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## **Introduction**

Local newspapers are struggling to secure revenue streams and fund journalistic production. Eroding readerships, declining advertising revenue and increasing competition in the digital sphere threaten the existence of local journalism (Nielsen, 2015). Given the role of local newspapers as information sources (Wadbring & Bergström, 2017), mediators of culture and identity and arenas for public discourse in the local context (Skogerbø & Winsvold, 2011) and their social democratic importance (Ali, 2016), the sustainability of their business model concerns not only the viability of an industry, but the civic well being of local communities. In an attempt to reinvent their business model, local newspapers have introduced paywalls in their online editions to restrict access to free digital news (Hess & Waller, 2016). The transition from a digital advertising-only revenue model to a mixed user payment/advertising revenue model is challenging. Two main conflict dimensions are salient in the literature: Print versus digital channel interests, and advertising versus user market interests.

With some notable exceptions (Goyanes, 2015; Kvalheim, 2014; Chiou & Tucker, 2013) the majority of paywall studies are concerned with large newspaper outlets on the national level. As argued by Nielsen (2015) we cannot simply deduce from studies of national media what will happen at the local level. Therefore, the purpose of this study is to advance our understanding of how local newspapers aim to sustain their business and how this affects their offerings to readers and advertising customers in their two-sided markets. The study addresses the level of decision-making that shapes the paywalls, a relatively neglected perspective in the local context. This

supplements previous research focusing mainly on user response to local newspaper paywalls. Our study addresses the following research question:

*What are local newspapers' paywall strategies and how do these strategies affect their offering to users and advertisers?*

In this context, “local newspapers” are general news providers serving a smaller geographical region, as opposed to national level newspapers. While national newspapers provide a window to a broader world, local newspapers connect residents to their community and to each other (Bruce, 2014). Our empirical data is drawn from interviews with 22 sales managers and commercial directors in 20 small, local and hyperlocal newspapers in Norway.

We analyse local newspapers' paywall strategies through a business model lens (Osterwalder, 2004). Our study provides new insights within the field of media business studies by exploring how local newspapers have aimed to sustain their business model by pursuing two paywall strategies simultaneously: A defensive *brake strategy* in the user market, and a forward leaning *acceleration strategy* in the advertiser market.

The following sections of this article include, firstly, a literature review. Secondly, we outline the analytical framework, the research method and the empirical data. Thirdly, we present our findings and, in conclusion, a discussion of key findings and concluding remarks.

## **Literature review**

In the literature on how newspapers aim to build sustainable businesses for the future, the strategic dilemmas involved in the processes are salient. We have identified two

main conflict dimensions relevant for the present study in previous research: 1) channel conflict between print and digital and the risk of cannibalisation, and 2) market conflict between advertising and user payment and challenges involved in developing double market revenue online.

The first strand of literature is concerned with newspapers' struggle to find a balanced focus between traditional print and new digital activities (e.g. Thurman, Picard, Myllylahti & Krumsvik, 2018, in press; Newman, Fletcher, Kalogeropoulos, Levy, & Nielsen, 2017; Pew, 2016; Schlesinger & Doyle, 2015; Krumsvik, 2014). Findings are complex and ambiguous and demonstrate the challenges facing local newspapers when trying to monetize their digital user base: On one hand, there is a need to speed up the digital transformation and establish paid relationships to online readers due to a major shift from print to digital local news consumption as demonstrated by Wadbring and Bergstrøm (2017). On the other hand, there is evidence that local printed newspapers maintain a dominant position despite an increase in digital consumption, and that digital editions supplement rather than replace printed newspapers (Chyi & Tenenboim, 2016; Skogerbø & Winsvold, 2011). Schlesinger and Doyle (2015, p. 317) maintain, "It makes good sense to nurture a subscription base" by adding value to the printed version in a multi-platform business model rather than going full-steam-ahead at only digital. In line with this, Pickard and Williams (2014) found that the main motivation for introducing paywalls in newspapers has not been to generate a new revenue stream, but instead to prevent users from abandoning the print edition, which supports an early argument of Thurman and Herbert in their analysis of paid content experiments in the UK (2007). In a similar vein, Holm (2016) found paywall strategies

in Denmark to be defender or reactor strategies oriented towards protecting current markets and serving existing customers. Summarising analyses of local newspaper businesses and small geographic markets, Hess and Waller (2016) draw a pessimistic picture of their potential to build viable user payment or online advertising models.

