

BETWEEN DECLINE AND A NEW ONLINE BUSINESS MODEL: THE CASE OF THE SPANISH NEWSPAPER INDUSTRY

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ABSTRACT Journalism is immersed in a context of significant changes. Technological innovations, the Internet and digitisation combined with a double-industry structure and a contextual crisis are the basis of this complex situation that has generated a strong decrease in revenues. This paper analyses one basic element of the redefinition of the journalism sector: the emergence of new business models in a digital convergence scenario. A case study methodology is used to analyse the strategy developed by the key Spanish newspaper editorial groups Prisa, Unidad Editorial SA (Unedisa) and Vocento. By utilising this approach, we are able to analyse the position of these editorial groups as they attempt to define the current sector and to face changes in the digital era.

KEY WORDS: Online Journalism, Business Models, Convergence, Spain, Newspaper Industry

1. INTRODUCTION¹

The digital environment and the Internet represent important challenges for the press, not only because of changes in the production and distribution of information but also on an industry level. The sector's current business model faces major challenges as this is increasingly questioned.

There are two causes of this situation: the abundance of free online

¹This paper is included in the research project P1-1B2010-53, directed by Dr. Andreu Casero Ripollés (Universitat Jaume I) as the main researcher and funded by Fundació Bancaja – Universitat Jaume I (Plan de Promoción de la Investigación, 2011-2013).

content and the inability of news businesses to produce a feasible formula for generating income from their online activity (Herbert & Thurman, 2007; Chyi, 2005). This situation has led to a paradox in which the consumption of online news increases substantially, but press editors are unable to transform this increased demand into the financial intake needed to make the investment profitable. In other words, news businesses are unable to monetise the increased audience.

Another key factor in this equation is the late adoption by newspapers of the news model produced by digital convergence. Newspaper publishers have developed online media projects in response to moves by their competitors more frequently than they have done so in search of new business horizons, thus revealing their conservative and defensive character (Boczkowski, 2004; Nel, 2010). Furthermore, newspapers face increasing competition online as the number of news and current affairs outlets multiplies, leading to a wide range of options for information. This situation is particularly related to the increased use of social media and online websites.

We must add to this picture the significant crisis that print journalism is undergoing (Starr, 2012; Blumler, 2011; Franklin, 2011; Curran, 2010). This scenario results from the conjunction of two different crises: on the one hand, the structural crisis that the industry has suffered since the mid-nineties; on the other hand, the financial recession that has affected all world economies since 2008. The most visible effect of the former is the slow, albeit progressive, decline of newspaper sales (WAN, 2010). Over the last three years, 20 of 30 OECD members have registered decreases in newspaper sales. The US and the UK have been hit the hardest, with 30% and 21% decreases, respectively. Spain's newspaper sales decreased by 16% over the same period.

The financial recession has been a catalyst that reinforces the structural crisis of traditional print media. Economic stagnation has affected one of the pillars of the sector, advertising, which has collapsed over the last few years (Picard, 2009). From 2007 to 2009, advertising in US newspapers dropped 43%. In Spain, newspaper advertising decreased by 42.9% between 2007 and 2010 (Infoadex, 2011).

In this context, the debate over the future of newspapers has been reignited. In particular, the debate has focused on the likelihood of digital media replacing print media, either through the extinction of the latter (Meyer, 2009) or its replacement by mobile devices (Kaye & Quinn, 2010). This situation suggests the need to overhaul newspaper business models and adapt them to digital convergence.

2. GOALS, METHODOLOGY AND THEORETICAL FRAMEWORK

This paper examines the strategies adopted by newspaper publishing groups in Spain in the face of emerging news online business models. We

focus on newspapers' main sources of income: sales and advertising. This analysis applies to both online and offline newspapers. Although it is an important factor, the study of content will not be addressed here due to a lack of space.

The theoretical framework is that of the political economy of communication (Mosco, 2009; McChesney, 2008). This approach falls within the broader realm of digital convergence, which is a developing process (Quinn, 2005; Dupagne & Garrison, 2006; Deuze, 2004) brought about by the emergence of new logics that highlight the existing tension between change and tradition that defines modern journalism (Mitchelstein & Boczkowski, 2009; Pavlik, 2001). In addition to the technical component, this approach extends to the cultural sphere (Jenkins, 2006) and affects the technological, business, professional and editorial fields of media (Deuze, 2009). Therefore, this approach is directly related to structural and organisational issues, making the reconfiguration of business models an essential field of study (Casero-Ripollés, 2012; Levy & Nielsen, 2010; Micó-Sanz, Masip & Barbosa, 2009).

