

Free Newspapers : Threat or Opportunity ?

How Associated Newspapers launched the London *Metro*

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THE METRO PHENOMENON

All newspaper publishers are in favour of a free press. But how many are in favour of free newspapers? According to the traditional definition, this type of publication is almost or completely devoid of editorial content and usually filled with advertising. And it is free.

Free newspapers in many countries have experienced a steady increase in numbers, circulation and advertising revenues in recent years. Penetration has increased in a majority of countries for which data is available in the past five years.*

But Metro is something different. True, it has no cover price, which by definition makes it a free newspaper. More importantly, however, it bears an arresting resemblance to most paid-for newspapers in that it carries news articles, an editorial, sports, entertainment; it has colour, photos and advertising.

The story of Metro is worth looking at. Published for the first time in February 1995, the concept was born more than two decades earlier. The original idea was the brainchild of three people. One of them, Pelle Anderson, claims to first have conceived it during his first year at journalism school as far back as 1973. But it was not until 1992 that the idea took form. The Swedish financier and publisher Jan Stenbeck took interest in the project, and the first agreement with the Stockholm local transport authority was signed in September 1994.

Circulation was 200,000 copies and Metro proved an immediate success. It quickly became the second daily newspaper of Stockholm after Dagens Nyheter (353 000 copies). Today, Metro is published in 12 cities, including Philadelphia and Santiago de Chile. The company will shortly be spun-off from the publisher, Modern Times Group, and introduced on the Nasdaq.

The concept was then brought to London by the first editor of Stockholm Metro. There it was adopted by another publisher, Associated Newspapers, thus effectively preventing the Swedish Metro from entering the UK market. The London Metro has spawned local editions in the West Midlands, Manchester and Central Scotland.

One may argue endlessly about whether Metro should be considered a daily newspaper. As far as the content is concerned, Metro is clearly a daily morning paper. That it is a free paper is the only similarity with free sheets in general ; these rarely contain editorial material of the kind published in Metro, and are usually not published more than once or twice a week. But possibly the most important reason is that the readership perceives it as a daily newspaper.

Going further, the birth of Metro, rather than being a threat to established publishers, may have contributed to a new interest in newspapers generally. Research shows that before Metro was published in Stockholm, a large portion of this population did not read newspapers in the

morning. Already in November 1995, readership surveys showed that 75% of travellers on the Stockholm underground read Metro daily, and that each copy was also read by 1.7 people on average.

This lesson was confirmed in the case of London Metro: the market has expanded, both in terms of readership and advertising. Only time will tell if the Metro phenomenon is indeed "a portal to print".

* = data according to World Press Trends 2000, published by WAN

THE METRO CHALLENGE

Lord Rothermere, proprietor of Associated Newspapers Ltd is sure of it: If his company hadn't launched Metro, the free newspaper handed out at public transport sites throughout an increasing number of cities in Great Britain, some other company would have. The publishing experiment launched in 1996 by the Modern Times Group in Sweden had been so successful, that it was only a matter of time before it would be tried elsewhere. Associated Newspapers decided to beat the competition to it, by launching Metro in the United Kingdom last year.

Associated Newspapers publishes the Daily Mail, the Mail on Sunday, the Evening Standard and now, Metro. The family-owned newspaper business began in 1888 with a magazine titled Answers to Correspondents - « a weekly storehouse of interesting knowledge.» The company later went on to manage hugely successful papers such as the Daily Mirror, the Times and the Observer.

THE IDEA AND ITS INCEPTION

It was the current Lord Rothermere's father who first took notice of the free newspaper endeavour. « He went to Stockholm to see this newspaper phenomenon for himself, » recalls Lord Rothermere. « Ninety percent of people on the subway were reading this publication. These people were young, affluent and some wouldn't normally be reading a newspaper. » In short, the demographic was ideal and the experiment had to be tried out in Britain.

Lord Rothermere naturally started to think of London as a testing ground. Given the city's excellent public transport infrastructure, the success or failure of the operation there would determine whether other British cities could be good candidates.