The second strand of literature contains a substantial number of paywall studies. Some are concerned with users' willingness to pay for online news and response to paywalls (e.g. Newman et al., 2017; Kammer, Boeck, Vikær Hansen & Juul Hadberg Hauschildt, 2015; Chiou & Tucker, 2013). Others focus on the impact of paywalls on newspapers' attractiveness for advertisers (e.g. Myllylahti, 2016). Findings in the studies are ambiguous. Despite national differences, willingness to pay is found to be relatively low (Newman et al., 2017) though some research suggests niche newspapers stand a better chance of succeeding with paywalls (Carson, 2015; Myllylahti, 2014; Pickard & Williams, 2014). This includes local and regional newspapers with non-substitutable, high value content (Goyanes, 2015; Kvalheim, 2014).

Other studies find that unwillingness to pay drives away digital users (Chyi & Tenenboim, 2016; Kammer et al., 2015), particularly the younger generation (Chiou & Tucker, 2013). Given newspapers' double market logic, whereby the audience in one market is monetized as eyeballs for advertisers in the other, such decline in audience reach would potentially damage attractiveness to advertisers (Myllylahti, 2016; Picard & Williams, 2015). As local newspapers are struggling to build viable advertising revenue online and facing fierce competition in the digital environment (Hess & Waller, 2016), audience reach has played a dominant role in paywall research (Thurman, 2014). Carson's (2015) study suggests there is no simple argument that a paywall will

necessarily limit audience reach and that impact on web traffic is dependent on type of paywall. Furthermore, he submits that the metered paywall model, which give users free access to a limited number of articles, best serves the “sweet spot” between paying customers and maximising traffic. Other paywall models include the hard model, charging for all content, and the premium model, charging for premium content (Myllylahti, 2017; Sjøvaag, 2016).

Contrasting the conflict between maximising eyeballs and harnessing user payment, Thurman and Herbert (2007) suggest that detailed user information can be valuable in attracting certain types of advertising. With the exception of Evens and Damme (2016), research has not explored as elaborately as might be expected the paywall’s role in harvesting such user data. Evens and Damme’s (2016) concept of “datawall”, though not specifically associated with charging users for access to paid content online, is relevant for paywall research. It describes the value of big data analysis based on data harvesting from non-anonymous users who sign into online services to access content.

### **Analytical framework**

Although previous studies have noted the paywall’s impact on both audiences and advertisers, the literature has not explored the effects sufficiently. In order to analyse in more detail how local newspapers’ paywall affect the users and advertisers, we need an analytical model which focuses on the manner in which an enterprise delivers value to customers, entices customers to pay and converts those payments to profit (Teece, 2010). The business model approach draws on a number of previous research

contributions that conceptualize business models as a set of interrelated components or building blocks (Osterwalder, Pigneur & Tucci, 2005; Shafer, Smith & Linder, 2005; Teece, 2010; Günzel & Holm, 2013; Hognaland & Saebi, 2015; Holm, 2016).

As our research is concerned with the implication of paywalls for users and advertisers, we analyse the four components focusing on the customers, as defined by Osterwalder et al. (2005) and illustrated in figure 1.

[figure 1 here]

In the figure, the *value proposition* component gives an overall view of a company's bundle of products and services that are of value to the customers. The *target customer* component refers to segments of customers to which the company offers value. The component, *customer relationship*, describes relationship mechanisms between the company and customers, such as acquisition and retention of customers. Lastly, the component *distribution channel*, describes the channels the company uses to deliver value to the customer.

Owing to the dual product market nature of newspapers, a business model analysis of the paywall will have to deal with two sets of building blocks, one for users and one for advertisers. Osterwalder et al. (2005) argue that front-end building blocks have a bottom-up perspective which, although dividing the business model into a few main categories, does not create a hierarchy of levels. It is well suited to encompass the complexity of our analysis of how the two markets affect each other.

