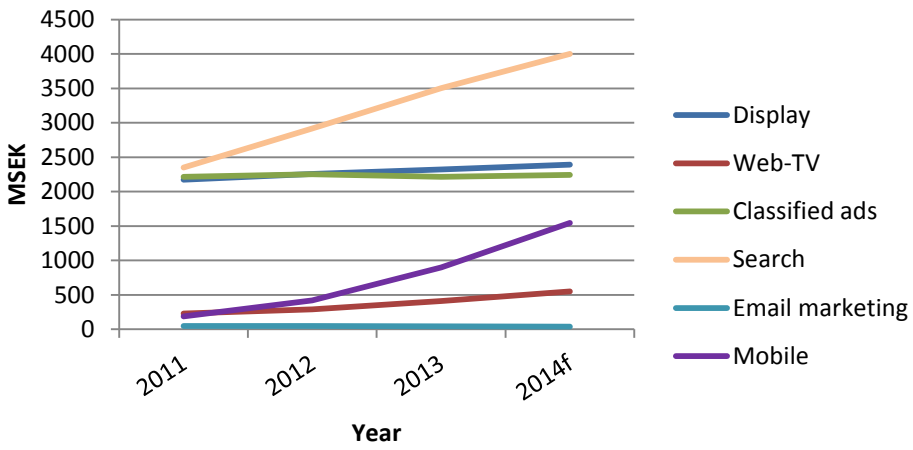


Figure 23: Swedish internet and mobile advertisement spending in million SEK, 2011-2014f

3.2.7 Summary of trends and the most recent development

Newspaper daily reading habits and time spent reading have deteriorated significantly. However, the amount of newspapers has been stable during the past 30 years but issue frequencies have been reduced. As for revenues, newspaper sales have remained rather flat for the past 20 years although circulation has fallen significantly. This is due to a long series of significant price increases. Print advertisement steadily decline world-wide and lost its first place in terms of advertisement spend in Sweden during 2012, a trend including all daily press segments. Digital advertisement increase but the lion's share of advertisement revenues stem from print. Noticeably, digital newspaper advertisement market has tipped in favour of tabloids on the Swedish market. Internet advertisement is still expecting to increase where the main growth segments are search and mobile.

As of 2014, digital advertisement outpaced the internet in general as newspapers had growth rates of 18.4 and 33.6 percent for big city and local press respectively quarter-over-quarter for quarter one. Mobile advertisement more than doubled and display advertisement grew by almost 20 percent. Total sales were 142 MSEK with 79 and 63 MSEK respectively for big city papers and local papers during the period (*Tidningsutgivarna*, 2014b). Given that display advertisement overall has been predicted to grow by about 3 percent during 2014, *Tidningsutgivarna*'s (TU) head of analysis explained that newspapers in general has been slow to capitalise on their digital assets so this is likely an effect due to overcoming prior inefficiencies regarding digital sales more than anything[5]. In May 2014, the latest reports show that the big city daily press had lost about 15 percent month-over-month and cumulatively for 2014 approximately 10 percent year-over-year compared with 2013 (Svedjetun, 2014).

[5] Head of analysis, TU. Semi-structured interview, 2014-06-02

3.3 The history of *Göteborgs-Posten*

Felix Bonnier started GP as a bi-weekly newspaper in Gothenburg in 1859 (Gustafsson & Rydén, 2000), published every Wednesday and Saturday (Wedel, n.d.). GP was then a new entrant on a market where *Göteborgs Handels- och Sjöfartstidning* (GHT) was the only incumbent. Bonnier would prove that he was not shy of innovating. First, GP's content emphasized easiness to read and foreign news was deemphasized in favour of local content. Then, the price point was lower than GHT's as GP allowed advertisement to subsidize the cost of the paper for its buyers. In 1860, GP increased its issue frequency to six days a week and became a morning paper in order for it to be able to be distributed outside Gothenburg with the morning train. A railway connection between Stockholm and Gothenburg was established in 1862 which then enabled the morning paper to include news arriving from the capital with the evening train. Its main competitor GHT however remained an evening paper and meanwhile it kept its first place position in terms of circulation within Gothenburg, GP outgrew its competitor outside the city. Still in the mid 1920ies, GHT had a steady circulation of about 40 000 copies compared to GP which was just short of 25 000. (Gustafsson & Rydén, 2000)

Harry Hjörne came to play a significant role as GP started progressing from being a second-tier player on the Gothenburg market. As Felix Bonnier had sold GP in 1872 and the present owner struggled financially, the paper was once more up for sale. Several prospective buyers, including members of the Bonnier family, eluded the deal before Hjörne, who himself was a journalist without any deep pockets, finally bought the struggling newspaper in 1926. Committing to important content areas such as family, sports, crime and local news, with a careful selection of staff members and a pricing policy consisting of a low price for weekly subscription, GP started to improve its position. When TS started to produce newspaper statistics in 1941, GP has a household coverage of 63 percent in Gothenburg. Hjörne was conservative, Gustafsson and Rydén (2000: 253) state that 'the leadership of *Göteborgs-Posten* was totally averse of change', and he was able to run GP very efficiently. When GP had outgrown GHT in 1956 to the extent that its circulation was 6 times that of GHT's, GP still used roughly 15 percent less journalists. (Gustafsson & Rydén, 2000)

Göteborgs-Tidningen (GT) was founded by GHT in 1902 and can be considered a predecessor for the tabloid segment. When GHT later, in 1968, tried to price themselves out of financial difficulties by raising prices about 40 percent, circulation started to deteriorate from which it did not recover. After some failed change initiatives in 1971 where sports and police reporting was cut back, to GHT's demise as readers wanted just local news and sports, GHT had to resort to selling GT. (Gustafsson & Rydén, 2000) In 1973, Lars Hjörne, Harry Hjörne's son, bought GT on the behalf of GP. (Westgårdh *et al.*, 2012) Although GT was now sold, 1973 still marked the last year of GHT as a daily newspaper in Gothenburg. A few years later, in 1976, GP experienced its peak circulation of 309 862 copies. During this time, GHT was kept alive as a weekly paper until 1983 when it was re-launched, now as a seven day daily paper. Although GHT did not survive this last revival attempt it still had an impact on its competitors. GP had up until this point only sold single copies during Sundays in Gothenburg but responded by becoming a seven day daily paper in 1985 as it is still known today. In 1993, the present-day family steward Peter Hjörne followed in his fathers and grandfathers footsteps as he took the position of editor-in-chief. (Gustafsson & Rydén, 2000) 22 years later in 2005, the yearly financial report comprised a map with dots marking 27 newspapers and 10 printing sites (Westgårdh *et al*., 2012). Westgårdh *et al*. (2012: 229) write that 'one man, one paper had become many men, one group' as GP was being transformed into Stampen.

3.4 The Stampen Media Group and Stampen Local Media

SMG is a media group with a yearly turnover of about 5 billion SEK. After a significant decrease of 507 MSEK since 2012, the revenues for 2013 amounted to about 4 884 MSEK. The financial results posted for 2013 was an EBITA of 49 MSEK and an EBT at negative 862 MSEK. It consists of 3 main subsidiaries begin the printing branch of V-TAB, the local newspaper branch consisting of Stampen Local Media (SLM) alongside *Liberala Tidningar* and its third growth media branch of Stampen Media Partner. (Mattisson, 2014) Stampen Local Media, the direct parent organisation of GP, is the result of a fusion that was initiated on April 1st 2013 which was completed on the last of December 2013 between the previous SMG areas GP, *Mediebolaget Västkusten*, *Stampen Marknad* and Stampen Sales & Development[6]. It consists of 6 paid for daily newspapers and 9 free papers. Thus there are in total 15 newspapers with a daily reach of over 1 million readers. (Stampen, n.d.) Figure 24 below visualises the relations between SMG's subsidiaries.

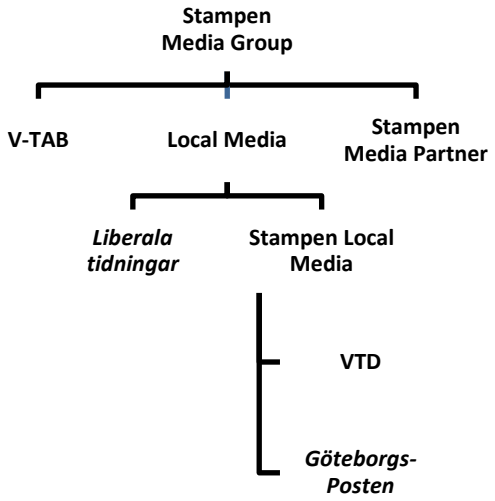


Figure 24: Stampen Media Group and its subsidiaries

3.4.1 *Göteborgs*-Posten's printing sister V-TAB

Västsvenskt Tidningstryckeri AB (V-TAB) is a subsidiary to SMG with a yearly turnover or about two billion SEK. GP newspapers are printed in the Backa printing facility in Gothenburg but as of the start of 2014 there were 10 printing sites in total. However, the demand for print is declining and V-TAB has recently announced the folding of printing sites. Most recently in June 2014 when 2 out of the 10 printing sites were announced to be about folded which meant that 75 people were let go. (Thomsen, 2014b) As far as the printing operations go, a main cost driver is the amount of printing presses. A single printing press at Backa can print about 20 000 to 25 000 copies per hour depending on conditions such as the amount of inserts[7]. There is a fixed printing cost, which is a capacity cost, which for 2013 amounted to about 19 percent of GP's total costs where the variable printing costs which include labour, paper, electricity and such amounted to 12 percent of total costs[8]. Overall, printing thus amounts to 31 percent of GP's total costs. Figure 25 below provides an illustration of a general printing cost structure.

[6] Resigning CEO, SLM. Unstructured interview, 2014-01-23
[7] Production Manager, V-TAB. Semi-structured interview, 2014-04-25
[8] CFO, SLM. Semi-structured interview, 2014-02-05

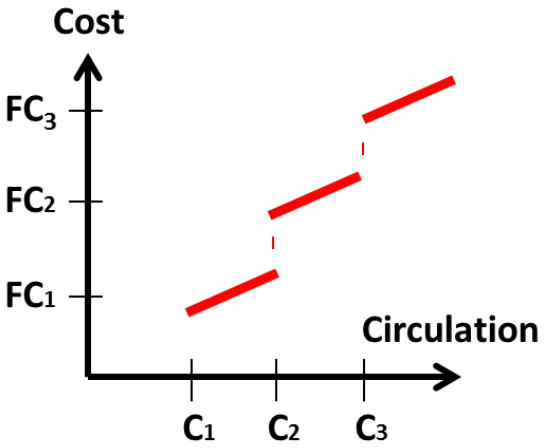


Figure 25: A general printing cost model

3.4.2 *Göteborgs-Posten*'s distribution subsidiary VTD

Västsvensk Tidningsdistribution (VTD), a subsidiary to SLM with a yearly turnover around 600 MSEK with SMG as the main owner, handle all newspapers delivery operations from V-TAB's printing sites all the way to customers' mail boxes. The delivery network is vast throughout western Sweden and VTD reaches 700 000 households and 800 retailers, 355 days of the year. To achieve this, the distribution organisation needs about 2400 personnel and 600 vehicles. Newspaper delivery is the main occupation although other services such as mail delivery for municipalities and county councils are provided as well. VTD serve GP but also competitors such as *Svenska Dagbladet*, *Dagens Nyheter* and *Dagens Industri*[9]. The distribution cost for 2013 amounted to about 31 percent of GP's total costs[10]. Distribution costs do as described earlier in section 2.1.3 vary with density and distance but there are other important notions besides these. In the long run, the distribution cost varies with circulation but in the short run that relationship can be relatively weak. The weak short term relationships can be attributed to several factors where one is that carriers are assigned areas upon route planning which take time to change as circulation changes. Another prominent reason is that the marginal cost of distributing newspapers to houses along an established route can be very low.[9] Figure 26 below exemplifies this difference between the long and short run cost curves.

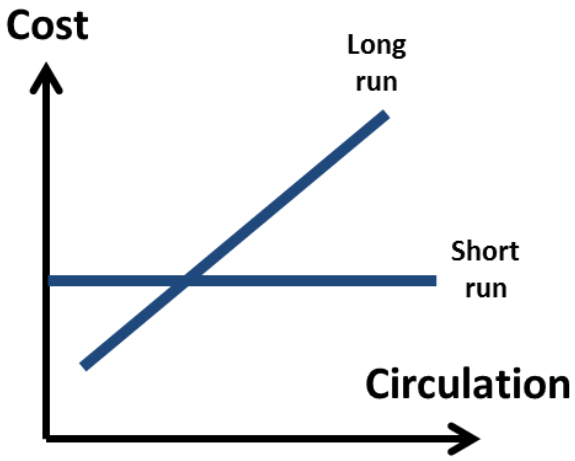


Figure 26: A general distribution cost model

[9] CFO, VTD. Semi-structured interview, 2014-05-02
[10] CFO, SLM. Semi-structured interview, 2014-02-05

3.5 The current situation for the *Göteborgs-Posten*

This section comprises many breakdowns of numbers such as the revenue streams. In several of these figures there are indexed numbers due to confidentiality reasons. To understand the situation from a profitability standpoint it is fair to say that the revenue index of 100 equals the cost index of 100 which thus implies no profits. Although this is not exactly the case down to the last decimal it can be viewed as close enough to not interfere with any analysis or conclusions based on the figures.

The circulation development frames the overall situation before moving into the specifics of newspaper sales revenues and advertisement revenues. As advertisement revenues are divided into print and digital the breakdown of advertisement is followed by a deeper look at the underlying statistics that can explain the development for the digital growth. After the revenue side is covered, the cost structure is briefly discussed before describing the economics of the production process which concludes this section.

3.5.1 Circulation and reach development

Circulation is a main determinant with regards to revenues[11]. In 2005, GP had recently switched to the tabloid format and a declining circulation trend was believed to be about to turn around at a circulation of 248 800 (Genborg, 2005). However, since 2005 GP would come to experience a significant downturn. Figure 27[12] below presents GP's circulation since 2009 as well as the percentage decline from year to year. As can be seen, there has been a significant loss of circulation from 236 400 back in 2009 to 184 800 come 2013. That is a decline of about 22 percent during a 5 year period. Although the sample is a bit narrow in terms of years, there has seemingly been a remarkable intensification of the rate of circulation since 2010. The year-over-year rate of decline from 2012 to 2013 has actually been the highest in absolute terms at it amounted to 8.3 percent. To understand the most recent development, a June 2014 company survey reports that GP has lost about 20 percent of their readers since 2013, which is currently the worst loss of reach out all Swedish newspapers (Sundling, 2014).

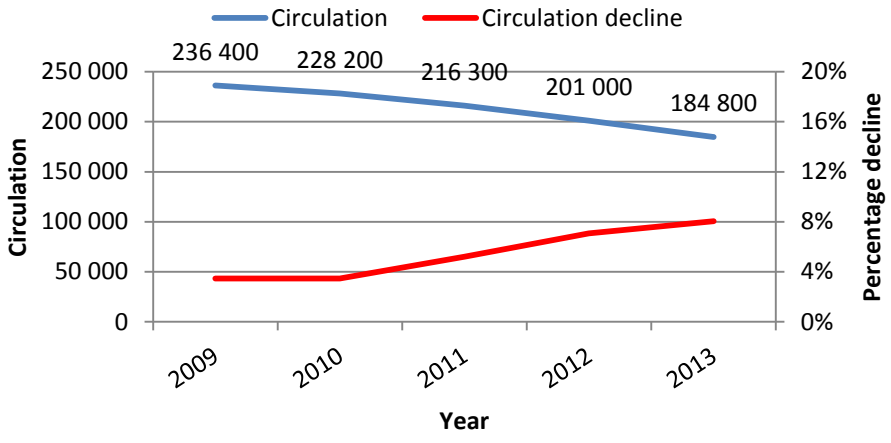


Figure 27: *Göteborgs-Posten*'s average daily print circulation, 2009-2013

[11] $Newspaper\ sales\ revenues = Circulation \times Average\ price\ per\ newspaper$

[12] Internal document A. Retrieved: 2014-02-05 from VP Marketing, SLM

GP's development can be compared with the Swedish market development. Figure 28 below shows newspapers with a circulation exceeding 20 000 copies sorted in order of print edition declines between 2012 and 2013 (TS *Mediestatistik*, 2014a). GP placed second in-sample at a rate of decline of 8.3 percent. In terms of the absolute decline, GP displayed the second largest loss of circulation at 15 700 copies after *Svenska Dagbladet* who lost 16 200 copies at a rate of decline of 10.2 percent. Out of the 35 papers having a print circulation of 20 000 copies or above only one experienced an increase in print circulation during 2013. The total in-sample circulation decline was about 5 percentage points as 77 300 copies were lost. It should be noted that the sample is excluding digital editions.

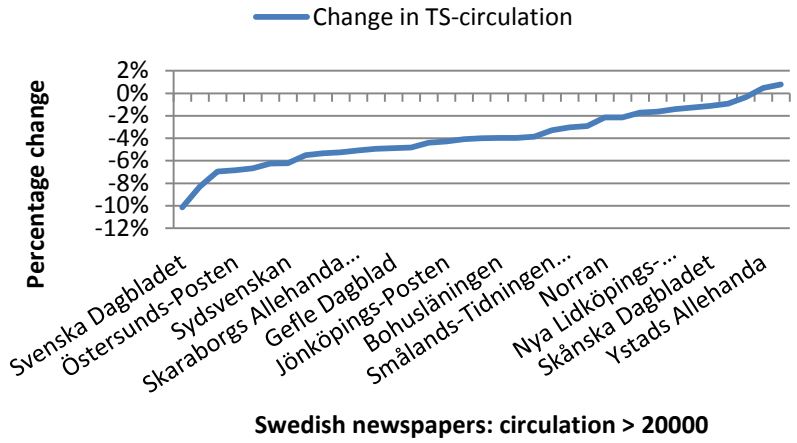


Figure 28: Swedish TS-circulation development between 2012 and 2013

As there was a general decay in terms of circulation for both weekdays and weekends, figure 29 below sheds light on the development for GP in this respect (TS *Mediestatistik*, 2014b). As reach is defined as circulation times the amount of readers per paper[13] it can be used as a proxy for the circulation decline in terms of weekdays and Sundays. A subtle difference can be noted but it is very small so the situation can be described as such that the decreased reading is prevalent for all days of the week. To further understand the reach and circulation situation it can be useful to divide data into segments.

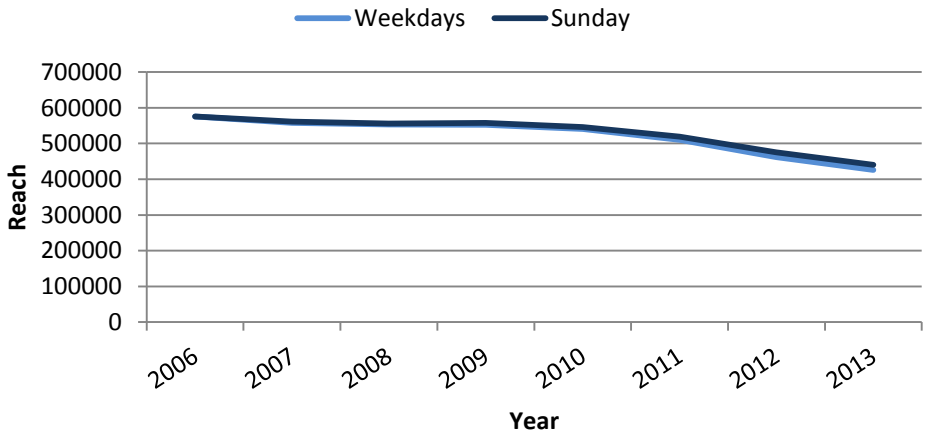


Figure 29: *Göteborgs-Posten*'s weekday and Sunday reach development, 2006-2013

[13] Head of Analysis, IRM. Semi-structured interview, 2014-04-04

When the reach development is divided into age segments there seemingly are quite significant differences, as displayed by figure 30 (TNS Sifo, 2007-2013, 2014b). All segments besides 65 to 79 year olds display reduced reach. Albeit there is a general pattern of decline, there are differences between the groups in terms of rate of decline but also the year from which there has been nothing but a decline. For most age groups, the mark from which GP's reach started to deteriorate seems to be around 2009 and 2010 which is coherent with earlier empirical findings.

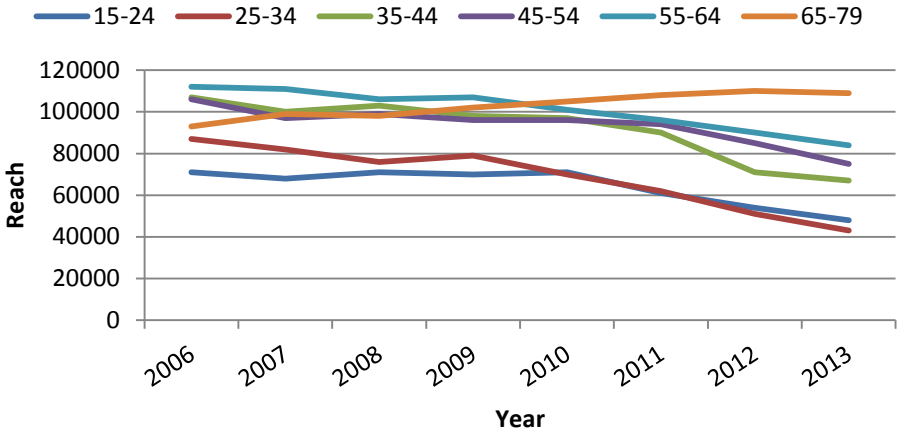


Figure 30: *Göteborgs-Posten*'s reach development per age segment, 2006-2013

3.5.2 The overall revenue picture for *Göteborgs-Posten*

The revenue streams of GP are segmented by figure 31[14] below. As can be seen, almost 52 percent of total revenues are due to advertisement revenues which in turn consist of about 93 percent printed advertisement revenues and merely 7 percent of digital advertisement revenues. The other major revenue post is newspaper sales where more than 99.5 percent of the revenues stem from print newspapers.

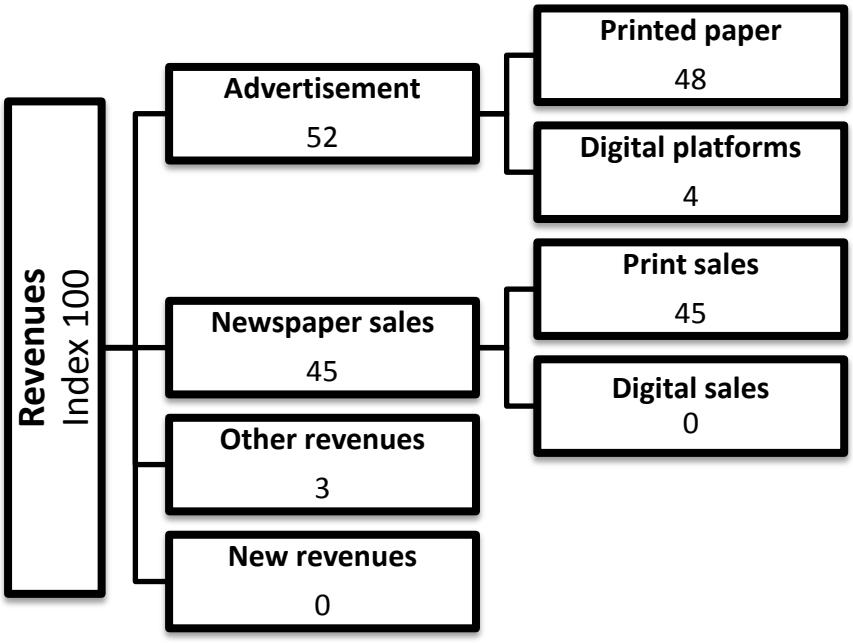


Figure 31: *Göteborgs-Posten*'s overall revenue structure, 2013

[14] CFO, SLM. Semi-structured interview, 2014-02-05

3.5.3 The private market and newspaper sales revenues

The private market regards transactions with private persons, typically readers, such as subscriptions, single copy sales and ads placed by private persons which could be for example a used bicycle ad or an announcement of a child birth. In addition to the traditional and digital newspaper products a small-scale sales operation is run through the reception in the GP-building involving socks and other physical products that are believed to suit the readers with yearly revenues of about one MSEK.[15] As these constitute a marginal share of the total revenues from the private market they are excluded from the further breakdown. Figure 32[16] below provides a breakdown of the revenue stream associated with the private market where total private market revenues are set to an index of 100. Subscription fees constitute a lion's share of newspaper revenue as single copy sales make up for an about 3 percent share and the digital sales an even more marginal share as it is rounded off downwards to 0 from 0.4 percentage points.

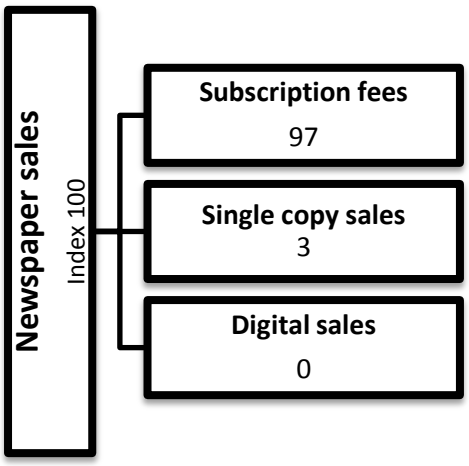


Figure 32: *Göteborgs-Posten*'s private market revenue structure, 2013

3.5.3.1 Pricing on the private market

As of the spring of 2014, GP has three main product packages for its daily newspapers. All packages include the digital version of the print paper eGP, premium online content, unique offers through the membership club *Läsvärdet*, newsletters and an iPad picture app. The differences between the packages are the number of days of home delivered print newspapers where one can choose between 3 and 7 for print or digital only. The digital only package cost 109 SEK per month, the 3 day Friday-Sunday package cost 215 SEK per month and the 7 day package cost 279 SEK per month. The price premium for receiving the print paper Monday to Thursday is thus 64 SEK per month. Single print copies cost 20 SEK Monday to Saturday and 25 SEK during Sundays. Digital single copies of eGP cost 15 SEK. Besides the standard offerings, there are discounts and added costs for some subscribers[15]. Students are charged 99 SEK per month and can choose if they want the full week package or the weekend package. Other youth, less than 26 years of age, are charged 209 SEK for the full week package and 161 SEK per month for the weekend package. Subscribers outside the region of *Västra Götaland* and *Halland* are charged the premium price of 363 SEK per month for the 7 day package. Companies are charged 326 SEK per month excluding VAT. (gp.se, 2014)

[15] VP Marketing, SLM. Semi-structured interview, 2014-02-07
[16] CFO, SLM. Semi-structured interview, 2014-02-05

3.5.3.2 Newspaper pricing and revenue development

As the circulation of GP has decreased significantly during the past years, revenues from newspaper sales have not followed suit as these have remained relatively flat. Figure 33[17] below displays the development of the newspaper revenues, including both subscriptions and single copy sales, where revenues from 2013 were set as the index of 100. As was previously described for the overall Swedish market, this is a matter of price increases. To illustrate this, the yearly average price increases in percentages are depicted on the second vertical axis to the right.

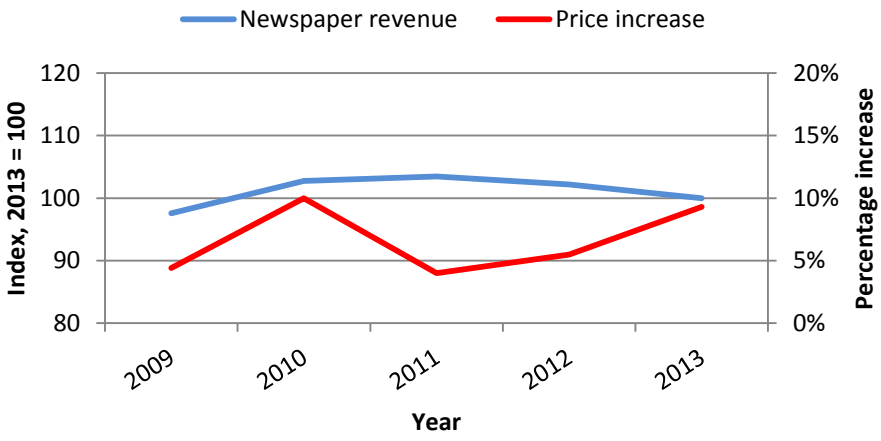


Figure 33: *Göteborgs-Posten*'s newspaper revenues and price increases, 2009-2013

3.5.4 The business market and advertisement revenues

Figure 34[18] below breaks down GP's advertisement revenues streams as of 2013, set to index 100. The share of print advertisement revenue was approximately 93 percent thus leading to a ratio between print and digital revenues just north of 13. This section will commence with a breakdown of the print advertisement situation before examining the digital platforms and their advertisement contribution. Mobile revenues are due to a round off down from 0.4 percentage points.