Digital convergence pushes communications companies to increase their presence in all markets (Lawson-Borders, 2006). To this end, communications companies extend their value chains both vertically and horizontally in search of synergies. They diversify channels (Boczkowski, 2004) and apply multi-platform distribution. These processes favour the emergence of large communications groups that aim to increase their integration (Albarran, 2010) in addition to focusing on cost reduction as a main goal of the media industry (Díaz Nosty, 2011). As a result, convergence involves a break with existing scenarios.

The methodology we apply is based on case studies. We explore the online strategies pursued by the main Spanish newspaper publishing groups, Prisa, Unidad Editorial S.A. (Unedisa) and Vocento.

3. SOURCES OF REVENUE FOR THE PRESS IN THE DIGITAL ENVIRONMENT

The press has traditionally obtained income from two sources: newspaper sales to readers and advertising (Sonnac, 2009; Picard, 2009). Digitalisation has altered the behaviour of both consumers and advertisers, provoking changes in both income streams.

Online advertising grew globally by 32.4% from 2003 to 2008 (PriceWaterhouseCoopers, 2009b). This was the largest increase in the communications sector, constituting 10% of the total international advertising market. Online advertising has also increased in Spain. Since 2006, the Internet has been the third most important medium in terms of investment in advertising (after television and newspapers), constituting 11.6% of the total (Infoadex, 2010). These data reveal a continuous migration of advertising towards the digital environment

while highlighting the slow speed of this transition.

More specifically, regarding the press, online advertising expenditure grew 17.2% worldwide in 2008 (PriceWaterhouseCoopers, 2009a). This figure includes both the online versions of existing print newspapers and the newly developed digital-only newspapers (pure players). Future forecasts show that although newspaper advertising is poised to decrease at a yearly rate of 4.5% until 2013, advertising volumes of online newspapers are likely to grow by 6.8% per year over the same period (PriceWaterhouseCoopers, 2009a). Nevertheless, it is highly unlikely that advertising alone will be sufficient to guarantee the income needed by the newspaper business (Sonnac, 2009; Chyi, 2005). A number of figures support this statement. On the one hand, despite its growth, online advertising will constitute merely 9.1% of the total newspaper business in 2013. On the other hand, even if online advertising increases, the industry is set to lose 3.7% of its advertising revenue every year until 2013 (PriceWaterhouseCoopers, 2009a).

Product sales are the press revenue source that has experienced the greatest change in the digital context. Readers can access large volumes of information for free and, in some cases, can even freely consume the same content online that is available in the paid print edition. This circumstance has led to imbalances in the newspaper economy, reaching the extreme of cannibalisation between the two versions (Franklin, 2008).

A culture of “the free” has consolidated on the web, making news content accessible without payment and making users increasingly resistant to paying (Franklin, 2011). Various studies show that the number of readers who are willing to pay for online content ranges from 10% to 20% of the total (WAN, 2010; PEJ, 2001; PriceWaterhouseCoopers, 2009b). Free content is so deeply rooted that 74% of users say they would change their media outlet if their favourite news website chose to charge for news (WAN, 2010). Despite this scenario, specialised information, such as economic news, has an excellent reception among the public, which is determined to pay for these products. The case of the *Financial Times* is an example of this situation. This dynamic could also affect local information, which is difficult to find in multiple online news websites. In this case, information producers have a better chance of being able to charge for this type of content.

Free content entails a change in newspapers’ business model because their strategy must focus on generating large audiences to subsequently monetise them through advertising (Franklin, 2008; Sonnac, 2009). Some argue that free access to news increases news consumption, thereby attracting advertising investment (Anderson, 2009). Advertising becomes the only resource for the economy of the press, as is the case with non-fee-based television and radio.

The consistently low online advertising revenue has led many newspapers to consider implementing payment systems for access to

online news on both computers and mobile devices.

