Abstract

Media companies experimenting with electronic publishing are seeking for sustainable business models. Based on the case of the leading Danish business newspaper, Børsen, the move from traditional publishing towards electronic publishing is analysed. After a brief review of Børsen’s current business and core competences, the challenge of ‘going digital’ is examined from three perspectives – the customer value propositions offered, the value chain activities to be considered, and the timing of entry into electronic publishing. The economic concept of syndication is applied as the strategic option for Børsen in its future elaboration of a sustainable business model.

Keywords: Electronic publishing; Media; Electronic commerce

1. Introduction

In the analogue past, content was tied to physical media. It was possible to speak of a medium like print or television without distinguishing between the mode of delivery. Newspaper publishers could write articles and television broadcasters could produce entertainment. With digital technology, information converge [21, 22]. From 1993-1998 the Internet has grown from being a news deliverer for the computer-savvy to become an important force in breaking news [23].

As the Internet expands news-corporations organized according to old business strategies face challenges [22]. Their traditional advantages are eroding as consumers take advantage of the new ways they can receive content [8, 18].
Traditionally, newspapers have been a rich source of information. With the Internet, the opportunity exists for newspapers to return to an information-rich environment [6, 11].

In 1997, a decrease in the EU publishing market was registered (fig. 1.). Circulation of daily newspapers decreased by 1.6 million copies in the European Union in 1994 [5, 21]. The overall tendency is 1) ‘reading’ is being replaced by ‘looking’ and 2) publishers are losing readers and advertising customers. Palmer and Eriksen mention that today’s popular press has identified digital newspapers as both an opportunity and a threat to existing formats.

![Market Share (%) of newspapers and magazines of the total EU traditional publishing market from 1985-1996](image)

**Figure 1:** Market share (%) of newspapers and magazines of the total EU traditional publishing market from 1985-1996 [5].

Research has proven it problematic to put a price tag on online delivered information goods (IG) [27]. The following case study of Børsen, the Danish equivalent of Financial Times, analyses the business implications of a traditional, medium-sized media company ‘going digital’ and demands a closer look at Børsen’s future business model. Børsen has paid close attention to the implications of the Internet. One of Børsen’s responses to the challenges of the Internet era has been the development of Børsen Online – an Internet based Business-to-Consumer information archive that combines Børsen articles with selected data from research corporations.
This paper analyses the current and future strategic issues of the transformation of Børsen in the perspective of the following three issues:

- The customer value proposition offered
- The value chain activities to be considered
- The timing of ‘going digital’.

2. **Definition of Information Good (IG)**

This paper builds on the definition of information goods (IG) given by Hal R. Varian. Varian operates with three parameters in defining IG:

1. **The experience good** – that one must experience IG before knowing what it is.
2. **Returns to scale** – that IG typically has a high fixed cost of production but a low marginal cost of reproduction.
3. **Public goods** – that IG is non-rival (one person’s consumption doesn’t diminish the amount available) and non-excludable (one person cannot exclude another person from consuming it).

It makes sense for Børsen to bundle IG and it makes further sense to add in other services that benefits from the electronic method of reproduction and distribution.

3. **Research Design and Method**

This case study is an attempt to answer the question: how are the business models applicable to the new digital newspaper market formation developed and what do they look like?

The covering of the conditions in the market calls for a descriptive and explorative case study as the logic choice of research design [32]. Børsen as a single case study provides a rich picture of the transformation processes in traditional newspapers. The description of Børsen proceeds into the exploration of the field and a generalization as to what the future business model for digital newspapers might look like. This study is part of a broader research strategy, which includes combining qualitative case research with quantitative surveys.

The analytical framework presented did not precede the collection of data and has been developed through visits at Børsen within a time span of 4 month. The research is qualitatively based on: 1) interviews with management, 2) attendance at 1

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a 4 month long seminar arranged by The Danish Institute of Technology, focusing on strategic management and e-business, and 3) observations made in Børsen’s organizational environment. All interviews were carried out as open-ended semi-structured conversations to ensure a planned as well as an unplanned outcome. They lasted for approximately 1 hour each and were all taped and transcribed afterwards.