## **Methodology**

To study local newspapers' paywall strategies and how these affect the newspapers' offerings to users and advertisers, we have conducted in-depth interviews with 22 sales managers and commercial directors in 20 small, local and hyperlocal Norwegian newspapers, with an average circulation of only 17, 400 net in 2015 (see table 1 for details).

The case of Norway is of interest internationally for three reasons. First, Norway represents a media system in which both newspapers and digital media have strong market positions. Secondly, the Norwegian newspaper situation represents a case for successful implementation of digital paywalls. Within a very short period, the number of paywalls in Norwegian newspapers increased dramatically, from 55 at the end of 2014 to 125 one year later. In 2016, 151 newspaper had paywalls (Høst, 2017). Most of the newspapers use premium models. Only one Norwegian newspaper uses a metered model, in contrast to, for instance, U.S. newspapers where 63 per cent of the newspapers use a metered model (American Press Institute, 2016). Thirdly, the case offers valuable insight into the ultra local markets of newspapers. Although the population of Norway is only five million, there are about 220 newspapers spread all over the country. More than half of the 220 newspapers have a circulation below 5000 and only 71 are daily newspapers (Høst, 2017). In order to maintain local competition and support the civic role of local newspapers in maintaining healthy local democracies (e.g. Ali, 2017), the press is heavily subsidised and has a decentralised structure.



### ***Sampling strategy***

In qualitative research, “the intent is not to generalize to a population, but to develop an in-depth exploration of a central phenomenon”, which is best achieved by using purposeful sampling strategies (Creswell, 2005:203). As our research question is exploratory, we wanted a broad sample group of 20 local newspapers, representing the diversity and breadth of the Norwegian newspaper flora with respect to geography, size of the newspapers, ownership of the newspapers and their choice of and experience with a paywall. Table 1 presents such information about the newspapers in the study.

From each newspaper, we purposively sampled sales and marketing directors based on their role in the newspapers and relevance to our topic. As our research question deals mostly with how commercial interests affected the customer interface, we wanted to see the world through the eyes of those with in-depth customer insight. The aim of the interviews was to explore the sources’ views, experiences and beliefs about the paywall and its impact on their relationship to customers. It was important to interview somebody that could reflect on changes in the business model caused by the introduction of user payment. In some cases, we conducted snowball sampling, as the sources suggested alternative or supplementary sources within their newspaper. Table 1 also lists the role of our sources.

### ***Interview design, data collection and coding***

All but one of the interviews took place at the premises of the newspapers and lasted for about an hour. The interviews took place in 2015/2016. We used standardized, open-ended interviews. This facilitated faster interviews and made it easier to analyse and

compare the data. Table 2 states the main interview questions. One researcher transcribed five interviews and a student assistant transcribed the rest of the interviews as the sources allowed us to record them. Both researchers then reviewed the transcriptions.

Using an explorative design, we have followed a traditional qualitative procedure for coding (Creswell, 2005). First, the two researchers independently developed codes for categorizing the interview transcripts. Secondly, we used multiple coding (Saldana, 2009), which involved cross checking of coding strategies and discussion of interpretation of data. In this process, the codes were refined. In step two, we grouped the coded elements according to our analytical model (figure 1). By going backward and forward between the data and the literature, we discussed and clarified each component in the model. The eight components are the value proposition, the target customer, the customer relationship and the distribution channel for both advertisers and users. In addition, we coded the interviews according to paywall characteristics (type of paywall, time of introduction, reactions from users and advertisers). We also coded each interview according to market factors (type and extent of competition, both locally and globally) and the newspaper's digital strategy. Our strategies to minimize threats to validity addressed several of the items included in Maxwell's (1996) validity checklist, with the exception of triangulation by those interviewed. In the last stage, we linked the components to the research question and summarized the data, as presented in figure 2.

Our sources, representing their own newspapers, replied largely in accordance with these newspapers' strategic considerations. As such, we did not seek corporate

level information on, for instance, topics such as the role of ownership or paywalled content strategies.

## **Findings**

In the following sections, we will present our findings regarding how the paywall affected the user market and the advertising market. As “validity is proven through evidence” (Maxwell, 1996, p. 121) we have included quotes that are poignant and/or most representative of the findings. Figure 2 summarizes the findings for each component in the user and the advertiser market.