Taking the payment-free dichotomy as a starting point, the digital environment allows for the configuration of a variety of business models (Casero-Ripollés, 2010):

- Free content (advertiser-supported): this formula, which is the most common approach on the Internet, makes advertising the sole source of revenue. Some of the newspapers that make use of this method are *Elpais.com* and *La informacion.com* in Spain and *The Guardian* in the European context.
- All paying (pay-wall): based on charging for access to news, this approach allows for various formulas, such as yearly or monthly subscriptions or pay-per-use, in which the user pays per day or week of use or per article, following the micro-payment system initiated by *iTunes*. The main advocate of this model is Rupert Murdoch, the owner of *News Corporation*, who has led the adoption of this model in his online newspapers *The Wall Street Journal*, with a yearly \$ 79 fee, and *The Times*, which lost 77% of its online audience (a total of 1.2 million users) three months after implementing fee payments.
- Metered model: allows free access to a limited number of articles (ten in the case of the *Financial Times*, which had 250,000 subscribers in 2010), requiring readers to pay when they go over that number. Free content is intended to work as a magnet. In 2011, *The New York Times* adopted this formula.
- Freemium: combines free access to last-minute news with payment for high value-added news. Together with the Spanish newspaper *Elmundo.es*, the Independent news and media group has applied this formula to 13 regional newspapers in Ireland.
- Donations: this method is relatively rare and places the press outside the market, basing its income on voluntary contributions (McChesney & Nichols, 2010). *Propublica.org* in the US and *Periodismohumano.com* in Spain are two examples.

4. CASE STUDY: SPANISH NEWSPAPER PUBLISHERS IN THE SPANISH MARKET

The Spanish press is dominated by three media groups, in which 52.6% of the industry's profits are concentrated (Carvajal & García Avilés, 2009): Vocento, with an 18.3% share; Prisa, which controls 17.5%; and Unidad Editorial SA (Unedisa), with 16.8%. The importance of these companies justifies their inclusion as examples in this case study, which

will analyse the foundations of the traditional business model that focuses on print newspapers and more recent strategies in the digital realm.

The Prisa conglomerate has four distinct business areas: press, radio, education and audiovisuals. Its print media makes up 14% of the total business and is structured around a national general news daily (*El País*), a sports daily (*As*) and a business daily (*CincoDías*).

The Vocento group focuses its activity in three areas: print media, audiovisual media and the Internet. The press makes up 68% of its business, and it controls 11 local dailies and a national general information daily, *ABC*.

Unedisa, which is owned by the Italian company RCS Mediagroup, is active in television, press, magazines, radio and the Internet. It publishes the national general news daily *El Mundo*, the sports daily *Marca* and the economic news daily *Expansión*. Overall, the press makes up 40.3% of the entire business.

5. THE DETERIORATION OF THE TRADITIONAL BUSINESS MODEL

Over the 2007-2010 period, the Spanish press lost 14.2% of its circulation revenues, including copy sales and home delivery. This decrease has been slow but constant over the period under consideration, with an average yearly decrease of 5.6%. By the end of this period, total sales of Spanish newspapers amounted to € 1,115.9 billion (table 1).

Table 1. Sales of Daily Newspaper Copies in Spain. In € millions

2007	2008	Change	2009	Change	2010	Change	Period
1,300.1	1,245.1	-4.23%	1,176.4	-5.52%	1,115.9	-5.14%	-14.17%

Source: data obtained from the *Libro Blanco de la Prensa Diaria 2011* (White Paper of the Daily Press 2011)

Group analysis highlights the fact that Vocento obtained the highest revenues through newspaper sales, totalling € 266 million in 2010 (table 2), mainly because it owns a larger number of newspapers than its competitors. Its strength in this field is demonstrated by the fact that it is the only one of the groups we studied that grew over this period, increasing its profits 7.7% since 2007. In 2010, however, for the first time, it exhibited a 3% loss in comparison to the previous year.

Of the companies we surveyed, the Prisa group suffered the greatest drop over the period. Over the four years we considered, the number of newspaper copies sold decreased by 14.3%. This trend began with a

sharp drop (7.91%) in 2009. However, overall figures show revenues amounting to € 180.4 million in 2010 (table 2). This is largely attributable to the news daily *El País*, which is the market leader in Spain among general news and current affairs dailies.

Unedisa also registered a decrease of 7.5% in income stemming from sales of newspaper products between 2007 and 2010. The year 2009 was the worst, with a 12% drop in sales revenues. The group continued to lose sales in 2010, albeit more moderately, with a 3.6% drop in relation to the previous year. Unedisa's total revenue was € 254.7 million in 2010 (table 2).