4. **Børsen – Current Status and Business Model**

Børsen, headquartered in Copenhagen - Denmark, was founded in 1896. With app. 160 administrative employees and 44 reporters Børsen is the leading business newspaper in Denmark. Børsen is considered to be ‘best-in-class’, the fastest growing newspaper, and one of the most aggressive digital news services in the Danish market. The following places into context the changes Børsen has adapted and will have to adapt to become a successful electronic publisher while retaining the recognition of its print publishing business.

Børsen’s objective is:

- To cover the requirements of professional information for management in the private and public sectors in Denmark.

Børsen’s vision is:

- To remain ‘best-in-class’ as a business daily and to provide news and information in any medium, format, and configuration that is commercially viable.

*Børsen Online* is the digital part of the printed version of Børsen and has no connection to the remaining part of the Børsen Publishing House. Børsen enjoys a circulation of app. 54,280 and has an annual turnover of app. EURO 38 million.

Børsen is built on a vertically integrated value chain. Journalists and advertisers supply content, editors lay it out, presses create the physical product, and an elaborate distribution system delivers it to readers. Børsen exists as an intermediary between the journalists and the reader and its core business is creation, production, and distribution of business oriented journalism.

Before 1996, Børsen considered printed media as its only means of conveying valuable IG. In 1996 however, as Børsen established *Børsen Online* readers are able to mix content from the printed edition with a virtual source and download daily and real-time news. Børsen has discovered some of the advantages of providing an integrated print and electronic product that reaches a wider group of buyers and sellers of Børsen information and extended the richness and reach of the printed edition in the digital environment. This is the core of Børsen’s current and future business strategy. According to Evans and Wurster, ‘richness’ means the quality of information, as defined by the user: accuracy, customisation, interactivity etc. The format of computer-mediated communication also has greater richness than the paper with regard to audio and video capabilities in addition to the text and
photographs [22]. ‘Reach’ means the number of people who participate in the sharing of that information [9].

Figure 2: Proportionality between richness and reach of Børsen’s current and future news services [9].

Børsen is considering two strategic options: 1) to use online delivered IG to bond users to its electronic product towards a richer customer-specific information and build a rich multimedia channel for direct communication instead of a channel based on broadcasting (reach) and 2) to parallel the two channels on their richness and reach capabilities. As illustrated (fig. 2), the printed issue of Børsen enjoys a high level of richness, but a relatively low level of reach. Børsen Online offers Børsen a new way to expand segment-of-one capabilities and exploit product-specific information to build online delivered customer propositions (richness).

5. Børsen – Joining the League of Electronic Publishers

The survivors in the digital newspaper industry will tend to have strong brands and high quality IG products. Instead of reducing costs, they will engage in creative experimentation aimed at finding out what readers and online users prefer [10]. Børsen’s initiatives have been quite basic:

- In 1996, Børsen Online was established as a marketing-based service targeted against subscribers of Børsen, primarily offering daily news and an electronic archive service.
- In 1998, Børsen Online was launched as a subscription-based service, but was suffering from difficulties in obtaining adequate content.
• In 1999, content offered on Børsen Online included Børsen Stocks, Børsen Research, and tailored daily news.

• In 2000, the Børsen Trader was introduced as a stock service allowing subscribers to obtain stock quotes that were constantly updated.

In the 2001 version of Børsen Online daily news and archive material only make up between 2-5% of the digital edition. Børsen’s strategy of bundling the printed daily and the online edition was accompanied with a price increase of 10% over and above the subscription rate. Although the printed edition of Børsen is not going to disappear, the impending changes in electronic publishing at Børsen might result in a channel structure that will change the fundamental definition of publishing and competition for Børsen. The overall multimedia strategy at Børsen is grounded on the following line of argumentation:

• Because fewer than 300 subscribers were prepared in 1996 to pay a cost-based price for a separate online subscription of Børsen, it was decided to strengthen the commitment to Børsen Online with the use of password for paying subscribers as the long-term success criterion.

• Because cross subsidization of online services by the printed version is not considered at long-term option in a shareholder value driven company, Børsen is today estimating the advantages and disadvantages of either fully integrating Børsen Online with the existing Børsen organisation or spinning off Børsen Online as an independent Internet venture.

