

ONLINE PRESS

The case of **la Repubblica**

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Agenda



- ▶ Newspapers industry overview
- ▶ The Italian market
- ▶ *La Repubblica*
- ▶ Business goal and objectives
- ▶ Methodology
- ▶ Data auditing
- ▶ Univariate and bivariate descriptive statistics
- ▶ Conjoint analysis
- ▶ Factor analysis 1
- ▶ Cluster analysis
- ▶ Factor analysis 2
- ▶ Multiple linear regression
- ▶ Logistic regression
- ▶ Discriminant analysis
- ▶ Managerial implications
- ▶ Limitations
- ▶ References

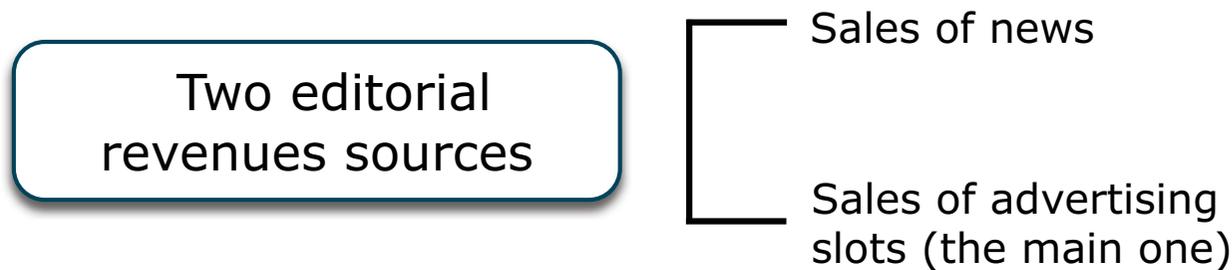


Newspaper industry overview

According to the World Association of Newspapers, there are 1,7 billion daily newspaper readers in the world. In 2007 more than 532 mln people bought a newspaper everyday. If considered that in 2003 the same research found 486 mln of daily buyers, it can be affirmed that **worldwide a growth is registered**.

However, this increase in the number of readers and of the diffusion (+9,4%) is dragged mostly by emergent markets such as India, China and Russia. More evolved countries, instead of a boom of newspapers, have experienced a **deep newspaper crisis** (except for Japan and Austria).

The period between 2008 and 2009 has been the worst since the Great depression leading to a historic restructuring of the newspaper industry, particularly in the US and the rest of the Western countries.