The figures show that 2009 was a particularly negative year for all of the Spanish editorial press groups. The increase in online news consumption registered in Spain in that year may be the reason. According to Eurostat Data, the number of online newspaper readers increased from 27% to 37% of the total of the Spanish population. This increase of 11 percentage points explains the decrease in the circulation of revenues due to the increased number of readers migrating to the online environment.

Table 2. Copies Sold. In € millions

	2007	2008	Change	2009	Change	2010	Change	Period
Prisa	210.5	209.9	-0.29%	193.3	-7.91%	180.4	-6.67%	-14.30%
Vocento	246.9	256.3	3.81%	274.2	6.98%	266.0	-2.99%	7.74%
Unedisa	275.5	300.1	8.93%	264.1	-12.00%	254.7	-3.56%	-7.55%
TOTAL	732.9	766.3	4.56%	731.6	-4.53%	701.1	-4.17%	-4.34%

Source: data obtained from the annual reports of PRISA, VOCENTO, RCS MEDIA GROUP, years 2010-2007

Table 3 Gross Advertising Sales in the Daily Press in Spain. In € millions

2007	2008	Change	2009	Change	2010	Change	Period
1,461.0	1,111.6	-20.8%	861.9	-22.5%	834.5	-3.2%	-42.9%

Source: data obtained from the *Libro Blanco de la Prensa Diaria 2011* (White Paper of the Daily Press 2011)

In terms of advertising, during the 2007-2010 period, the Spanish press saw its revenues undergo a major reduction. The total drop over this cycle amounted to 42.9%. Over these last few years, two successive decreases of 23.9% and 22.5% occurred in 2008 and 2009, respectively.

The collapse slowed in 2010, with a 3.2% drop. Overall, the proceeds from advertising for newspaper publishers totalled € 834.5 million in 2010 (table 3).

The analysis by group shows that Prisa lost 36.6% of its advertising revenue over the period in question, with nearly € 100 million less than the previous year (table 4). Unedisa reduced its income by 20%, incurring a shortfall of € 56.2 million between 2007 and 2010 (table 4). The group that experienced the greatest drop over the period was Vocento, with a 42.9% decrease in advertising and a loss of € 156.9 million (table 4).

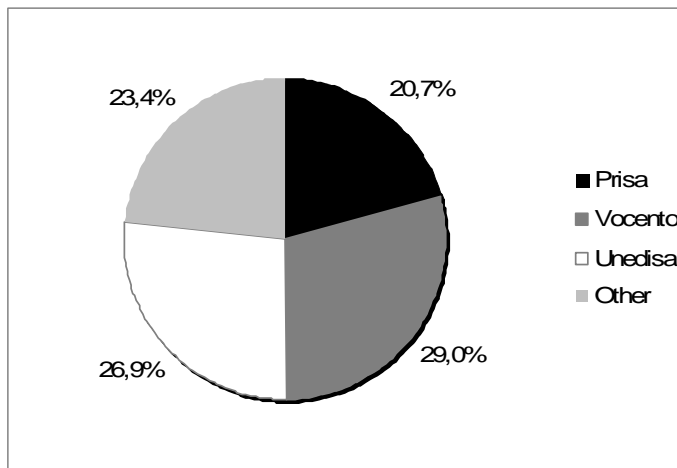
Despite these negative global trends, in 2010, the three groups registered a slight (2.5%) increase in their advertising income. Taken as a whole, these groups made € 606.1 million in 2010 (table 4). This figure bears testimony to the fact that Vocento, Prisa and Unedisa concentrated 72.6% of newspaper advertising that year.

Table 4. Advertising Revenues. In € millions

	2007	2008	Change	2009	Change	2010	Change	Period
Prisa	272.5	219.5	-19.45%	168.4	-23.28%	172.8	2.61%	-36.59%
Vocento	365.5	296.9	-18.77%	223.8	-24.62%	208.6	-6.79%	-42.93%
Unedisa	280.9	269.4	-4.09%	199.3	-26.02%	224.7	12.74%	-20.01%
TOTAL	918.9	785.8	-14.48%	591.5	-24.73%	606.1	2.47%	-34.04%

Source: data obtained from the annual reports of PRISA, VOCENTO, RCS MEDIA GROUP, years 2010-2007.