6. Strategic Elements

To become a successful multi channel news organisation, Børsen has to overcome several strategic problems, including the need to streamline its electronic customer value propositions, to build a viable business model, and to transform itself within the right timing.

6.1. Customer Value Propositions

The decision whether to digitise existing products or create original electronic content is a strategic issue at Børsen. Børsen Online 2001 is an advanced online service containing:

• A complete business information archive including app. 100.000 full articles
• An customized online news service
• Data and research on app. 500.000 Danish and Swedish large and SME corporations delivered by Dun & Bradstreet
• Detailed information on facts and figures from the Danish world of business delivered by Greens Market Research A/S
• Information on the Danish and international stock markets

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• Investor tools for private investors
• News on finance delivered by the Danish news bureau RB-Børsen as well as reports from global brokers on foreign stock markets.

The three most popular online services are 1) the news service, 2) information on the stock market, and 3) research data on Danish corporations. Børsen Online is divided into three levels. The first is the free level, where anyone can search for general business news and download headlines from the world of business. The second is the subscriber fee-level, where only subscribers of Børsen can gain access to information and services through the use of a password. The third level is the level for corporations, where Børsen has introduced the concept of IP-customer – an Intranet solution for large and SME corporations. This division of content is according to Palmer and Eriksen a typical approach of a subscription-based digital newspaper [22].

With the introduction of IP-customers Børsen is developing a business tool for managers in large and SME Danish corporations, which should provide management with information needed for decision-making processes. Børsen’s focus on building a digital tool for management challenges the current broadcasting-oriented business strategy at Børsen Online towards a strategy of electronic point casting:

• Børsen’s goal is to be able to establish IP-customer relationships with the top 500 corporations from the Danish world of business. The core of the IP-customer business is to provide a customized information provision developed in close cooperation with each customer.

In order to compete with traditional distribution channels, Børsen Online has to offer a clear value proposition to its users. Price advantages are one value proposition [20]. According to Shapiro and Varian, the cost structure of IG is characterized by high fixed costs but low marginal costs, i.e. IG is costly to produce but cheap to reproduce [27]. For IG delivered through a network in digital form, the total costs are comprised of the ‘first copy’ cost, because the cost of producing and delivering additional copies is close to zero. To maximize IG revenues, Børsen should concentrate on increasing sales volume. Once Børsen Online retrieves the role of the ‘first copy’ cost, the additional revenue from IG will be profit. Shapiro and Varian argue that the appropriate pricing approach for online delivered IG is value-based pricing.

The ideal pricing approach is price discrimination i.e., offering the same product to each user at a different price that reflects the unique value of IG to that particular user. Shapiro and Varian suggest two pricing strategies to capture user value:

1. **Versioning** – where Børsen Online offer IG that includes low-end and high-end versions and then let users choose the version most appropriate.

2. **Group pricing** – where Børsen Online segment its online customers into distinctive groups that display common characteristics and compose group pricing for each distinctive group.
**News Release: From Newspaper to Electronic News Broker**

*Børsen Online* could use subscription choices and ‘click streams’ behaviour as the guideline to differentiate IG and set prices. If a market does not segment naturally, Shapiro and Varian suggest production of three versions – high-end, medium, and low-end. This way, *Børsen Online* pushes the sale of the medium IG product. As IG is cheap to reproduce, *Børsen Online* may offer free access to the low-end version as advertisements for the higher-end version.

Although Børsen has started its online value proposition development through trial-and-error, its approach to gain online readership is the same as with its print edition: *to provide readers with quality business content in general, daily news, and in-depth information*. Børsen has focused on building digital value propositions that could 1) meet the professional and individual needs of Børsen’s readership and 2) support corporate decision making. The critical task is to create a business model capable of infusing IG with functionality [15, 26, 28].

### 6.2. Value Chain Activities to be Considered

The business model for an online provider of IG could include one or more revenue streams, including subscription, pay-per-view, advertising, and e-commerce transactions. Determining the optimal mix of revenue streams is difficult. Advertising revenue and syndication sales might become viable business areas for Børsen.