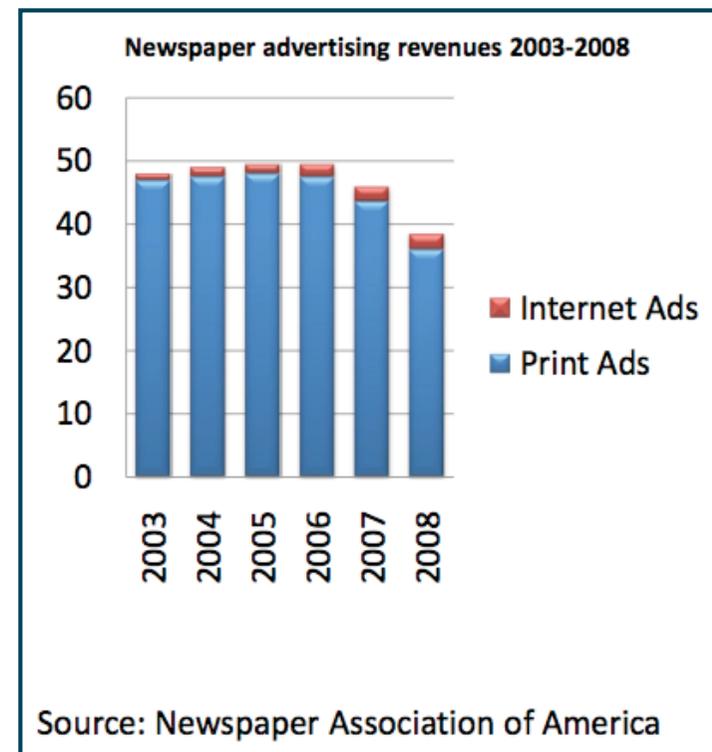
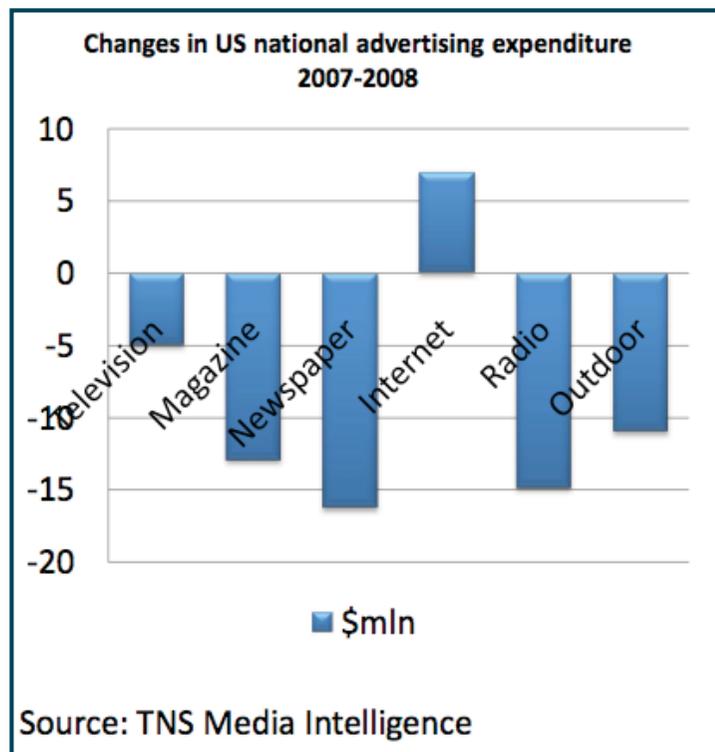


Newspaper industry overview (2)

At the beginning of 2009, after the publication of the *The New York Times'* financial statement revealing a debt of more than \$400 million, many argued one of the most important and solid news company in the world would soon go bankrupt. *Fitch Ratings* even predicted newspapers will gradually disappear (Hirschorn, 2009).

As follows, **the most important factors influencing this acute crisis:**

- ▶ Dramatic drop in advertising, which accounts for 80% of newspaper revenues.
- ▶ Moreover, a structural change is in act as readers and advertisers move to the Internet. Currently less than 10% of newspaper company revenues are earned online.
- ▶ While the newspapers were slow to seize the online advertising market, companies like Google and Yahoo have captured billions of advertising revenues.