Graph 1. Advertising Market Shares of Prisa, Vocento and Unedisa in 2010



Source: data obtained from the annual reports of PRISA, VOCENTO, RCS MEDIA GROUP, years 2010, and AEDE

Despite having incurred the greatest losses, Vocento continued to have the largest market share of advertising income in 2010, accounting for 29% of the industry total, due to the large number of local dailies it owns. Vocento was followed by Unedisa with 26.9% and Prisa with 20.7% (graph 1).

This situation has provoked a change in the structure of the Spanish press business. Revenue circulation has become the main source of income, displacing advertising income. In this period (2007-2010), circulation increased its contribution to revenue by 7%, from 43.6% to 50.6% of the total (table 5). Furthermore, advertising income reduced its contribution by 11.1%. In addition to these two sources, there is a third source, called “other revenues”, which includes minor channels of income, such as promotions. Its importance has increased by 4.1%, indicating that the deterioration of the traditional business model is especially focused on advertising.

Table 5. Share of Revenue Streams in the Spanish Newspaper Industry 2007 – 2010. In € millions

	2007	%	2008	%	2009	%	2010	%	% Period
Circulation (copy sales)	1,300.1	43.6%	1,245.1	48.6%	1,176.4	52%	1,115.9	50.6%	+7%
Advertising sales	1,461.0	49%	1,111.6	43.4%	861.9	38.1%	834.5	37.9%	-11.1%
Other revenue	219.3	7.4%	203.0	7.9%	223.4	9.9%	253.2	11.5%	+4.1%
Total revenue	2,980.4	100%	2,559.7	100%	2,261.7	100%	2,203.6	100%	-

Source: data obtained from the *Libro Blanco de la Prensa Diaria 2011* (White Paper of the Daily Press 2011)

Table 6. Daily Press Earnings in Spain. In € millions

	2007	2008	Change	2009	Change	2010	Change	Period
Earnings	2,980.4	2,559.7	-14.1%	2,261.7	-11.6%	2,203.6	-2.6%	-26.1%
Expendi- tures	2,653.3	2,519.0	-5.1%	2,300.1	-8.7%	2,121.5	-7.8%	-20.1%
EBITDA	396.4	105.5	-73.4%	28.9	-72.6%	133.8	363%	-66.25%

Source: data obtained from the *Libro Blanco de la Prensa Diaria 2011* (White Paper of the Daily Press 2011)

The overall data for the Spanish newspaper business show a drop of € 262.6 million in EBITDA (table 6) from 2007 to 2010. This figure represents a sharp decrease of 66.25%. Over this period, the industry underwent a consistent loss in both earnings and expenditures, which

fell by 26.1% and 20.1%, respectively.

During the 2007-2010 cycle, the groups we examined lost 63% of their EBITDA (*Earnings Before Interest, Taxes, Depreciation, and Amortization*). The greatest decrease was registered in 2008, when it dropped by 62%, or a decrease of € 232.5 million from the previous year (table 7). The figures for 2010, however, show a 44.2% recovery and EBITDA totalling € 138.6 million (table 7).

Table 7. EBITDA Evolution 2007-2010. In € millions

	2007	2008	Change	2009	Change	2010	Change	Period
Prisa	136.7	66.9	-51.06%	52.6	-21.37%	56.5	7.41%	-58.67%
Vocento	111.3	5.2	-95.33%	31.1	498.08%	41.1	32.15%	-63.07%
Unedisa	127	69.8	-45.04%	12.4	-82.23%	41	230.64%	-67.72%
TOTAL	375	142.5	-62%	96.1	-32.56%	138.6	44.22%	-63.04%

Source: Data obtained from the annual reports of PRISA, VOCENTO, RCS MEDIA GROUP, years 2010-2007

Individual analysis shows that Unedisa is the group with the greatest losses during the period. Its gross operating profits have decreased by 67.7% since 2007. Vocento lost 63.1% during the same period. The most gradual reduction was experienced by Prisa, which registered a 58.7% drop in its profits.

Consequently, the available data show a major deterioration in the conventional business model of the main Spanish newspaper publishers. These media groups have experienced important drops in revenue from both of their sources of income (newspaper sales and advertising). The drop in advertising income deserves special attention. These results have had a major impact on the newspaper business, leading to a collapse in monetary profits. This situation has caused great alarm in the sector.