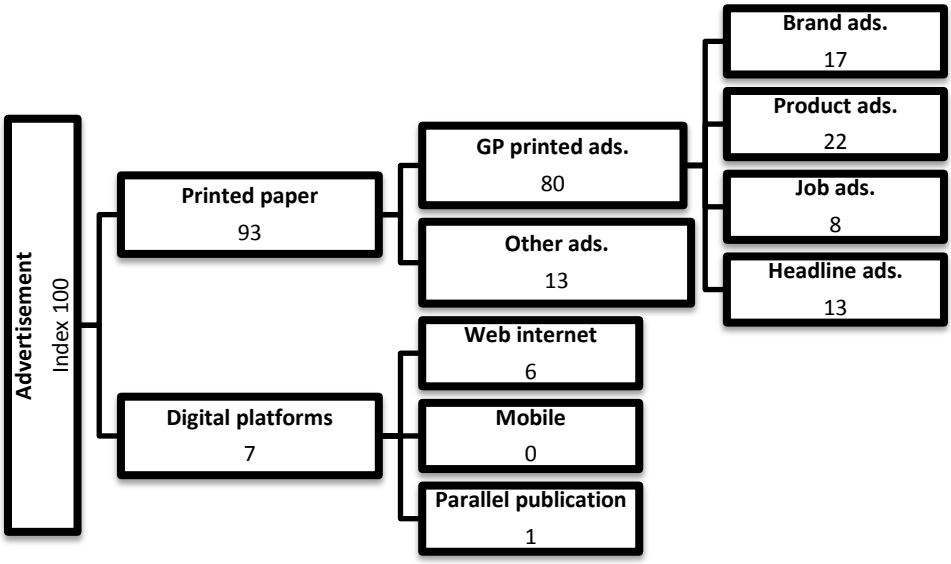


Figure 34: *Göteborgs-Posten*'s business market revenue structure, 2013

[17] Internal document A. Retrieved: 2014-02-05 from VP Marketing, SLM
[18] Internal document B. Retrieved: 2014-02-13 from Executive VP Sales, SLM

3.5.4.1 The fading print advertisement branch

The main drivers for the first branch of print advertisement revenue is reach and cost per contact where GP has a reach of about 46 percent in the A33 region and a non-discounted cost per contact around 0.18 SEK[19]. First, the reach position will be discussed before examining the impact of contact costs. From a business advertisement perspective the target region is what matters when it comes to reach. Thus, local reach is more important than say the total reach in Sweden for a local newspaper, both in terms of absolute reach but also the relative reach position with regard to competitors[20]. The head of business advertisement for SLM explained that 'the most successful players in this business are those who have the largest audiences' but also described that 'we are no longer the only way to reach Gothenburg'[19]. The A33 region is the region of most concern to GP'[19] which comprises Gothenburg and surrounding towns and inhibits about 735 000 persons. See Appendix B for a map of the A33 region where GP is the leader with its 46 percent as figure 35 below illustrates (TNS Sifo, 2014a). TV4 takes the commercial second place in the A33 region at 37 percent, as SVT1 is non-commercial. The next commercial reach competitor is then Metro at 30 percent. In terms of the amount of contacts, this means that GP has a reach advantage of about 66 000 and 118 000 contacts compared to TV4 and Metro respectively.

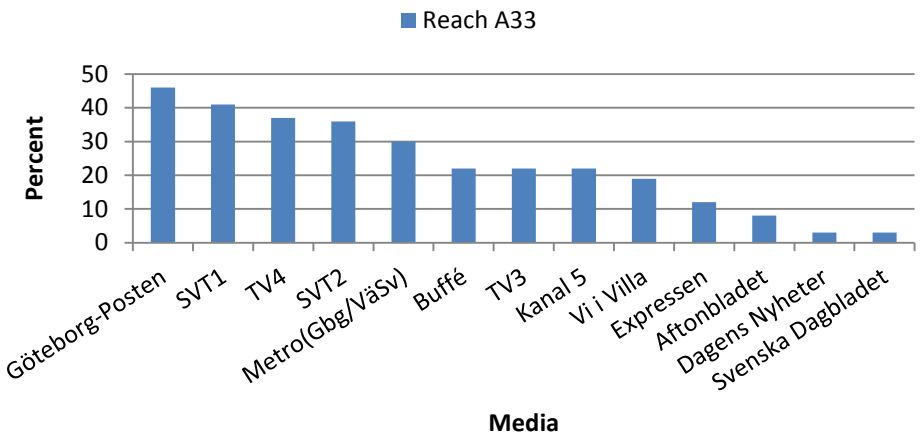


Figure 35: *Göteborgs-Posten*'s reach comparison A33, 2013

The next important factor then is cost per contact. An area where GP is more expensive per contact compared with television with a contact cost around 0.14 SEK. The relation between contact cost and advertisement revenue is somewhat straightforward in terms of circulation. Given half the circulation and the same cost per contact there would be half the advertisement revenue given all else equal. Thus, the upsurge of new media formats which are supplying contacts has caused an excess supply of contacts which put a downward pressure on the price per contact.[19] With an understanding of the driving forces behind advertisement revenue, print advertisement will be examined which is built upon two main revenues streams. One of them being printed ads from newspapers. Then there are additional advertisement revenues from add-on products such as for example inserted advertisement folders. Figure 36[21] below presents the combined revenues from these 2 streams as 12-month moving averages before these are discussed individually.

[19] Executive VP Sales, SLM. Semi-structured interview, 2014-02-13
[20] Executive VP Sales, SLM. Semi-structured interview, 2014-05-08
[21] Internal document C. Retrieved: 2014-05-05 from Executive VP Sales, SLM

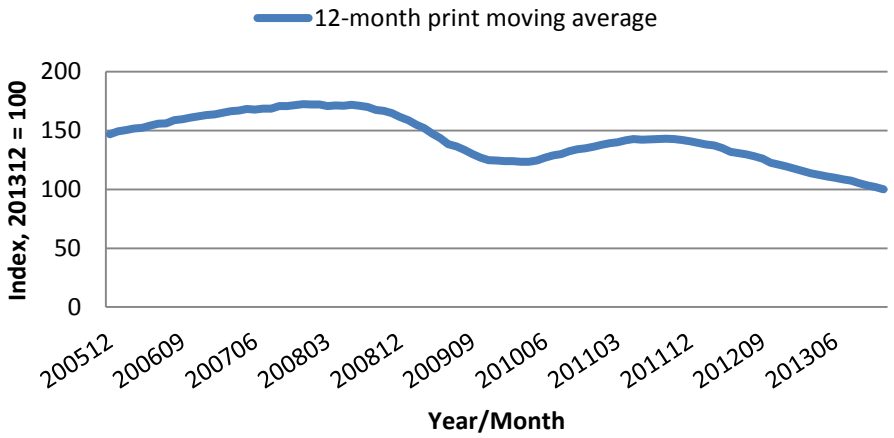


Figure 36: *Göteborgs-Posten*'s print advertisement revenue, 200512-201312

Figure 37 below displays advertisement revenue as well ad volume and the ratio between those using 1997 as the index year (*Göteborgs-Posten Nya* AB, 2002, 2006, 2010, 2014). At 2005, the 1997 index had decreased less than 4 percentage points. Come 2013, slightly more than 35 index points from 1997 total advertisement revenues had been lost. Although the volume was lower in 2005, the volume loss at 2013 is almost identical to the revenue loss which is due to a significantly lesser decay of the revenue per volume. Thus, the price has not decreased nearly as much as the volume.

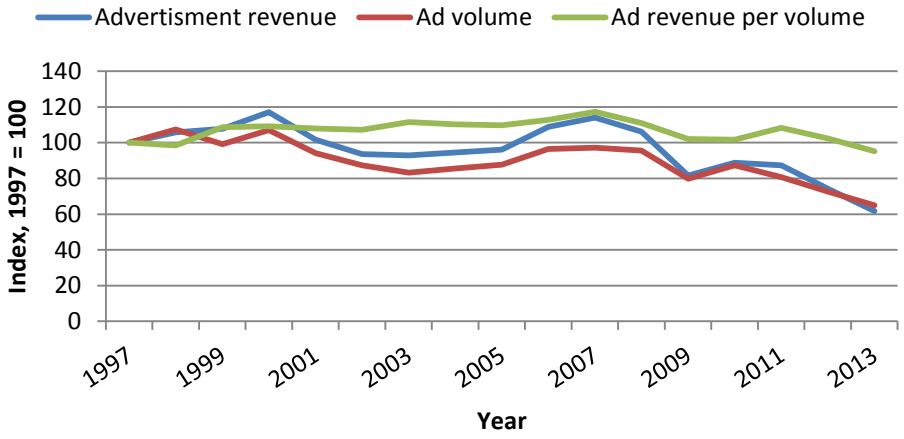


Figure 37: *Göteborgs-Posten*'s advertisement revenue overview, 1997-2013

3.5.4.2 Segmenting printed newspaper advertisement

Newspaper print advertisement revenues, as noted in figure 34, can be divided into 4 main segments. First, brand ads which are when a brand such as the Volvo Cars markets their brand without any specific product display or offering. The second category is product ads which displays specific products, or services, such as a Volvo XC90. Third, there are job opening ads and fourth and finally headline ads which are smaller ads which generally are written in text. Figure 38[22] below presents the yearly revenues from each of these segments. The decrease between 2008 and 2009 during the financial crisis was the most severe as 27 percent of print newspaper advertisement revenue were lost in 1 year. However, about 18 percent of revenues were lost between 2011 and 2012 and the corresponding figure from 2012 to 2013 was 20 percent.

[22] Internal document C. Retrieved: 2014-05-05 from Executive VP Sales, SLM

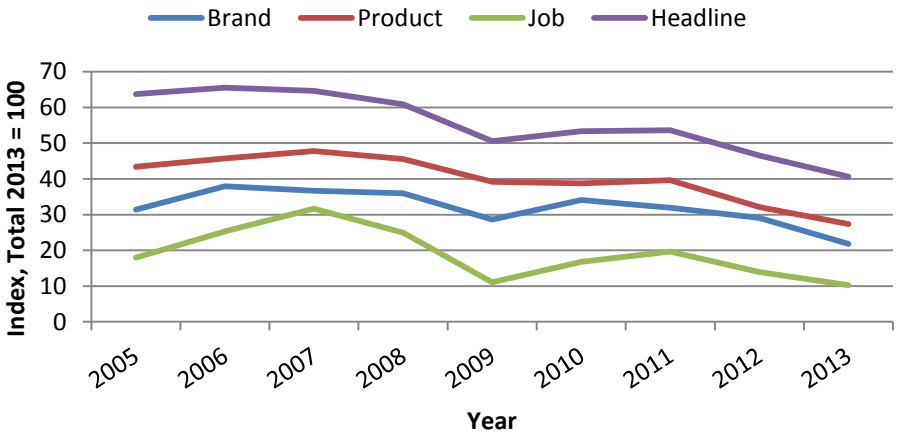


Figure 38: *Göteborgs-Posten*'s print newspaper advertisement revenue categories, 2005-2013

Then, headline advertisement can be divided into sub-categories as can be seen in figure 39[23] below. The property and motor segments are the largest although Motor ads have decreased significantly during this period. These are in part large due to the fact that there are weekly insert magazine, *Bostadsbilagan* which host plenty of property ads and *GP Motor* which is dedicated to motor-related reporting. There are quite significant differences between these segments as some seems to be following the macroeconomic cycles as properties and motor while others do not.

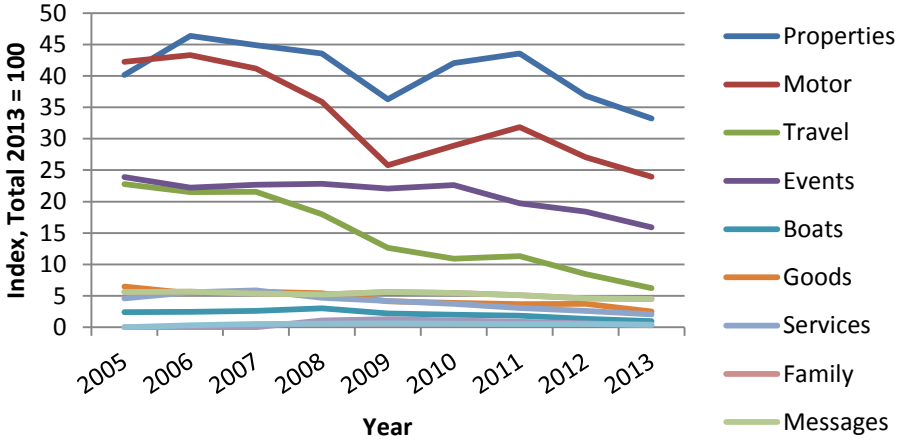


Figure 39: Göteborgs-Posten's print newspaper headline advertisement revenue, 2005-2013

3.5.4.3 Segmenting other print advertisement revenues

For the group labelled other ads in figure 34, there are several contributing advertisement streams. They include production, inserted sheets and folders, repro and typesetting. As figure 40[23] below illustrates, there are 2 main segments which are insertions of advertisement sheets which is by far the biggest segment even though it has decreased by 46 percent since its highest point in 2007. The other main segment is the weekly magazine *Två Dagar,* an inserted magazine distributed with the Saturday paper. It exhibited a noteworthy pattern since it experienced a growth trend up until 2012, thus throughout the financial crisis. Overall, other advertisement revenue streams have lost 46 percent of revenues since its pre-crisis peak in 2008 and 14 percent since its post-crisis recoil.

[23] Internal document C. Retrieved: 2014-05-05 from Executive VP Sales, SLM

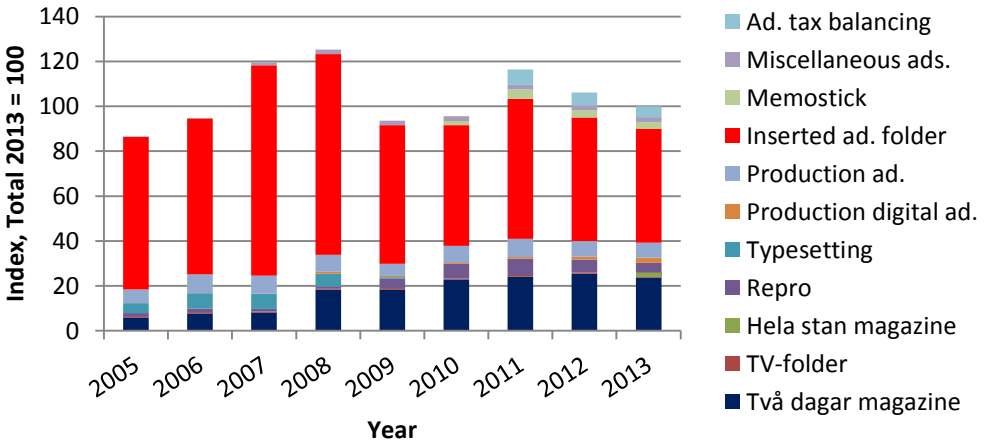


Figure 40: *Göteborgs-Posten*'s print other ads. per revenue segments, 2005-2013

As the main print advertisement revenue streams have been examined it should be noted that revenues are not uniformly distributed throughout weeks and Figure 41[24] displays percentage contributions from all weekdays. Thursdays through Sundays are busier due to increased demand before and during the weekend[25]. The reason that Mondays display about twice the revenues compared with Tuesdays and Wednesdays is the previously mentioned *Bostadsbilagan*. It is however not necessarily bound to Mondays as the head of business advertisement stated that 'it does not really matter for GP which day we distribute *Bostadsbilagan*'[25].

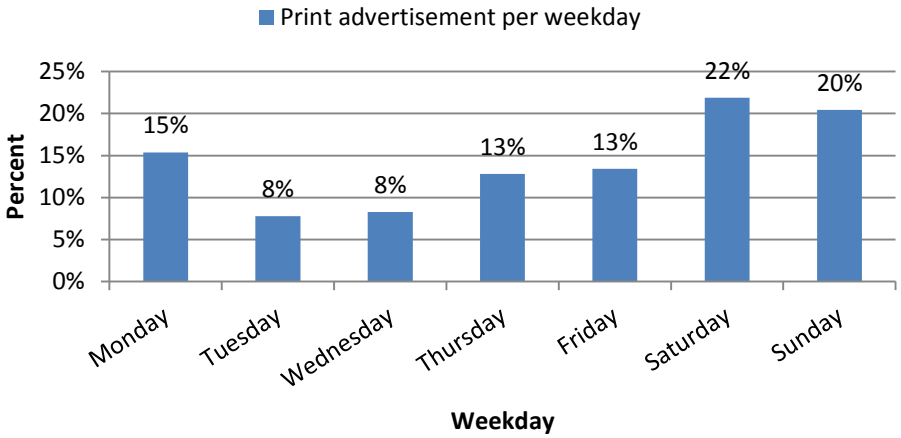


Figure 41: *Göteborgs-Posten*'s print advertisement revenue by weekday, 201306-201403

3.5.4.4 The growing digital advertisement branch

The second main advertisement branch for GP is its digital revenues where the main driver is page views[26]. Figure 42[27] below illustrates the 12-month moving average for all digital advertisement revenue segments which paint quite a different picture than the corresponding print figure 36 displayed earlier. Although digital growth experienced a slump during the financial crisis between 2008 and 2009 it has displayed a strong pattern of growth, at least up until the end of 2013.

[24] Internal document D. Retrieved: 2014-05-08 from Executive VP Sales, SLM
[25] Executive VP Sales, SLM. Semi-structured interview, 2014-05-08
[26] Executive VP Sales, SLM. Semi-structured interview, 2014-02-13
[27] Internal document C. Retrieved: 2014-05-05 from Executive VP Sales, SLM

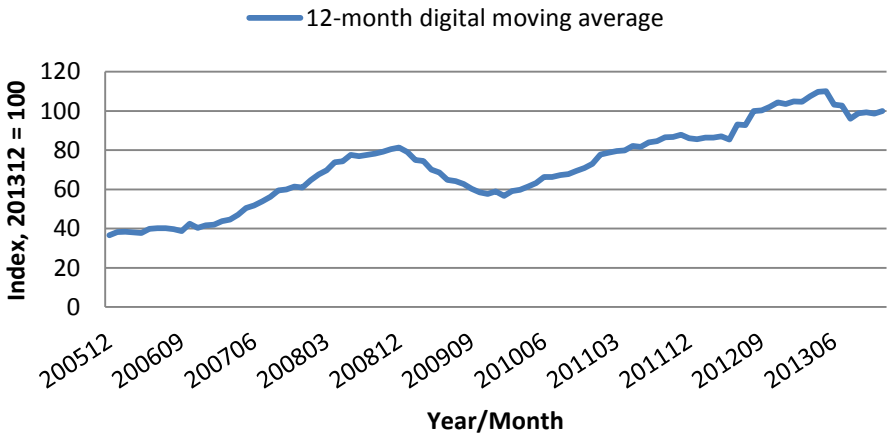


Figure 42: *Göteborgs-Posten*'s digital advertisement revenue, 200512-201312

3.5.4.5 The joint advertisement perspective and a reoccurring pattern of digital ratios

In order to assess the big picture and connect the main branches, figure 43[28] below depicts the total advertisement revenue development between 2005 and 2013. It bears close reminiscence to figure 20 that presented corresponding figures from an American survey. As can be seen, print advertisement dictates overall the advertisement revenue development. The more print revenues declines and the more digital sales pick up the larger the residual between the curves. For the time being the anchoring effect of print is still highly significant as total advertisement revenue is declining.

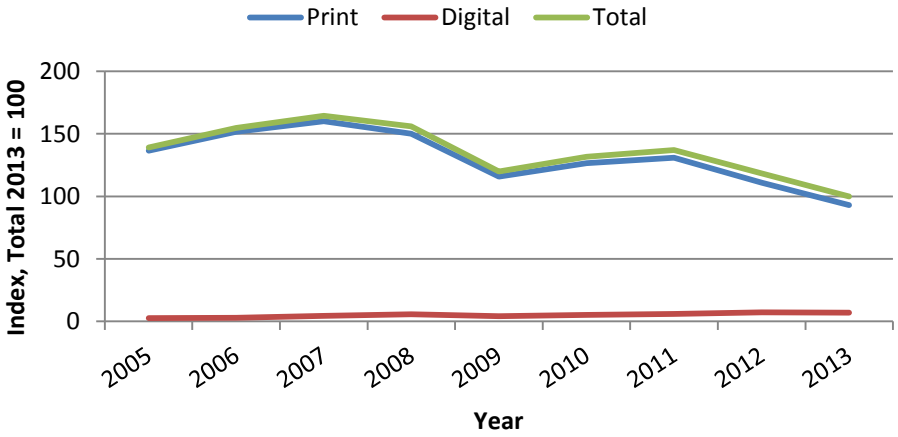


Figure 43: *Göteborgs-Posten*'s print and digital advertisement development, 2005-2013

Below, figure 44[28] illustrates similarities with the situation described in figure 43 above but for web internet, including parallel publication, and mobile. In this case, it is web internet and parallel publication which constitute the bulk of revenues and mobile correspond to digital revenues in the overall picture. The anchor, web internet is in this case slowing down the digital growth. The smallest segment of mobile advertisement has been growing rapidly since 2009 when the segment increased by almost 500 percent in 2010. As these are the perceived future growth areas the underlying forces will be assessed in the next section as underlying drivers in terms of page views are examined.

[28] Internal document C. Retrieved: 2014-05-05 from Executive VP Sales, SLM

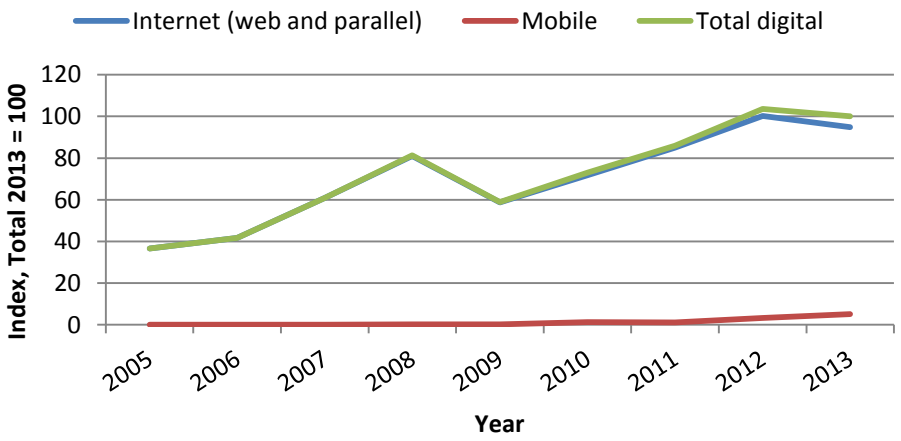


Figure 44: *Göteborgs-Posten*'s internet and mobile advertisement development, 2005-2013

3.5.5 The cost structure

The cost side of GP is broken down into its main components by figure 45[29] below where figures are based on a total cost index of 100. For its main branches, the cost structure is divided into costs associated with physical production and newspaper delivery alongside costs associated with producing the content and overhead. The costs associated with physical production amount to about 62 percent. Production costs can then be divided into printing and distribution which make up for almost equal shares. Other costs that comprise staffing, content, overhead and such costs thus make up for about 38 percent out of the total cost base.

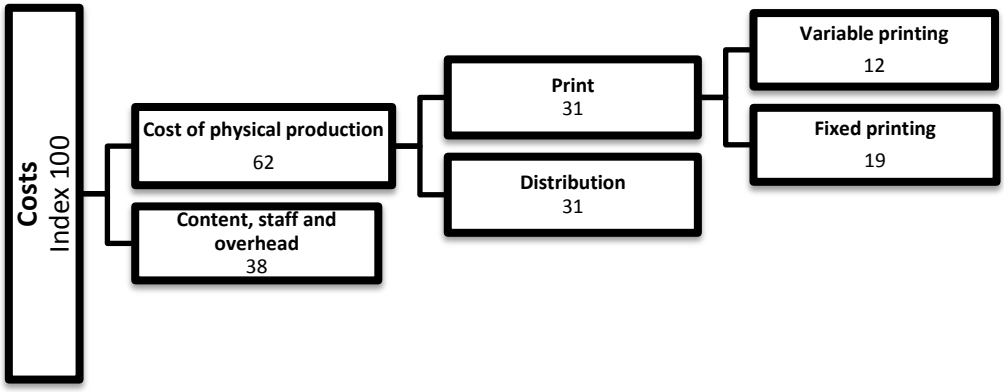


Figure 45: *Göteborgs-Posten*'s overall cost structure, 2013

3.5.6 Production process economics and the 02.00-project

As the newsroom has edited a full paper, it is handed off to the production process as seen in figure 46[30] below. There are three editions where the hand-off for the first edition is at 22.00PM, the hand-off for the second edition is at 22.55PM and the final edition is handed to print at 23.45PM. Printing is then handled by V-TAB and distribution is finally handled by VTD. The print job has its deadline at 02.00AM as marked by the dotted line. The final line marks 06.00AM which is the time that GP's customers should have the paper delivered. It is important to emphasise that VTD starts delivering well before 02.00AM. Some papers travel to other cities and geographical regions outside A33. These papers are dispatched on trucks as soon as they are fully loaded after printing has begun.

[29] CFO, SLM. Semi-structured interview, 2014-02-05
[30] News editor, GP. Unstructured interview, 2014-02-05

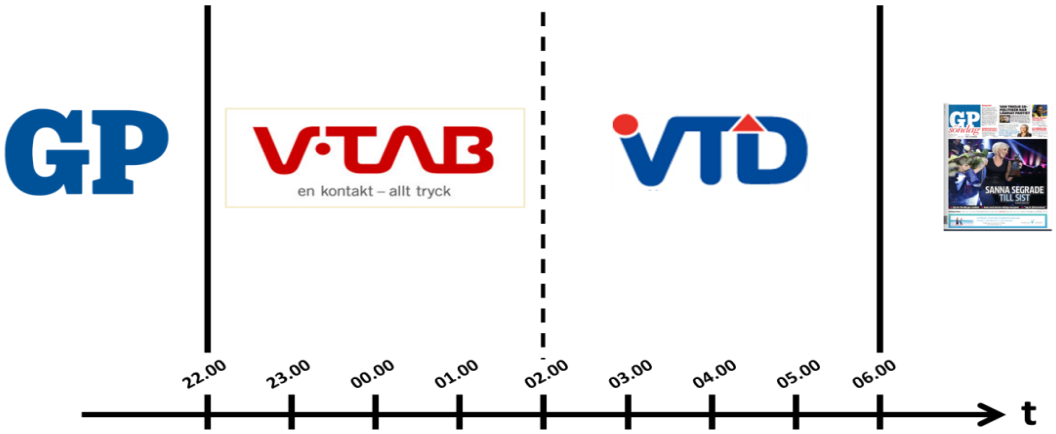


Figure 46: *Göteborgs-Posten*'s production process

Prior to 2014, the print deadline was 03.30AM. However, circulation decline caused slack time between printing and distribution. Thus, there was a proposal to move the newsroom handoff to 02.00AM. A general rule from a distribution perspective is that an increased time window enables more efficient distribution although the relationship is non-linear as figure 47[31] below illustrates. It depicts calculations regarding distribution cost savings conducted before the 02.00-project was initiated with a baseline case begin a move from 03.30AM to 03.00AM at an index of 100.