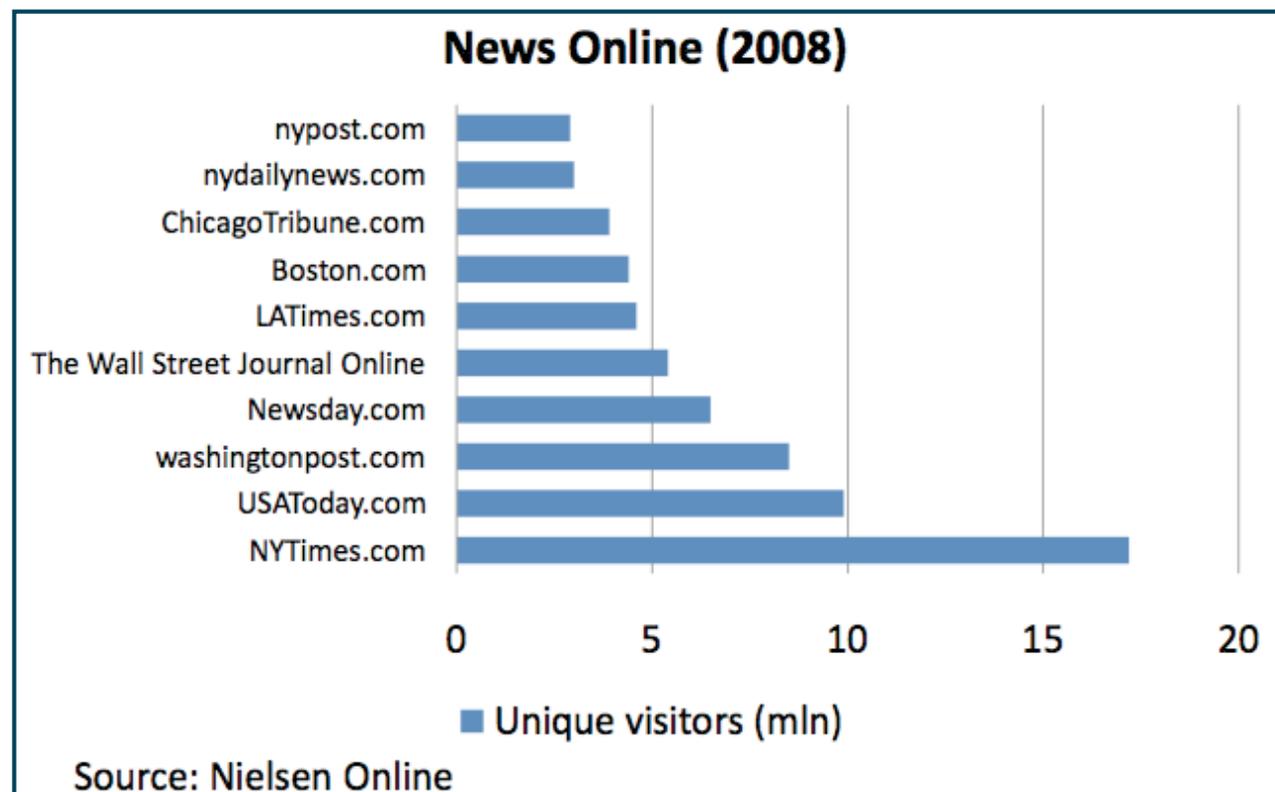




Newspaper industry overview (3)

On the other hand, **online websites offering news have experienced heavy growth.**

The graph clearly represents an astonishing contrast: in the same year of its possible bankruptcy, *The New York Times* is listed as the most visited newspaper website in the US. Beside the online versions of the most important newspapers, news aggregators such as *Yahoo!News* (+12%), *AOL News* (+20%), *Fox News Digital Network* (+20%) and *Google News* (+8%) have performed extremely well in terms of unique visitors (Costa, 2010).



Newspaper industry overview (4)



- ▶ But to what extent has this new structure of the newspapers industry been conditioned by the new media? According to an analysis performed by the *Readership Institute* in 2009, **online news consumption has been subtracting market share from the printed newspaper**. In fact, 27% of the interviewed readers have claimed to have reduced paper news consumption after having surfed an online site providing the same service.
- ▶ Another study by the Annenberg School of Communication at the University of Southern California has found that 22% of **readers had dropped a paid print newspaper subscription because of its availability online free of charge**.
- ▶ Nevertheless, the majority denies any type of influence. But readership trends are complex, as habits and preferences evolve in response to the enormous array of information available on the Internet, television, and through devices such as hand-held readers and cell phones. Though readers want news, they do not necessarily want it from a traditional paper, this is why they often choose to use multiple sources.



Italian market

The same phenomenon has affected the Italian newspaper market as well. We can assert that the causes are the same (i.e. the advertising revenue drop and the deviation effect of the Internet), **though the Italian industry is perhaps suffering a bit more.**

As compared to other countries like the US, for example, a very low part of the revenues are guaranteed by subscriptions, leaving thus the companies even more vulnerable to advertising expenditure fluctuations.