#### 6.2.1. Syndication – The Future Business Model for Børsen

Syndication basically involves: *the sale of the same content to different customers, who integrate it with other offerings and redistribute it.* With the rise of the information economy, syndication becomes possible to exploit for more types of businesses. Flexible digital networks are essential for the implementation of the syndication business model [31]. The digital newspaper has the potential to become a marketplace for buyers and sellers, covering the sale and resale of IG and the establishment of buyer-seller connections [22]. Werbach mentions, that syndication has traditionally been rare in the business world for three reasons: 1) syndication works only with IG – primarily due to the non-rival and non-excludable principles behind IG [30], 2) syndication requires modularity. A syndicated product can have value in itself and at the same time it is often a part of a whole. And 3) syndication requires many independent distribution points. With IG fragmented distribution becomes essential. Palmer, Eriksen, and Ihlström introduces the notion of „news streams“ in digital newspapers where *time* is the governing structure in distributing news. The distinction between ‘hard’ and ‘soft’ news and their dependence on *time* accentuates new value structures in digital media in support of some of the central principles behind the revenue streams of syndication [23], [7]. Traditionally, media companies have connected with one another in more or less linear chains, running from content providers, producers, editors, and transporters. In syndication, the connections between companies proliferate. The digital network replaces the traditional chain as the organizing model of business [16].
Within a syndication network, Werbach mentions three positions a business can take: 1) **Originator** – a business that creates original content, 2) **infomediary** – a business that packages content for distribution, and 3) **distributor** – deliverer of content to customers. A company can take one position in the network, or two or three. For the originator the Internet expands the scope of original content that can be syndicated, and it makes it easier to disseminate content globally. For the infomediary the Internet expands the opportunities for collection and packaging of IG in a way that adds value to it. For the distributor the Internet lowers the cost for acquiring content and expand the value it provides to customers [31]. Deconstruction of Børsen’s value chain posits a melting of the glue that binds the value chain together and a redefinition of Børsen’s current business model towards one of the three syndication sale models:

- **As an originator** of IG Børsen’s newsroom might consider broadening the categories of content and expand the scope of original content that can be syndicated, and make it easier for partners to disseminate Børsen’s news. Syndication requires a rethinking of strategies on content and a reshaping of the newsroom processes to change the interaction with customers and partners, and to constantly pioneer new revenue models [11].

- **As an infomediary** Børsen might bring together its own production with IG from a variety of relevant e-alliances and make it available in a digital format. Børsen offers its customers a rich array of business information: financial news, stock quotes, charts, and research. Børsen could extend its cooperation with Greens Market Research and Dun & Bradstreet Research. These content providers syndicate the same content to other providers, but Børsen could distinguish itself not only through the IG it provides but also through the way it packages, prices, and presents IG against its target group.

- **As a distributor** Børsen might lower costs for acquiring IG, to expand the value it provides to its customers, and to organize content into a targeted offering that attracts users. Just like at television channel Børsen might be able to develop a business of aggregating and distributing syndicated content as well as providing other services. As a distributor Børsen has the potential to become a one-stop, first point of reference for news, information, services, and e-commerce related customer propositions.

In setting strategies, companies have always sought to organize their markets so as to place themselves in the sweet spot of the value chain – the place where most profit reside [29, 31]. For Børsen the Internet replaces scarcity with abundance. IG can be replicated an unlimited number of times. It can be reassembled and recombined in infinite combinations. And it can be distributed everywhere several times [27, 28]. Børsen’s future business strategy must be designed to benefit from both richness and abundance (reach).

It is most unlikely that Børsen should move away from its current strategy as an **originator**. But in a syndicated network Børsen might benefit from implementing the strategy of the **infomediary** and the strategy of the **distributor**: collecting articles from other originators and categorizing each article as its flows through
Børsen Online and continue charging subscription fees based on the volume of filtered IG channelled to its readers. As a syndicated infomediary and distributor Børsen can choose where it wish to concentrate its primary effort and select from the enormous number of other businesses that can handle the remaining creation of a complete end-to-end community service. Given the unpredictable flow of revenues, profits, and competition on the Internet, Børsen needs to choose its place in a syndication network and be able to reconfigure its strategic role.