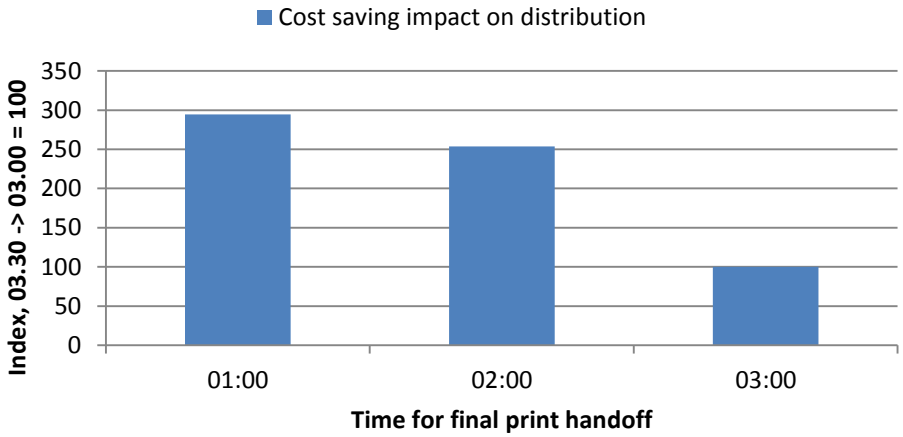


Figure 47: Distribution cost savings index from the 02.00-project

There are several reasons for why certain time leaps are less cost saving than others. One example is break times demanded by union agreements, which kick in at certain time intervals.[32] Seemingly, the marginal effect of increasing the time frame by one hour from 02.00AM to 01.00AM result in far less marginal cost savings on the marginal compared with moving from 03.00AM to 02.00AM. However, although 01.00AM produced a larger cost reduction there is a whole chain of events going all the way back to the newsroom that are included in the decision. From a print perspective, major cost efficiency gains can be realised if an entire printing press is taken out of use, something the 02.00-project resulted in[33]. The 02.00-project was thus able to produce cost savings that GP was able to benefit from through reduced costs from its production partners V-TAB and VTD.

[31] Internal document E. Retrieved: 2014-03-03 from VP Marketing, SLM
[32] Region Manager, VTD. Semi-structured interview, 2014-04-23
[33] Production Manager, V-TAB. Semi-structured interview, 2014-04-25

3.6 The digital market

This section strive to first provide an understanding for the digital advertisement market with respect to GP's digital channels and secondly to identify key driving forces behind digital development.

3.6.1 Understanding the digital channels and digital first

GP's web page gp.se was launched on the 25 of August 1994, less than one year after *Aftonbladet* became the first-moving daily newspaper online (Westgårdh *et al.*, 2012). Nowadays, the editing room talks about digital first and closely monitor the number of unique visitors as well as the page views for top-read articles[34]. Figure 48 below illustrates KIA-index internet statistics, for gp.se during the past seven years (kiaindex.net, 2014). Unique user agents and visits slowly increased throughout the period whereas page views. There is a noticeable spike in unique user agents in 2012 when a then five year old story went viral in social media (Liljemalm, 2012).

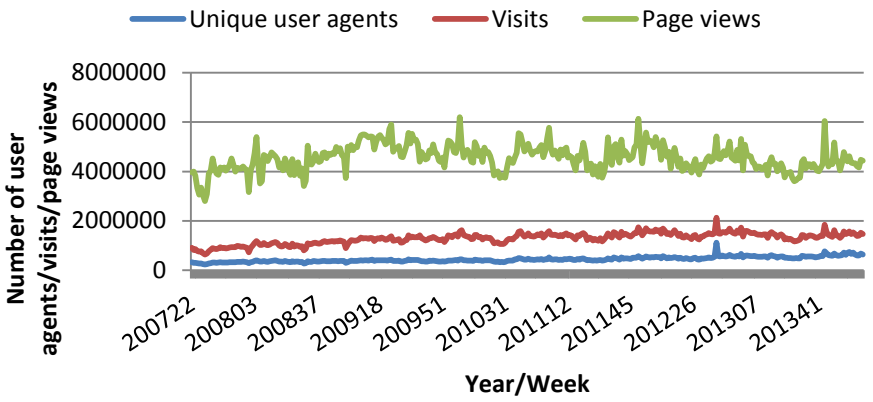


Figure 48: gp.se unique user agents, web visits and page view data, 200722-201412

Figure 49 below compares the amount of unique user agents for gp.se with other daily newspapers for the same period (kiaindex.net, 2014). The digital market leader *Aftonbladet* as well as *Svenska Dagbladet* stand out as they managed to increase the amount of unique user agents substantially during this period. An interesting note is that GP's web site gp.se has outperformed *Aftonbladet* in terms of users within the local region, a feat only GP has achieved in Sweden[35].

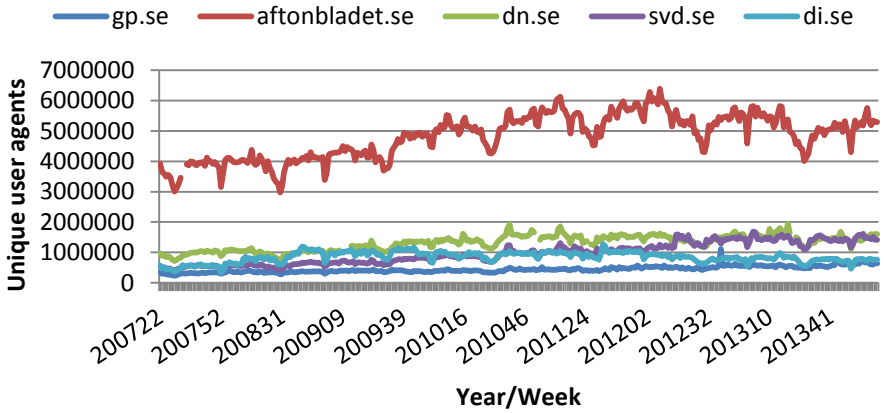


Figure 49: Comparison of unique user agent data, 200722-201412

[34] News editor, GP. Unstructured interview, 2014-02-05
[35] Resigning CEO, SLM. Unstructured interview, 2014-01-23

The performance regarding page views is depicted in figure 50 below (kiaindex.net, 2014). It seems that the amount of web browser page views have remained somewhat flat during the past seven years. There is noticeable fluctuation within the sample as the page views generally increased up until 2011 before they headed south again and since seem to have reverted back towards the initial mean values.

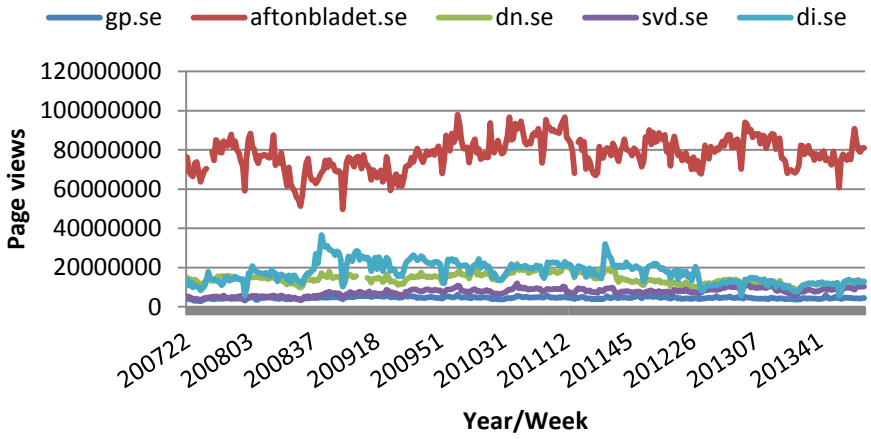


Figure 50: Comparison of page view data, 200722-201412

Users utilizing mobile platforms to reach GP's site are directed to the mobile web page m.gp.se and this traffic is not included in the web browser internet statistics displayed in the previous figures. Neither is traffic inside mobile applications also denoted just apps. Figure 51 below compares the development of m.gp.se with *Aftonbladet*'s mobile development in terms of unique user agents for the weeks that m.gp.se is listed in the KIA index (kiaindex.net, 2014). The gap is due to manual sorting as there were some outliers and no-traffic weeks recorded. Note the different scales as *Aftonbladet* mobile started out with about 2.5 million unique user agents and ended up with around 3.6 million whereas m.gp.se started out and ended up just below 30 000 unique user agents.

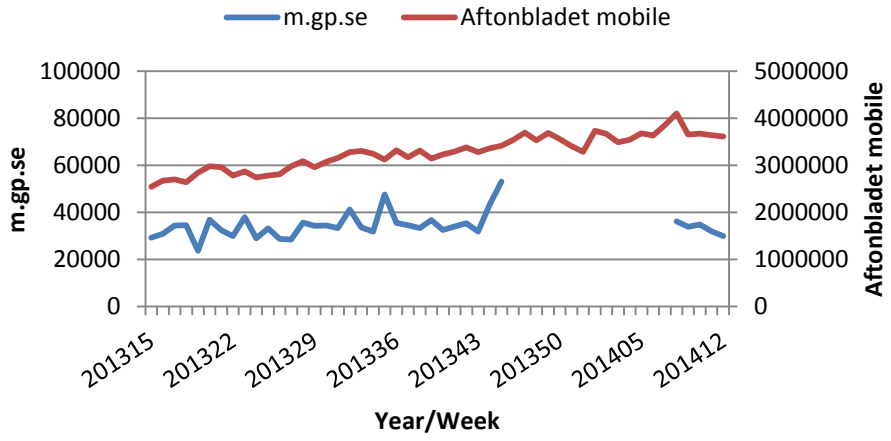


Figure 51: m.gp.se and Aftonbladet mobile unique user agents, 201315-201412

A similar comparison regarding mobile page views is presented by figure 52 below (kiaindex.net, 2014). Note that different scales are used again. *Aftonbladet* mobile started out at about 60 million page views per week and had around 111 million the last week in the sample. This is to be compared with m.gp.se that started out at about 411 000 page views and finished at around 431 000. Thus, there seems to be a performance discrepancy with regards to the rate of changes.

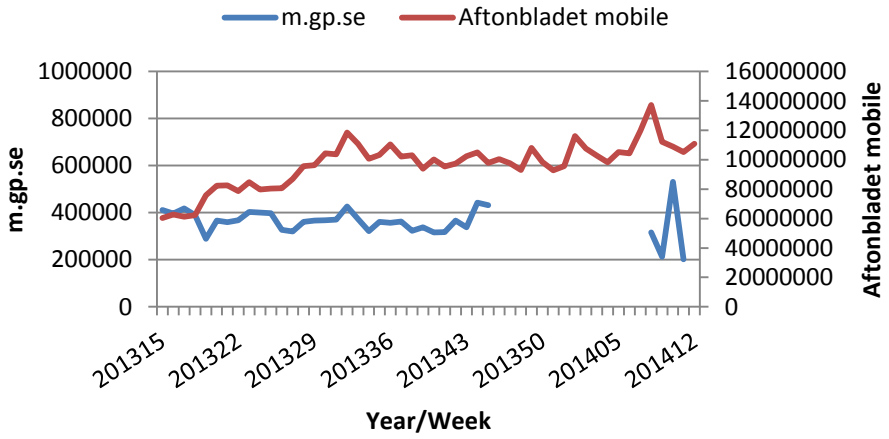


Figure 52: m.gp.se and Aftonbladet mobile page views, 201315-201412

3.6.2 A stagnating first wave of digital disruption through desktops and laptops

When the impact of the internet on the newspaper industry was discussed about a decade ago, Hjörne (2003) described internet as a complementary technology to the main print business. However, the role of internet in traditional newspaper businesses a decade later has most certainly changed. Carr (2014) writes that 'in digital media, technology is not a wingman, it is The Man' and argues against the notion that digital serve as an additional platform for established news companies. In 2013, about 19 years after *Aftonbladet* was the first-moving Swedish daily paper to move into the internet (Gustafsson & Rydén, 2010) there are widespread online newspaper reading habits. A considerable amount of Swedes read news and traditional press online in 2013 as figure 53 below displays (Findahl, 2013). Yet again, there are vast differences between age categories where online reading is most common between 26 and 45 years and much less common for 66 year olds and above.

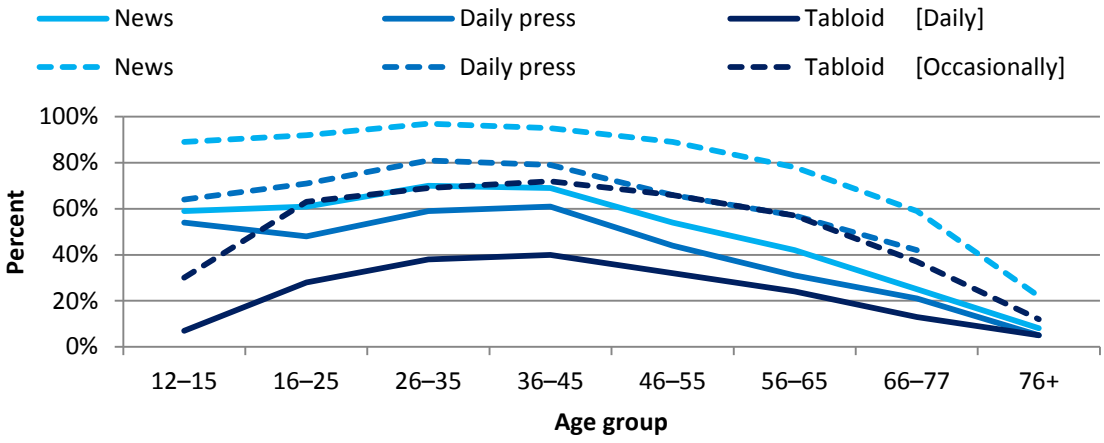


Figure 53: Swedish online traditional media consumption, 2013

3.6.3 Diffusion of facilitating technologies and maturity of traditional web surfing

The diffusion of computers has been followed by internet and broadband which has been widely diffused during the last two decades, as depicted by figure 54 below (Findahl, 2013). What can be seen is that the internet seems to have reached a steady-state level of diffusion around 2010 at a level around 90 percent of the population. This also seem to have coincided with a steady-state of first computers and later broadband which could be interpreted in such a way that all Swedes that want to have internet probably have internet and out of those, basically everyone has broadband.

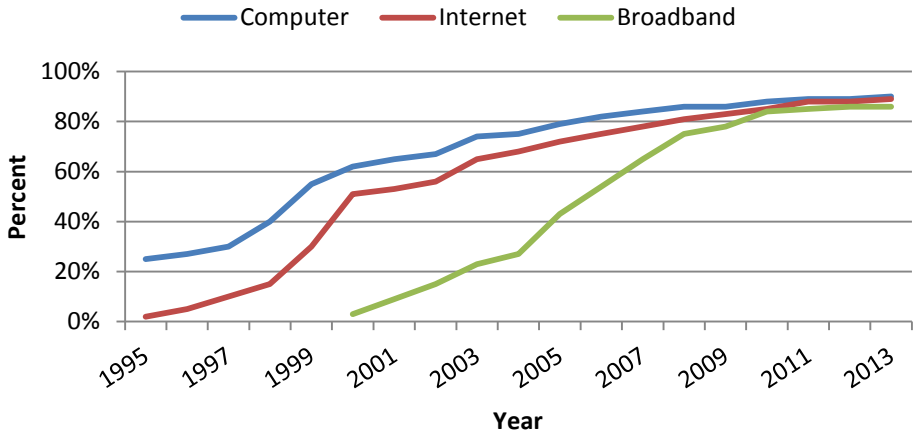


Figure 54: Swedish diffusion patterns of computers, internet and broadband, 1995-2013

As figure 54 displayed, the diffusion of computers, internet and broadband seems to have reached a plateau or steady state somewhere around 2010. Figure 55 below illustrates how the web traffic has developed as it give a picture of the visits and page visits for the 100 web pages with the most web traffic in Sweden (kiaindex.net, 2014). As can be seen, any growth of web traffic seems to have taken to halt and if anything there has been a slight decline since somewhere around 2010.

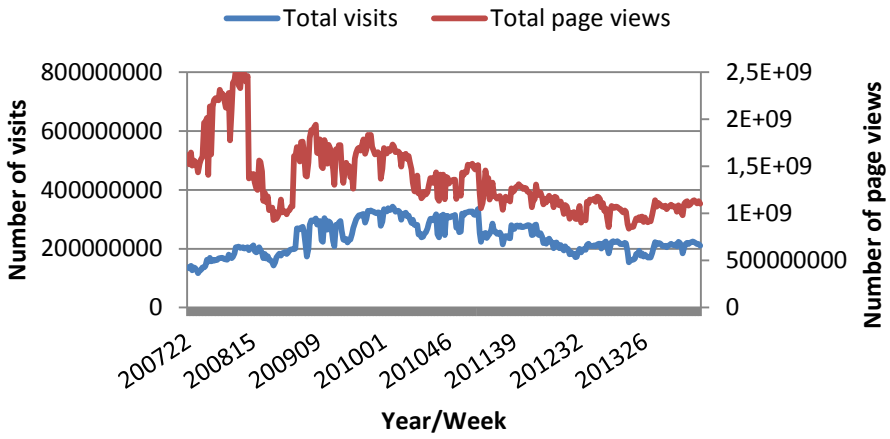


Figure 55: Swedish web visits and page view data for KIA top 100, 200722-201412

Regarding newspaper reading online using a web browser, figure 56 paints a seemingly coherent picture (Findahl, 2013). The share of the Swedish population that read newspapers online on a daily basis has been stable between 29 and 35 percent between 2007 and 2013. Out of the 7 years, 4 reports 30 percent and the lowest share of 29 percent was actually the most recently reported figure from 2013. The pattern of web browser newspaper reading seems to be highly similar for occasional reading as displayed by the dotted line.

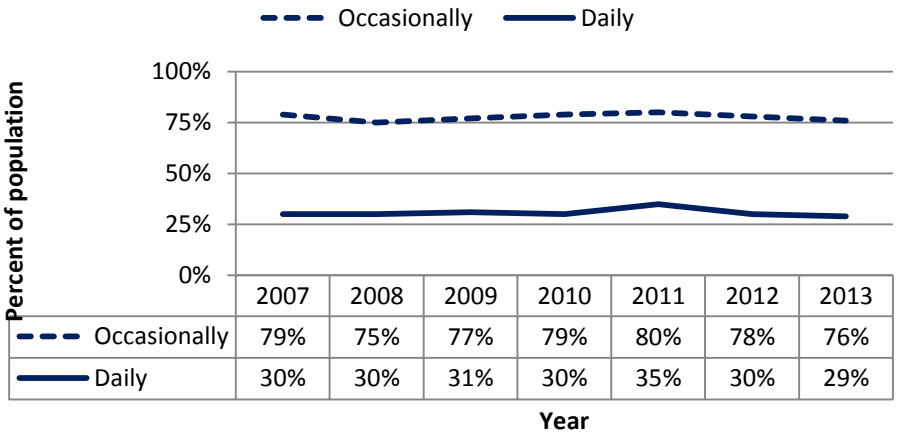


Figure 56: Swedish online newspaper reading through web browsers, 2007-2013

3.6.4 A second wave of digital disruption through the rise of mobile platforms

Much has changed since Apple entered the smartphone market with the pivotal launch of the iPhone in 2007 (Honan, 2007) and their sub-sequent creation of a tablet segment by the launch of the iPad in 2010 (Findahl, 2013). In the present-day internet landscape, internet traffic is no longer restricted to web browsing. Instead, traditional web browsers are accompanied by mobile surfing and in-app web surfing. Figure 57 below shows the growth of mobile internet traffic in Sweden by measured traffic from the top mobile sites according to the KIA-index (kiaindex.net, 2014).

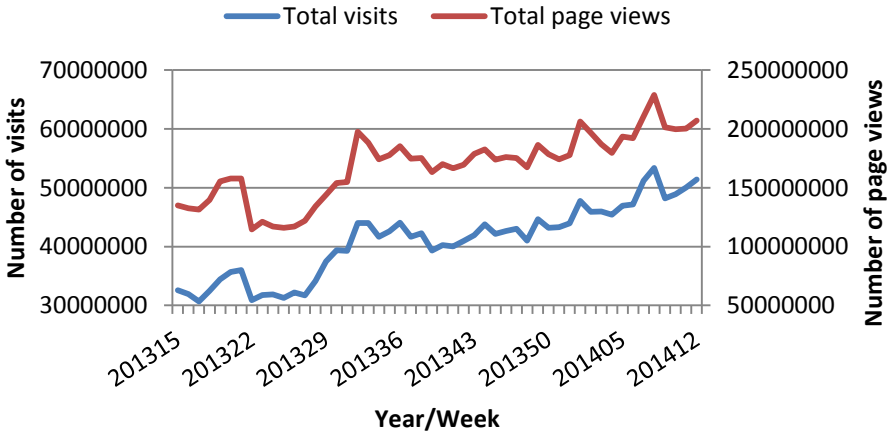


Figure 57: Swedish mobile visits and page view data for KIA top 100, 201315-201412

Mobile internet usage on a daily basis has increased substantially since 2010, as can be seen in figure 58 below (Findahl, 2013). Yet again, there are vast differences between age categories. In total, almost 70 percent of the population had a smartphone and 65 percent connected smartphones to the internet in 2013. This means that the speed of diffusion so far has been on par with the diffusion of internet. Tablets have seen an even faster rate of diffusion as it only took 3 years from 2010 to 2013 for 31 percent of the population to adopt the new platform. The speed of tablet diffusion was as of 2013 on par with the diffusion pattern of the television (Findahl, 2013). Tablets sales surpassed the joint sales of desktops and laptops in Sweden as of December 2013 when 250 000 units were sold, a 50 percent increase compared to the previous year. (de la Reguera, 2014)

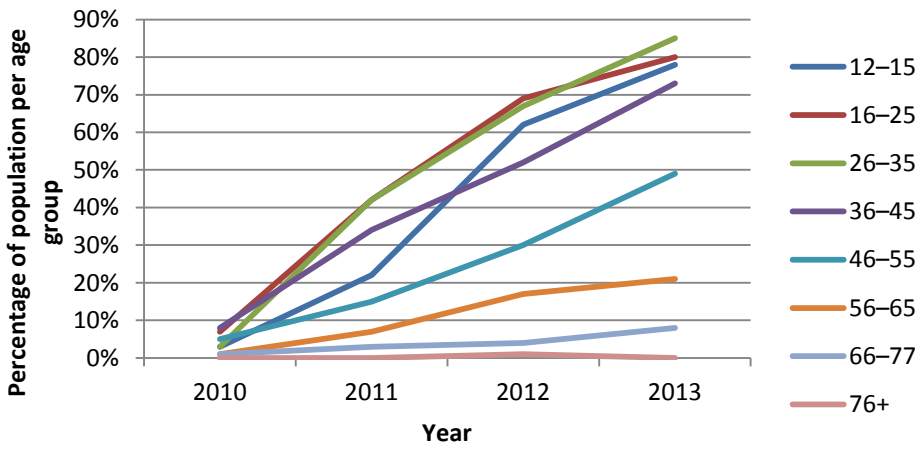


Figure 58: Swedish diffusion of daily mobile internet usage, 2010-2013

3.6.4.1 The shift to mobile first and platform preferences

Just a few years ago, newspapers started to adopt the buzzword, or buzz-phrase, of digital first with one example being the Guardian (Sabbagh, 2011). However, as the digital landscape is changing the emphasis of news digital focus also seems to be about to change. When asked about the mobile landscape in 2013, Spruill (2012), editor of emerging platforms at The New York Times, predicted that 2013 and the first half of 2014 would mark the time when more news site visitors would use mobiles and tablets rather than laptops and desktops. As far as predictions for journalism regarding 2014, Johnson (2013) stated nothing but the following 'Web design really becomes less about the web and more about mobile.' *Aftonbladet* has become the leading newspaper with regards to digital readership in Sweden. Although the prediction of more mobile visitors than web visitors might be far from the reality yet for the bulk of newspapers *Aftonbladet* is already there in terms of number of visits and page views. During week 8 in 2014, facilitated by the Olympic Games in 2014 they broke the 4 million unique user agents barrier for their mobile sites (Thomsen, 2014a). This exceeded all other newspaper internet sites regardless of platform in Sweden besides *Aftonbladet*'s own web edition as figure 59 below illustrates (kiaindex.net, 2014). Regarding, visits and page views it exceeded all other news sites irrespective of platforms. In terms of digital revenues, *Aftonbladet* could boast of about 165 MSEK in 2013 and hope for around 250 MSEK in 2014 (Thomsen, 2014a).

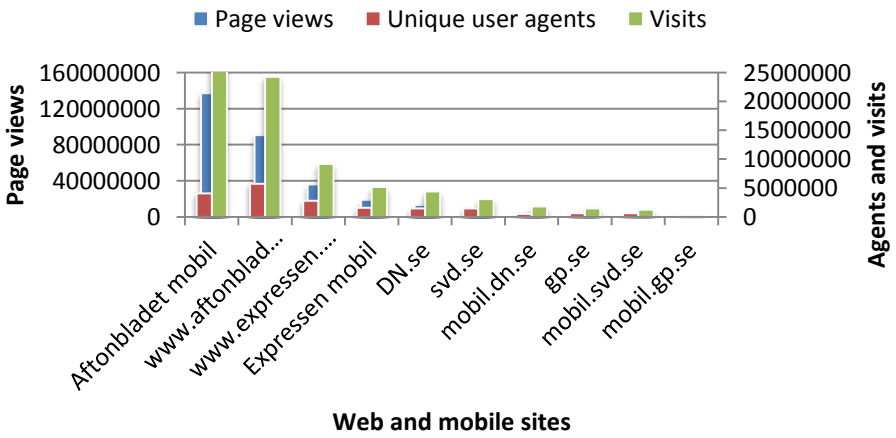


Figure 59: Swedish internet statistics show that mobile first is already here, 201408

Regarding platform preferences, there are some distinctions to be made for general online news and online daily press news depending on platform availability and frequency of usage. Frequent smartphone users use their smartphone and computer 44 and 45 percent respectively for daily online news as well as 87 and 88 percent respectively for occasional online news reading. As for the reading of daily press news online most use a personal computer. However, frequent smartphone users use their smartphones as much as their personal computers and frequent tablet users use their tablets more than their mobile phones and slightly more than their personal computers to read online daily press news. (Findahl, 2013)

3.7 A foreword before the analysis

In mid-2013, the prominent Swedish media economist Stefan Melesko stated that the prophets of doom are wrong about the daily press. A statement based on the Swedish newspaper advertisement revenue development in fixed prices during the past decades. The claim was that revenues still were on par with 1975 years level and further that they had been relatively stable during the past 20 years. (Jansson, 2013) Recent statistics from IRM, as illustrated by figure 60[36], paints a somewhat different picture. The statement that total newspaper advertisement revenue was on level with 1975 was true up until figures 2013 could be reviewed. The facts seemingly changed at the very time as they were spoken against the supposed newspaper death.

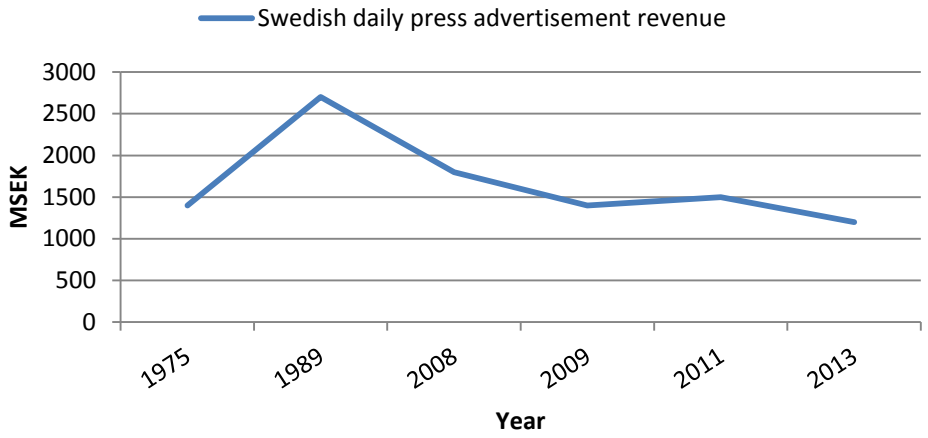


Figure 60: Swedish daily press advertisement revenue development in fixed prices, 1975-2013

2009 was on par with 1975 revenues is the worst year so far on the Swedish advertisement market. From 2008, media and the daily press lost 13 and 20 percent of advertisement revenue respectively. Since then, the daily press has lost an additional 14 percent after its resurge after the financial crisis.[36] Although, newspapers traditionally have enjoyed steady streams of advertisement revenue it is a daring assumption that it will remain so on the basis that is traditionally has been so. Picard (2002: 122) describes an inherent elusiveness of advertisement by writing that 'advertisers, however, do not provide these financial resources in order to make media possible; they do so in order to pursue their own interest and purposes.' Thus if the advertisers interests and purposes change, their advertisement spend might change. In order to do serious strategy work, one cannot simply listen to what others say or read what others write. Rumelt (2012: part 2, 07:39) expressed this by stating that 'if you are serious about strategy work, you must always do your own analysis.'