Newspapers. % of subscriptions on total sales in major countries 2008

Country	Subscriptions	Other channels
Austria	69	31
France	29	71
Germany	65	35
Japan	95	5
Italy	9	91
Greece	3	97
US	75	25

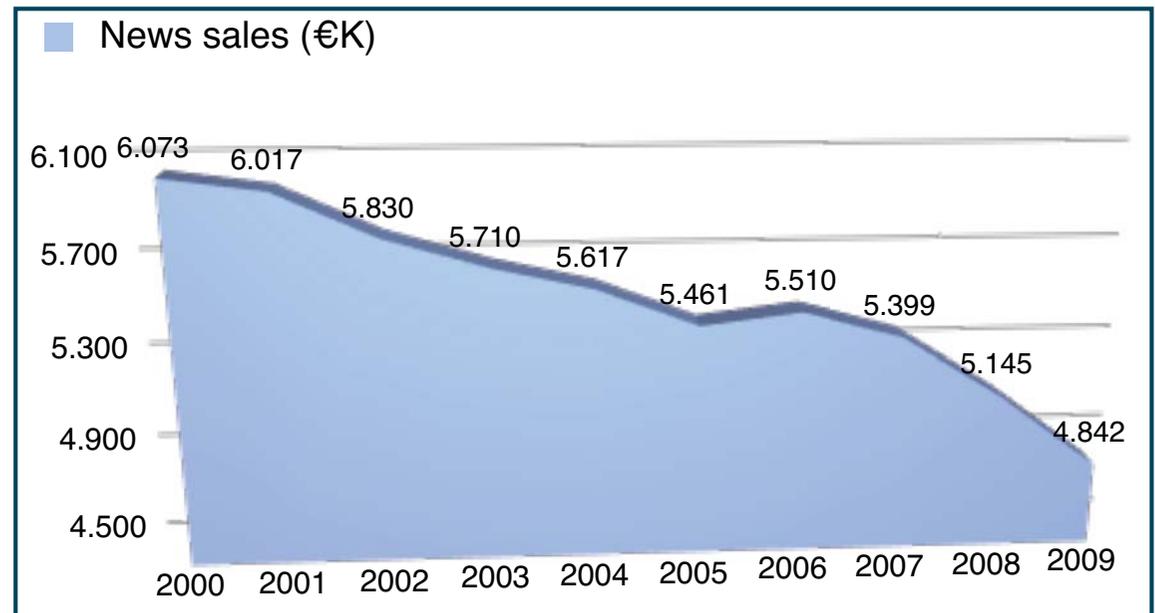
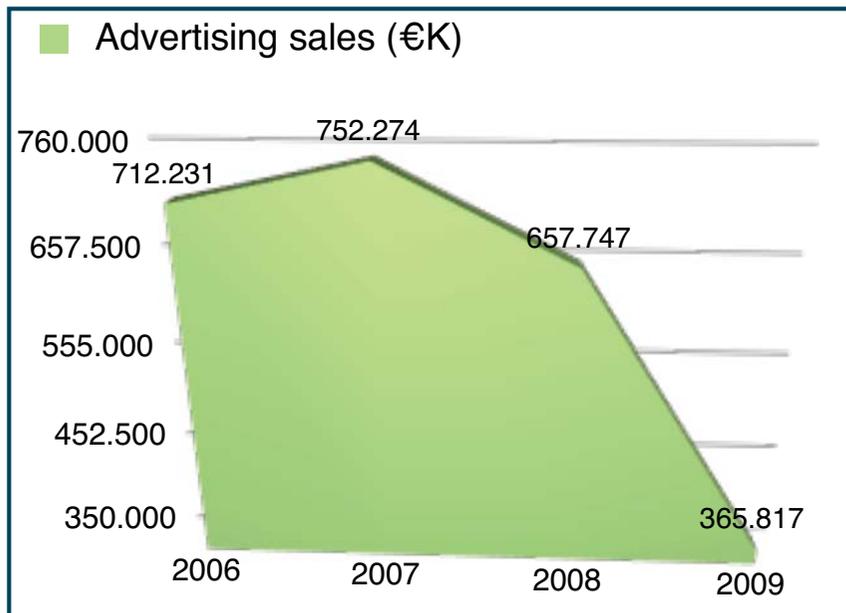
Source: WAN, World Press Trends 2009



Italian market (2)

Editorial revenues are constantly decreasing since 2007 (-1,4%) and have reached a drop in 2009 (-9%).