[figure 2 here]

### ***Paywall affecting the target customer in the user market***

With regard to target customers, our findings show that paywalls primarily targeted the existing subscription base among local newspapers. According to our sources, their “job number one” was to make local paying print subscribers realise the value of the paid service and encourage them to maintain their subscriptions. As noted by the regional sales director of Nordlys regarding the paywall strategy of their owner Amedia: “The first part of Amedia’s digitalisation project [paywall implementation, ed. note] dealt with existing subscribers. That has been our focus. And it still is”. This approach was evident among most of the newspapers in our sample. As described in Gudbrandsdølen Dagningen, the paywall was “introduced as a conservation project to keep subscribers”. The sales director in Agderposten elaborated on this approach and their experiences

with it: “The main reason for our new subscription model was to stop circulation decline, and we have achieved that (...). We have more subscribers today than in 2013. This follows ten years of declining subscription figures”.

With regard to targeting non-subscribers, the newspapers in our sample had diverging approaches. For the soft paywall newspapers, non-subscribers were still important target customers. Their goal was to secure their local subscription base without significant loss of digital reach. According to several of our sources, reach was the main reason for growth in digital revenue and paywalls could potentially reduce the newspapers’ strong “reach position” if non-subscribers abandoned the newspaper due to the paywall. As described by the marketing director of Glåmdalen, “If we put all content behind the wall, we will lose non-subscribers”. The sales director in iFinmark elaborated on the challenge of serving two target customer groups: “We don’t want to lose our position as the largest local news site. We want to reach far, but we also want to get paid”.

We found that the hard paywall newspapers in our sample gave less priority to non-subscribers. The sales director in Jærbladet described these users as less valuable users who had been “weeded out” through the introduction of the hard paywall. Our sources defined lost digital traffic as losing non-target customers, “flybys” and “free riders”. According to our sources in the two hard paywall newspapers, traffic losses were initially steep, but had since picked up. The marketing director of Hallingdølen described how the newspaper’s prioritization of local subscribers has paid off: “We have an 80 per cent reach and we manage to maintain our subscribers”.

### *Paywall affecting the customer relationship in the user market*

In terms of customer relationships, local newspapers have traditionally had a strong connection to their local communities and loyal print subscribers. Their approach was to nurture and transfer the personal, non-anonymous relationship, well established in the print side of their business, to the digital sphere. By introducing log-in access to paywalled content and identified digital use, the newspapers aimed to retain their relationship to local audiences. Subscribers were strongly encouraged to access their full subscription service online - in some cases with offline support services to assist subscribers to log on to the web site.

Such identified use was particularly important to stimulate user data harvesting aimed at more targeted or personalized content offerings among our sample newspapers. As described by the sales director in iFinnmark, “we will ask the AiD-users [logged in users, ed. note] about their interests and tailor more relevant content for those users”. Similarly, the manager director in Drammens Tidende recognised this personal relationship as insights about local users: “We can increasingly use customer segmentation. We know what they like, we know who they are”. This signals a much stronger connection to users than was the case with the anonymous pre-paywall web traffic and an opportunity for one-to-tribe marketing. Indeed, several of our sources referred to their local subscribers as “members” and subscription as a “membership” signalling a sense of club-association between the newspaper and their local readers. In the words of the regional sales director of Oppland Arbeiderblad, “I hope that our readers feel they receive something extra, something reserved for the members and those who subscribe”.

By offering multiple paywall log-ins per subscription household, several of the newspapers in our sample extended their opportunities for personalised customer relationships. These newspapers provided bonus subscriptions to share with family members, which would give the newspapers extended access to data information about an entire household, not only the subscription holder.

### ***Paywall affecting the value proposition in the user market***

With regard to value proposition, we found that the introduction of the paywall enabled local newspapers to capitalize on their unique niche content in local markets. Based on the information from our interviews, the paywall affected the value proposition in two ways: differentiation of local news content and bundling of local print and online products. With regard to differentiation, our analysis shows how the overall ambition of securing local newspapers' subscription base stimulated a differentiation between high and low value news content: Paywalled content typically included stories with perceived "higher value" for local audiences. In the words of the manager director in Drammens Tidende, "Our unique content; reportage, comments, in-depth interviews and ultra-local profiles is paywalled". Free content was restricted to breaking news, general news and other content that required less journalistic investment or, as explained by the regional sales director in Moss Avis, represented "substitutable competitive content".