[36] Head of analysis, IRM. Semi-structured interview, 2014-04-04

4. Analysis

The analysis commences by discussing the overall situation as outlined by the framework of disruptive innovations. Then, a product-orientation in a declining industry is discussed hand in hand with the framework of jobs-to-be-done. After assessing the situation in the light of theoretical frameworks forecasts are provided for the main revenue streams before three cases that could affect the profitability of GP are discussed.

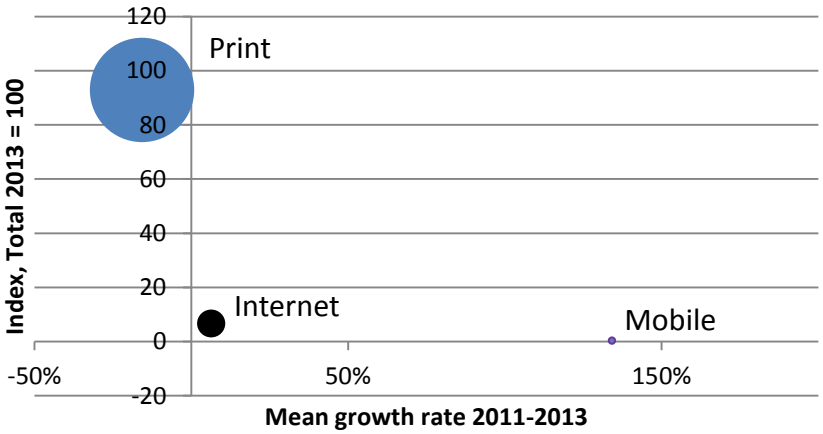


Figure 61: *Göteborgs-Posten*'s advertisement dilemma

There are three main trends based on consumer behavior and preferences that can be derived from the empiric data put forth in chapter 3. First, the demand for print newspapers and advertisement is deteriorating at a seemingly increasing pace. Second, the digital market for traditional web internet consumption is stagnant both in terms of diffusion, readership and advertisement spend. Third, mobile platforms is the first-choice for customers owning several gateways to online media and the mobile advertisement segment display the strongest growth forecast within advertisement. Thus, it seems that the solution would be to jump ship from print to digital with a particular emphasis on mobile platforms. However, this is the very kernel of the dilemma for GP as the growth rates per advertisement segments needs to be taken into consideration in conjunction with the present base as figure 61[37] above illustrates. The size of the bubbles illustrates the same index as the vertical axis which is the individual segments contribution to total advertisement revenue.

4.1 An innovator's dilemma in the newspaper industry

As print approaches obsolescence and traditional digital platforms through web internet is approaching maturity to the extent that it might start to decline, the business case of a shift to mobile first might still seem very weak. Therefore it can be useful to see this as a case of the innovators dilemma presented in section 2.2. The list below contains the five principles of disruptive innovations rephrased based on the particularities of the newspaper industry:

1. Newspapers depend on print customers for resources
2. Digital markets don't solve the revenue needs of large newspapers
3. The mobile market that don't exist can't be analysed
4. A newspapers print capabilities define its digital disabilities
5. Aggregate supply may not equal individual demand

[37] Internal document C. Retrieved: 2014-05-05 from Executive VP Sales, SLM

To motivate the first rewriting, newspaper sales and advertisement breakdowns show that newspapers are heavily dependent on revenue streams from print customers. It is also clear from the past years performance that digital revenues so far have been unable to make up for the loss of print revenues. Figure 31 in section 3.5.3 exhibited that 93 out of 97 percent of total revenues stem from print where the remaining three percent are attributed to non-newspaper sources. Thus, if GP would turn away from their print customers they would turn away from their foremost source of financing and if GP's efforts aspire to reflect current revenue streams, basically all efforts should target print. The implication of this is that the more astutely GP listens to their main source of financing and tailor products towards their present needs, the more difficult it will be to invest in digital capabilities as this is not what the mainstream customers currently prefer. In order for this to seem as a plausible tactic, the next platform improvement should be easily transitioned to such as the shift from broadsheet to the tabloid format.

The second paraphrasing can be conveyed by an actual revenue example. Suppose GP loses 100 MSEK a year from print advertisement but are able to retain their subscription revenues. When print advertisement decrease by 100 MSEK, GP should attract about 11 MSEK in new advertisement revenues according to the rule of thumb of advertisement conversion. Thus, there would be a net loss of 89 MSEK and it does not really make sense to focus on digital growth to offset print losses. If GP is rational in this aspect they might instead try their hardest to retain print advertisement revenues at all costs. This could involve putting external advertisement sheets, read inserts, into newspapers or increasing the advertisement-to-content ratio which potentially could result in a less satisfied customer base. Nevertheless, the fact that digital growth so far has been unable to satisfyingly offset print losses results in a business case that is on the losing side of expected future customer expectations as the present-day business case emphasises print rather than digital and mobile efforts. This since the small mobile market does not suffice to satisfy the advertisement growth imperative set forth by print losses given the advertisement heavy business model.

That a new emerging market by definition is small is one thing, but that it is impossible to know what it will become is another circumstance that leads to the third paraphrasing. The mobile market is new, at least in terms of diffusion of mobile internet which is the delivery vehicle outside home, work, school or similar places where Wi-Fi provides internet access. In this aspect, the diffusion pattern since 2010 is quite remarkable, as displayed earlier by figure 58 in section 3.6.4. What it will mean for traditional newspapers in the future is of course unclear. The advent of the smartphone and later the tablet altered the importance of traditional desktops and laptops and it is likely that there will be more significant changes in the future. Recall figure 4 in section 2.2, one characteristic of disruptive innovations is that they typically move upstream as they start out below the performance needs of the mainstream customer segments. Thus, print readers are likely to not be overly excited about the mobile performance in 2010 or 2014 but they might very well be by 2018. Mobile platforms are far superior to prior digital platforms in the aspect of mobility and accessibility, which arguably have been traditional newspaper strengths. This should be a major reason for concern within the newspaper business as a second wave of digital disruption can be anticipated based on the new digital mobility and accessibility features. From a business standpoint, it will certainly be attractive to be the leader in mobile news as long as mobile platform reigns as the superior choice but the business case might not tell the same story now and it might not in the future either. It is simply impossible to know.

If capabilities define disabilities, then newspapers print capabilities should define its digital disabilities. This goes for newsgathering to editing to sending the news to customers or users as well as for advertisement sales. For example newsgathering, traditionally it had to be done by journalists but digital technology has shifted the relationship towards more user-sourced news such as when people send in pictures of events such as fires to the newspaper which can be published online and also in print. However, traditional print journalistic capabilities might not value such news supply chains but rather want to investigate everything on one's own as the time to the print deadline could allow for such meticulous journalistic manners. This could be fine for print but in digital times this could also lead to rigidness and thus a loss of agility which results in late news in the perspective of internet time. Another issue is advertisement sales. The rule of thumb states that revenues for comparable advertisement content vary by platform by a factor of ten. If wage incentives are used one would expect rational salespersons to go after print sales as much as possible. This would lead to strong print sales but also possibly sub-optimal digital sales. It is hard for a salesperson to be as good of a print salesperson as one can be and meanwhile be as good of a digital salesperson as one can be. The implication of this principle is that the very edge of the organisation which traditionally has been print newspaper reporting and advertisement sales also defines the very inabilities to compete at the edge of the organisations digital possibilities.

The fifth paraphrasing is the least covered by theoretical and empirical data. A notion that the supply of technology may not equal customers' demands could be due to technological overshooting. This could for example mean that a customer buys the newspaper to follow the soccer results for a local team. The newspaper however contains plenty of other information which in this case could be interpreted in such a way that the aggregate supply of news might not equal individual demand. Prior to digital sources, the best way to be sure to have the results could have been to subscribe to the local newspaper. However, this particular customer need could readily be met by digital news reporting and as the newspaper might overshoot individual customers' demands they could as a result see declining subscriptions when disruptive digital reporting creeps upmarket and snatches such customers.

4.1.1 Summary of the innovator's dilemma in the newspaper industry

The implications of the innovator's dilemma in the newspaper industry can be summarised as following. First, the shift from print to digital will require a new skillset in terms of capabilities which most likely will not emerge on its own without deliberate measures. Second, the business case of a move from print to digital does not seem to make sense at the present time and there is no indication of a right time in the future either if one considers print decline rates versus digital growth rates. Thus, it seems important to not let the business case hold the strategy hostage as the picture of the future state of media is emerging where print seems to play an increasingly lesser role, especially in comparison to digital media. It does not seem that news is going out of fashion but rather that print on the one hand is becoming obsolete meanwhile the advertisement-heavy business model that was popularised 150 years ago crumbles on the other hand. This is an important notion as the next section will discuss the future of news from a product and jobs-to-be-done-perspective.

4.2 The perils of product-orientation and newspaper jobs-to-be-done

Theodore Levitt warned against selling rather than marketing. In this particular case it could be interpreted as converting physical newspaper assets into financial assets. The perils associated with this are that an emphasis on customer needs might get lost along the way. When newspapers lost classified ads to online services such as *Blocket,* newspapers were likely occupied with selling paper advertisement rather than seeing potential benefits of online features such as search ability. If the sales department strives to maximize their newspaper advertisement sales at all times the revenue might very well be maximized to the best of their ability. However, the issue is that customers move to the product or services that are best suited for their needs and in the case of classified advertisement the conclusion of the customer behavior is that online classifieds are superior to print classifieds. If classified ads would serve as an analogy for print it would mean that focusing on print likely is a good strategy to maximize print revenues until the very end but a bad strategy to be able to deliver products and services well-suited for future customer needs. As product provincialism has led to the downfall of one growth industry after another. GP should steer clear from such lines of thought and open up the definition of the business they conduct to avoid going down with a sinking ship. If the management sees itself as delivering newspapers, they will allow the rise and fall of the newspaper industry to determine the rise and fall of their company according to Levitt.

Since product provincialism supposedly carries an intrinsic risk of obsolescence, one is left wondering how the product view should be handled instead. This is where Clayton Christensen's marketing contribution by means of the jobs-to-be-done framework comes in handy. If customers do not want a quarter-inch drill but instead a quarter-inch hole then they might not really want a newspaper. The jobs-to-be-done framework tells the story that customers hire products and GP's customers thus hire the newspaper to conduct some jobs for them. As the newspaper is a vehicle that performs many jobs the question of competition in the digital landscape can be turned into a question of which jobs that the product can excel at and which it cannot defend from new competing products and services. An example can again be classified ads. Historically, newspapers were probably the best way of connecting private goods with unknown prospective customers. Even as commercial television and radio entered the price versus value offering from the newspaper was likely far superior. However, as internet arrived another prospective employee for the job to announce the desire to sell a good to prospective customers was born. In some key aspects such as reach, cost and the ability to search it would later prove far superior to conduct the job for which newspapers like GP used to be employed. As there are no, few at least, laws that protect employees on the jobs-to-be-done market GP and its fellow newspapers eventually had to find themselves unemployed.

Besides acquiring new capabilities to solve the innovator's dilemma, another area that should be meticulously examined is which jobs-to-be-done that the disruptive technology might perform while maintaining an advantageous business model and cost structure and which it cannot. This implies particular focus on current and future strengths and less fighting against windmills. Christensen and Raynor (2003: 87) stated this such as that 'focus is scary - until you realize that it only means turning your back on markets you could never have anyway. Sharp focus on jobs that customers are trying to get done holds the promise of greatly improving the odds of success in new-product development'. For traditional paper newspapers, this implies scrutinizing their competitive position in several areas such as television schedules, job opening ads, and late night sport results. However, this does not mean that such jobs should not be done by traditional newspaper organizations such as GP. Only that print paper is not the best available media for certain jobs-to-be-done anymore.

4.3 A link between empirical data and jobs-to-be-done

It is time to consider the link between empirical data and jobs-to-be-done. By reviewing the empirical facts on the dual market, customers one the one hand and advertisers one the other hand is leaving at unprecedented rates. Starting with the customer side, not all newspaper customer leaves as figures 8 and 30 illustrated. There are vast discrepancies between age categories. So a conventional way to view marketing could be that newspapers now should target certain age groups. This is where Levitt and later Christensen probably would want to intervene. If newspaper readers do not buy newspapers because they need newspapers, then it interesting to consider which jobs that customers employs the newspaper to do for them. Another way to view the swift decline in certain age categories is that they no longer find the newspaper as their employee of choice. However, this is where the distinction comes in especially useful because there are plenty of customers who still employ a newspaper to do certain jobs for them, even in ages between 15 and 64. The reason why it could be hazardous to target the newspaper towards 65 plus year olds is that they do not employ the newspaper because they are in that particular age segment. All customers hire the newspapers because they find that it can conveniently conduct certain jobs for them.

The advertisement market can be seen through the same lens, rendering figure 38 especially disturbing from a future revenue perspective as the decline span across all main categories of brand, product, job and headline ads albeit with slightly different rates of change. The trend had also disconnected with macroeconomic indicators. This is an interesting and meanwhile unsettling fact as total ad spending in general depends on macroeconomic trends. One layer deeper, figure 39 indicated vast differences among headline categories. Travel, events and goods peaked in-sample during 2005 and properties and motor peaked 2006 meaning that they started to decline before the crisis around 2009. The two segments travel and motor decreased by 21 and 17 percentages in mere 3 and 2 years respectively between their peak and 2008 which still could be considered pre-crisis. Events display a curious pattern as it peaked pre-crisis before slowly decreasing while maintaining is level throughout the crisis only to start a much more rapid descend post-crisis. The point here is not that segments differ because that is to be expected. Instead, the point is rather that their various patterns could tell a story of how their jobs were overtaken irrespective of macroeconomic trends. A financial crisis in the midst of such a major transition of consumer and advertisers preferences complicates the analysis. However, there are clear indicators that segments started their declines before, during and after the crisis. Most segments actually started to decline somewhat before the crisis year of 2009 as the job market for the jobs they provided were exposed to a supply shock. All of a sudden, online markets providing traditional newspaper jobs for travelling exemplifies a similar migration to a superior platform as when classified ads were snatched from the newspaper.

The answer to the question of whether newspapers will retake these markets is most certainly no. It sounds harsh but customers vote with their feet. A more compelling question is why newspapers who used to serve virtually all classified ads or travel customers were not the ones to follow these customers online. This is an integral part of the innovator's dilemma. Most likely, newspapers controlled huge advertisement segments and the internet community at its very dawn was too small to satisfy any revenue needs of large newspapers. These are examples of transitions where most newspapers tried to sell print ads instead of trying so satisfy the true needs of their customers. Analogous to Levitt's notion of the drill, it is hard to see why prospective property buyers would need to review their options on paper where digital services provides many more features such as search ability, e-mail notifications and real-time bidding. And print simply cannot excel at these services.

4.4 Analyzing the revenue side

This section of the analysis evaluates the future outlook for the two main revenue streams of subscription sales revenue and advertisement revenue.

4.4.1 Extraordinary price increases needed to maintain newspaper sales revenues

Due to the significant decreasing trends for newspaper reading in terms of readers and reading time, as seen earlier by figures 8 and 9 in section 3.2.2. It is time to assess circulation scenarios for a period until 2018. As noted in the theory section, the more dynamic the situation the more proximate the objectives and a period of four years is presumed be of enough length for GP to make significant changes and meanwhile close enough so that present assumptions may hold reasonably well. It is worth noting that there has been two major technological disruptions by the smartphone and the tablet during the past eight years, thus basically one every fourth year. To assess the situation, different reach development patterns depending on age category as displayed by figure 30 in section 3.5.1 are used together with the actual circulation and reach figures from 2013. Taking an average rate of reach decrease between 2010 and 2013 combined with the current relation between reach and circulation assuming that the total GP customer base is distributed age-wise as Gothenburg results in the following circulation and reach patterns displayed by figure 62 below (*Statistiska Centralbyrån*, 2014b; TNS Sifo, 2007-2013, 2014a, 2014b). As a percentage decline result in lower absolute reductions as the base gets smaller, percentage declines are marked by full lines ending up at 121 181 and a continuation of the decline from 2013 to 2014 are marked by dotted lines ending up at 107 934.

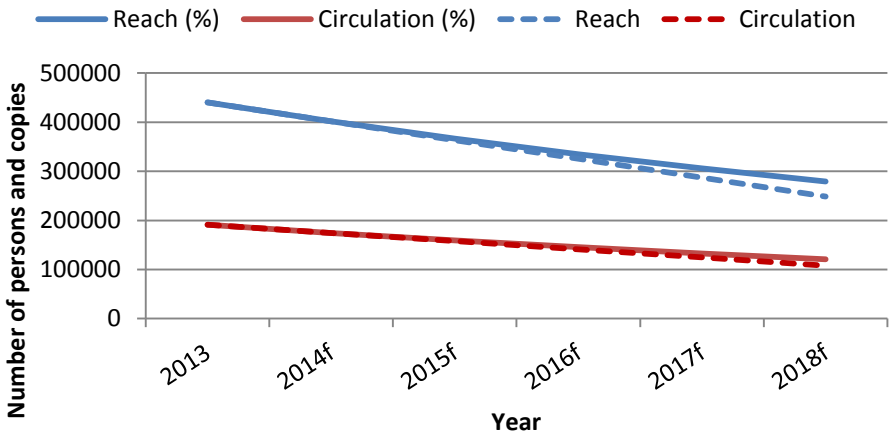


Figure 62: Possible reach and circulation development, 2013-2018f

The price increases needed to maintain current levels of subscription revenues would amount to between 58 and 77 percent. Although, the daily press actually do have a history of hefty price increases, the 77 percent needed if the circulation drops to 107 934 correspond to the aggregate market price increase between 1981 and 2000 or the 73 percent between 1990 and 2005. If circulation drops to 121 181, a comparable increase of 60 percent was conducted during the 1990's. However, during the 2000's the largest price increase was between 2000 and 2008, a total of 31 percent which later were retracted during the financial crisis. Thus, the necessary increases to keep revenues flat seem disproportionally high in a period as short as merely four years. This does not mean that the price should not be increased however. The point is that price increases do not seem to be able to compensate for a high continuation of the circulation decline at its present pace.

4.4.2 Advertisement revenues likely to decrease significantly

To evaluate the advertisement situation for GP some assumptions have to be made, see figure 63 below for the data used (IRM, 2014). The IRM2014 row display IRM's 2014 predictions. For print, there is a major assumption that the market will not turn and also that there will be relatively significant print advertisement decreases. The best case is set at a five percentage yearly decline after consecutive print losses around 14 percentage points for the past 2 years. It seems sound to acknowledge that print face a serious downturn. As the IRM prediction is a decline of 9 percentage points, the worst case is arbitrarily set to about twice of that at 20 percentage points.

Advertisement revenue scenario analysis weights			
	Worst	**IRM2014**	**Best**
Print	0,80	0,91	0,95
Internet	1,00	1,09	1,20
Mobile	1,20	1,71	2,20

Figure 63: Rates of change used for advertisement scenario analysis, 2013-2018

Web internet change rates have no growth as its worst case as web internet do not increase much as concluded in section 3.6.2, nor is expected to. However, prior inefficiencies in sales or more efficient web handling might increase the amount of visitors or their frequency and the best case is set at 20 percentage points. One major cause of concern for the internet advertisement revenues is the fact that a lion's share of GP's internet advertisement revenues stem from display advertisement. As figure 23 in section 3.2.6 illuminated, this particular segment grows far less than the internet as a whole and the IRM 2014 case is based on the entire internet growth and not only display advertisement. As far as mobile goes, bear in mind that this segment is relatively new and such explosive growth as it has displayed during the past years might not prove to be sustainable. But then on the other hand, that is a central part of the innovators dilemma. It is impossible to accurately predict a new market such as mobile advertisement.

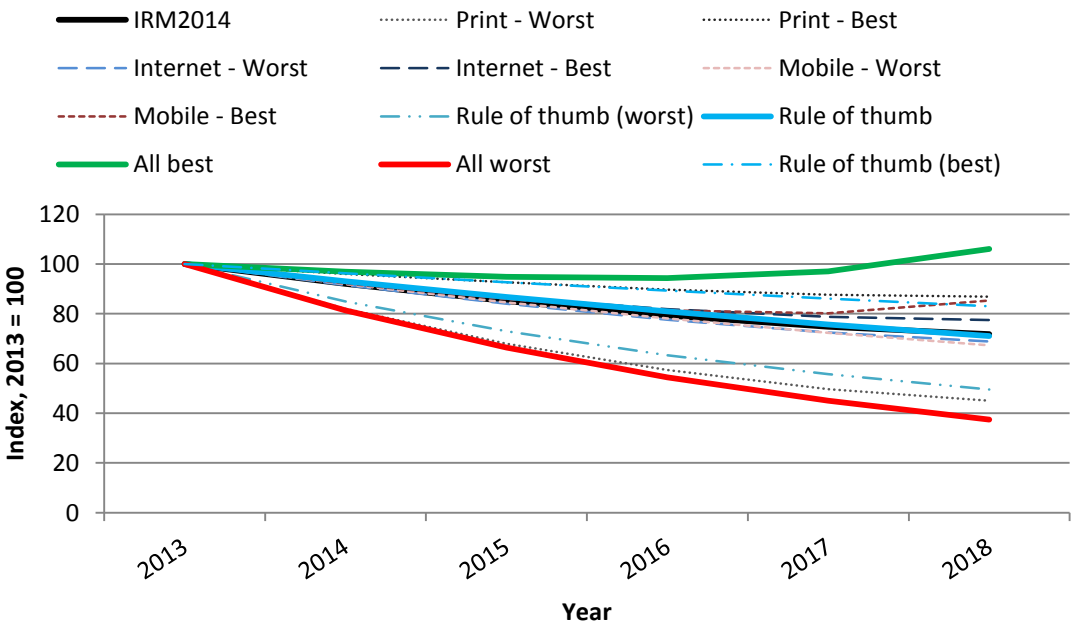


Figure 64: Advertisement revenue scenario analysis, 2013-2018f

Figure 64 above visualizes the impact different combinations of the advertisement rates of changes, as discussed above along the heuristic rule of thumb for advertisement conversion, have on total advertisement revenues in comparison to the index 100 year of 2013. A scenario named 'Print - Worst' has IRM2014 rates for internet and mobile alongside the worst case for print. The 'Rule of Thumb' scenarios adhere to the proposed rate of conversion stemming from print losses to digital gains of a ten percent increase in internet and a one percent increase in mobile. For this scenario analysis, both are used meaning that eleven percent of print losses are transferred into digital revenue. The differences between the three 'Rule of Thumb' scenarios are the print cases which are set at the worst, IRM and best print levels. Finally, to understand the outermost boundaries within the model, there are cases of all best and worst.

The only case that exceeds the 2013 level of advertisement revenues are the case were all rates of changes are set to the best levels. That means a print loss of 5 percent, an internet growth of 20 percent and a mobile growth of 120 percent annually for the next 4 years. For the best case, digital revenues in 2018 are projected to be about 175 MSEK which is just above *Aftonbladet*'s 2013 level of 165 MSEK. The most significant factor is print advertisement. If print losses keep up, or anywhere near, with the losses in absolute terms from the past 2 years then the situation will likely even be worse. Pacing 100 MSEK of yearly losses, print advertisement will be eradicated rather than sharply reduced within a few years. And even if print losses slow down, all the scenarios where print is set to best, besides all best, display reduced advertisement revenues of 13 percent or more.

The factor besides print that seems most significant is if mobile can be at the highest level of 170 percent annual increases. Using that for a prognosis seems like a gamble more than anything but it does show the importance of significant mobile growth as print is decreasing. If IRM 2014 rates apply during the upcoming period the best mobile growth results is an overall advertisement reduction of 15 percent in total. However, if past digital performance is believed to be any indicator of future digital development then figure 65 raises a serious cause for concern. As print advertisement has been reduced severely during the past years it illustrates how the 'Rule of thumb' case would have increased the digital revenues. It is clear that the digital increases compared to the 'Rule of Thumb' have been poor to say the least. The 'Rule of Thumb' results in an advertisement revenue reduction of 29 percent by year 2018, which occurs if the print decline sticks to IRM's minus 9 percent prediction. However, as the digital change performance indicate, the results can be far worse.

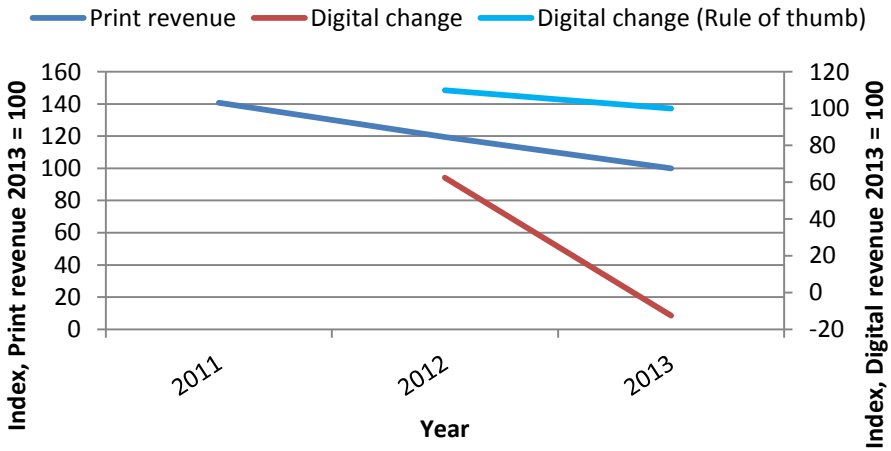


Figure 65: Digital conversion performance compared with the 'rule of thumb', 2012-2013

4.4.3 Summary of the revenue side projections

Print as well as advertisement revenues are likely to fall. Projections of future circulation indicate that the price increase to offset the presumed upcoming loss of circulation is about 58 to 77 percent in the coming 4 year period. This is an unprecedented price increase for such a short time period based on the general pattern of price increases on the Swedish newspaper market. Thus, it seems likely that revenues from newspapers sales will drop significantly. Given the same price level as 2013 the loss of revenues would be about 44 to 54 percent. The scenario analysis for the advertisement market revealed that GP should expect losses of at least 25 percent during the upcoming 4 years. As GP's current level of profitability is assumed to be at break-even, the implication of the discussed revenue decline will be an immense pressure to reduce the cost base during the upcoming years. Thus, the following section 4.5 discusses a few possible options to achieve significant cost reductions.

4.5 Three cases for improved newspaper profitability

This section describes three cases that are examined in the light of earlier findings from theory through empirical data and the subsequent analysis. First, the case of a price increase for newspaper subscription is evaluated with a particular emphasis on the product and price mix with respect to distribution costs. Then, two cost savings initiatives are evaluated given the cost saving imperative concluded in section 4.3. The second case is the cost saving potential from an earlier handoff from the newsroom. Then, the third case evaluates the appropriateness of a reduction of the issue frequency from seven to six days from an overall profitability standpoint.

4.5.1 The case of increased pricing and the right print and digital product mix

As the 150 years old advertisement business model of a 33/67 revenue split crumbles, a new sustainable model needs to be found. When the 33/67 business model was introduced two centuries ago it seems like a fair assumption that it was because it was possible. The demand for print advertisement and print newspapers for consumption was high enough to motivate such revenue spilt. However, customers are the ones who determine revenues based on their preferences. On a two-sided market this means advertisers and readers and figure 66 below illustrates how the business model has crumbled as newspaper sales have been forced to constitute an increasing share of revenues for GP during the past 16 years (*Göteborgs-Posten Nya* AB, 2002, 2006, 2010, 2014). Interestingly, the mean split between 1997 and 2007 was just 33/67. However, the split does no longer holds and the past three years between 2011 and 2013 display a mean split of 45/55.

