

The rise of the frees

Free publications are not new. Door-to-door papers have been around for ages, as have postal B2B free magazines. Even the distribution model is not new; free mags have long been stuffed into the hands of commuters or left in pick-up bins. What is new is that they are competing directly and successfully with mainstream established paid-for titles. Ray Snoddy talks to some of the leading lights in the sector.

Per Mikael Jensen, chief executive of Metro International, the leading publisher of free newspapers, had one very clear prediction to make at the beginning of this year about the future of the industry.

"I have no doubts about the free publishing model whatsoever and I am quite sure that some of the paid-for newspapers today will be free of charge to the customer in five years' time," Jensen forecasts.

"The *Standard* (in London) could be one of them and you could even look at some of the old broadsheet newspapers going free," the Metro executive adds.

The company, which launched its first free title in Stockholm twelve years ago, has been deeply involved in two important trends affecting the future of the newspaper industry since then.

The first has been educating young people in 23 countries to read newspapers.

The second – less comfortable for established titles – has been to get the market used to the idea that newspapers are for free.

The battle between the frees and paid-fors is about to get more intense as Jensen, former Metro International global editor-in-chief, moves to invest more in editorial quality.

"If we are moving up in quality, and that is our intention, and the traditional market is moving slightly down in quality, we are going to meet somewhere," Jensen argues.

Whatever the right price for newspapers turns out to be, the Danish executive believes

that the winner will be the written word.

Cover price increase?

The forecast on paid-for newspapers is not a view shared by Steve Auckland, managing director of free newspapers at Associated. Naturally he believes that the frees will continue to grow in targeted areas "where you have the right footfall at the right time."

But he does not believe that paid-for newspapers are about to join the free revolution any time soon – and that includes the *Evening Standard*.

"I think the economics (of going free) are very, very difficult to stack up at this stage," says Auckland, who believes increasingly there will be a twin track approach in future.

Instead of joining the frees, the paid-for titles will move up market and differentiate themselves by becoming more specialist. In the end, cover prices will actually have to go up to pay for such specialist products – rather as the *Standard* put up its price to 50p and began marketing itself as London's Quality Newspaper when *London Lite* was introduced.

"The *Standard* has got to a steady (circulation) figure and I think it is sustainable. It's not in profit yet, but there is a path to profit on the publication," explains Auckland.

Financial pressures

At first sight, Jensen's vision of the free model gradually taking over the newspaper business seems more than a little misplaced. After all, free newspapers may be ubiquitous and have spread round the world like wildfire, but profits are much harder to find.

In the third quarter to the end of September, for example, Metro International increased net sales to \$91 million but losses also doubled to \$18.2 million and Jensen launched a strategic review.

The pressures are obvious. The company is maturing, the expansion a few years ago was probably over-exuberant and competition has mushroomed.

In recent weeks, there have been signs of cutbacks at Metro International. Publication of a Stockholm real estate paper has been suspended to improve profit margins at the main Metro paper there.



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"We are looking market to market and if there are markets where we can improve our overall financial performance by closing down, mostly secondary titles, we will," says Jensen.

The executive is also prepared to consider taking part in a move towards consolidation in the frees market.

For instance, in December Metro sold a 60% stake in operations in the Czech Republic to local publisher MAFRA. Metro will continue to publish the daily *Metro* in the Czech Republic under licence.

"I believe as a market matures that you might see some consolidation, so it could be that we are in markets where we will be part of a consolidation but it's a market-to-market decision not a corporate decision," insists Jensen.

The company is now going to concentrate on becoming profitable before thinking of further expansion.

But more journalists are going to be hired for the London office. The aim is to help capitalise on being a "global" business by producing high quality editorial content that can be sent to all the Metro titles round the world.

Compared to the costs of distribution and printing, the costs of boosting editorial are so much more "decent".

"You can make a difference with relatively small amounts of money. It is much cheaper to step up a bit in editorial than to launch in a new city for example," says Jensen.

The one thing that Metro International



Metro International's Per Mikael Jensen: "I have no doubts about the free publishing model whatsoever."

is definitely not going to do is launch in the “crazy” London market where News International’s *thelondonpaper* continues to slug it out with *London Lite*.

Metro’s UK march

The Murdoch title claims the larger distribution, *London Lite* the bigger readership and you can be certain that neither side is going to blink.