By paywalling the most exclusive local content, the newspapers aimed for excellence value in their value proposition to paying subscribers. The hard paywall newspapers in our sample defined almost all of the digital content as exclusive and

reserved for paying subscribers. The sales director in Jærbladet described how “all content is basically put behind wall”. In the newspapers with a premium paywall model 20-50 per cent of the content was paywalled in an attempt to offer a “good enough” service to non-paying customers and simultaneously reserve the most valuable content for subscribers. Our sources described how the differentiation was subject to extensive experimentation on a day-to-day basis. As explained by the sales director in Tønsbergs Blad, which had a premium paywall model: “We do experiment and put a lot of content behind the wall for a day or so, but normally most of our stories are open for all to read”. The experimentation ran the risk of confusing the value proposition for both subscribers and nonsubscribers as the differentiation became inconsistent. The head of advertising in Gudbrandsdølen Dagingen described this dilemma: “The more big stories we keep open to everyone outside the paywall, the less reason there is for people to pay their subscription bill”.

The soft paywall newspapers described the differentiation as a complex balancing act: To make the paid service worth subscribing to and the free service less desirable, while simultaneously maintaining or strengthening digital reach and avoiding the alienation of non-subscribers to maintain attractiveness to advertisers. As described by the sales director in Agderposten: “There is a trade-off between how much content you must reserve for your subscribers to make subscription attractive and the risk of losing traffic and reach”.

Bundling was the other value proposition change introduced by means of the paywall. The newspapers offered printed newspaper and the online premium paywalled content as combined products. In addition, they often included the e-paper -- a digital

version of the printed edition. Our sources described how this bundle represented an “all inclusive” local news service to its paying subscribers. Some even included an additional weekly digital-only product with local news from all over Norway in order to make the offering more appealing. Several of our sources reported that they combined the bundling introduced with the paywall with pricing tactics for increased appeal. As described by the marketing director in Varden: “We offer our subscribers a much better product at the same price. Now they can read the e-newspaper wherever they are. Also, everything digital is now published in a nicer magazine style, so the products have improved”.

We found that the bundle “full access to all content on the preferred delivery platform” was well suited to offer an excellent value local news service for users with high interest in local news and a preference for the printed newspaper. The newspapers offered differentiated product bundles to customers who did not want the printed newspaper, particularly “young families”. This included “digital only” and weekend/combi bundles offered at a lower price. This demonstrates how local newspapers tried to build flexibility into their paywall value proposition to cater for different customer segments.

### ***Paywall affecting the distribution channel in the user market***

In terms of distribution channels to customers, we found that the introduction of the paywall reduced channel conflict. Some of our sources described the protection of print from web cannibalisation as a key motivation for erecting paywalls. According to them, print was by far the most valuable channel and deserved special treatment accordingly. Here, in the words of the marketing director in Hallingdølen:



I think media representatives have talked about print as if they do not want it.

The big shots talk negatively about print - claiming it will soon die. However, when the local newspaper only generates ten percent of its revenue from digital advertising, I think such statements are bold.

Others were less concerned with the distinction between the most valuable and least valuable channels. They focused on how the paywall had contributed to channel equalization. For example, the sales director in ifinnmark maintained: “Whether the subscribers are print subscribers or digital subscribers doesn’t matter to us. They are equally valuable, even though print subscribers pay more. For us, the most important thing is that as many as possible buy our product”.

This levelling out of the print versus online channel competition also affected channel quality. According to our sources, the paywall led to a better online local news service. In the words of the sales director in Jærbladet: “Our online newspaper has improved considerably. The feedback from our customers and readers tells us that it is much more interesting, that we deliver better news and that we update the edition”. The marketing director in Firda elaborated on this: “Editorial content has improved, (...) in the past there may have been a tendency to save the best content for the printed newspaper. Now everything is published on the web”.