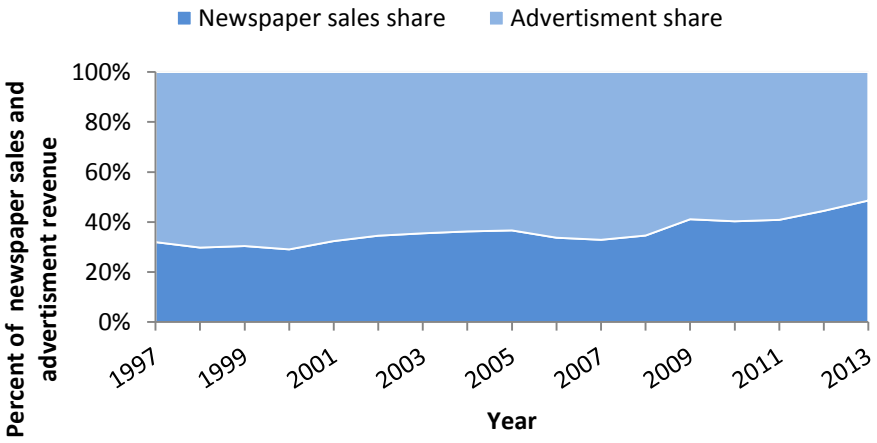


Figure 66: The downfall of GP's 33/67 business model, 1997-2013

As section 4.3.1 concluded, there is an imminent risk of a severe circulation decline from which price increases alone seem unlikely to make up for the lost circulation in terms of the effect on newspaper sales revenues. However, if the assumption that the price elasticity of demand is to be considered inelastic holds, GP should increase prices from a revenue perspective as an increased price then leads to increased revenues. But pricing is not only a matter of the effect on the item that is priced alone since products can be complements or substitutes given their cross-price elasticity. If one considers GP's main product as to be the seven day print subscription then other product offerings such as the weekend package can be considered a substitute. The digital package is elusive in terms of defining it as a substitute or a complementary product as it arguably can serve both functions. It is a substitute if customers discontinue their print subscriptions in favour of the digital package but a complement if it is used for instances that the print paper cannot or is not preferred to be used. This is important as there is one particular instance where it can be helpful to use pricing to make paper subscriptions and digital packages substitutes rather than complements, when production costs are to be reduced.

Due to unavoidable differences in density and thus distance for delivery, there are vast differences between customers with regard to distribution costs. As distribution costs depend on customer density, this can become an area of increasing concern as circulation falls. Figure 67[38] below plots a model of GP's customer spread in terms of the number of subscribers with respect to individual distribution cost indexes loosely based on actual disclosed distribution cost data. Green indicates a profit contribution from each individual customer. Customers in the yellow zone can be considered break-even customers. As for the red zone, these costumers contribute negatively to profits.

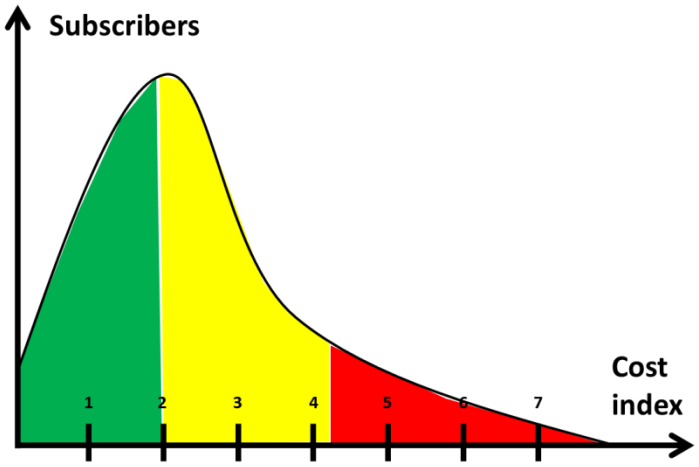


Figure 67: The distribution cost index density function

When circulation falls, the bell-shaped curve generally shifts outwards towards the yellow and red zones. This is a truth with modification as it is possible that the red zone customers are the ones who drop out. However, such scenarios are not desirable neither as a customer group potentially could shift from a cost index of five to an index of seven. So ways of shifting the curve inwards should be explored as this is a way to reduce the mean distribution cost. There are three main such scenarios. First, one could simply refuse those customers the option of subscribing to the paper version of the newspaper. Second, customers which incur too high distribution costs could be priced out if the willingness to pay for newspapers is assumed to be lower in yellow and red areas compared to green areas. Third, customers could be nudged into buying digital packages instead of print packages.

[38] Internal document F. Retrieved: 2014-02-27 from Controller, GP

Before examining the potential effects of any alternative, it is worth making a connection to advertisement sales as the number of contacts, thus the reach, is affected by a reduced customer base. The first way of reducing the mean distribution cost is to simply refuse customers. This will surely reduce the customer base but alter the customer base towards a higher degree of profitable customers. Using second alternative would have the same effect on reach but improve the profitability of the remaining customers even more. This does however require that the amount of customers that leaves due to a higher price is insignificant in the overall perspective with regards to fixed cost per customer. There is thus a tradeoff between increasing the price which improves the average price per customer and potentially lowers the mean distribution cost with the increased fixed cost per customer and the reduced reach as the customer base shrink.

The third example might however overcome this tradeoff if customers use digital packages as a substitution to their present print newspaper subscriptions. The effects of such a movement are illustrated by figure 68 below. To achieve this, overall pricing needs to employ tactics designed to shift the least profitable customers to a position where they become the most profitable customers from a distribution point of view. The most profitable customers are the customers who solely rely on digital distribution where the marginal cost of distribution can be approximately zero. Thus, the most profitable shift in terms of the distribution cost index density function is to have the most expensive customers transferred to digital products. This is not in conflict with the first option of refusing customers but if GP wants to avoid such measures the third alternative would be to make their customers want to shift to digital product packages.

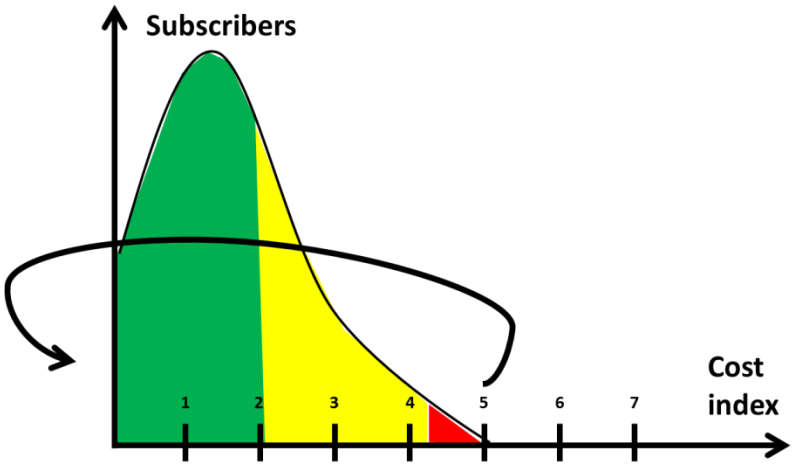


Figure 68: The desired effect of price targeting on the distribution cost index density function

If the price of print subscriptions would be higher, fewer customers who actually want newspapers or at least packaged news from GP would buy it. This is analogous with a downwards-sloping willingness to pay curve where quantity would be on the vertical axis and price on the horizontal axis. Thus, different customers have different thresholds for what they find reasonable or manageable for a given product. This can presumably be highly different between different buyers. The effect of a sharp price increase, of say 100 SEK a month, would be that many customers would find this new price above their maximum willingness to pay and they would thus unsubscribe. However, they did have a willingness to pay for the newspapers to begin with and in order to retain such customers discounts have to be given. The issue with discounts is that the revenue is lower but the cost remains all else equal.

For a discount to be profitable, the discount must be matched by a reduced cost. As GP offers an extremely homogenous product, the newspaper in the mailbox is virtually the same for all customers and the production cost per newspaper varies only with distribution. If this is taken into account for discounting matters then a profitable customer base can be reached through price differentiation. However, systematic behaviour of that kind boarders price discrimination. Thus GP should only offer discounts for products that are produced at a lower cost such as digital products. A price increase for print newspapers can tip certain customers over their threshold willingness to pay which create latent demand unless customers choose a competitors offering instead. If GP increases the price from say 300 SEK to 400 SEK and the price elasticity of demand is inelastic while also introducing attractive digital packages such as their eGP service with an included iPad for say 200 SEK several effects can be anticipated.

The underlying rationale for such pricing of the product portfolio would be to make customers choose a product that they are willing to pay for at a price point that is beneath their current monthly cost. This would be a particularly profitable move for GP as customers with a negative contribution to profits could become profitable. If the price is 200 SEK and a presumed tablet price could be paid through 24 months of subscriptions at 150 SEK a month, totalling 3600 SEK, there would be a net contribution from the customer of 50 SEK a month, totalling 1200 SEK, throughout the period. This looks like a low contribution but for customers at the right end of the distribution cost index density function this would be a significant improvement. Customers who are willing to pay the higher monthly subscription price of 400 SEK would better cover the cost of production and contribute more to total profits. Those customers who would be unwilling to pay more could choose to pay less and still get all the content that they used to minus the paper but with a new tablet. As the diffusion rate of tablets in Sweden, discussed earlier in section 3.6.4, is an almost unmatched historical high it does seem like there is a strong market demand for tablets whereby such tactics could prove successful. Thus, GP could take advantage of the tablet diffusion trend to convert unprofitable print customers to profitable digital customers. The next step then would be to improve the digital services to that it is clear from the customers' perspective that it deserves to be considered a substitute for the print newspaper.

A main underlying assumption is if customers actually at all view a digital version of GP as a substitute to the print paper newspaper of GP. If this assumption does not hold, consumers might choose something else if they want to substitute GP as the price increases. However, the price increase might still improve profitability as GP need to search for a business model where newspapers finance themselves if GP are to keep selling newspapers when the advertisement 33/67 business model collapses. Another way of responding to the cost saving imperative put forth by the failing advertisement 33/67 business model is to decrease fixed printing costs. As stated earlier, an increased price might induce higher fixed costs per paper as the circulation is likely to decrease when the price. If a price increase is performed with an anticipated reduction of fixed costs the tradeoff between an increased average price and increased average fixed cost might tip in favour of the effect of the increased price. As this subsection concludes that there is a case for actively converting certain customers from print to digital to improve the overall profitability, the next section will discuss how an altered time window for printing and distribution might affect profitability.

4.5.2 The case of earlier handoff from the newsroom to printing

As a reduced circulation increases fixed production costs all else equal, the second case will examine the cost reduction impact of an earlier handoff from the newsroom to printing. Given the information provided in section 3.4.1 about printing capacity and section 3.5.1 about circulation and its current trajectory it is possible to assess printing time window scenarios. The main factors are the number of printing presses which is the key fixed printing cost driver, the capacity of a printing press, the circulation and the time allotted for the production process. The amount of printing presses is a factor that can be changed although the cost saving will be delayed as it takes certain time to remove a production line. Printing capacity per press can be considered fixed for this analysis. Circulation is set by both the marketing strategy with regards to for example sales drives and the market demand for GP newspapers. The time factor is mainly chosen by the newspaper. From a printing perspective with respect to the number of printing presses needed, GP can choose their time window but as for distribution other titles and their printing time needs to be considered.

22.00	1 printing press			2 printing presses		
Circulation	Worst	Normal	Optimal	Worst	Normal	Optimal
180000	9,00	8,00	7,20	4,50	4,00	3,60
175000	8,75	7,78	7,00	4,38	3,89	3,50
170000	8,50	7,56	6,80	4,25	3,78	3,40
165000	8,25	7,33	6,60	4,13	3,67	3,30
160000	8,00	7,11	6,40	4,00	3,56	3,20
155000	7,75	6,89	6,20	3,88	3,44	3,10
150000	7,50	6,67	6,00	3,75	3,33	3,00
145000	7,25	6,44	5,80	3,63	3,22	2,90
140000	7,00	6,22	5,60	3,50	3,11	2,80
135000	6,75	6,00	5,40	3,38	3,00	2,70
130000	6,50	5,78	5,20	3,25	2,89	2,60
125000	6,25	5,56	5,00	3,13	2,78	2,50
120000	6,00	5,33	4,80	3,00	2,67	2,40
115000	5,75	5,11	4,60	2,88	2,56	2,30
110000	5,50	4,89	4,40	2,75	2,44	2,20
105000	5,25	4,67	4,20	2,63	2,33	2,10
100000	5,00	4,44	4,00	2,50	2,22	2,00
95000	4,75	4,22	3,80	2,38	2,11	1,90
90000	4,50	4,00	3,60	2,25	2,00	1,80
85000	4,25	3,78	3,40	2,13	1,89	1,70
80000	4,00	3,56	3,20	2,00	1,78	1,60
75000	3,75	3,33	3,00	1,88	1,67	1,50
70000	3,50	3,11	2,80	1,75	1,56	1,40
65000	3,25	2,89	2,60	1,63	1,44	1,30
60000	3,00	2,67	2,40	1,50	1,33	1,20
55000	2,75	2,44	2,20	1,38	1,22	1,10

Figure 69: Possible printing press and circulation combinations given a 22.00 PM handoff

Figure 69 above illustrates all combinations of printing presses and printing performance horizontally and different levels of circulation vertically. The green-marked zones are the alternatives with a mean production time that is less than the allotted time of 3.5 hours. The actual time window is four hours but the first 30 minutes are needed as a setup time. When the 02.00-AM project was initiated it was due to significant cost savings from printing and distribution. This example will however mainly deal with printing but as was stated in section 3.5.6, distribution can generally become more cost effective the more time that is allotted for that process which was illustrated by figure 47. It is clear that the circulation that is on the high end of the vertical axis in the figure above does not support a further reduction of the number of printing presses. In fact, it is only for optimal printing conditions that the printing process should be finished in time at a level of 175 000 copies. The corresponding amount of papers for one printing press would be around 85 000 copies.

Given the discussion of jobs-to-be-done that the print newspaper can satisfy and the notion of an extendable core, it would be hard to argue that a print newspaper is the best way of satisfying jobs-to-be-done such as reporting the winner of the Eurovision Song Contest or late night Champions League sports soccer results. As suggested, the focus should be on jobs-to-be-done that the organization can deliver competitively. It is therefore difficult to see that such jobs that GP and print newspapers cannot realistically defend should dictate the fixed cost structure. As the time window for print historically has been squeezed to keep the newspaper relevant it is simply impossible for a print product to compete with digital internet time.

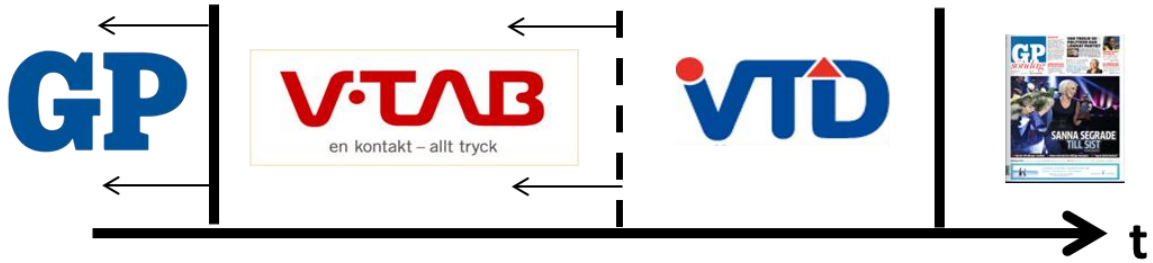


Figure 70: The production chain effects of earlier handoff on the print cost function

Whether GP should report something or not can actually be a question of profitability and longevity. Everything that prolongs newsroom activities with respect to the print newspaper can and should be assessed and compared with the production cost saving it prevents. The question is then not if Champions League should be in the newspaper but also at which cost it is acceptable to print the results. It is not a question of reporting in general but a question of reporting in print. When GP deprive their readers of soccer results in print, then it is in print and print only that the readers are deprived. So if GP decide to focus on print jobs-to-be-done where it can excel or at least perform while considering profitability and longevity the printing window could open up such as illustrated in figure 70 above. The full lines mark the printing window and the dotted line marks the start of the distribution window. If the newsroom sent the paper to print earlier the green zone would expand upwards in all columns as the print window would increase. Then, if the green expansion is enough to reduce the need of one printing press the printing cost function would be altered as showed by figure 71 below where the fixed cost for certain circulation intervals would be lowered.

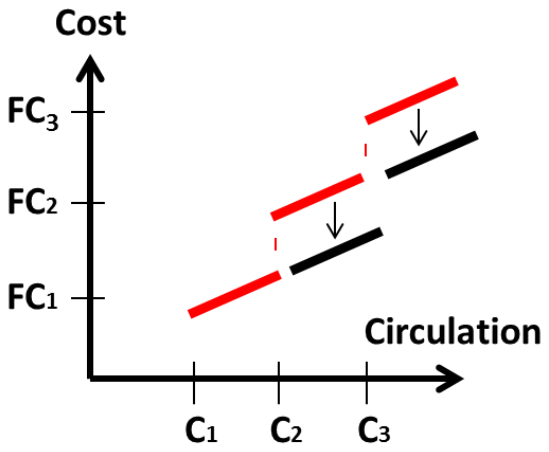


Figure 71: The effect of earlier handoff on the general printing cost function

Figure 72 below illustrates how a hand-off time for the first edition at 19.30PM expands the green zone. If the setup time remains at 30 minutes, this means that the total print window until 02.00AM would be 6 hours. Given this scenario, all circulations are green zoned using 2 printing presses and many more are available using a single printing press. In the case of optimal printing conditions a circulation of 155 000 copies can be produced. The normal case would allow for a circulation of 140 000 copies and the worst case a circulation of 125 000 copies. Comparing this with the forecast from section 4.3.1 above, the 2014 and 2015 projection are roughly 174 000 and 158 000 copies respectively. These projections are based on TS statistics from 2013 where GP had a total circulation per issuing day of 191 000 from which 17 300 are digital circulation corresponding to approximately 9 percent. Assuming the same share of digital circulation as 2013, which is to be considered a very low case because it implies significantly reduced digital circulation, 2014 and 2015 mean print projections are 159 000 and 144 000 copies respectively. Comparing this with the table provided by the figure below these projections imply that 2014 to 2015 marks the point where a single printing press will be enough to print GP's circulation if the window for printing is expanded to 6 hours.

19.30	1 printing press			2 printing presses		
Circulation	Worst	Normal	Optimal	Worst	Normal	Optimal
180000	8,75	7,78	7,00	4,38	3,89	3,50
175000	8,50	7,56	6,80	4,25	3,78	3,40
170000	8,25	7,33	6,60	4,13	3,67	3,30
165000	8,00	7,11	6,40	4,00	3,56	3,20
160000	7,75	6,89	6,20	3,88	3,44	3,10
155000	7,50	6,67	6,00	3,75	3,33	3,00
150000	7,25	6,44	5,80	3,63	3,22	2,90
145000	7,00	6,22	5,60	3,50	3,11	2,80
140000	6,75	6,00	5,40	3,38	3,00	2,70
135000	6,50	5,78	5,20	3,25	2,89	2,60
130000	6,25	5,56	5,00	3,13	2,78	2,50
125000	6,00	5,33	4,80	3,00	2,67	2,40
120000	5,75	5,11	4,60	2,88	2,56	2,30
115000	5,50	4,89	4,40	2,75	2,44	2,20
110000	5,25	4,67	4,20	2,63	2,33	2,10
105000	5,00	4,44	4,00	2,50	2,22	2,00
100000	4,75	4,22	3,80	2,38	2,11	1,90
95000	4,50	4,00	3,60	2,25	2,00	1,80
90000	4,25	3,78	3,40	2,13	1,89	1,70
85000	4,00	3,56	3,20	2,00	1,78	1,60
80000	3,75	3,33	3,00	1,88	1,67	1,50
75000	3,50	3,11	2,80	1,75	1,56	1,40
70000	3,25	2,89	2,60	1,63	1,44	1,30
65000	3,00	2,67	2,40	1,50	1,33	1,20
60000	2,75	2,44	2,20	1,38	1,22	1,10
55000	2,50	2,22	2,00	1,25	1,11	1,00

Figure 72: Possible printing press and circulation combinations given a 19.30 PM handoff

Besides clamouring to jobs that GP cannot realistically defend from digital competitors another objective against the proposal to expand the time window for printing could be the simple argument that if it is such a good idea it would have been done already. However, this is not the case. Looking back, GP's circulation has been way above 180 000 copies during the past decades. The circulation is at a modern day low and decreasing rapidly. On top of this, the increasing decline of print readership started in 2010 and digital competition have increased sharply since. The opportunity to reduce the amount of printing presses is actually a new opportunity that GP is facing. Besides having the opportunity, as the 33/67 advertisment business model is crumbling GP is forced to consider previously unimaginable measures.

As the 02.00-AM project revealed, the cost reductions through longer distribution are non-linear but there is a negative relation between the distribution time window and circulation. This can be interpreted such as that for a given level of circulation the distribution cost will be equal or likely lower given more time alotted for distribution. The conceptual visualisation of this is depicted by figure 73 below there the long run curve will shift down. The short run cost still determine the cost position but in time the short run cost curve will intersect with the long run curve at any level of circulation. One factor that could possibly hinder this cost reduction would be if it would be unfeasible to distribute earlier as other newspapers that are carried alongside GP might not be printed earlier just because GP decides to print earlier. In any case, an increased time window alotted for printing through earlier handoff from the newsroom would open up some new distribution scenarios that might be capitalised upon in the future. Thus, there are direct effects on the printing cost functions expected and indirect possibilities to reduce the long run distribution cost function by moving forward with a handoff around 19.30PM instead of 22.00PM.

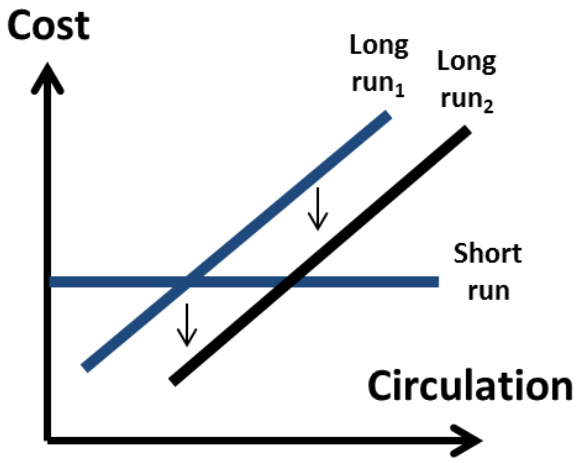


Figure 73: Possible long-term effect of earlier handoff on the distribution cost function

To conclude the case, there will be a brief discussion about which levels of production that might be reasonable to expect in the future. Figure 74 below illustrates an extrapolation of mean reach change rates between 2010 and 2013 from figure 30 combined with TS circulation data from 2013 from the underlying data set for figure 28 (TNS Sifo, 2007-2013, 2014a). From 2013 to 2014, there is an expected loss of about 12 500 issues. However, if the 2010 through 2013 rates of change hold reasonably well, meaning that older customer groups are likely to want to keep their newspapers, there is a baseline case somewhere between 85 000 to 100 000 copies. It is also noteworthy that after the circulation drops below 100 000 copies, which for the model below would occur in 2022, it would take about 8 years for the circulation decrease with 12 500 issues. Thus, the rate of decline could potentially slow down substantially after the customers who does not appreciate the jobs-to-be-done that a print paper newspaper can defend has departed. And from a profitability perspective with regards to physical production, that cost optimums should be sought around 85 000 to 100 000 copies is a fair guess at this point in time. Given what has been learned about the potential cost impact of an earlier handoff from the newsroom it is also possible to shorten the production time by purposely decreasing the circulation. As customers on both of the dual markets abandon the newspaper industry and advertisement is less and less credible as a source of price subsidy it is likely a good time to shift gears on the cost side by identifying the potential of circulation management.

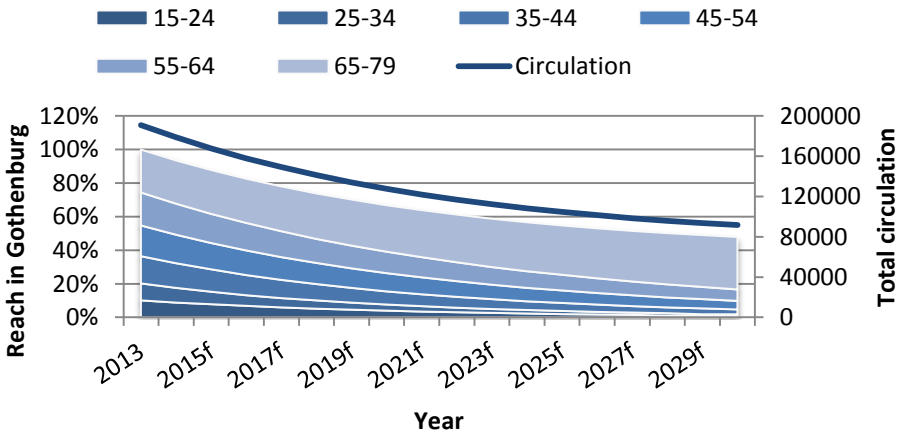


Figure 74: Extrapolating 2010-2013 reach changes for circulation estimations, 2013-2030f

4.5.3 The case of reducing the issue frequency

The final case discusses the need for seven days of distribution with respect to the advertisement demand. There are other issues with issue frequency such as how subscribers respond but that is an area covered in the discussion later. From an advertisement perspective, the overall Swedish newspaper advertisement volume has been declining as figure 19 showed in section 3.2.5. It has also been shown that GP has been no exception with regards to the declining advertisement volume. As the 33/67 business model demand advertisement subsidization to keep newspaper subscriptions down, this is a serious issue as the price of advertisement have not increased but rather decreased, at least for GP. If newspapers contain advertisement and if the trend of declining advertisement volumes continues, figure 75 below provides an illustration as for how many newspapers are needed to maximize the demand for print advertisement. A simple model would say that when the volume is reduced by 1/7 the issues needed to maximize advertisement revenues could be reduced by up to 1/7. For a newspaper with an issue frequency of seven days this would mean that the advertisement volume no longer requires seven issuing days.

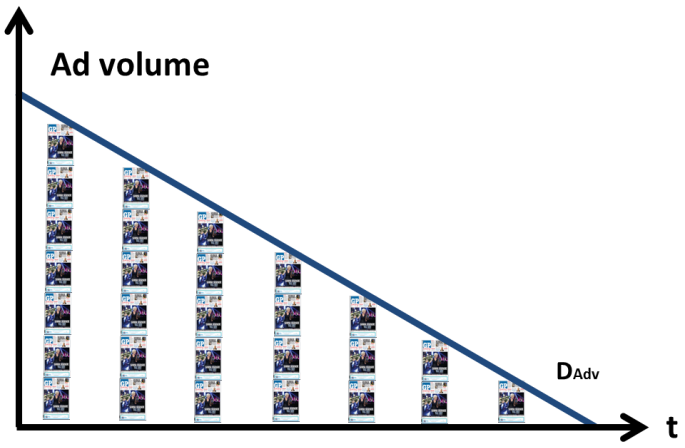


Figure 75: A general model of advertisement demand for volume and issues needed

The general trend according to figure 10 in section 3.2.3 have been a reduced issue frequency which perhaps then can be attributed to the declining demand for print advertisement. However, seven day newspapers have been especially rigid in this aspect as the subsequent figure 11 illustrated. In order to successfully reduce the issue frequency with respect to advertisement, all advertisement from the removed day has to be transferrable to the other days. The question then is if this is realistic. According to GP's head of sales[39] it depended upon the day of the week, the earlier during the week the better. Thus, a newspaper can assess which day that seems most suitable from an advertisement perspective. As 1/7 is about 14 percentages, it is noteworthy that the volume decline through 1997 to 2012 has been 22 and 27 percentage points for Swedish newspapers and GP respectively. As the past years have been especially difficult from an advertisement perspective, it should be further noted that GP lost an additional 11 percentages between 2012 and 2013 alone. As the rapidly falling circulation open up new printing possibilities, the severe advertisement decline no longer seem to require a full week of newspapers to fill the local print advertisement demand. But in order to take such a step, it is important to assess the case from a profitability standpoint.