6.2.2. Børsen’s Strategic Role in the Value Chain

In order to assess the value of the traditional vertical value chain it is necessary to present potential activities in the electronic commerce of IG in order to determine which model offers the best opportunities for Børsen as a syndicated infomediary and distributor. This analysis uses the value chain for electronic commerce of digitalized IG as the basis for further discussion (fig. 3.) [24]. The value chain differentiates two layers: the content-related layer addresses ‘content creation’, ‘content packaging’, and ‘market making’ - while the infrastructure-related layer comprises ‘transportation’, ‘delivery support’, and ‘end user interfaces’.

![Figure 3: The vertical value chain for electronic commerce of IG [24].](image)

Preliminary conclusions have been drawn in constructing adequate frameworks for the introduction of electronic commerce with IG in general by SME newspapers. These conclusions function as help to progress a viable syndication business model for Børsen. Research suggests that publishers in general may want to choose from the following four roles to strategically position themselves in their transition from traditional to electronic publishers (fig. 4.) [5]:

- **Online network**: managing a full electronic marketplace
- **Community organizer**: focusing on an interest-centred target group
- **Interactive studio**: creating content with new levels of functionality
• **Content rights agency**: managing rights and matching content to market needs.

![Diagram of vertical value chain activities for electronic publishers of IG](image)

**Figure 4**: *Four models of vertical value chain activities for electronic publishers of IG [5]*

As an *originator*, Børsen sees its strength in all three activities: ‘content creation’, ‘content packaging’, and ‘market making’. As a syndicated *infomediary* and *distributor* Børsen’s future strength would be ‘content packaging’ and ‘market making’ as well as infrastructure services. The collection, packaging, and presentation of digital IG in a way that adds value to it in accordance with the needs of ‘the Børsen community’ is the central role for Børsen as a syndicated *infomediary* and *distributor* (fig. 5.). Børsen needs to continue operating as an originator, but to also purchase content from outside providers. It is inevitably to extend Børsen’s current network corporation in order to obtain success in a syndicated network. To benefit from abundance, Børsen content should be replicated, reassembled, and recombined in infinite combinations with content from other providers of online delivered IG.

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2 Own elaboration of the four value chains positions presented by the European Commission, 1996.
In order to build linkages among its interest-centred target group, Børsen as a syndicated community organizer should be able to both serve individual interests and to facilitate the formation of communities of interest and communities of transaction [1]. Børsen could focus on three business models within that setting:

1) To generate revenues based on IG by exploiting:
   - Payment subscription
   - Pay per use
   - Versioning
   - Group pricing.

2) To generate advertising revenues by exploiting online potentials such as:
   - Maintaining monopoly as supplier of IG to large customer segments
   - Providing a broad offering of management related services.

3) To generate services such as:
   - Consulting
   - Executive learning.

Deconstruction of the vertically integrated value chain alters the sources of competitive advantages for Børsen. According to Porter: “A company can outperform rivals if it can establish a difference that it can preserve. It must deliver greater value to customers or create comparable value at a lower cost, or do both” [25, p.62]. The implementation of the business model of syndication and the application of the vertical value chain activities of a syndicated community organizer might make it possible for Børsen: to perform different activities from rivals or perform similar activities from rivals in different ways. The analysis of the vertical value chain shows how different the scope of the digital news broker is from the traditional one. Børsen’s role as a community organizer is the emergence
of a new relationship between Børsen and its readers: making IG more relevant by building linkages between Børsen and its readers [1, 3, 14, 13].

### 6.3. Timing of Entry

There are two opposite strategies regarding timing of entry into electronic commerce with IG [5]: 1) to be an early adopter which suggests becoming active on the Internet as soon as possible – also referred to as the ‘first mover’ strategy, or 2) to wait and learn from the first experiences of other companies before attempting one’s own strategy – also referred to as the ‘fast second’ or ‘innovative imitation’ strategy [12, 19].