In terms of balancing the interest of print and online distribution channels, our sources also maintained that the paywall had not had the negative effect on digital reach that they feared. As mentioned above, most of the newspapers in our sample reported that their digital channel regained its position after initial traffic loss following the introduction of the paywall. As described by the marketing director in

Fædrelandsvennen: "Within a year we had regained our original reach, and from that level we have continued to grow". Combined with the reportedly positive effect on print circulation figures in several of our case newspapers, these findings on digital reach suggest that with the paywall the local newspapers had been able to find a balanced focus between their online and printed newspapers.

### ***Paywall affecting the value proposition in advertising market***

Moving on from the user market side of local newspapers' double market business model, the following section analyses the impact of paywalls on the advertising side of their business model. Here we found that the introduction of paywalls affected local newspapers' value propositions to the advertiser as the characteristics of the audience product sold to advertisers changed. We did not identify any direct impact of the introduction of paywalls on the three other components in the business model, i.e. the customer relationship, target customers and distribution channels. Our sources linked changes in these components to general market developments in the online advertising environment rather than to the introduction of the paywall.

Concerning value propositions to the advertisers, our analysis identified three changes: more valuable audience, user insight allowing better segmentation possibilities and maintained audience reach. Firstly, our analysis shows that after the introduction of paywalls the newspapers were able to offer a more valuable local audience to local advertisers. As local advertisers represented the bulk of the local newspapers advertising business, this was important for our sample newspapers. As described by the sales director in Sandefjords Blad: "When we introduced the paywall, only ten per cent

of our advertising revenue came from national players. That is very little”. In other words, serving local businesses with relevant audiences was a core aspect of the local newspapers’ value proposition to advertisers.

We argue that there are two premises forming the increased value of audiences: First, that the introduction of paywalls strengthened the newspaper’s relationship with paying customers, and second that the introduction of paywalls filtered out irrelevant audiences for advertisers. Some of our sources argued that when the users are paying for online news, they value the content and invest more time consuming it. As the sales director in Jærbladet reported:

They (readers) are spending more time on the site. We see that quite clearly. We can see that they are not just reading the front page, but that they actually read more articles and open more pages to read a particular story.

The regional sales director in Moss Avis noted a similar development: “Users are spending more time on the site. The time spent has increased. The traffic is not merely on the front page. The users enter the site on article level”. Several of our sources claimed that online visitors spend more time per visit, and that the increased traffic takes place at article pages and not the front page.

Furthermore, our sources maintained that the users lost due to the paywall - the so-called “free riders” - were mainly occasional “flybys” and non-local users and less valuable than the remaining ones for advertisers as they would hardly shop locally anyway. The sales director in Sandefjords Blad reported,

The readers that are paying for our product are genuinely interested in reading our newspaper. They are not occasional readers or remote readers, simply

browsing what is going on in Sandefjord. Our advertisers will not have to pay for these page views.

According to our sources, remote and occasional readers were not an interesting target group for advertisers. Losing “free riders” could sometimes be for the better for the advertisers, because their remaining target group is more relevant to them. As explained by the sales director in Romerikes Blad:

It is like having 10,000 people listening to a concert, but if only five actually like the music (...) it is these five people you want to communicate with. They are the real followers or fans. The others are there just because they have nothing else to do; they would probably not buy your music because they don't really like it.

Secondly, the paywall was not only a filtering mechanism for differentiation of content and access control. The paywall also served as a “datawall”, tailored to maximize user data harvesting and offer better segmentation possibilities. As described above, the paywall login procedures generated more information on audiences and their use of digital content. Our sources maintained that such user data was in high demand among advertisers and a key benefit of the paywall. Due to the paywall, newspapers would receive demographic information about their online users and collect data on user habits, which would enable them to construct a whole range of new segmentation criteria – all the way down to the individual level. As the marketing director in Fædrelandsvennen described:

If you want to target “women”, I can fix that. If you want to target women earning more than 800,000 NOK, I can give you that. If you want women

earning more than 800,000 NOK and interested in cars, I can deliver that as well.

Even though target groups will be very small for individual local newspapers, networks of local newspapers can provide interesting segments, according to several of our sources. When newspapers can use comprehensive repositories of data about their subscribers to tailor advertise for specific users it will arguably reduce the risk of targeting irrelevant audiences and make the targeting process much more efficient.