To understand the profitability impact the main revenue and cost positions needs to be evaluated. The underlying mathematical relationship for such a move is the reduced physical production cost along the content production costs minus lost revenues from print advertisement and newspaper subscriptions. For this, data from figure 31 in section 3.52 is used together with data from figure 45 in section 3.5.5. From a revenue perspective, advertisement will likely fall as day-specific advertisement such as advertisement around the Monday weather will be lost if Mondays for instance are removed. However, from a volume perspective the other days should suffice to cover the advertisement demand. For 2013, if about 85 percent of the advertisement volume is kept from the removed non-issuing day, then the total revenue impact would have been around 1 percent for GP. Regarding subscription fees, it is difficult to forecast the impact of a reduced issue frequency so this factor can instead be reviewed as for a worst allowed case.

From a production perspective, there would be a direct impact on variable printing costs. If the variable printing cost is reduced by 85 percent of 1/7, the cost index impact would have been about 1.5. This is using the cost index from section 3.5.5. The corresponding cost index impact for distribution costs would be about 3.75. It should be noted that there are issues for the printing and distribution organisations as GP is not their sole customer. As far as content production and other costs, it is difficult to assess the cost impact of reducing one day as there are different alternatives if such a course is chosen. For instance, it there would be no digital version of the paper that day the editing cost would be far lower than if the digital version would be distributed. But to move forward, a reduction of 1/7 of other costs by 15 percent would result in an overall cost index saving impact of around 0.8, referring to total cost as index 100. The sum of the cost savings would then be about 6 index points, which implies that the calculations assume that about 40 percentage points of 1/7 of the total costs could be reduced by reducing the issue frequency. As the advertisement loss could be about 1 percentage points the total overall profitability impact would be about 5 percentages assuming that newspaper sales remains. However, this could be considered a farfetched assumption. But as previously stated the newspaper subscription elasticity to issue frequency is unknown. What can be said is that cost savings of 5 index points would cover reduced subscription fees by the same amount. As total subscription fees amount to 45 percent this would be about 11 percentages.

[39] Executive VP Sales, SLM. Semi-structured interview, 2014-05-08

Finally, the third case can be summarized. As print advertisement demand declines in terms of volume, fewer newspapers are needed to satisfy the demand for advertisement volume. If 85 percent of variable printing and distribution costs as well as 15 percent of other costs such as content production and editing the total cost saving impact would have been about 5 percentages in 2013. On the revenue side, 1 percent of advertisement revenues would be lost if 85 percent of advertisement revenues can be saved by moving it to other days. Thus, the total cost savings of about 5 cost index percentages can allow for a reduction of newspaper sales up to about 11 percentages in order to improve the overall profitability. As section 4.4 have presented three cases which potentially could improve GP's profitability. The upcoming section 4.5 will again assess the overall picture with respect to the takeaways from sections 4.1 and 4.2 which discussed GP's situation from the perspective of disruptive innovations and jobs-to-be-done. This allows for an analysis of the future capability position.

4.6 The role of capability investments

The newspaper landscape is changing quickly with regards to print versus digital. However, it is a second wind of mobile technology that take new print causalities just like web internet took for instance the classified ad market more than one decade ago. The sheer rate of diffusion for new digital platforms is astounding and if GP is to ensure its longevity it is likely simply not enough to reduce costs. Letting go of jobs that make the newspaper appear older than it have to is one thing, making use of the new platforms to provide customers with services that they want to hire for their jobs-to-be-done is quite another. Having a static platform and putting up content might have been good enough in the past but the simple fact that eGP by June 2014 does not have support for the crosswords it provides paints a clear picture. In order to have a leading digital platform, GP most probably need leading capabilities regarding digital areas. If GP does not acknowledge the innovator's dilemma and the perils of product provincialism, the result could be as figure 76 below illustrates to the left.

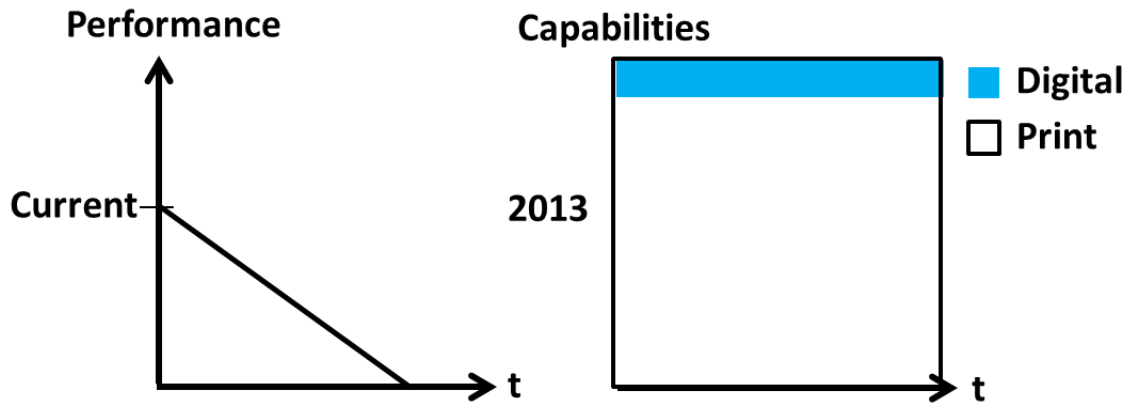


Figure 76: The one-way path associated with sticking to the traditional core business

The right part of the figure illustrates how capabilities would be divided between print and digital if the revenue side as of 2013 was allowed to dictate the capability portfolio. If nothing happens in terms of digital capabilities, the only road forwards might be downwards through a journey of steady decline. Improving the digital products is important, actually not only to improve the revenue sides and ensure future longevity. Recall the first case discussed in section 4.4.1. In order for a price increase to be truly effective, the digital version of the newspaper needs to be attractive enough

from a customer's perspective so that it is perceived as a substitute. Remember that this is a key assumption that must hold in order for a print newspaper price increase to be able to nudge customers into substituting their print product for digital counterparts. If customers do not perceive digital versions of the newspaper as a substitute then no price increase will make them consider the digital alternative before they consider GP's competitors print newspaper offerings first. One apparent risk would be that customers in that case might choose to read about Gothenburg by means of the free pages on gp.se instead. As can be seen, having a competitive and cutting edge digital product offering can actually not only secure future revenues but also assist in cutting present-day costs. A task made absolutely vital by the downfall of the 33/67-business model as the demand for print advertisement keeps declining.

Case two and three discussed in section 4.4.2 and 4.4.3 both targeted cost savings. Case two, regarding an earlier handoff from the newsroom to printing, is due to the notion that print cannot compete with digital for certain jobs-to-be-done would benefit from improved digital offerings. However, if the digital organisation lacks agility, such statements could be wrong to a varying degree. If digital news is not being put forth during for example the night then it does not matter that the platform is capable of reporting throughout the night. Another example would be if news were held from going digital to improve the print product. Holding news from digital could be either intentional to actually try to make the print product more relevant or it could be unintentional through slow updating practises. But these are not the main area of concern. What GP should concern themselves with is identifying which jobs-to-be-done that digital platforms can do as the print newspaper cannot. This could for example be to update the home page at specific times when people are especially inclined to browse news pages. A morning browse does not have to try to accomplish the same jobs as an evening browse and this is an area that GP should explore and possibly exploit. With regards to case two, it might make more sense to choose earlier handoffs the more each platform is used for its particular strengths, which calls for a less homogenous supply across platform which in turn calls for improved digital capabilities. As for case three to reduce the issue frequency, a newspaper-free day would bring an opportunity to showcase the digital products to customers who are interested in Gothenburg news during such a day. Thus, the choice to reduce the issue frequency could be a response to a lower print advertisement demand but it could also be a piece of a coherent effort to improve GP's overall position from a capability point of view. A non-issuing print day would force GP to work differently and digitally, nudging towards digital capability improvements over time.

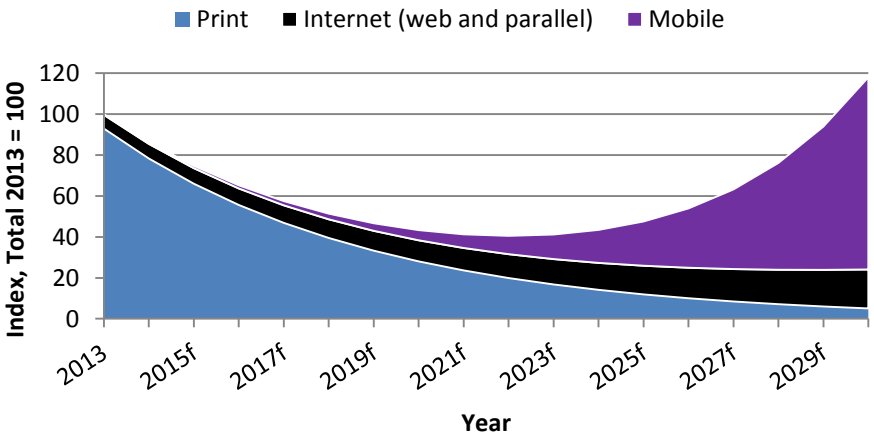


Figure 77: Extrapolating 2011-2013 growth rates on 2013 ad revenues, 2013-2030f

The most convenient case would be to shift gears when financials add up. Thus, to wait until revenue projections meet at some threshold level. However, for advertisement it has been shown that it is likely that the revenue stream that diverged from its historical levels to the point where the overall business model will keep crumbling. Simply labelling advertisement as falling it is not entirely true. It is print that is falling where digital revenue streams are either stable with modest growth projections, web internet, or displaying exceptional growth, mobile, but from a small base. This issue can be reconnected with figure 61, from the first section 4 in the analysis chapter, as figure 77 above extrapolates 2013 advertisement revenue levels using 2011-2013 growth rates derived from figure 44 in section 3.5.3. The low point would hit in about a decade where 60 percent of advertisement revenues are lost and it would take until 2030 until revenue levels would exceed 2013. Thus, instead of any pleasant forthcoming shifting point it seems that the organisation needs to prepare for a rather severe ordeal. In order to have a chance of seeing a future upsurge in advertisement revenues GP need to be able to have the necessary capabilities to improve their services but also to market the services efficiently. Figure 78 below conceptually illustrates how drastically improved digital capabilities to the right could alter the performance projections to the left. It is unclear what the future holds and although it might be tempting to calculate scenarios and create a spreadsheet strategy plan. What the figure below shows instead is that although increased investments in digital capabilities on the one hand can lower the overall performance in the immediate short run. It can on the other hand open up a new range of possible future positions as print newspapers decline which could prove unattainable unless the organisation starts investing sooner rather than later.

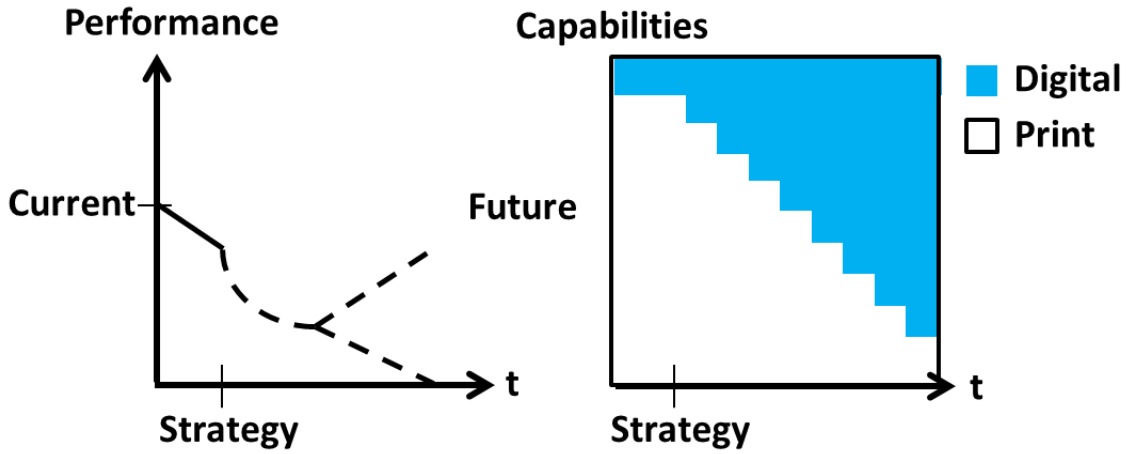


Figure 78: How strategizing and securing capabilities create more possible future states

Rumelt (Lovallo & Mendoca, 2007: 60) said that 'strategic thinking is essentially a substitute for having clear connections between the positions we take and their economic outcomes' and that 'if we could actually calculate the financial implications of such choices, we wouldn't have to think strategically; we would just run spreadsheets'. In the case of capabilities, it is an integral part of the innovator's dilemma that it does not make financial or organisational sense to invest in the disruptive technology. Instead the organisation might even put more wood behind their traditional arrow. It could be due to fear of cannibalization, organisational inertia or for any other reason. However, if the organisation keeps satisfying their mainstream customers instead of addressing the kernel of the innovator's dilemma, then the result will likely be just as for previous incumbents who have faced disruptive challenges. The warning bells that rung against product provincialism might then very well ring true.

4.7 Innovator's dilemma, jobs-to-be-done, capabilities and organisation

The innovator's dilemma tells the story of resource dependence, market uncertainty and capability dualities. This deems previously dominating firms unable to follow customers jobs-to-be-done as they migrate towards new platforms rendering organisations unfit for competition in markets shaped by new technological foundations. The principles describe how organisational effectiveness using conventional practises can be the very inertia that leads to successful firm's very dissolution. This is where the current and forecasted profit and loss statements might be allowed to hijack corporate strategy just when old practises needs to be revised to adapt to new competitive preconditions. Suppose GP and other newspapers acknowledge the innovator's dilemma and are able to see present inadequacies based on past performances regarding satisfying customer jobs they want done and decide to strategize and methodically invests in capabilities, there is still a question of how.

As news delivery processes currently reside within a newspaper organisation the most important level of abstraction could be to assess whether or not to host print and digital processes within a single organisation. Thus, it is a question of separating or not to separating the different customer delivery vehicles organisationally. In this sense, Christensen's ideas of integration from section 2.2.6 can be revisited to assist the analysis where it is a question of whether different business units should share resources, processes and priorities. A high level assessment would be that print and digital preferably should share resources regarding newsgathering, some processes associated with content and even fewer priorities. This since news, or content, and the process of gathering, editing, presenting and timing the delivery is a key competence for print as well as digital. These activities span over resources and some processes to facilitate such sharing. However, the priorities of the organisations arguably differ to the extent that unity could be expected to cause issues. For instance, the question of timing differs as print wants fresh morning news tomorrow whereas digital platforms puts up content today in some timely sequence. Another fundamental issue is advertisement sales where figure 65 displayed signs of sub-par digital performance. The question is whether print and digital advertisement sales really should co-exist, and if they do if it could lead to a position where both print and digital revenues are maximized. Also, as priorities arguably differ in some areas the true nail in the coffin might be the different revenue structures which likely lead to vast profit margin discrepancies. This fact together with resource allocation issues associated with a fear of cannibalization seemingly tips the situation towards different funnels, through separate organisations, to channel a base of shared content towards customers using various platforms.

If GP provide jobs-to-be-done, it needs to acknowledge platform discrepancies determined by technological characteristics in order to assess how to design a portfolio containing heterogeneous platform-specific offerings. GP should let these insights determine a suitable and comprehensive portfolio of cross-platform offerings to avoid a one-size-fits-none syndrome. Metaphorically, if GP can better identify the true underlying reasons for their milkshake purchases they will be able to understand how to improve it in terms of adding chunks of fruit. However, in the newspaper case the resources, processes and priorities of the organisations might differ to such extent that it would be unmanageable to host these customer delivery processes side by side in a single organisation. One organisation could strive to protect and improve jobs that are off-limit for digital's extendable core and another organisation would strive to extend and capitalise on any intrinsic technological asymmetry serving in favour of digital platforms to better serve customers jobs-to-be-done. This would satisfy the notion of running tandem organisations where one would be geared towards the present and one directed towards the future.

5. Discussion

As the present situation calls for axes rather than salami tactics, it seems important to steer clear of conventionalism and preconceived views based on assumptions that no longer might be relevant. In 1712, England imposed a tax on newspapers based on the number of pages. Newspapers rational response was to increase page sizes to reduce the page count and the broadsheet format was born. Interestingly, as the tax was abolished in 1855, it was hard to think of any other way to do it, as it had been done for so long so the broadsheet format remained. (Vermeulen, 2012) Later, when the Independent, a British morning paper, struggled they opted to try out a new path. The same content was packaged in a broadsheet and a tabloid format and sold side by side (Businessweek, 2004). On the very first day in late September 2003, sales in the tabloid format took off as the Independent boosted their circulation by a net of 30 000 copies in the test area alone (Byrne, 2003). In May 2004, the Independent fully abandoned the broadsheet format and the subsequent 5 month period saw a 19 percent year-over-year circulation growth and other newspapers followed suit (Businessweek, 2004). A Guardian marketing director would soon come to state that 'if you were inventing a newspaper now, I think it's highly unlikely a broadsheet format would be considered.' (Businessweek, 2004) Later that year in Gothenburg, GP announced a shift to the tabloid format (Lindqvist, 2004), about 150 years after the British newspaper page tax was abolished.

5.1 Avoiding conventional wisdom and practises in product development

The term conventional wisdom was popularised by Galbraith (1998: 8) as 'it will be convenient to have a name for the ideas which are esteemed at any time for their acceptability, and it should be a term that emphasizes this predictability. I shall refer to these ideas henceforth as the Conventional Wisdom'. Allowing for conventionalism breeds rigidness that counteracts change and limits any range of possible options. For instance, say an increased time window for printing and distribution could make those processes more efficient in a way that would result in significant cost reductions. Say again that a conventional assumption is that people need their newspapers at 06:00AM. This could be true, but it could also be conventional wisdom. More than 70 percent of all Swedes sleep at 06:00AM and the majority wakes up between 06.00 and 07.00AM *(Statistiska Centralbyrån*, 2012). Surely, there are people out there that need their paper early in order to catch it before they leave for work, but most likely there is a majority of people that does not rush straight out of bed to fetch their papers.

Steve Jobs (1985, 3:33) spoke at Lund University and said that '…whenever we develop a new media, we generally tend to fall back into our old habits from our old media. As an example when the television first came of age in America, the first television shows were simply a camera pointed at a radio show and it took about 20-30 years for television to really come into its own in the late 1950s'. Today, when newspapers provide tablet versions they are typically mere PDF copies of the print versions. When eGP is allowed to remain a PDF copy of the print version with black-and-white passages, non-searchable classified ads, yesterday's stock report, non-writeable crosswords among other issues it is time to consider Jobs television example. To consider whether the digital design really is optimized for the platform or if it just another camera pointed at a radio show yet again. Newspaper organisations cannot let legacy decisions and rationale or conventional practises guide them into the future. As the famous business writer Jim Collins (2009: 36) stated that 'when institutions fail to distinguish between current practises and the enduring principles of their success, and mistakenly fossilize around their practices, they've set themselves up for decline'.

Acknowledging that the old ways are not the most suitable for a new environment is a start, however there is still a momentous task to identify the right way forward. Henry Ford allegedly said that 'if I'd asked customers what they wanted, they would have told me, "A faster horse!"' (Isaacson, 2012: 97). If newspaper readers would have been asked what they wanted from the newspaper only a decade ago, they would probably have pointed towards improvements in the format, distribution, the content or any other area that was well-known at that time. Few, if anyone, would have asked for a standalone computer screen with touch ability and high speed internet or a smaller version of the same which conveniently also could serve as a phone for news browsing. Yet, as tablets and smartphones were later introduced, they arguably came to play a significant part in the present rapid changes of consumer preferences regarding news consumption. To understand why innovations change consumption pattern it is important to look beyond what is being sold in the marketplace and rather focus on what the customers want to achieve.

If the demand on drills can be derived to the ability to make a hole in a wall then it might be equally just to consider why people consume news, or to be more precise for which jobs customers employ newspapers. The idea of jobs-to-be-done and the findings of such an analysis might be as intriguing as they are potentially unpleasant. Inspired by Levitt (1960), a neutral analogy concerning gasoline follows. Even though electrical cars are making their presence known in major market segments, a lion's share of cars are still run on gasoline. Thus, as consumers buy unimaginable volumes of gasoline one could consider whether or not consumers actually care about gasoline. Although there might be exceptions and fossil fuel enthusiasts, it is likely that the bulk of consumers actually does not care much for gasoline and actually might long for the relief of not having to conduct occasional visits to the gas station. What they care about is rather the function of the fuel and not the type of fuel itself. If a car is otherwise equal and run by a fuel type that does not mandate trips to the gas station it seems highly likely that consumers would prefer such a car. Surely, there would be all sorts of objections towards such analogy from gasoline stakeholders. However, to their demise most customers are likely to abandon a legacy product offering whenever they find convenient.

Such a choice could be due to price, availability, social or any other reason but there comes a time when customers change their preferences and customers vote with their feet. This is likely as true for gasoline cars as it is for newspapers. When the glory days as the premier news, debate, advertisement or even a crossword platform are over customers will switch. The question is not so much if but when, how and why. The essence of Levitt's notion is that paper is not really what matter to customers. It is something that the customers use the paper newspaper to do. As true as that there was something before paper, like papyrus, as true is it that paper most likely will be replaced by something else. Christensen notion of jobs-to-be-done provides a refined lens to review the situation and ask new questions which can facilitate a better understanding of the underlying reasons for such transitions. Is it likely that customers will hire GP as their stock market reporter? Can newspapers traditional job of announcing the television schedule be defended? Do customers want to employ a print local paper to report generic foreign news at a relatively high monthly rate from an overall media perspective? These are questions that news organizations must dare to ask. Given a disruptive threat, it seems necessary for the very survival of the business to assess what consumers' value with the legacy product and what they prefer with the disruptive product and what will or could remain of any present gap between the two. If a newspaper organizations *raison d'être* is to produce newspapers then it will inevitably fold alongside the decline of newspaper reading and purchasing patterns.

A month prior to the release of the iPad, a Wall Street Journal article opening stated that 'last time there was this much excitement about a tablet, it had some commandments written on it' before asserting that investors should not anticipate any near-term positive bottom-line impact from the supposed release of an Apple tablet (Peers, 2009). When introducing the iPad, Jobs admitted chuckling while reading the quote about the commandments before proceeding by explaining the rationale for opening up a new product segment. Jobs said that '…in order to really create a new category of devices, those devices are gonna have to be far better at doing some key tasks. They are gonna have to be far better at doing some really important things. Better than the laptop, better than the smartphone.' (Jobs, 2010, 6:59) Maybe the customers are those who best tell the story of whether or not Jobs was right about the tablet. The rate of diffusion outpaced the initial smartphone diffusion while being on par with the diffusion of televisions some decades earlier. Not only might it be enough to shake the newspaper industry beyond recognition but it might even disrupt the entire computer industry as forecasts tell a story of tablets sales overtaking PC sales in the near future. Some would probably consider that even more astonishing of a disruptive feat than outcompeting print paper as a handheld medium of written and graphical information.

The mobile internet revolution has begun, but it cannot by any means be considered finished. 4G standards is one step towards high-speed wireless internet but networks does not yet have full coverage and many smartphones, tablets and laptops are not yet compatible with the latest standards. As networks are upgraded and the installed base of receiving devices becomes compatible to a larger extent there will likely be further changes in consumer behaviours. *Aftonbladet* was mobile first, but mobile first might become imperative for news platforms in the future. A future that very well might be more imminent than slow-moving print newspaper organisations would desire. However, as the innovator's dilemma has told us about the characteristics of present-day inferior technologies, we simply cannot know what kind of services they will provide in the future. If this is an opportunity or an impending downfall likely depends of which business an organisation lets defines itself. However, the resource dependence from print customers might be strong enough to hold the strategy hostage.

5.2 Delivering print newspapers post-33/67

When 700 Swedish journalists are let go within a single year there is clearly something wrong, the industry is not experiencing a minor hick-up but is rather facing structural changes facilitated by technological improvements. Journalists, photographers, editors among other functions cannot continue decade old practises. The risk of not stepping away from salami tactics might be that the whole ship is allowed to sink. An editor at the Dutch crowd-funded and advertisement-free online journalism platform *De Correspondent* put it such as that '…the audience doesn't care about jobs for journalists. They care about what we can offer them' (Doctor, 2014). Modern technology allow for many new ways of sourcing content in terms of information and multimedia. Even a future print product could benefit from new digital practises due to for instance less manual editing or new digital content streams. A little over 150 years ago, GP borrowed evening news from Stockholm newspapers as they arrived with the evening train. Nowadays, such information streams are digital which provide new opportunities. At one point in time, GP pushed out content with 15 percent less journalist than its main competitor GHT despite having 6 times the circulation. Although the circumstances have changed, supreme efficiency while producing quality output might very well be a distinguishing factor when it comes to print newspaper survival. Not only editorial efficiency but overall cost efficiency as the revenue side of the profitability equation is plunging.

Advertisement demand no longer suffices to subsidize subscription prices. This means that either newspaper prices needs to increase or costs needs to decrease significantly. Newspapers, needs to have a price point where costs are covered. That is the very kernel of the issue as newspaper historically has relied on advertisement to reach a price point that is attractive for just about everyone which no longer is the case. The reach maximization practises are losing their relevance as print newspaper advertisement demand keeps declining. As advertisers choose other channels, newspapers have no choice but to rely on newspaper sales to a larger extent and this is what can be expressed as the downfall of the 33/67 business model. It is not the downfall of newspapers *per se*, but it could very well result in a pre-mature newspaper death if unaddressed. The demand for print newspapers is declining but newspapers are by no mean obsolete. Product provincialism is perilous but this should not be confused with a notion that present-day demand should not be satisfied. That GP prints more than 150 000 newspapers per issuing day tells the story of a significant demand. The challenge is to design an organisation with appropriate resources, processes and priorities that will be able to serve customers who want print newspapers and display a willingness to pay for them.

No doubt, newspapers will lose circulation and it will be reported as signs of the newspaper death. However, as cases one and two showed there are positive effects of reducing certain circulation. Losing circulation in general might not be positive but losing circulation where the average price is too low or where the mean physical delivery costs are too high benefits the bottom line. The issue with case three is that circulation likely would decline but it could very well be customers who otherwise would want to keep their subscriptions and pay a sustainable price. This should be compared with raising prices and losing the customers that are unwilling to pay the price that newspapers actually cost to produce. If losing circulation previously has been seen as a sign of poor performance, such an assessment could be considered conventional wisdom in a landscape where the winds of change are strong enough to make longstanding business models fall. Even if media would report of poor performance, if business analysts or journalists write columns of the tragedies associated with reduced reach, GP needs to have the discipline to make their own analysis. As circulation induces costs, it is time for newspaper organisations to seriously start scrutinizing reach maximising practices. Both case one and two conclude that there are advantages of lower circulation. A higher price and a distribution cost threshold reduce reach but could improve the profitability which is a matter of the greatest concern in the present-day newspaper industry. The side effects of reduced reach might affect advertisement but also reduce fixed printing costs. Anticipating a future where advertisement revenues will play a more marginal role and revenues are expecting to keep deteriorating. Any cost side scalability improvements due to a lowered fixed cost base seem increasingly attractive.

5.3 Complications associated with altered issue frequency

The profitability of the third case of reduced issue frequency is the most complex prediction wise. However, to put the question of issue frequency in perspective, GP subscriptions remained at 6 days a week for 125 years compared to the almost 30 years it now has been issued 7 days a week. It was during its days as a 6 day paper that GP reached its peak circulation of 309 862. Clearly, a newspaper can thrive without being issued 7 days per week. If the business case would point towards significant profitability improvements, the present-day highly precarious financial situation might demand improvements to be proceeded with. However, there are several complicating factors. Especially in terms of perceived value, habits and endowment effects.

First off, reducing the number of days from 7 to 6 by scratching the Monday paper could seem as a value reduction of 1/7 of what one receives in exchange for the subscription fee. However, it is actually more complicated given the current pricing structure. Monday to Thursdays come at a premium of 16 SEK per day on a monthly basis compared to the weekend package. That amounts to about 5 percent of the 7 day subscription price instead of the approximately 14 percentages that 1/7 implies. Then there are habits, and newspaper reading habits is a valid argument for maintaining a high issue frequency. Habits are explained by Duhigg (2012) as the brains way of making people function by reducing cognitive strain. For example, if we needed to contemplate whether or not we would have breakfast, where to sit while having breakfast and what to eat for breakfast every day we just would not get much done (Duhigg, 2012). However, there are counterarguments such as the fact that peak circulation was reached during GP's time as a six day paper. Finally, GP must consider what it means to remove currently offered services. All logic aside, there could be psychological effects. Kahneman (2011) explains endowment effects which imply that people generally are reluctant to part from their belongings. An explanation for such a phenomenon is loss aversion where one considers losses larger or worse than prospective gains, even if the amounts or magnitudes of the gains or losses are the same. This can result in a status quo bias where people want it just the way it is or has been. An individual could thus require more than they have paid to let go of an asset that they have in their possession. (Kahneman, 2011) This is an issue that is not easily eluded.