- ▶ The impact of advertising sales on total revenues in 2009 was of 52,7%. These have been reduced by 19,8% in the same year.
- ▶ Between 2007 and 2009 newspaper sales decreased by 5,9%. In the same period the unsold copies rate has reached a value of 558.000 on a daily average.





La Repubblica

- ▶ Italian newspaper owned by Gruppo Editoriale L'Espresso.
- ▶ It is the 2nd Italian journal for copies sold (FIEG, 2009).
- ▶ In January 1997 the online edition was launched becoming the main informative website with more than 10 millions of users (Nielsen, 2007).
- ▶ The internal division of *la Repubblica* heading includes the national newspaper, 9 local editions, thematic supplements, the monthly *Velvet* and *XL* and the website *Repubblica.it*.
- ▶ In 2009 was launched the informative service *Repubblica Mobile* for iPhone offered in subscription.

The screenshot shows the homepage of la Repubblica.it. At the top, there is a navigation bar with the logo 'la Repubblica.it' and a search bar. Below the navigation bar, there are several news articles and advertisements. The main article is titled 'Malasanità, 30mila casi all'anno Indagini aperte su quattro morti'. Other articles include 'Bagaglio sospetto a Ciampino chiuso il terminal delle partenze' and 'Frecciarossa, avvio lento il 70% dei treni in ritardo'. There are also advertisements for 'GIOCA SUBITO' and 'Giochi24it'.

la Repubblica.it
Ultimo aggiornamento giovedì 07.01.2010 ore 08.30

Malasanità, 30mila casi all'anno Indagini aperte su quattro morti
Il dramma del decesso dei due neonati che erano in culla affiancate nell'ospedale di Foggia: decine di indagati. E' boom di denunce: si rischia di più in ortopedia, oncologia e ostetricia. Un terzo dei morti per errore hanno oltre 77 anni. Il Pd: serve un garante per la salute

Bagaglio sospetto a Ciampino chiuso il terminal delle partenze
La struttura dell'aeroporto romano è stata sgomberata per motivi di sicurezza dopo la scoperta di una valigia lasciata incustodita. Sul posto artigiani, carabinieri e vigili del fuoco. Per ora tutto regolare agli arrivi

Frecciarossa, avvio lento il 70% dei treni in ritardo
Al pm Guariniello il rapporto della Polfer sui primi dieci

A Roma e Soave i biglietti da 5 mln in strada e autogrill
Un ambulante nella capitale e un ristoro autostradale in Veneto per i primi premi. Gli altri 4 di prima categoria (tabella). I 10 di seconda (tabella) e quelli di terza (tabella)

LG
Life's Good
Contrasto e luminosità senza paragoni.
Retroilluminazione

24ORE AGI
Catanzaro, 07:30
— RIFIUTI: TRAFFICO CALABRIA-CAMPANIA, ARRESTI E SEQUESTRI
Parigi, 07:00
— GENETICA: NEL DNA UMANO RESTI VIRUS ANIMALE 40 MLN ANNI FA
New York, 23:45
— TERRORISMO: BLOOMBERG, OLTRE 200 MLN ANNO PER PROCESSO 11/9
Varsavia, 23:20
— POLONIA: SVEDESE MANDANTE FURTO SCRITTA INGRESSO

La Repubblica (2)



- ▶ Up to the end of 2001 the website did not require payment of any fee for access to the information and news they provided, and even for reading the articles which appeared also on the traditional newspaper. In January 2002, ***La Repubblica* was the first one among the four national newspapers to introduce subscription fees** to read on-line the paper edition of the newspaper, while maintaining however a free on-line edition. *Corriere della Sera* and *La Stampa* soon followed its example.
- ▶ Data provided by FIEG shows the same contrast as in the case of the NYT. From 2007 to 2008 *La Repubblica* has diminished its copies sold by 8,69% passing from 217.966.870 copies sold to 199.019.295. **Editorial revenues for the same period of time have decreased by more than 7%.**
- ▶ At the same time, ***La Repubblica's* online version was the most popular among online newspapers in Italy.** It counted more than 1.128.298 unique visitors (FIEG, 2010).