Despite great big data optimism expressed by our sources, the benefits of data harvesting were yet to be developed. To quote the sales director in Tønsbergs Blad: “The log-in solution and paywalls provide us with information about our users, which enables us to increasingly use target advertising, but we are not there yet”. The managing director in Drammens Tidende elaborated: “This is very exciting, but we need more time to collect more data. But it will be a gold mine for us and our advertisers”.

Thirdly, as described above, we found that the paywall had not affected the reach aspect of the value proposition for the advertisers in a negative manner. When raising paywalls, the risk of losing digital reach was the biggest concern, according to our sources. With the notable exception of one newspaper, our sources claimed the drop in online traffic was less dramatic than feared and traffic picked up again rather quickly after an initial drop. Firda’s summing up is typical for most of the newspapers in our study:

“The introduction of the paywall went surprisingly well. I thought we were going to lose a lot of traffic. We had a drop in the beginning, but now we are back on track. We went from 100 000 to 85 000 page views per day, but now we

are back to 100 000. Whether we have missed a potential growth, I do not know”.

In fact, several of our sources maintained that they could afford losing “eyeballs” because of supply and demand mechanisms in digital advertising: As long as the local newspapers have considerably more page views on offer than they are able to sell, the risk of traffic loss was relatively small. As stated by the regional sales director in Oppland Arbeiderblad: “We have enough inventory available to satisfy both the local need and the carpooling system. The traffic has dropped, but we are selling both national and local inventory. At least so far”.

### ***Summing up findings – a combined brake and acceleration strategy***

Returning to our research question, the findings presented in the previous sections demonstrate how the introduction of the paywall represented two parallel strategies in the local newspapers. We have identified these two strategies as a defensive *brake strategy* in the user market and a forward leaning *acceleration strategy* in the advertising market. In the user market, the brake strategy meant prioritization of existing subscribers over less valuable “free riders” and “flybys” without losing too much traffic. The brake strategy also included strengthening of subscription relationships and transfer of personal print relationships to the digital sphere. In addition, the brake strategy changed the value proposition through differentiation and bundling tactics, which favoured paying print subscribers and reduced the delivery channels’ conflict through equalization of the print and online editions.

The acceleration strategy in the advertising market was salient in the local newspaper's value proposition to advertiser. Due to the paywall, they were able to offer the advertisers a more relevant group of audience, and gather user data offering better segmentation possibilities, and thus targeted advertising, while simultaneously being able to offer similar audience reach as before the paywall.

### **Discussion of finding – balancing brake and acceleration**

Our findings demonstrate that local newspapers' paywalls are more geared towards digital growth than previous research by Holm (2016), Pickard and William (2014) and Thurman and Herbert (2007) have suggested. Although the newspapers designed the paywalls for securing the subscription logic of the printed newspaper business, we also found that the paywalls are tailored to facilitate innovation of local newspapers' value proposition in the digital sphere - particularly for local advertisers. As suggested by Evens and Damme (2016) data harvesting by means of identified, logged-in use of online content is regarded as an important strategic opportunity, also by small newspapers serving local markets. We found that the "datawall" logic played a major role in how local newspapers developed their paywalls.

Our findings further demonstrate how the local newspapers were constantly trying to balance the acceleration and brake strategies and how this affected their offering to customers in their two-sided market. We discuss this in more detail below.

***Brake strategy: Securing the print and the existing subscription base***

In line with Doyle and Schlesinger (2015) and Thurman (2014), we find that local newspapers root their strategy in print, by favouring print subscribers through exclusive value propositions and pricing mechanisms as retention measures. Given the strong position that local printed newspapers have had in their local communities, this brake strategy is arguably even more sensible for this type of media than for large, national players. By targeting existing, print subscribers with a value proposition based on exclusive access and content value, the paywall has arguably been able to curb cannibalisation from a free online edition. According to our sources, this brake approach has contributed to reduced circulation decline. For the newspapers, it makes sense to follow this path, given the profitability of the print users, compared to digital users.

Adding to these insights, we also identify considerable strategic ambivalence in the newspapers' differentiation tactics. This supports the arguments of previous research by Myllylahti (2016) about the risk of losing advertising attractiveness. We found that the majority of our sample newspapers were very aware of this risk. They were constantly struggling to find a balanced value proposition: offering paywalled local news exclusive enough for subscribers to pay for, and non-paywalled news offering good enough news for non-subscribers to remain, thus maintaining their reach position for advertisers.