If 16 SEK from the discarded Monday paper was distributed to the other weekdays it would effectively mean that Tuesday to Thursday papers would be priced just above 20 SEK per day instead of 16 SEK. With 4 weeks a month, the 4 SEK price increase turns into 1 SEK per day. In addition, customers who subscribe to the weekend package would be unaffected and full week customers could potentially migrate towards the weekend subscription package. Thus customers would migrate to a subscription package that exhibits a price premium of almost 80 percent per issuing day. As people has shown that they are capable of appreciating a newspaper issued six days a week the choice should probably come down to the business case and the perceived effects of migration and disappointment which might result in cancelling Monday due to endowment. There are customers that might really want their newspaper seven days a week but GP cannot satisfy all customers, at some point the survival of the organization should outweigh the desire to please all customers.

As noted previously, a major concern associated with reducing the issue frequency is that as circulation falls, the customers who unsubscribe might be potential long-term customers with a high willingness to pay. Case one and two on the other hand addressed circulation which is unsustainable, reducing issue frequency might reduce potentially sustainable circulation given that other measures are taken to improve the profitability. Where such measures do not rule out the usefulness of reducing the issue frequency from a profitability standpoint, the reverse is not true. Therefore, the case of reducing the issue frequency to reduce significant portions of the cost base can still be prepared for. But is does not seem to be the most suiting starting point on the path towards sustainable circulation. Presently, it might not even make sense from a business case standpoint. But such circumstances change so the case of reduced issue frequency at the end of the newspaper life cycle should likely be revisited. From a cost standpoint the potential upside is relatively clear, from the advertisement revenue perspective the losses seem small but in the end the deciding factor will be the response from the one source outside organizational control, the external customer base.

5.4 Risks related to underestimating implications of new technology

GP is the leader in print and has been battling neck-on-neck with *Aftonbladet* digitally in its home region. However, the fundamental print business model is eroding and the digital web internet landscape where few newspapers really excelled is changing rapidly. As the fundamentals of the digital landscape are changing, maybe the new wave of change also provides an opportunity to act and take a strong position in what seems to be the next dominant platform. Regardless of how comfortable the ride used to be, there is no way back. Newspapers have enjoyed a remarkable position as a news and advertisement medium. However, bans on radio and television advertisement are long since lifted and regional, national as well as global players enter local digital advertisement markets. As the advertisement battle clearly is an uphill battle, something similar is playing out on the print newspaper reading side. The advent of internet time has severely altered the preconditions on any information market. It is now a time where yesterday's news might have become yesterday's news way before they arrive with the morning newspaper.

When spreadsheets tell the story of prospective financial gains moving from print to digital it might very well be too late. In the case of newspapers transition from print to digital the business case might push newspaper organisations away from the future towards a corner from which there is no escape. As Christensen explained by the principles of disruptive innovation, this is a predictable pattern unless concerned organisations step away from traditional practises to decisively and deliberately address the challenge. Blockbuster is one example of an organisation which was unable to transition from their traditional business model when their delivery medium changed. As the leading movie medium transitioned from VHS to DVD and subsequently from DVD to digital, Blockbuster went bankrupt. However, Netflix employed another business model enabling them to first thrive in the DVD environment and later to transition to a leading digital position. (Antioco, 2011) This is an interesting and relevant case given the physical to digital association with the current dilemma in the newspaper industry. It is not certain that mere extensions of the traditional business stack up against native organisations with respect to the marketplace where the competition will take place in the future. Having an organisation with capabilities in terms of resources, processes and priorities well-suited for future needs seem absolutely imperative. The understanding that there will be a change in the future is not enough.

Henry Ford said that '…if you need a machine and don't buy it, then you will ultimately find that you have paid for it and don't have it' (Christensen *et al*., 2012a: 4:53:56). If newspapers need digital capabilities to compete in the future and newspapers does not go all in, the words of Ford could very well become true. It does not seem to be a time for half measures, neither on the cost side nor the digital capability improvement side. As dynamic as the situation is, long-term spreadsheet planning is not the way to go as the situation presses for proximate objectives and actions. Recall the brief timeframe before the underlying assumptions were deemed irrelevant from the example where Melesko refuted the supposed newspaper death. When challenging assumption, there will likely be many difficult arguments. However, in all cases it seems highly treacherous to avoid a sense of urgency. Trends presented in this report are consistent. The decline affects a lion's share of the revenue streams that newspapers rely on for their very survival. The profoundness of the changes that are upon the newspaper industry is so immense that there seems to be no time to waste. A final lesson can be learned from Blockbuster's former CEO John Antioco who stated that '…I didn't believe that technology would threaten the company as fast as the critics thought' (Antioco, 2011: 40).

6. Conclusions

First this section describe the conclusions with regards to the research questions one to four before distilling them into what resembles a guiding policy, as described in section 2.4, to answer research question number five. The guiding policy is followed by a few recommended actions.

R1. What are the underlying fundamental economics of the newspaper industry?

The fundamental daily morning newspaper industry 33/67 business model depends on dual markets. One side of the market is toward newspaper readers which buy newspapers through subscriptions and the other side of the market is towards advertisers who buy reach and contacts. This has enabled newspapers to be sold below their production costs counting the newsroom, overhead, printing and delivery.

R2. Which are the most important newspaper industry trends?

Newspaper reading has decreased during the past decade and the decline has picked up the pace since around 2010, see figures 8 and 9. Overall market newspaper circulation has been decreasing for over two decades, as shown by figure 13 and 14. Price increases have so far offset newspaper revenues, see figure 12, but the financial crisis forced the price level to decrease somewhat, which could indicate increased price sensitivity, from figure 15. A core issue then is that significantly declining newspaper reading and plummeting print advertisement demand, see figures 16-19, is breaking the 150 year old 33/67 business model. Thus, the fundamental economics in the newspaper industry is eroding. This is not to be seen as due to any deliberate choices from the newspaper industry but rather as effects of altered customer preferences. However, there are new revenue streams through digital advertisement but digital revenues have so far been unable to offset print losses, see figure 21 and 43.

Internet and mobile advertisement is increasing, see figure 22, but the main internet category for newspapers grow slowly meanwhile mobile is increasing fast, see figure 23. Swedish diffusion of computers, internet and broadband reached a steady-state level around 2010, see figure 54. Thus, web internet surfing is not increasing a whole lot anymore and possibly decrease, see figure 55, and online newspaper reading remains flat, see figure 56. This is reflected in newspaper web site performance, see figures 48-50. The situation for mobile platforms is quite the opposite as there has been an explosive diffusion since 2010, see figure 58, and tablets are expected to overtake PC sales. In December 2013 it already happened in Sweden. There is talk of mobile now and in week 8 2014, Aftonbladet had more mobile page views than any other news website by a wide margin, see figure 59. As far as revenue, a conversion heuristics states that converting from print to web as well as converting from web internet to mobile divides revenues by ten all else equal.

R3. What is the current status of the profitability for *Göteborgs-Posten*?

Currently, the profitability is around break-even. Circulation is decreasing sharply, especially since 2010, displayed by figures 27-29 and 30. Revenues have remained rather flat through substantial price increases, seen in figure 33, but there was a decline between 2012 and 2013. There have been significant advertisement revenue declines during the past two years, see figure 36. This is more due to volume losses than lowered prices, see figure 37. The declining print trend is across the board. All main segments decline, see figure 38, and almost all sub-segments are declining sharply or remain flat at best, see figure 39. Among non-core newspaper print revenue streams, most are flat or decreasing but there are increasing exceptions, see figure 40. Digital revenues have increased considerably during the past decade, see figure 42, but they constitute a small share of total advertisement revenues, see figure 43. Within digital revenues, web internet have been flat and even decreased between 2012 and 2013 whereas mobile revenues are picking up however from a very small base, see figure 44. Thus, the trends on the revenue side spell decreased future revenues and a cost saving imperative. In this department, a more efficient production process was recently able to have substantial cost saving impact, see figure 47.

R4. How do the parameters listed below affect the profitability of *Göteborgs-Posten*?

a. Price and product mix
    i. Print
    ii. Digital

The price elasticity of demand for newspapers is reportedly low, see section 2.1.2, and there are prevalent empirical trends regarding increased newspaper subscription fees, see figured 12 and 15 for the Swedish market and figure 27 for GP. A print newspaper price increase is argued to have a two-fold effect. First, increase the mean revenue per newspaper. Second, nudge more price sensitive customers towards digital offerings. This is argued for in section 4.4.1.

b. Customer base
    i. Subscribers
    ii. Single copies
    iii. Digital readers

Subscribers provide the lion's share of newspaper sales revenues, see figure 32. Single copy readers and digital readers are thus relatively insignificant from an overall profitability perspective. Section 4.3.1 argues that price increases alone most likely cannot offset future revenue losses as the print circulation is believed to be substantial. Given the proposal from section 4.4.1, digital readers could become more important from an overall profitability perspective. As far as advertisement, the main revenues are derived from the print customer base as covered above regarding R3.

c. Advertising

Overall advertisement revenue is believed to decrease substantially, see figure 64. This deems the 33/67 business model unsustainable, a statement supported by figure 66. Further, the past years digital performance is substandard to the conversion heuristic. Thus, advertisement is about to decrease which all else equal would result in considerably reduced profitability to the point where the very survival of the business could be at stake.

a. Printing cost

The fixed side of printing costs can be reduced through an expansion of the time window allotted for physical production, see figures 70-72. Such reduced capacity costs have been significant from the overall profitability perspective before, see section 3.5.6. The variable cost varies with the circulation which thus is expected to fall if circulation declines further. If circulations decline enough, the fixed costs could potentially be decreased, see relation between circulation and fixed cost in figure 26. There are thus two main ways of decreasing printing costs. The first way is through intervening and expanding the time window for print. A second way is by reducing circulation which decreases variable cost and fixed costs if the decrease is substantial enough to remove printing presses. It should be emphasised that these interventions are not mutually exclusive by any means.

b. Distribution cost

Distribution cost can be decreased in two main ways which are covered in this report. First off, by extending the time window for printing and distribution, see figure 70, which generally reduce printing cost for each given level of circulation, see figure 73. This has been successful from a profitability perspective before, see figure 47. The second way to decrease distribution cost is to not distribute paper newspapers to customers who incur extraordinarily large costs, see figure 67 and 68. It is argued in section 4.4.1 that this can be conducted in conjecture with price increases for the paper version.

c. Time frame for news editing, printing and distribution

An increased time frame for printing and distribution can lower fixed printing costs and result in more cost-efficient distribution at all circulation levels, see section 4.4.2. To assist newspapers in this area, the framework of jobs-to-be-done was introduced in section 2.3 and discussed in section 4.2. The cost benefits can be weighed against which jobs that would have to be removed from print newspapers. Then it could be assessed if these are jobs-to-be-done that a print platform can excel at.

d. Periodicity (Issue frequency)

Reduced issue frequency is a potential way to cut costs as printing and distribution is not needed during these days. However, it is worth emphasising that the printing and distribution cost structure for other co-printed or co-carried newspaper titles might be affected by issue frequency reductions. Advertisement costs would likely experience a decrease but a fair share of the volume could probably be moved to other days. Overall, as the total advertisement volume demand is decreasing it makes less and less sense to utilize seven newspapers per week as a vehicle to carry the demand from an advertisement perspective. Newspaper sales revenues is the most uncertain factor, this could be stated in terms such as that the subscription elasticity of issue frequency is highly uncertain. Depending on these variables, there are potential cost reductions. However, there is considerable uncertainty regarding whether or not cost reductions would be offset by a revenue decrease from an overall profitability perspective.

R5. How can *Göteborgs-Posten* handle a presumed industry transformation?

As the fundamental economics of the newspaper industry is changing the revenue side will not be able to sustain the legacy cost structure. This transition is fuelled by increased competition on the consumer as well as advertisement sides and has picked up its pace since 2010. Thus the legacy 33/67 business model crumbles as it is pressured from both sides of its dual markets. However, print newspaper sales revenues hold up far better than business advertisement so far. As print readership decline with a staggering pace in most age groups, older readers has so far displayed only marginal tendencies to discontinue their print newspaper reading habits so far. The trend is basically reversed as far as diffusion and usage of digital newspaper services go. Where there previously have been dual markets for a homogenous print product, the organisation now needs to be set up for heterogeneous platform offerings. The findings can be distilled into two main guiding policies.

The first guiding policy says that future print newspaper organisations should be self-supporting from newspaper sales. This is motivated by three main findings. First, there is still considerable demand for print newspapers. Secondly, the price elasticity of demand is believed to be relatively inelastic. Thirdly, print advertisement is decreasing enough to collapse the traditional 33/67 business model. The second guiding policy is to step away from product-orientation and focus on jobs-to-be-done. This is motivated by two main findings. First, digital platforms have intrinsic advantages and progressively snatch jobs-to-be-done from print. Secondly, by not acknowledging that platforms are suited to satisfy different jobs, newspapers run the risk of developing one-size-fits-none offerings. These two policies implies that reach maximisation should not overrule cost efficiency whenever there are trade-offs between the two. To attain a profitable circulation means that the average price should be higher than the average cost per newspaper. Thus, the average price should be increased. This can be accomplished by increasing the print newspaper subscription price, decreasing discounts for print newspaper subscribers and to improve digital offering to nudge price sensitive customers towards digital offerings rather than not buying anything. Then, there are ways to decrease costs through not providing print home delivery over an unprofitable threshold, providing a time window which allow for cost efficiency optimums for printing and delivery processes and improving newsgathering and editing by improving digital capabilities. Thus, the recommended actions are to:

1. Increasing prices while reducing discounts for print newspapers
2. Not providing home delivery where the distribution cost is above a profitability threshold
3. Introduce tablet digital package between print subscription and digital subscription
4. Print early enough to make printing and distribution as cost efficient as possible
5. Spin-out and invest in digital capabilities to improve products and newsroom efficiency

Case one improves print newspaper profitability as it reduces unprofitable circulation. The second case improves cost efficiency for printing and distribution while acknowledging that there are different jobs-to-be-done for print newspapers and digital. The recommended actions are coherent in the sense that action one and two reduce circulation which is needed for action four in order to keep the print window reasonable. The fifth action enables more compelling digital offers and can improve future efficiency regarding newsgathering through production processes. It also acknowledges intrinsically different resource, process and priority characteristics. In the trade-off between reach and cost efficiency, all actions favour cost efficiency and increased newspaper pricing. Thus, they would move GP towards a state of more sustainable newspaper sales.

7. Further research areas

This section presents a few further research areas that could be of interest based on the findings during this master thesis research.

- Advertisement from the advertisers perspective
- Content sharing with separate organizations for print and digital
- Crowd-sourced funding and journalistic direction models
- Customers preferences with regards to content and its presentation per platform
- Digital pay models
- Explore subscription elasticity of issue frequency
- Learning from the best contemporary 'news' platforms
    - *Aftonbladet*
    - Buzzfeed
    - Reddit
    - The Huffington Post
- Jobs-to-be-done and what it takes to get them done
    - Print
    - Internet
    - Mobile
- Improving the newsroom, printing and distributing process from an operations perspective

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Appendix A - Listing main research activities

This appendix contains lists of the main master thesis research activities conducted between the 16th of January and the 2nd of July presented in three groups.

First, a list of interviews:

- 2014-01-16, 0900-1100, SLM, Unstructured interview with resigning CEO, CFO, VP Marketing
- 2014-01-23, 0900-1100, SLM, Unstructured interview with resigning CEO
- 2014-01-28, 0900-1100, SLM, Unstructured interview with resigning CEO
- 2014-02-05, 0830-0915, SLM, Unstructured interview with News editor
- 2014-02-05, 1200-1300, SLM, Semi-structured interview with CFO
- 2014-02-07, 1300-1400, SLM, Semi-structured interview with VP Marketing
- 2014-02-13, 1300-1430, SLM, Semi-structured interview with EVP Sales
- 2014-02-27, 1300-1430, *Göteborgs-Posten*, Semi-structured interview with Controllers
- 2014-03-11, 1300-1400, SLM, Semi-structured interview with CFO
- 2014-03-26, 1315-1445, SLM, Semi-structured interview with head of Sales & Development
- 2014-04-04, 1445-1510, IRM, Structured interview with head of analysis (also TU)
- 2014-04-08, 1300-1415, SLM, Unstructured interview with CFO
- 2014-04-16, 1515-1630, SLM, Unstructured interview with CFO
- 2014-04-23, 1200-1300, VTD, Semi-structured interview with Region Manager
- 2014-04-25, 0900-1000, V-TAB, Semi-structured interview with Production Manager
- 2014-04-30, 1315-1430, SLM, Unstructured interview with CFO
- 2014-05-02, 1400-1500, VTD, Semi-structured interview with CFO
- 2014-05-08, 1330-1630, SLM, Semi-structured interview with EVP Sales
- 2014-05-09, 0830-0930, SLM, Semi-structured interview with VP Marketing
- 2014-05-14, 1500-1600, *Göteborgs-Posten*, Semi-structured interview with News editor
- 2014-06-03, 1515-1530, *Tidningsutgivarna,* Structured interview with head of analysis[40]

Secondly, a list of site visits, scheduled observations and other activities:

- 2014-02-05, 0800-1630, *Göteborgs-Posten*, Observing the newsroom
- 2014-02-06, 2200-0230, V-TAB Backa and VTD, Observing printing and distribution processes
- 2014-03-04, 1300-1400, *Göteborgs-Posten*, Observing a flow meeting
- 2014-03-07, 0900-1600, *Svenska Mässan*, Exhibition *Mediedagarna i Göteborg* (MEG)
- 2013-03-08, 1100-1530, *Svenska Mässan*, Exhibition *Mediedagarna i Göteborg* (MEG)
- 2014-04-23, 1100-1130, SLM, Mid-presentation for board members and CEO among others
- 2014-04-23, 1300-1400, VTD, Observing a follow-up meeting
- 2014-06-11, 1600-1700, Chalmers University of Technology, Final presentation
- 2014-07-02, 1400-1600, SLM, Final presentation for SLM, GP, VTD and V-TAB representatives

Finally, a list of internal documents used:

- Document A - GP Strategiplan o Ativiteter 2014-2018
- Document B - Kompassen Företagsmarknad 201312_v2
- Document C - Intäkter GP historik
- Document D - Intäkter per veckodag_uppat
- Document E - PM - ökat distributionsfönster rev 2013-04-18
- Document F - Presentation 15 sept olönsamma distr.
- Document G - Kartbilder, A33 och Västsverige

[40] Same person as IRM head of analysis 2014-04-04, that interview was conducted prior to switching jobs to TU

Appendix B - A map of the A33 region

This second appendix contains a map of the A33 region.

From: Internal document G. Retrieved: 2014-02-27 from Controller, GP

Appendix C - Figure data sets

This final appendix provides figure data for all figures where the underlying data set is publically available or allowed to be publically displayed. What follows first is an account for the figures that are not covered in this section. The figures in the theory section, being figures 1-5, are based on literature sources and do not contain numerical data. Figures 31-32, 45 and 46 are directly based on information from interviews. IRM data are used for figures 18, 22, 23 and 63 with non-disclosed data sets. Figures 24-26, 68-70, 71, 73, 75, 76 and 78 are not based on any specific data and should be considered self-made. Graphs containing time series from the KIA index, being figures 48-57, are not reported due to it being unfeasible given the sheer size of the data set. However, the data is publically available online. Figures 27, 33, 34, 36, 38-44, 47, 61, 65, 67 and 77 are based on internal documents. If the data set is used as is there are no further comments, however if row or column operations have been conducted, there are complementary equations accounting for such interventions.

Figure 6: Swedish media reach, 1979-2012

Daily media reach, share of population 9-79 years (%)								
	1979	**1981**	**1983**	**1985**	**1987**	**1989**	**1991**	**1993**
Radio	73	69	71	73	77	77	77	77
CD	26	21	20	22	21	20	18	24
Mp3								
Cassette tape	30	34	38	38	39	35	37	32
Television	76	74	76	76	80	76	79	84
Teletext								
Video/dvd	1	5	6	7	10	9	4	10
Internet								
Daily newspaper								
Morning paper	74	74	75	75	76	72	73	73
Evening paper/Tabloid	39	36	35	33	36	34	32	29
Magazine/periodical								
Consumer magazine		23	30	22	22	19	18	22
Trade/technical periodical		22	27	26	26	24	26	28
Book	29	29	31	31	35	31	32	31
Cinema								

Daily media reach, share of population 9-79 years (%)								
	1995	1997	1999	2001	2003	2004	2005	2006
Radio	80	82	80	79	79	73	74	74
CD	31	33	37	39	38	35	35	31
Mp3							10	14
Cassette tape	25	19	14	9	5	5	4	4
Television	84	84	88	87	87	85	86	86
Teletext	23	25	29	28	30	26	29	27
Video/dvd	16	15	17	15	14	14	15	14
Internet			31	35	33	35	42	62
Daily newspaper	80	81	82	81	81	81	81	81
Morning paper	71	72	75	73	73	71	73	72
Evening paper/Tabloid	27	28	28	29	30	31	31	33
Magazine/periodical	49	47	49	47	43	39	41	39
Consumer magazine	31	29	31	33	31	28	30	30
Trade/technical periodical	29	26	28	21	19	16	17	15
Book	44	38	37	38	35	37	38	38
Cinema	1	1	1	1	1	1	1	1

Daily media reach, share of population 9-79 years (%)						
	2007	2008	2009	2010	2011	2012
Radio	77	74	73	70	67	67
CD	29	27	23	21	18	16
Mp3	16	18	18	24	28	28
Cassette tape	3					
Television	85	85	83	86	85	83
Teletext	26	25	24	23	21	21
Video/dvd	15	12	13	11	10	9
Internet	64	68	65	68	74	74
Daily newspaper	80	77	77	75	73	69
Morning paper	72	69	68	66	64	61
Evening paper/Tabloid	31	29	29	31	28	25
Magazine/periodical	40	41	36	34	34	33
Consumer magazine	30	29	29	27	26	26
Trade/technical periodical	15	14	12	11	11	11
Book	38	37	36	36	36	34
Cinema	1	1	1	1	1	1

Figure 7: Swedish economic tendency indicator, 199607-201405

Swedish economic tendency indicator, index 100							
	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
January		95,3	107,8	95	112,5	100,9	92,2
February		95	105,6	95,8	114,1	96,9	92
March		98,1	105,8	95	116	94,9	95,2
April		98,3	103,6	96,3	115,4	93,2	95
May		96,9	105,9	102,6	114,4	90,4	93
June		98,1	107,1	103,8	114,2	88,1	97,2
July	87,1	100,7	106,6	103,5	115,1	84,1	94,3
August	89	100,8	101,8	107,2	114,1	84,4	92,3
September	89,8	103,6	101,3	108,6	111,3	85,9	93,8
October	92,5	105,7	100,2	107,4	111,6	85,9	89,1
November	93	105,1	98,9	109,5	109,8	88,1	90,3
December	92,3	106,2	97	111,2	104,5	90,7	92,7

Swedish economic tendency indicator, index 100						
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
January	90,2	94,4	106	110,6	112,2	104,6
February	95,9	96,4	104,3	111,1	113	102,2
March	93,1	96,6	103,4	109	112,4	104,5
April	89,2	100,3	99,2	109,8	116,2	103,6
May	91,3	101,8	99,2	108,6	114	97,8
June	87,8	103	101,4	109,7	115	94,4
July	86,8	103,2	99,7	107,6	114,4	90,2
August	90,1	105,9	101,1	108,5	111,4	87,6
September	90,8	108,8	102,9	109,6	108,4	88,5
October	91,8	105,1	104,9	112	109,6	82,4
November	91	105,4	105	113,8	108,5	74
December	94,8	103,3	107,1	112,2	108,6	71,3

Swedish economic tendency indicator, index 100						
	2009	**2010**	**2011**	**2012**	**2013**	**2014**
January	72,9	104	118	92,7	89,7	107,1
February	73	107,7	117,4	93,3	95,2	104,3
March	69,1	106,2	113,2	99,9	94,5	101,1
April	69,3	104,2	110,2	100,9	92,8	102,4
May	74,6	109	110,9	99,6	91,8	98,8
June	76,6	111,7	109,1	96,9	94,8	
July	84,4	110,3	102,3	94,5	95,7	
August	87,7	111,5	99,8	95,4	98,5	
September	89,1	116,7	96,7	95	97,7	
October	95,2	114,4	97	92,8	101,7	
November	97,8	117,8	96,4	86,4	104,3	
December	103,7	115,6	95,4	89,9	106,1	

Figure 8: Swedish average daily morning newspaper reading habits segmented by age

Average daily Swedish morning newspaper reading per age segment (%)									
	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
15-24	66	60	70	63	61	63	62	63	55
25-44	71	72	78	73	71	73	71	72	70
45-64	82	83	83	81	84	80	83	83	80
65-79	83	81	86	88	84	83	85	85	84
Total	**76**	**75**	**80**	**77**	**77**	**75**	**77**	**77**	**74**

Average daily Swedish morning newspaper reading per age segment (%)								
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
15-24	62	55	59	51	46	48	45	35
25-44	72	70	71	67	66	60	59	54
45-64	82	84	82	81	81	78	76	72
65-79	84	86	86	87	84	84	84	83
Total	**77**	**76**	**76**	**73**	**72**	**70**	**68**	**64**

Figure 9: Swedish average daily time used for different media types in minutes, 2004-2013

Average daily time used for the daily press (minutes)										
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
9-14	7	6	6	6	5	5	6	4	4	4
15-24	17	16	14	14	13	10	10	8	6	6
25-44	25	24	24	24	24	17	15	14	12	12
45-64	35	35	35	35	33	30	28	26	24	21
65-79	47	44	50	50	49	46	47	43	43	38
Total	**29**	**29**	**29**	**29**	**28**	**25**	**25**	**22**	**21**	**19**

Average daily time used for the total media (minutes)										
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
9-14	241	239	244	244	240	255	227	237	222	283
15-24	363	365	383	383	399	394	384	418	413	408
25-44	368	345	365	365	370	347	372	378	373	358
45-64	360	346	369	369	358	346	363	362	355	360
65-79	392	381	425	425	380	382	390	374	393	416
Total	**357**	**348**	**368**	**368**	**359**	**352**	**361**	**367**	**365**	**378**

Figure 10: Swedish number of daily papers and issue frequency per week and paper

Daily papers and issued papers in Sweden									
	1980	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
Daily papers	163	171	164	166	162	164	165	163	164
Papers issued	665	697	664	669	662	660	661	659	666
Issued per paper	4,08	4,08	4,05	4,03	4,09	4,02	4,01	4,04	4,06

Daily papers and issued papers in Sweden								
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Daily papers	160	164	162	161	154	151	152	153
Papers issued	661	665	657	636	607	594	590	607
Issued per paper	4,13	4,05	4,06	3,95	3,94	3,93	3,88	3,97

Daily papers and issued papers in Sweden								
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Daily papers	154	151	155	155	160	161	163	162
Papers issued	600	586	592	586	590	591	592	576
Issued per paper	3,90	3,88	3,82	3,78	3,69	3,67	3,63	3,56

Figure 11: Swedish number of daily papers issue frequency shares

Issue frequencies for daily newspapers in Sweden									
	1980	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
One	27%	29%	30%	30%	29%	30%	31%	31%	31%
Two	5%	4%	4%	4%	4%	4%	4%	4%	4%
Three	11%	9%	8%	8%	8%	8%	8%	8%	8%
Four	4%	5%	4%	4%	4%	3%	3%	3%	2%
Five	6%	6%	5%	6%	6%	6%	6%	6%	5%
Six	39%	40%	41%	40%	41%	40%	40%	41%	41%
Seven	9%	8%	8%	8%	8%	8%	8%	8%	9%