The latter follows Baldwin and Child’s line of argument. It implies that once a business concept has been successful on the market, new agents can adopt the model. According to Baldwin and Child, large companies are provided with a competitive advantage to make use of the strategy of the ‘fast second’ compared to small innovators because of the high pre-production costs and the importance of economies of scale [2]. The concept of ‘innovative imitation’ follows Levitt’s advise of strategic imitation. This strategy implies applying a business model, proven successful in one market to at different market in which is has not yet proven itself [17]. Following this line of argument, early investment in electronic commerce with IG should allow media companies to develop a degree of know-how that will make them look more attractive for advertising and raising revenues [19].

In trying to adapt the advantages of a ‘first mover’ strategy Børsen stresses the importance of having been the first in transferring digital IG to its market. As shown (fig. 6.), the transferring of its business approach and core competences to a new market has lead to an expansion of its target group (reach) and development of new digital customer value propositions (richness).

![Subscribers](image)

**Figure 6:** The decrease and increase of Børsen’s target group from 1989-2000.
The possibilities of innovation within a single corporation are always limited. The strategy of ‘innovative imitation’ might function as a legitimate future substitute for the ‘first mover’ strategy at Børsen. The following line of argument explains the reason why:

- Because Børsen’s potential market is constantly expanding, Børsen will have to look for strategic innovation in other industries to remain an innovative leader in its own.
- Because Børsen must continue to deliver value added digital customer propositions, Børsen is forced to make use of innovation and imitation at the same.
- Because of the rapid change in technology, Børsen must seek knowledge about digital innovation, working backwards following what others have done.

“Watchful waiting” [17, p. 66] is a legitimate future business strategy for Børsen. Much innovation is often portrayed as innovation and not for what it really is – imitation. But according to Levitt the trick is to get the innovation early, when competitors are few and margins still attractive [17].

7. Conclusion

According to Porter, Collis and Montgomery, a competitive position built on a system of activities is more sustainable than one built upon individual activities. It is harder for a competitor to match an array of interlocked activities than to imitate a single activity [4, p. 72, 25]. An important element in Børsen’s process of strategic repositioning is the deconstruction of its vertical value chain activities and the realignment of the entire organization. Børsen should consider the value chain activity-models (fig. 4., fig. 5.) to reconfigure its organizational focus during the process of strategic repositioning. Børsen’s competitive strengths and weaknesses come from different sources:

Børsen’s strengths as an electronic information provider:

- Børsen’s long history, accompanied by a strong brand name, serves as an asset to expand its online audience.
- Børsen holds highly qualified editors and journalists who have proven ability to produce high-quality IG.
- Børsen’s core readership consists of high-income, high-educated individuals that secure a strong base of advertisers.
- Børsen holds solid financial strengths that allow it to acquire strategic partnerships when opportunities arise.
- The total Børsen house offers a wide range of products including the newspaper, books, magazines, and executive courses that have strong e-commerce potentials.
Børsen’s weaknesses as an electronic information provider:

- Børsen may have become accustomed to gradual changes occurring in a non-structured manner as opposed to changes happening in a structured Internet speed. This may obstruct the competitiveness of Børsen Online.
- Børsen seems to hold a strong vision for its online offerings, but lacks a clear strategy to achieve that vision.
- Børsen views its core business as producing news on paper. If Børsen extends this view to Børsen Online, product innovation ideas will perhaps be limited.
- The current mindset of Børsen’s print-based employees might be difficult to change.

From being replicates of the printed newspapers, digital newspapers are establishing a presence and a content of its own. Digital news media is an example of fluid media. Many of the characteristic properties of print media have been lost in the transition to digital media. The growth of online delivered IG is demanding new business structures for traditional publishers of news. This paper illustrates that fundamental changes are emerging in the newspaper industry. In order to manage the transformation from traditional newspaper to digital news broker, this paper suggests that newspapers have to consider its customer value propositions, its future business model, and its timing of transformation. The application of technology is not only about the efficiency of professional production and distribution of news (reach). It is to a large extent about providing the users with value propositions (richness) and enhancing news delivery as a syndicated network (reach). As a syndicated intermediary and distributor of online delivered IG, the transformation is inevitable but perhaps yet distant at Dagbladet Børsen. Thus, the actual timing of total deconstruction of Børsen’s current vertical value chain remains an open issue.

References