While the London battle has attracted many of the headlines, the really significant phenomenon has been the growth of *Metro* across the UK.

Not only is the business profitable, but with a weekday distribution of 1.36 million copies, Steve Auckland of Associated can trumpet the publication as the fourth largest “national”. There are also ambitions to overtake the *Daily Mirror*’s 1.56 million circulation within the next 12 to 18 months. A *Metro* launch in East Anglia is an obvious geographical target.

Apart from the numbers, Auckland can point to a number of attractive features about his *Metro* readership. They are young, of course. The average age of a *Metro* reader is 36 compared with 57 for the *Daily Telegraph*.

And, according to NRS statistics, the *Metro* readership has more first-degree graduates than the *Times* - 437,000 against 401,000.

As *Metro* continues to expand, Auckland believes the battle between frees and paid-fors is not the only show in town.

In some areas, the hybrid model, such as that deployed by the *Manchester Evening News*, will work well.

“You have paid in the outskirts and free in the centre. To me, that makes a lot of sense though you have to get the economics of your operation right to be able to do that,” says Steve Auckland.

CityAM

Another sign of the maturing of the free market has been the emergence of more specialist newspapers and magazines.

The most obvious example so far has



CityAM’s Lawson Muncaster calls his title “thematic” rather than “niche”.

been *CityAM* which has established itself as “a business paper for business people”.

In its second year, the paper lost £1 million but was profitable between September and December and should make its first annual profit this year.

“You tell me how many newspapers or groups in the world can actually stand up and say we are going to be profitable in year three with a brand new start-up,” says Lawson Muncaster, managing director of *CityAM*.

Muncaster, who calls the title “thematic” rather than “niche”, insists he is not going to chase circulation for its own sake and that around 100,000 is the right number in London.

There is obviously an opportunity for *CityAM* to go national by taking the London business and financial story to the major cities of the UK by distributing the paper more widely without changing the editorial content. Observers believe such a move could come this year.

This January, *CityAM* launched a new paper called the *Punter* aimed at City boys who like a flutter. It will be inserted in the Friday edition of *CityAM* and the hope is that distribution deals can be done with other publishers around the UK.

For *CityAM*, a move to other financial centres such as New York has not been ruled out in the longer term.

“I don’t want to re-mortgage *CityAM*. I want to do things a step at a time. But even if someone launched a financial paper based on our ideas in New York, it wouldn’t stop me going to New York. You have got to believe in your own product and how you do things,” says Muncaster.

Magazines join the fray

The same sort of creativity and determination can be seen in the arrival of the free weekly magazine, initially a French import in the shape of *Sport*. The magazine has quickly established itself with top level sports interviews, and in November it was named Launch of The Year in the British Society of Magazine Editors annual awards.

Mike Soutar, former creative head of IPC Magazines, looked at the success of *Sport* both in France and later the UK and realised they had proved the concept of free magazines.

“It was the first free weekly in the market that wasn’t stuffed with classified ads for temps and certainly bucked the trends,” says Soutar.

He began looking for a gap in the market. From his own experience, he knew that down market men were very well served by the traditional magazine industry.

“I must claim personal responsibility for many of them,” Soutar jokes. But there was, the former IPC executive believed, an equally large number of young men who were “entirely disenfranchised” by the existing titles on the newsstands.



Mike Soutar’s *ShortList* - good enough to take away rather than discard.



The answer was *ShortList* - a magazine designed to give a reasonably affluent young man “instant inhaleable value” on a quick commute but also good enough to take away rather than discard.

Apart from London, *ShortList* is distributed in Manchester, Birmingham, Leeds, Glasgow and Edinburgh and is expected to get a first ABC figure of around 450,000.

“We have a distribution footprint and nobody else has one of those (for free magazines.) Once we have got our heads above water with *ShortList*, it may be there is an opportunity to flex that national distribution network and try to do other things with it as well,” says Mike Soutar.

It is an example of the current creativity in the free publishing movement even if the paid-for industry is not exactly going to surrender – neither now nor in five years’ time. ■

OUR CORRESPONDENT



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Archive tip: Ray has been writing for *InCirculation* since the November / December 2006 issue. Read his past columns at: www.incirculation.co.uk/archive