Issue frequencies for daily newspapers in Sweden								
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
One	29%	31%	31%	32%	32%	32%	34%	31%
Two	4%	4%	4%	4%	4%	4%	4%	4%
Three	8%	8%	8%	9%	9%	9%	9%	10%
Four	3%	2%	3%	2%	3%	3%	3%	3%
Five	6%	6%	6%	5%	5%	4%	4%	5%
Six	39%	38%	38%	38%	38%	39%	38%	39%
Seven	11%	10%	10%	9%	9%	9%	9%	8%

Issue frequencies for daily newspapers in Sweden								
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
One	32%	32%	33%	34%	36%	37%	37%	39%
Two	5%	5%	6%	6%	6%	6%	6%	6%
Three	10%	10%	10%	10%	9%	9%	9%	9%
Four	3%	3%	3%	3%	3%	2%	2%	2%
Five	3%	3%	3%	3%	3%	2%	2%	2%
Six	38%	38%	37%	36%	35%	35%	34%	33%
Seven	9%	9%	9%	9%	9%	9%	9%	9%

Figure 12: Swedish newspaper revenue development, 1993-2010

Swedish newspaper revenue development (MSEK)						
	1993	**1994**	**1995**	**1996**	**1997**	**1998**
Consumer Price Index	3553	3631	3723	3740	3760	3754
CPI deflator	0,80	0,82	0,84	0,84	0,85	0,85
Nominal prices	14261	15685	16628	16616	16852	17606
2010 prices	17797	19154	19804	19699	19873	20795

Swedish newspaper revenue development (MSEK)						
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
Consumer Price Index	3772	3809	3902	3986	4063	4078
CPI deflator	0,85	0,86	0,88	0,90	0,92	0,92
Nominal prices	17197	17954	16653	16750	17905	17902
2010 prices	20215	20900	18923	18633	19540	19465

Swedish newspaper revenue development (MSEK)						
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Consumer Price Index	4097	4153	4243	4390	4378	4434
CPI deflator	0,92	0,94	0,96	0,99	0,99	1,00
Nominal prices	18490	19663	19910	19529	18551	19147
2010 prices	20011	20993	20806	19725	18788	19147

$$CPI\ deflator = \frac{Consumer\ Price\ Index_{year}}{Consumer\ Price\ Index_{index\ year}}$$

$$2010\ prices = \frac{Nominal\ prices_{year}}{CPI\ deflator_{year}}$$

Figure 13: Swedish big city daily press weekday circulation development, 1990-2010

Big city daily press weekday circulation							
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
Morning	1 271	1 264	1 250	1 221	1 224	1 203	1 166
Tabloid	1 125	1 100	1 118	1 007	953	913	886
Total	**2 396**	**2 364**	**2 368**	**2 228**	**2 177**	**2 116**	**2 052**

Big city daily press weekday circulation							
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Morning	1 160	1 160	1 162	1 135	1 121	1 095	1 089
Tabloid	869	823	787	768	735	758	777
Total	**2 029**	**1 983**	**1 949**	**1 903**	**1 856**	**1 853**	**1 866**

Big city daily press weekday circulation							
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Morning	1 149	1 149	1 128	1 103	1 074	1 030	991
Tabloid	786	768	743	692	657	625	582
Total	**1 935**	**1 917**	**1 871**	**1 795**	**1 731**	**1 655**	**1 573**

Figure 14: Swedish total daily press Sunday circulation development, 1990-2010

Big city daily press Sunday circulation							
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
Morning	1 511	1 484	1 461	1 418	1 412	1 391	1 369
Tabloid	1 401	1 397	1 343	1 330	1207	1198	1171
Total	**2 912**	**2 881**	**2 804**	**2 748**	**2 619**	**2 589**	**2 540**

Big city daily press Sunday circulation							
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Morning	1 409	1 388	1 381	1 319	1 385	1 379	1 361
Tabloid	1128	1071	1040	992	944	934	933
Total	**2 537**	**2 459**	**2 421**	**2 311**	**2 329**	**2 313**	**2 294**

Big city daily press Sunday circulation							
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Morning	1 340	1 387	1 360	1 344	1 320	1 276	1 226
Tabloid	952	963	910	860	806	772	736
Total	**2 292**	**2 350**	**2 270**	**2 204**	**2 126**	**2 048**	**1 962**

Figure 15: Swedish average yearly morning paper subscription fees, 1960-2010

Swedish yearly subscription price development for big city morning press (SEK)								
	1960	**1972**	**1981**	**1990**	**2000**	**2005**	**2008**	**2010**
2010 prices	719	1011	1248	1343	2167	2320	2828	2458
Percent of 2010	29%	41%	51%	55%	88%	94%	115%	100%

Figure 16: World-wide advertisement spending in billion Euros, 2006-2012

World-wide advertisement spending (billion €)							
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Daily press	95	95	91	81	68	72	69
TV	113	118	119	117	111	133	135
Internet	18	28	35	40	42	53	63
Total	**310**	**328**	**332**	**317**	**290**	**335**	**344**

Figure 17: Swedish advertisement spending in percentages, 2006-2012

Total Swedish advertisement spending							
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Daily press	29,5%	28,6%	27,1%	25,1%	25,5%	24,6%	21,6%
Big city press	11,3%	11,2%	10,1%	9,0%	9,2%	8,8%	7,6%
Provincial (local) press	15,1%	14,7%	14,3%	13,6%	13,6%	13,2%	11,7%
Tabloids (evening press)	3,2%	2,7%	2,7%	2,5%	2,7%	2,5%	2,3%
Pop press	2,6%	2,5%	2,8%	2,4%	2,4%	2,3%	2,7%
Trade press	5,4%	5,3%	5,0%	4,1%	3,9%	3,7%	2,8%
TV	15,3%	14,7%	15,4%	15,5%	16,9%	17,9%	18,6%
Free newspapers	6,3%	6,2%	5,9%	5,9%	6,2%	6,1%	5,8%
Internet	10,0%	12,8%	14,9%	17,6%	18,6%	20,2%	24,2%
Total	**99%**	**99%**	**98%**	**96%**	**99%**	**99%**	**97%**

Figure 19: Swedish advertisement volume development, 1997-2012

Swedish advertisement volume development (ad volume measure)								
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Local	571008	599209	589719	604744	557351	531839	507776	515706
Big city	258069	265419	242319	242836	207444	198669	204000	214002
Tabloid								
Total	**829077**	**864628**	**832038**	**847580**	**764795**	**730508**	**711776**	**729708**

Swedish advertisement volume development (ad volume measure)								
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Local	523352	530907	534143	561242	506035	465149	475550	432622
Big city	224111	227183	168459	159608	143756	152906	144896	128295
Tabloid			60379	70379	79857	85560	79784	83011
Total	**747463**	**758090**	**762981**	**791229**	**729648**	**703615**	**700230**	**643928**

$$Local_{index\ for\ year} = \frac{Local_{year}}{Total_{index\ year}} \times 100$$

$$Big\ city_{index\ for\ year} = \frac{Big\ city_{year}}{Total_{index\ year}} \times 100$$

$$Tabloid_{index\ for\ year} = \frac{Tabloid_{year}}{Total_{index\ year}} \times 100$$

Swedish advertisement volume development, index 1997 = 100								
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Local	68,9	72,3	71,1	72,9	67,2	64,1	61,2	62,2
Big city	31,1	32,0	29,2	29,3	25,0	24,0	24,6	25,8
Tabloid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total	**100,0**	**104,3**	**100,4**	**102,2**	**92,2**	**88,1**	**85,9**	**88,0**

Swedish advertisement volume development, index 1997 = 100								
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Local	63,1	64,0	64,4	67,7	61,0	56,1	57,4	52,2
Big city	27,0	27,4	20,3	19,3	17,3	18,4	17,5	15,5
Tabloid	0,0	0,0	7,3	8,5	9,6	10,3	9,6	10,0
Total	**90,2**	**91,4**	**92,0**	**95,4**	**88,0**	**84,9**	**84,5**	**77,7**

Figure 20: American newspaper advertisement development, 2003-2012

Print versus online advertisement revenue (million $)					
	2003	**2004**	**2005**	**2006**	**2007**
Print	44939	46703	47408	46611	42209
Digital	1216	1541	2027	2664	3166
Total	**46155**	**48244**	**49435**	**49275**	**45375**

Print versus online advertisement revenue (million $)					
	2008	**2009**	**2010**	**2011**	**2012**
Print	34740	24821	22795	20692	18931
Digital	3109	2743	3042	3249	3370
Total	**37849**	**27564**	**25837**	**23941**	**22301**

Figure 21: Swedish print-to-digital advertisement revenue comparison, 2012

Swedish newspaper advertisement revenue 2012 (MSEK)				
	Print	**Digital**	**Print**	**Digital**
Local	3720	206	54%	21%
Big city	2410	294	35%	29%
Tabloid	747	500	11%	50%
Total	**6877**	**1000**	**100%**	**100%**

Figure 28: Swedish TS-circulation development between 2012 and 2013

Swedish newspaper circulation development for newspapers exceeding 20 000				
Newspaper title	**2012**	**2013**	**Change**	**Percent**
Svenska Dagbladet	159600	143400	-16200	-10%
Göteborgs-Posten	189400	173700	-15700	-8%
Sundsvalls Tidning	27300	25400	-1900	-7%
Östersunds-Posten	23400	21800	-1600	-7%
VLT	36000	33600	-2400	-7%
Arbetarbladet	20800	19500	-1300	-6%
Sydsvenskan	94800	88900	-5900	-6%
NA	52700	49800	-2900	-6%
Dalarnas Tidningar A+B-edition	54400	51500	-2900	-5%
Skaraborgs Allehanda SLA	22900	21700	-1200	-5%
Norrköpings Tidningar	39500	37500	-2000	-5%
Västerbottens-Kuriren	32400	30800	-1600	-5%
Gefle Dagblad	24600	23400	-1200	-5%
Nya Wermlands-Tidningen A+B-edition	49900	47500	-2400	-5%
Upsala Nya Tidning	47700	45600	-2100	-4%
Jönköpings-Posten	32800	31400	-1400	-4%
Östgöta Correspondenten	48900	46900	-2000	-4%
TTELA	25100	24100	-1000	-4%
Bohusläningen	27800	26700	-1100	-4%
Borås Tidning	43000	41300	-1700	-4%
Helsingborgs Dagblad and others	70100	67400	-2700	-4%
Smålands-Tidningen and others	27400	26500	-900	-3%
Eskilstuna-Kuriren and Strengnäs Tidning	29800	28900	-900	-3%
Norrländska Socialdemokraten	31000	30100	-900	-3%
Norran	23200	22700	-500	-2%
Hallands Nyheter	27900	27300	-600	-2%
Barometern and Oskarshamns-Tidningen	41000	40300	-700	-2%
Nya Lidköpings-Tidningen	24500	24100	-400	-2%
Smålandsposten	35400	34900	-500	-1%
Södermanlands Nyheter	23600	23300	-300	-1%
Skånska Dagbladet	26900	26600	-300	-1%
Blekinge Läns Tidning and others	32800	32500	-300	-1%
Hallandsposten	29100	29000	-100	0%
Ystads Allehanda	21900	22000	100	0%
Kristianstadsbladet	25700	25900	200	1%
Total > 20 000 circulation	1523300	1446000	-77300	-5%

Figure 29: *Göteborgs-Posten's* weekday and Sunday reach development, 2006-2013

Göteborgs-Posten's total reach development								
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Weekdays	576000	558000	553000	552000	541000	510000	462000	426000
Sunday	576000	561000	556000	558000	546000	519000	475000	440000

Figure 30: *Göteborgs-Posten's* reach development per age segment, 2006-2013

Göteborgs-Posten's weekday reach development per age segment								
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
15-24	71000	68000	71000	70000	71000	61000	54000	48000
25-34	87000	82000	76000	79000	70000	62000	51000	43000
35-44	107000	100000	103000	98000	97000	90000	71000	67000
45-54	106000	97000	99000	96000	96000	94000	85000	75000
55-64	112000	111000	106000	107000	101000	96000	90000	84000
65-79	93000	99000	98000	102000	105000	108000	110000	109000

Figure 35: *Göteborgs-Posten's* reach comparison A33, 2013

A33 region reach leaders 2013			
	Reach	**Contacts**	**Population**
Göteborg-Posten	46%	338000	734783
SVT1	41%	302000	736585
TV4	37%	272000	735135
SVT2	36%	263000	730556
Metro(Gbg/VäSv)	30%	219000	730000
Buffé	22%	159000	722727
TV3	22%	160000	727273
Kanal 5	22%	158000	718182
Vi i Villa	19%	140000	736842
Expressen	12%	91000	758333
Aftonbladet	8%	56000	700000
Dagens Nyheter	3%	26000	866667
Svenska Dagbladet	3%	21000	700000

$$Population = \frac{Contacts}{Reach}$$

Note: The column 'Contacts' are provided by TNS Sifo (2014b).

Figure 37: *Göteborgs-Posten's* advertisement revenue overview, 1997-2013

Göteborgs-Posten's advertisement revenue overview (MSEK, ad volume measure, SEK)								
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Advertisement revenue	804,6	850,7	867,4	941,6	817,7	752,6	747,8	759,8
Advertisement volume	38546	41427	38229	41300	36300	33633	32108	33004
Ad revenue per volume	20874	20535	22690	22799	22526	22377	23290	23021

Göteborgs-Posten's advertisement revenue overview (MSEK, ad volume measure, SEK)								
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Advertisement revenue	773,2	876	918	854	656	714	703	598
Advertisement volume	33772	37211	37477	36831	30792	33642	31082	27990
Ad revenue per volume	22895	23541	24495	23187	21304	21223	22618	21365

$$Ad\ revenue\ per\ volume = \frac{Advertisement\ revenue}{Advertisement\ volume} \times 1000000$$

$$Advertisement\ revenue_{index\ for\ year} = \frac{Advertisement\ revenue_{year}}{Advertisement\ revenue_{index\ year}} \times 100$$

$$Advertisement\ volume_{index\ for\ year} = \frac{Advertisement\ volume_{year}}{Advertisement\ volume_{index\ year}} \times 100$$

$$Ad\ revenue\ per\ volume_{index\ for\ year} = \frac{Ad\ revenue\ per\ volume_{year}}{Ad\ revenue\ per\ volume_{index\ year}} \times 100$$

Göteborgs-Posten's advertisement revenue overview, index 1997 = 100								
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Advertisement revenue	100,0	105,7	107,8	117,0	101,6	93,5	92,9	94,4
Advertisement volume	100,0	107,5	99,2	107,1	94,2	87,3	83,3	85,6
Ad revenue per volume	100,0	98,4	108,7	109,2	107,9	107,2	111,6	110,3

Göteborgs-Posten's advertisement revenue overview, index 1997 = 100								
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Advertisement revenue	96,1	108,9	114,1	106,1	81,5	88,7	87,4	74,3
Advertisement volume	87,6	96,5	97,2	95,6	79,9	87,3	80,6	72,6
Ad revenue per volume	109,7	112,8	117,3	111,1	102,1	101,7	108,4	102,4

Note: Göteborgs-Posten Nya AB (2014) is unpublished internal data which is left out of the tables.

Figure 53: Swedish online traditional media consumption, 2013

Swedish online traditional media consumption, 2013 daily			
Age segment	**News**	**Daily press**	**Tabloid**
12–15	59%	54%	7%
16–25	61%	48%	28%
26–35	70%	59%	38%
36–45	69%	61%	40%
46–55	54%	44%	32%
56–65	42%	31%	24%
66–77	25%	21%	13%
76+	8%	5%	5%

Swedish online traditional media consumption, 2013 occasionally			
Age segment	**News**	**Daily press**	**Tabloid**
12–15	89%	64%	30%
16–25	92%	71%	63%
26–35	97%	81%	69%
36–45	95%	79%	72%
46–55	89%	66%	66%
56–65	78%	57%	57%
66–77	59%	42%	37%
76+	22%		12%

Figure 54: Swedish diffusion patterns of computers, internet and broadband, 1995-2013

Swedish diffusion patterns of computers, internet and broadband										
	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Computer	25%	27%	30%	40%	55%	62%	65%	67%	74%	75%
Internet	2%	5%	10%	15%	30%	51%	53%	56%	65%	68%
Broadband						3%	9%	15%	23%	27%

Swedish diffusion patterns of computers, internet and broadband									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Computer	79%	82%	84%	86%	86%	88%	89%	89%	90%
Internet	72%	75%	78%	81%	83%	85%	88%	88%	89%
Broadband	43%	54%	65%	75%	78%	84%	85%	86%	86%

Figure 56: Swedish online newspaper reading through web browsers, 2007-2013

Swedish web newspaper reading							
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Occasionally	79%	75%	77%	79%	80%	78%	76%
Daily	30%	30%	31%	30%	35%	30%	29%

Figure 58: Swedish diffusion of daily mobile internet usage, 2010-2013

Swedish daily mobile internet usage development				
Age segment	**2010**	**2011**	**2012**	**2013**
12–15	3%	22%	62%	78%
16–25	7%	42%	69%	80%
26–35	3%	42%	67%	85%
36–45	8%	34%	52%	73%
46–55	5%	15%	30%	49%
56–65	1%	7%	17%	21%
66–77	1%	3%	4%	8%
76+	0%	0%	1%	0%

Figure 59: Swedish internet statistics show that mobile first is already here, 201408

Swedish internet statistics from week 8, 2014			
	Page views	**Unique user agents**	**Visits**
Aftonbladet mobil	137205345	4105747	28443883
www.aftonbladet.se	90763426	5753019	24269756
www.expressen.se	36076488	2829405	9211264
Expressen mobil	18897918	1606804	5221236
DN.se	13394514	1501420	4419233
svd.se	8732366	1480119	3074236
mobil.dn.se	5597472	539720	1787836
gp.se	4335758	635308	1468280
mobil.svd.se	3408471	645485	1281228
mobil.gp.se	316379	36204	116846

Figure 60: Swedish daily press advertisement revenue development in fixed prices, 1975-2013

Swedish daily press advertisement revenue (MSEK)						
	1975	**1989**	**2008**	**2009**	**2011**	**2013**
2010 prices	1400	2700	1800	1400	1500	1200

Figure 62: Possible reach and circulation development, 2013-2018f

Data set for 'Possible reach and circulation development, 2013-2018f' figure calculations			
	Population 15-79	**GP reach**	**Circulation**
Gothenburg	431141	198325	86091
A33	735000	338100	146766
Total	956522	440000	191000

References, row and column operations for the data set in the table above			
	Population 15-79	**GP reach**	**Circulation**
Gothenburg	(SCB, 2014b)	(2,2)*[(1,1)/(2,1)]	(1,2)*[(3,3)/(3,2)]
A33	(TNS Sifo, 2014b)	(TNS Sifo, 2014b)	(2,2)*[(3,3)/(3,2)]
Total	(2,1)*[(3,2)/(2,2)]	(TNS Sifo, 2014b)	(TS, 2014)

Note: (SCB, 2014b) is (*Statistiska Centralbyrån*, 2014b) and (TS, 2014) is (TS *Mediestatistik*, 2014). Row and column operations are described in terms of (row, column) as seen in a 3-by-3 matrix.

Population and reach development per age segment in Gothenburg 2013						
	15-24	**25-35**	**35-44**	**45-54**	**55-64**	**65-79**
Population	69913	106297	73346	66461	56910	60418
Percent	16%	25%	17%	15%	13%	14%
2010-2013 yearly change	88%	86%	90%	93%	94%	101%

$$Yearly\ change_{Period} = \sqrt[Years\ in\ period]{\left(\frac{Final\ value}{Initial\ value}\right)}$$

$$Weighted\ rate\ of\ change$$
$$= 2010 - 2013\ yearly\ change_{Age\ segment} \times Percent\ of\ population_{Age\ segment}$$

Note: The yearly change rates per age segment are based on Sunday reach development data from the table below according to the equation above. The actual 'Weighted rate of change' for subsequent prediction calculations is approximately 0.9130.

Göteborgs-Posten's Sunday reach development per age segment								
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
15-24	71000	68000	71000	70000	71000	61000	54000	48000
25-34	87000	82000	76000	79000	70000	62000	51000	43000
35-44	107000	100000	103000	98000	97000	90000	71000	67000
45-54	106000	97000	99000	96000	96000	94000	85000	75000
55-64	112000	111000	106000	107000	101000	96000	90000	84000
65-79	93000	99000	98000	102000	105000	108000	110000	109000

$$Reach\ Gothenburg_{t+1} = Reach\ Gothenburg_t \times Weighted\ rate\ of\ change$$

$$Reach\ A33_{t+1} = \frac{Reach\ Gothenburg_{t+1}}{Reach\ Gothenburg_t} \times Reach\ A33_t$$

$$Reach\ Percent_{t+1} = \frac{Reach\ Gothenburg_{t+1}}{Reach\ Gothenburg_t} \times Reach\ Percent_t$$

$$\Delta Reach\ Percent_{2013-2014f} = \left|Reach\ Percent_{2013} - Reach\ Percent_{2014f}\right|$$

$$Reach\ Absolute_{t+1} = Reach\ Absolute_t - \Delta Reach\ Percent_{2013-2014f}$$

Reach predictions 2013-2018f						
	2013	**2014f**	**2015f**	**2016f**	**2017f**	**2018f**
Gothenburg	198266,2	181020,9	165275,7	150899,9	137774,6	125790,9
A33	338000	308600,6	281758,4	257251	234875,2	214445,7
Total - Percent	440000	401728,6	366786,1	334882,9	305754,7	279160
Total - Absolute	440000	401728,6	363457,3	325185,9	286914,5	248643,2

$$Circulation\ Gothenburg_{t+1} = \frac{Reach\ Gothenburg_{t+1}}{Reach\ Gothenburg_t} \times Circulation\ Gothenburg_t$$

$$Circulation\ A33_{t+1} = \frac{Circulation\ Gothenburg_{Total\ 2013}}{Reach\ Gothenburg_{Total\ 2013}} \times Reach\ A33_{t+1}$$

$$Circulation\ Percent_{t+1} = \frac{Circulation\ Gothenburg_{Total\ 2013}}{Reach\ Gothenburg_{Total\ 2013}} \times Reach\ Percent_{t+1}$$

$$Circulation\ Absolute_{t+1} = Circulation\ Absolute_t - \Delta Circulation\ Percent_{2013-2014f}$$

Circulation predictions 2013-2018f						
	2013	2014f	2015f	2016f	2017f	2018f
Gothenburg	86065,56	78579,54	71744,66	65504,28	59806,7	54604,69
A33	146722,7	133960,7	122308,8	111670,3	101957,2	93088,91
Total - Percent	191000	174386,7	159218,5	145369,6	132725,3	121180,8
Total - Absolute	191000	174386,7	157773,5	141160,2	124547	107933,7

Figure 64: Advertisement revenue scenario analysis, 2013-2018f

Advertisement revenue scenario analysis weights			
	Worst	IRM2014	Best
Print	0,80	0,91	0,95
Internet	1,00	1,09	1,20
Mobile	1,20	1,71	2,20

$$Print_{t+1} = Scenario\ weight_{Print} \times Print_t$$

$$Internet_{t+1} = Scenario\ weight_{Internet} \times Internet_t$$

$$Mobile_{t+1} = Scenario\ weight_{Mobile} \times Mobile_t$$

$$Scenario_t = \sum Advertisement\ revenue_t = Print_t + Internet_t + Mobile_t$$

Advertisement revenue scenario analysis						
	2013	2014f	2015f	2016f	2017f	2018f
IRM2014	100,0	92,0	85,1	79,3	74,8	71,8
Print - Worst	100,0	82,0	68,0	57,4	49,7	45,0
Print - Best	100,0	96,1	92,6	89,8	87,7	86,9
Internet - Worst	100,0	91,5	84,1	77,7	72,5	68,9
Internet - Best	100,0	92,7	86,6	81,9	78,7	77,5
Mobile - Worst	100,0	91,9	84,6	78,1	72,4	67,3
Mobile - Best	100,0	92,2	85,8	81,4	80,2	85,4
Rule of thumb (worst)	100,0	85,0	73,0	63,4	55,7	49,5
Rule of thumb	100,0	93,0	86,7	80,9	75,7	71,0
Rule of thumb (best)	100,0	96,2	92,7	89,3	86,1	83,0
All best	100,0	96,9	94,8	94,4	97,1	106,0
All worst	100,0	81,3	66,4	54,5	45,0	37,5

Figure 66: The downfall of GP's 33/67 business model, 1997-2013

$$Advertisement\ share_t = \frac{Advertisement_t}{Advertisement_t + Newspaper\ sales_t}$$

$$Newspaper\ sales\ share_t = \frac{Newspaper\ sales_t}{Advertisement_t + Newspaper\ sales_t}$$

Göteborgs-Posten's advertisement and newspaper sales development (MSEK)								
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Newspaper sales	378	361	379	386	392	397	411	432
Newspaper sales share	32%	30%	30%	29%	32%	35%	35%	36%
Advertisement	805	851	867	942	818	753	748	760
Advertisement share	68%	70%	70%	71%	68%	65%	65%	64%

Göteborgs-Posten's advertisement and newspaper sales development (MSEK)								
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Newspaper sales	447	446	450	452	458	482	486	479
Newspaper sales share	37%	34%	33%	35%	41%	40%	41%	44%
Advertisement	773	876	918	854	656	714	703	598
Advertisement share	63%	66%	67%	65%	59%	60%	59%	56%

Note: Göteborgs-Posten Nya AB (2014) is unpublished internal data which is left out of the tables.

Figure 69: Possible printing press and circulation combinations given a 22.00 PM handoff

Printing capacity per press per printing conditions			
	Worst	**Normal**	**Optimal**
Print throughput per hour	20000	22500	25000

$$Printing\ time = \frac{Circulation}{Printing\ throughput\ per\ press_{Print\ conditions} \times Printing\ presses}$$

Figure 72: Possible printing press and circulation combinations given a 19.30 PM handoff

Note: See figure 69.

Figure 74: Extrapolating 2010-2013 reach changes for circulation estimations, 2013-2030f

$$Reach\ Gothenburg_{t+1} = Reach\ Gothenburg_t * 2010 - 2013\ yearly\ change_{Age\ segment}$$

Note: For more information about the 2010-2013 yearly change per age segment see figure 62.

Extrapolating 2010-2013 reach changes per age segment									
	2013	**2014f**	**2015f**	**2016f**	**2017f**	**2018f**	**2019f**	**2020f**	**2021f**
15-24	10%	9%	8%	7%	6%	5%	5%	4%	4%
25-34	10%	9%	7%	6%	6%	5%	4%	4%	3%
35-44	16%	15%	13%	12%	11%	10%	9%	8%	7%
45-54	18%	17%	16%	15%	14%	13%	12%	11%	10%
55-64	20%	19%	17%	16%	15%	14%	14%	13%	12%
65-79	25%	26%	26%	26%	27%	27%	27%	28%	28%
Total	**100%**	**94%**	**88%**	**83%**	**78%**	**74%**	**70%**	**67%**	**64%**

Extrapolating 2010-2013 reach changes per age segment									
	2022f	**2023f**	**2024f**	**2025f**	**2026f**	**2027f**	**2028f**	**2029f**	**2030f**
15-24	3%	3%	2%	2%	2%	2%	1%	1%	1%
25-34	3%	2%	2%	2%	2%	1%	1%	1%	1%
35-44	6%	6%	5%	5%	4%	4%	4%	3%	3%
45-54	9%	9%	8%	7%	7%	6%	6%	6%	5%
55-64	11%	11%	10%	9%	9%	8%	8%	7%	7%
65-79	28%	29%	29%	29%	30%	30%	31%	31%	31%
Total	**61%**	**59%**	**57%**	**55%**	**53%**	**52%**	**50%**	**49%**	**48%**

$$Circulation_t = Reach\ Gothenburg_t * Circulation_{2013}$$

Extrapolated reach changes per age segment to predict circulation (thousands)									
	2013	**2014f**	**2015f**	**2016f**	**2017f**	**2018f**	**2019f**	**2020f**	**2021f**
Reach	100%	94%	88%	83%	78%	74%	70%	67%	64%
Circulation	191	179	168	158	149	141	134	128	122

Extrapolated reach changes per age segment to predict circulation (thousands)									
	2022f	**2023f**	**2024f**	**2025f**	**2026f**	**2027f**	**2028f**	**2029f**	**2030f**
Reach	61%	59%	57%	55%	53%	52%	50%	49%	48%
Circulation	117	112	108	105	101	99	96	94	92