Dealing with the problem



Although it is very difficult to distinguish the effects of a profound industry crisis from the short term effects of recession, it is clear that **we are assisting a major transition phase from a medium (paper) to another (web)**. The main question is:

How do you generate profit by offering news via new media?

As the advertising investments on paper keep on decreasing, this loss is not compensated by a sufficiently robust growth of the revenues on new media. **The actual model is to offer free content in order to reach audiences as numerous as possible.**

Dealing with the problem (2)



The e-newspaper of *La Repubblica* applies a broadcast type of editorial model (Costa, 2010). This means that **the online version is designed as a mass product**, addressed to every type of reader.

This leads to a big difference from international newspapers like *Economist.com*, *NYTimes* and *Guardian.co.uk*, which are focused on specific targets.



Why is it important to segment the market?

People information consumption is fragmented and time availability is a critical variable.

Limitations:

- ▶ No effort in finding interesting market niches.
- ▶ No consideration for audience characteristics and for different ways of reading news.
- ▶ Concerns about losing visitors.

Dealing with the problem (3)



Experiments of alternative business models online already exist.

The majority of the content published on WSJ.com (*The Wall Street Journal*) are available for subscribers only. In 2007 FT.com (*Financial Times*) has introduced an hybrid model: non paying visitors can read access to 3 articles a month; after the registration to the website, the visitor has 10 available article, while the yearly subscription (179\$) gives the right to illimited access.

With the Premium version of the subscription(299\$), the reader has also access to The Lex Column and to the mobile version of the newspaper.

By 2008 FT.com has registered 11,4 million unique visitors per month. The site website has currently 1,3 million registered users and almost 110.000 subscribers.

Dealing with the problem (4)



SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">• Management: acquired experience and capacity in creating a recognized brand through its credibility.• Offer:<ol style="list-style-type: none">1. Product easily accessible and continuously modifiable.2. Well-known newspaper• Marketing:<ol style="list-style-type: none">1. High control over quality and number of users.2. High flexibility of prices for content.3. High capacity for advertising slots.• Finance:<ol style="list-style-type: none">1. Increasing audience and increasing advertising potential market.2. Low direct costs.	<ul style="list-style-type: none">• Management: consider the website a secondary/ complementary product with low implementation of internet potential.• Offer:<ol style="list-style-type: none">1. Slow application of technologies for web 2.0.2. Editorials are often "face lifting" of the paper version, without a real redesign of form and content.3. Problems related to the users capacity of reading long texts on the monitor.• Finance: high economical dependence from the paper version.• Production: tendency of adapting the same content for different devices instead of creating ad hoc versions.
<ul style="list-style-type: none">• Consumers: increasing audience especially in young segments.• Competitiveness: transfer of prestige and image on the online version.• Technology: continuous progress provides new ways to adapt the offer to different needs.	<ul style="list-style-type: none">• Competitiveness: high numbers of direct and indirect competitors (blogs, search engine, etc.) can limit the penetration of the online version.• Economic: decreasing investments in advertising margins due to the recent economic crisis.
OPPORTUNITIES	THREATS

Business goal and objectives



Up to now, Italian newspaper publishers have not been able to gain substantial revenues from the online edition.

- ▶ Is the model applied by FT.com/WSJ.com viable for a “generalist” type of newspaper as La Repubblica?
- ▶ But more importantly, will the readers be willing to pay to get access to news?
- ▶ How much would the readers be willing to pay for each type of offer?
- ▶ How should the model be designed in terms of bundling/unbundling: pay per view, daily pass or monthly subscription?
- ▶ Understand which are the drivers that net surfers value more in e-newspapers (content quality, reputation, expected benefits, etc.).