Our findings suggest that local newspapers have been rather successful in manoeuvring between these two considerations. Contrasting previous research, which has demonstrated low willingness to pay for online news (Newman 2017, Kammer et



al., 2015) and the negative effect of paywalls on web traffic (e.g. Chyi & Tenenboim, 2016; Chiou & Tucker, 2013,), we found that local newspapers managed to introduce paywalled content without major loss of traffic. As argued by Carson (2015) and Myllylahti (2017), paywalls stand a better chance among newspapers with niche content, such as hard news. Our findings support this, even though our sources also admitted to challenges when experimenting with differentiation of exclusive paywalled content and free non-exclusive content.

***Acceleration strategy: Full steam ahead in digital advertising***

Supporting Carson's (2015) argument that there is no simple correlation between paywalls and loss of traffic, we maintain that local newspapers were able to pursue a forward leaning digital advertising strategy not *despite* of the paywall, but *because* of the paywall. The aforementioned observation that web traffic quickly recovered after the implementation of the paywall contributed to this strategy. Furthermore, the sources defined the traffic that disappeared as irrelevant audiences to the local advertiser. Our study demonstrates how local newspapers were able to market more loyal and relevant eyeballs to local advertisers after the introduction of the paywall, thus capitalizing on their strong local position. Even though the long term effect of the paywall on traffic is yet to be experienced, these findings demonstrate that the pessimism found in previous research by Picard & Williams (2015) and Myllylahti (2016) on the potentially negative effect of paywalls on digital advertising may be exaggerated, or less suitable to describe the situation in small local newspapers.

Another key element of the paywall's role in an acceleration strategy for digital advertising was data harvesting from digital users by means of paywall log-in procedures. In line with Evens and Damme's (2016) argument about the value of data from users' cross-media news consumption, we found big data analysis potential to be a driving force in the local newspapers' advertising strategies. Given the current crises in newspapers all over the world, with declining advertising revenue, our analysis reveals surprisingly strong digital optimism and enthusiasm concerning the harvesting of user data, particularly in terms of segmentation possibilities for local advertisers. Previous research such as Myllylahti's study (2016) has demonstrated the value of user data harvesting for larger news outlets such as the Financial Times. Our findings demonstrate how data harvesting and the potential to offer more targeted audiences for advertisers also play an important role for much smaller players operating in local markets.

The risk of disrupting the complex balancing of double market interests was an underlying worry among our sources. Overall, we argue that the newspapers introduced paywalls to defend the print channel and simultaneously maintain digital reach. However, there was no coherent prioritizing of print advertising among our sources due to the paywall. The majority of sources favoured a combination of channels for their advertisers. The challenge was to maximize reach and audience value on all platforms in an increasingly challenging advertising market.

## **Conclusion**

Given local newspapers' important role as democratic arenas and social integrators in local communities, our findings provide some cause for optimism rarely found in contemporary newspaper business research, including paywall studies. This has implications for both society and industry. We find that the paywall played an important role in a complex balancing act whereby local newspapers combine a defensive *brake strategy* in the user market and a forward leaning *acceleration strategy* in the advertising market. Although there is a risk that this combined accelerate and brake-exercise will result in a burnout effect, with shrinking and aging audiences and the subsequent loss of advertising, the newspapers in our sample have reportedly managed the exercise fairly well.

The long term effects of local newspapers' complex value proposition in the user market are yet to be experienced, as is the real value of their data harvesting for advertisers. Thus, the restricted period of our study represents a limitation of our research. As paywalls for online news are still a new phenomenon, future research could overcome such limitations by building on these findings and providing more insight into the broader industrial implications and long-term effects of paywalls, particularly the societal role of local newspapers with paywalls.

Introducing paywalls to local newspapers is not a magic pill that will solve the challenges regarding declining readerships and revenues. Yet, it has brought local newspapers away from a digital advertising-only revenue model to a mixed user payment/advertising revenue model. Most local newspapers with a strong print legacy

are familiar with balancing the interest of readers and advertisers. It may turn out to be a valuable experience in the transition from a print to digital business model.

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