

FREE DAILY NEWSPAPERS

FDN NEWSLETTER NO. 9 – AUGUST 2005 – WEBSITE: users.fmg.uva.nl/pbakker/freedailies

Launches	Plans	Publishers	Research
Metro loses monopoly in Hong, moves to Russia and extends in Finland. Italian free papers expand. (p. 1-2)	Ireland freebie; London & Madrid business papers, NY plans, Czech Metro-competitor. (p. 2)	Metro & Schibsted. (p. 3) Readership & Circulation Holland, USA (p. 2-3)	Research project on content of European free papers & article in <i>IDEAS</i> (p. 3)

ANALYSIS

Free Dailies hit 20 million

With launches in Hong Kong and rising circulation, free dailies reached the 20 million circulation mark in August 2005. Market leader Metro is responsible for 33% of the circulation; 66% is distributed in Europe.

Circulation of Free Newspapers (millions)

	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05
Europe	.2	.2	.5	.9	2.7	5.6	8.0	8.8	9.2	10.9	13.7
America's					.2	2.0	2.1	1.6	2.4	2.9	3.7
Asia/Pac.						.4	.8	1.9	2.4	3.2	3.4
Total	.2	.2	.5	.9	2.9	8.0	11.0	12.4	13.9	17.1	20.9

These papers are distributed in 30 countries while there are plans for Asia (Thailand, China, Taiwan), Ireland and more countries. The pressure is rising in Germany where almost every publisher is getting ready for a showdown in September or October.

The Second German Newspaper War

If Metro and/or Schibsted (*20 Minuten* - with RTL) will launch in Germany, market leader *Bild Zeitung* (circulation 4 million), will go all the way to counter the attack. The Hamburg publisher will launch their own free paper in as much as 15 cities with a circulation of more than a million. *Bild* will need no more than a week to launch their free paper like other publishers: Berliner Verlag, WAZ (Essen), DuMont Schauberg (Cologne) together with regional partners in the Ruhr area.

The End of the Cheapies

Welt Kompakt (Springer), *20 Cents* (Holtzbrinck: Cotbus, Saarbrücken), *News* (Holtzbrinck: Frankfurt) and *Direkt* (DuMont Schauberg: Cologne) report disappointing sales. The only reason to keep them in the market is probably that they can be relaunched as freebies once *Metro* or *20 Minuten* arrives in Germany. In 1998 Der Spiegel experimented with a cheap paper *Der Tag* which could be bought at filling stations, Springer tested the market a few years later with *Extra* in Mainz – also without success.

Belgium publisher VUM closed cheapie *Espresso* after a six months struggle for life. It was a sister paper of their flagship *De Standaard* and was hoped to attract new younger readers. Only 7 to 8 thousand daily copies were sold. In the Netherlands, regional publisher NDC experimented a few days with a cheap tabloid but nothing was heard of it since. Both cheap (25c) Chicago papers *Red Eye* and *Red Streak* are given away mostly for free. There seems to be little future in cheapies.

Morning vs. evening


Launching a free paper in a crowded market is quite a challenge as publishers in the UK, Spain, Sweden

and the Netherlands will undoubtedly know. Almost every free paper is a morning paper - afternoon or evening papers have been quite unsuccessful: in Germany, Sweden, the Netherlands, Singapore, Italy morning papers were closed down. The few remaining ones are launched very recently. *Ahora* (Madrid) was the 4th paper in the Spanish capital while *Standard Lite* and *MEN Lite* are extensions of existing paid papers. Readers seem to prefer morning papers while distribution of evening paper is also more difficult. It seems in most cases a 'second best' option.

LAUNCHES

Competition in Hong Kong

 *Metro* (Metro International) lost its monopoly in Hong Kong when *Headline Daily* (circulation 400,000) launched July 12. Owner Sing Tao News Corp., publishes the Chinese language paper *Sing Tao Daily* in Hong Kong; 16 editions of the paper are published in other markets with Chinese communities: US, Canada, UK, France and Australia. On August 1, another free daily, *AM730*, hit the streets. Publisher is Shih Wing-ching, chairman of the Centaline real estate group. *AM730* started hiring staff (some from *Metro*) in May for the new title which was to launch with a 100,000 circulation.

AM730 was hoping for a contract with the Hong Kong railway system KCR  which handles 1 million commuters every day. *Metro* (circulation 302,000) has exclusive distribution rights for the MTR subway (2.4 million daily passengers). When *Metro* started in 2002, the MTR contract was for three years but recently it was extended to 2010. Neither new title has so far made a deal with the railway. *AM730* will use 200 hawkers while *Headline Daily* has 600 distribution points in the city and will be available in 270 private housing estates. Hong Kong newspaper hawkers are willing to distribute the free papers because they have lost income (a 10 to 20% drop in sales) because of the free papers.