6. THE DIGITAL STRATEGY: DIGITAL NEWS AGENTS AND THE MODERATE ROLE OF ONLINE ADVERTISING

The deterioration of the conventional business experienced by newspaper groups in Spain that has been analysed in this study conditions their strategies in the digital realm. Over the last two years, Spanish newspaper publishers have redefined their focus, which previously revolved largely around print editions. These publishers are increasingly relying on their online platforms as a means of generating revenue.

In terms of newspaper sales, digital newsstands have appeared with the aim of billing customers for online access to newspaper content. Unedisa has led the way in implementing this system. In March 2010, it launched its *Orbyt* system. A subscription to this platform can be

obtained by paying a daily fee (0.79 euros per copy) or a monthly payment that ranges from 9.99 euros to 14.99 euros depending on the selected newspapers (*El Mundo*, *Marca* and *Expansion*). Available content is equivalent to the content in the print edition and are provided in PDF format with no multimedia or interactive resources. This approach demonstrates poor exploitation of the possibilities of the digital universe. Other resources available for subscribers are video and multimedia materials as well as access to the library of previous issues and the possibility of directly contacting the editorial team and a sales club. Access on mobile devices, such as smartphones and tablet computers, is also supported.

Although initially only Unedisa media were available at this digital newsstand, other Spanish papers have subsequently been included, such as those published by the Zeta and PrensaIbérica Groups (both of which publish local newspapers) and the national daily *La Razón*. By mid-2011, *Orbyt* had reached 35,000 subscribers, generating € 525,000 monthly and € 6.3 million yearly.

In July 2011, Vocento and Prisa reacted by launching a new online newsstand under the brand name *Kiosco y más* (Newsstand and more). This platform provides access to 30 Spanish dailies, both national and local, and 60 magazines. It includes the Vocento media (*ABC* and its local newspapers) and Prisa (*El País*, *As*, *CincoDías*) as well as the national dailies *Público* (which is owned by Mediapro) and *La Gaceta* (property of Interconomía). Newspapers belonging to the regional newsgroups Zeta and Godó are also included, as are local newspapers such as *Diario de Navarra* or *Heraldo de Aragón*. Content is available for mobile devices such as smartphones and tablets. As in the case of *Orbyt*, content is accessed as PDF files, limiting its attractiveness to online readers.

Kiosco y más is based on a flexible agreement among participant firms because all newspapers are autonomous and can determine their pricing policies independently. This platform offers various subscription options: daily, monthly, quarterly, biannual and annual. The price varies depending on the newspaper chosen. For example, a monthly subscription costs between € 9.99 and € 23.99. Therefore, fees do not guarantee access to the full range of media provided on the platform but only to those to which a user subscribes. Likewise, this platform does not require exclusivity on behalf of participant companies. Consequently, some local press groups, such as Zeta, are simultaneously present on *Kiosco y más* and its rival *Orbyt*.

Similar initiatives have arisen in other markets, such as the US, where in January 2011, the New York Times company, Garnett and the Washington Post Company teamed up to launch the *Ongo* subscriber system, which allows subscribers access to their newspapers' content for a \$ 6.99 monthly rate. In France, publishers have been operating a digital newsstand since July 2010 through the National Union of the Daily Press. It is fee-based and includes newspapers such as *Le Monde* and *Le Figaro*.

The emergence of these digital newsstands demonstrates the extent of competition in the Spanish newspaper market as well as the concern felt by newspaper publishers regarding the diversified commercialisation of their products in the digital environment. However, this model also involves the creation of new digital distribution costs for the press business because online newsstands obtain a percentage of incomes from subscriptions and from the sale of online newspapers through their platforms.

Reliance on online newsstands as a means of selling products for digital devices and computers has led to the introduction of the *freemium* business model in Spain. News outlets are applying a hybrid formula that combines free access to last-minute news items posted on their websites with payment for value-added, elaborate, higher quality content.

Spanish newspaper publishers have renounced the implementation of *pay-walls* for access to newspapers online, distancing themselves from the strategy pursued by Rupert Murdoch and his News Corporation. This formula was abandoned as a result of the failure of *Elpaís.com*, which pioneered this business model in Europe. In November 2002, *El País.com* began charging for access to the content of its online edition, with the exception of its cover page and opinion articles. The adoption of this approach had a considerable impact on its revenue structure.