Target Population Definition

Choice of Sample

Fieldwork

Target definition



The choice of our target is based on three demographical variables: age, sex and dwelling place. We have chosen four age ranges in order to have a wide range of possible readers of news who could be at the same time internet users.

In addition, we divided the target in four segments because we believe that the interest in reading newspapers increases as the age grows. On the other hand, younger segments of the population are more keen on using internet. Moreover, we focused on the city of Milan.

18 to 54 years old:

- 18-24
- 25-34
- 35-44
- 45-54

The table shows the distribution of the population of the city of Milan in 2009.

	M	F	Total
18-24	34.160	36.870	71.030
25-34	76.051	78.662	154.713
35-44	113.807	116.150	229.957
45-54	95.544	92.433	187.977
Total	319.562	324.115	643.677

%	M	F	Total
18-24	5,3%	5,7%	11,0%
25-34	11,8%	12,2%	24,0%
35-44	17,7%	18,0%	35,7%
45-54	14,8%	14,4%	29,2%
Total	49,6%	50,4%	100,0%

Source: Istat (2009)

Choice of sample



SAMPLING METHOD

We choose an **opportunity-related** type of sampling, a method not based on likelihood, due to the time available for the research.

SAMPLE SIZE

We applied the percentages of the population distribution to the required number of **150** Milan citizens.

DATA COLLECTION

We distributed paper questionnaires basing on the **face-to-face** modality. The survey was conducted at hospitals, post offices, stations and central squares of Milan.

Choice of sample (2)



SAMPLE ERROR

The degree of sampling error is certainly affected by the small size of the sample. Because of lack of time we were not able to obtain a larger number of units.

Moreover, we did not perfectly respect the age and gender distribution. Specifically the age range 18-24 counts for 27,7% of the total units, instead of the ideal 11%. We managed to get more filled questionnaires from our peer group. Anyway, we do not believe that this will be critically affect our results since a significant number of respondents belonging to other age ranges is included in our sample.

	M	F	Total
18-24	21	28	49
25-34	17	18	35
35-44	22	31	53
45-54	21	19	40
Total	81	96	177

%	M	F	Total
18-24	11,9%	15,8%	27,7%
25-34	9,6%	10,2%	19,8%
35-44	12,4%	17,5%	29,9%
45-54	11,9%	10,7%	22,6%
Total	45,8%%	54,2%%	100,0%

N.B. The total number of 177 cases includes only respondents who currently live in the city of Milan. We did not take into consideration 12 respondents who answered "no" to the question number 28 "Do you live in Milan?".

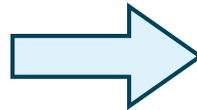
Fieldwork



Questionnaire set-up

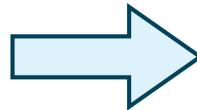
The questionnaire has 36 questions which include both quantitative and qualitative variables measured on nominal, ordinal and interval levels.

General propensity towards news
(from 1 to 8)



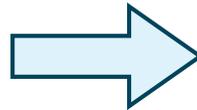
Behavioral: 1,2,3,5,6
Importance/Satisfaction: 4
Psychographic: 7,8

Use of the internet
(from 9 to 11)



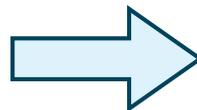
Behavioral: 9-11

Online news readership
(from 12 to 25)



Behavioral: 12,13,14,15,17,20,24
Psychographic: 16
Importance/Satisfaction: 18,19,21,22,25
Preference/Conjoint: 23

Respondent related questions
(from 26 to 36)



Demographics: 26-32
Psychographic: 33
Behavioral: 34-36

Fieldwork (2)



Pre-test questionnaire

After the questionnaire set-up we conducted a pre-test on 10 persons in order to assess the degree of comprehension of the questions.

In particular, we wanted to have an idea on the variability of answers for our quantitative open question which measures the willingness to pay for online newspapers. Considering the diffused low propensity for paying for online contents we wanted to verify if people could assign values greater than zero, especially for the long term subscription.

Results showed that even if the majority of respondents are not willing to pay for online news, there are interviewees that filled this question with values in line with the current prices of international e-newspapers.