 The launches are inspired by *Metro*'s success in Hong Kong, its advertising revenues rose 25% the first five months of 2005. The paper is not worried by the new competitors; it will raise advertising rates with 10% next year because the demand for advertising (28 of the maximum 64 pages) exceeds the available space. The company is also eying China, Japan, Thailand and Taiwan for further releases according to Peter Kuo, chief executive of *Metro* Hong Kong. (*Asia Media*, *Next magazine*, *Forbes*)

Metro Finland expands



Metro Finland extended to Turku, Tampere and Lahti and has now a circulation of more than 100,000. The paper distributed a Finnish-English edition during the Athletics World Championships in Helsinki in August. *Metro* collaborated with Eurosport that provided the paper with news, results and editorial content of the championship. Since May it also publishes a weekly real estate supplement: *Talo&Koti*. According to *Metro* this is in line with "launching specialist sections, supplements and weekend editions" in more countries.

Russian Metro?



On July 5, Metro International closed a franchise deal with St. Petersburg free paper *Mempo* (*Metro*) with an option to buy 51% of the paper in the future. The Russian paper will use the Metro trademark and content and pay a royalty fee in return. The paper is said to have 884,000 daily readers but there is no reliable source to substantiate that claim. *Mempo* started as a weekly in 1997 and moved to daily circulation in 2004. It is not known if the paper is relaunched with the green Metro logo – it is not featured on the Metropoint download site but it is included in the Global Operations section. A non-daily free paper *Metro* is published in Moscow.

Italian free papers extend



Leggo (Caltagirone, *Il Messaggero*) extended to Lombardia/ Genua and Bari this year. The new circulation is 1,050,000 according to the paper. Competitor *City* (RCS) did very well in 2004 according to the publisher; it underwent a facelift in March, followed in April by the launch of new editions in Turin, Genoa and Verona. *Metro* already launched five new editions in March of this year.

PLANS & RUMORS

Free for the Irish



Associated Newspapers, publishers of *Metro* UK, is thinking about launching an Irish edition, possibly together with the *Irish Times*. According to Finfacts, Metro International owns the Metro name in Ireland, so an agreement is required. AN already publishes *Ireland on Sunday* which lost money since the beginning. (*Irish Independent*)

Czech Metro competitor



Swiss publisher Ringier plans a competitor for *Metro* free paper in the Czech Republic. The national *Metro* edition still hasn't materialized although it would be consistent with Metro's country-based strategy. Ringier publishes the leading tabloid *Blick* in Switzerland but is threatened by *20 Minuten* (Tamedia) in their home market. Ringier is active in five Eastern European countries, in the Czech Republic it publishes a tabloid, a Sunday paper and two sports papers. (*Welt am Sonntag*)

London Business Daily



FT's monopoly in London is being challenged by plans from Lawson Muncaster, ex-Metro International's vice president for global sales, to start

a free afternoon *London Business Daily* at the end of 2005. The paper is financed by some unnamed Scottish institutions. Former *Sunday Express* business editor David Parsley will be editor in chief of the new paper. *FT* is publishing a slimmed down (two page) free version of their flagship, *FTpm* with a circulation of 10,5000. It can also be downloaded from their website www.ftlatest.com/FT-PM-2005. (*Press Gazette, MediaBulletin, Independent*)

The distribution method, however, is unclear. The question is how to control readership and deliver the advertiser the reader he paid for (high ad rates in stead of high circulation for a specialized paper). *FTpm* is reported to have 10,500 subscribers - but it is not clear if this concerns hard copies (which can be controlled – it is only delivered to offices, but with a 'minimum delivery level') or PDF-versions (which cannot be controlled). The new London paper is said to go for a 'handing out' model to commuters. But what does that mean? Hand them only out to people with black suitcases, Armani suits and bowler hats?

Free Virgins



The Virgin Group, the British record label / airline / megastore / mobile phones operation of Sir Richard Branson is rumored to have plans for a New York free paper with a focus on show business and entertainment. (*Forbes*)

Free business paper in Spain



Schibsted, publisher of *20 Minutos* Spain, will probably launch an economic free paper *20 Negocios* in Spain within months. Plans were postponed after Recoletos, publisher of leading Spanish business paper *Expansión* and sports paper *Marca* launched the new free paper *Qué!* in January of this year. The recent EGM readership data were *20 Minutos* came out as the best read free in paper in Spain, just behind *El País*, certainly played a role in the decision of launching *20 Negocios*. The Spanish *20 Minutos* is owned for 20% by the Zeta group.

The Spanish market for economic papers is crowded already, *Expansión* has a circulation of 76,000, *La Gaceta de los Negocios* sells 43,000 copies and *Cinco Días* 42,000.