On the one hand, this approach did not attract public attention; two years after its launch, there were 40,500 subscribers (Salaverría, 2007). On the other hand, decreased readership led to a drop in advertising. In 2005, Prisacom, the publishing firm behind *Elpaís.com*, reduced its advertising income by 30%. The resulting negative impact on profits was noticeable, with losses amounting to € 19.3 million between 2003 and 2005 (Cea-Esteruelas, 2009). Positive results returned in 2006, when online content became free again. Furthermore, the implementation of the fee-based system led to a major transfer of readers towards media outlets supplying free content, which mainly benefited its main competitor, *Elmundo.es*. This experiment demonstrated the robustness of the free-access culture for the consumption of online content in Spain. This experience is the basis for the preference of Spanish publishers for the *freemium* model they currently foster.

In terms of advertising, the second source of income for the press, newspaper publishers in the Spanish market have experienced an important increase in their online advertising income. This growth has followed the increased online advertising investment in the Spanish media market, which reached 16.3% in 2011. Newspapers have benefited from the increase in online advertising and have improved their capacity to generate income in this manner.

Nevertheless, the importance of online advertising revenues for newspaper company balance sheets remains moderate. In 2010, Unedisa was the media group that obtained the best results in this area, earning

€ 36 million through online advertising (table 8). This figure represents 16% of the company's total advertising revenue.

Table 8. Online Advertising Income of Spanish Newspaper Publishing Firms. 2010

	Online advertising revenue (€ millions)	% share of online advertising in total revenues
Unedisa	36	16
Prisa	25	15
Vocento	20.7	13.5

Source: Data supplied by companies themselves.

In the same year, Prisa made € 25 million from online advertisements inserted in its newspapers (table 8). These results show that the Internet's contribution to the company's overall advertising earnings is approximately 15%. Vocento's figures are similar: in 2010, the company reported € 20.7 million in turnover linked to online advertising, or 13.5% of total advertising revenues. This group's economic data are considerably lower because much of its business corresponds to local newspapers, for which online advertising earnings are slightly lower than those of national newspapers.

Therefore, the data show that online advertising accounts for approximately 15% of advertising earnings for the main Spanish newspaper publishers. This figure, although relatively small, is well above forecasts for 2013, which were 9.1% for the sector worldwide (PriceWaterhouseCoopers, 2009a). Although these figures are good, they are insufficient to guarantee the future of the Spanish traditional press on the Internet. This situation indirectly explains the launch of digital newsstands to capture financial resources from online content sales and the trend towards the adoption of the *freemium* model.

7. DISCUSSION AND CONCLUSIONS

Currently, there are two major trends within the newspaper industry. On the one hand, there is a strong decline of the foundations on which the business has traditionally relied as a consequence of the double crisis in the sector. On the other hand, incipient and relatively unstructured strategies are being implemented to obtain new earnings online. This is all occurring in a context characterised by low levels of definition due to the significant changes that are being implemented by the press. Consequently, the search for new business models is becoming a key goal for newspaper publishing firms within the broader context of digital conversion.

The latest strategies of newspaper publishing groups revolve around the use of digital newsstands. The Spanish press market has seen the emergence of two rival initiatives in this field, one led by Unedisa and

one recently led by Vocento and Prisa. In both cases, the formula involved the introduction of the *freemium* business model, which combines free content on less elaborate last-minute news with payment for higher value-added content.

The establishment of these two digital newsstands may lead to a number of consequences. First, it may be the first step towards the establishment of alliances between the various players within the sector to foster the sale of their products online. Without broad agreement between the firms involved, it will be difficult to establish feasible payment mechanisms for news content. Second, the emergence of these platforms represents the development of two major poles for the bulk of Spanish newspaper publishing companies. This development reflects the rise of a new modality of concentration that divides the Spanish newspaper market into two major competing coalitions. Thus, digitalisation is contributing to increased concentration within the industry.

Although Internet advertising has begun to generate revenue, this revenue only amounts to roughly 15% of overall advertising earnings. This leads us to conclude that advertising income alone is insufficient to guarantee the viability of the press in the digital environment.

Consequently, although digital newsstands represent a step forward for the online strategy of newspapers, many unknowns remain to be resolved regarding the business model that the newspaper business will ultimately adopt. Questions also remain regarding the effects of these new business formulas on the newspaper industry in particular and the media system in general. These questions must be addressed through further research on the transformation process that the press is currently undergoing.

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