CIRCULATION & READERSHIP

am New York best read



Circulation of *am New York* was 318,000 in Q2 2005, more than *Metro*, the *NY Times* and the *NY Daily News*. Advertising is growing for the paper that now has 48 daily pages. According to *am New York* 62% of it's readers don't buy paid newspapers. US dailies saw a drop in sales of almost 2% in the six months leading to April 2005; stricter telemarketing rules were blamed. (*Forbes, Washington Post*)

Dutch free dailies Q1 2005




After launches in Rotterdam and Amsterdam *Metro* Holland is approaching the 500,000 circulation mark (385,000 according to the official HOI audit plus 90,000 copies of the Amsterdam edition). The weekday *Metro* reaches 10.8% of the 13+ population, the Saturday edition 9.8% (before Amsterdam

launch). *Spits*, the free paper by *De Telegraaf* had a circulation 401,000 and reaches 11.5%. Paid papers had a circulation of 3,823,000 in Q1 2005, 23% of the total circulation consists of free dailies.

71% of the Dutch population (13+) reads a newspaper (free and paid), 65% reads a paid newspaper. Free papers are relatively well read by the 13-34 age group and the well educated (professional training, students). Differences for income are less impressive. Free papers are best read in the western part of the country. (NOM Print Monitor, www.cebucou.nl, www.hoi-online.nl)

PUBLISHERS & TITLES

Metro 1st half 2005 results

 Metro International reported a \$6.5m loss for 2005 Q2, due to the launch of the new media division and new editions. According to Metro almost 17 million people read a Metro daily, circulation is said to be 7 million. The paper has launched 17 new editions in 2005 so far, and 57 in total. The webcast of the conference with a slideshow and the pdf of the full report is accessible online: www.metro.lu.

CEO Pelle Törnberg was very upbeat about *Metro's* future, he said that Q2 was the "most aggressive investment period ever in Metro's history", because of launches and extending circulation of existing editions. There was a 26% growth in sales. The strategy is moving from city-based to country-based circulation, like in Hungary, Denmark, Poland and Sweden. Also new local editions were launched, like in the Netherlands. The paper can carry more local advertising and charge higher rates because of the higher circulation.

The New York edition was recovering (after publicity problems), that Spain was problematic but that new management was installed and some 'unhealthy' and unprofitable outsourcing contracts were cancelled (no details were given on the nature of these 'unhealthy' contracts - see also below), and that France showed strong growth in Q2. The latest Gallup research revealed among other things that 59% of the readers are daily internet users (44% more than the population in average) and 4.5% have an iPod (36% more than the population in average).

Metro Spain management

 Fredrik Staël von Holstein is the new chief of *Metro* Spain. The Swede also worked for *Metro* in Eastern Europe and Portugal. Carlos Oliva Vélaz, executive vice-president of Metro International and former director in Spain, stepped down in the beginning of July. Both the directors for publicity and distribution in Spain left with him. The audit where *20 Minutos* came out first in Spain preceded the changes. Although the new strong man wants to move to at least 10 new cities (it is now already present in 10 markets), new launches are not foreseen in the near future. (*PRNoticias*)

20 Minutes Q2 2005 results



Schibsted reported revenue growth in both Spain (16%) and France (49%) in Q2 2005 – both operations achieved a break-even result in Q2, this is also expected for the whole of 2005. There is a warning for Germany and possibly

other companies: "Schibsted will use 20 Minutes as the basis for other Group project and is also considering whether to launch the concept in new countries."

SITE UPDATE



In newsletter nr. 8 the Barcelona based free sports *El Crack 10* was mentioned. Thanks to João from the Clube de Jornalistas Portugal and the periodistas21 weblog we now know that such a paper exists. *El Crack 10* claims a circulation of 110,000 in Madrid and 75,000 in Barcelona. Audited readership for Q2 2005 is 92,000, which makes the 185,000 circulation a little suspect. Information on readership is available from the website. The Barcelona edition was launched in 2002, a year later Madrid followed after the publisher bought the shares of the Madrid free weekly sports paper *DxT* that was published in 2002 only. In May 2004 FC Barcelona president, José Luis Núñez, tried to buy the paper for € 5m .

Also four editions of *Noticias* (Elche, Benidorm, Vilajoiosa and Alicante) were added. Their circulation is 32,000. More than 20 titles are published in Spain.

RESEARCH

Article in IDEAS



In *Ideas*, the magazine of Newspaper marketing by the International Newspaper Marketing Association INMA, I wrote the cover story on the rise of free newspaper in the world. The article contains statistics on the growth and some analysis of the success of free papers and on the ways other publishers react on new competition by free dailies. I hope a PDF of the article can be made available on the website soon. (www.inma.org/ideas2.cfm - members only)

Participate in New Research

With professor Anker Brink Lund from the CBS International Center for Business and Politics / Copenhagen Business School I will conduct a research on the content of free papers. Circulation, competition, market conditions, readership and business models have been researched already. We will do a content analysis on European free papers first – later also on papers from other countries. The research will be in week 46 (Nov. 14–18, 2005). We would like to get in touch with editors, researchers or readers in different European countries, and ask them if they can provide us with the hard copies of that week. Titles that participate in the research will get a report with results as soon as they are ready (before an official publication is available).

Questions & Suggestions:
<mailto:piet.bakker@uva.nl>