As in Sweden, the subway was seen as a natural distribution outlet, so Associated Newspaper approached the London underground. « They just weren't interested, at first,» recounts Lord Rothermere. « There had been in 1987 that tragic fire at King's Cross station and they were concerned about security issues, but we just kept knocking at their door », recounts Lord Rothermere.

The underlying concept was simple: a free newspaper without any political slant, but lots of vivid color and short stories. « Metro must take no more than 20 or 30 minutes to read because people don't have a lot of time and they want to be informed quickly, » says Lord Rothermere.

A city needn't have a subway for a Metro edition to be viable, but needs a good concentration of commuters. Birmingham, for example, doesn't have a subway, but thousands of people head into the center of town every day. Metro has been very successful there too.

METRO'S EFFECT ON OTHER NEWSPAPERS

Associated Newspapers has found that Metro's existence hasn't cannibalised the sales of its other publications. Lord Rothermere says it has had no effect on the Evening Standard, one of the company's flagship brands. « But we have been taking away whatever remaining Metro copies are left in the subway following the commuting rush at 10 a.m. » He maintains the market has simply expanded, since most Metro readers hadn't previously read newspapers. « Metro is a real publishing phenomenon and it is here to stay. »

Lord Rothermere
Associated Newspapers Ltd

METRO: A UNIQUE EDITORIAL CONCEPT

Associated Newspapers knew that to attract the right type of audience, Metro would have to establish itself as a quality read. « We wanted to reach people who are employed, educated, and smart, » explains Ian McGregor, Metro's editor. «Therefore, we had to be as good editorially as any other paper. » The goal wasn't only to get the target audience to *like* Metro, but to get them to like it enough to read it every day.

At the time of Metro's launch in early 1999, around 50% to 60% of subway commuters didn't read newspapers; they read books, listened to music or did nothing. Today, McGregor says, 70% to 80% of them are reading Metro. « Our target audience, which is made up of twenty, thirty and forty-somethings, has money, wants to spend it and wants to know what's going on. »

DEVELOPING THE EDITORIAL LINE

Associated Newspapers bet on a no-nonsense news package. There are no juvenile contests, no trivia and no hype - only short, concise stories that don't treat issues superficially. « We want to keep the feel of the paper punchy, but not patronising, » McGregor says. « We carefully select the stories we chose to cover and the way we treat them, » he adds. Metro will take news agency copy, but rework the stories in order to present them from a new angle. Whatever the news, Metro wants it to feel fresh.

FRONT PAGE FORMULA

Metro aims to keep its front page as balanced as possible. There will generally be one human interest story, offset by a more serious political one. The front page features a lot of color and news boxes to make it look dynamic without looking too busy. The left side includes a digest of sports, general and entertainment news that can be found inside.

ENTERTAINMENT

The entertainment section is one of Metro's key attractions. That's where Metro reporters do most of their original reporting. It's all about giving people ideas about what to do that night. « Each edition has a 10-page entertainment section, » McGregor says. « That's what makes people take the paper home at night.» It features large photos and several suggestions for a night on the town. The entertainment section is what gives each Metro edition its local flavor since local bars, restaurants and show are visited and tested for Metro readers.

The sports pages are also key to attracting loyal readers. They include not only sports scores, but also articles recounting the previous night's games and a look at upcoming sporting events.

In addition, Metro is keen on internet-related news, whether it be a serious story on a dot.com or something like *Webwatch*: a list of cool sites to check out when one has some free time later in the day. It seems Metro readers are more likely to be on-line than others, since 90% of the reader mail the paper receives comes in by e-mail.

To appeal to both advertisers and readers, Metro has a consumer oriented focus. This means there are several articles such as *The High Tech Gadgets the Modern Man Needs*, *Hot Shopping Tips*, *New Homes in the South-East* or stories about exotic foreign holidays, McGregor says. The consumer stories must have real journalistic value, they can't be reprints of press release adverts, he adds.

But Metro is careful not to compete head-on with the sensationalism of the tabloid titles. Like a tabloid, « we will do a cover story about a killer on the loose, but we will counter-balance the page with a political story, » McGregor says.

Every page must achieve a balance. There can't be too much advertising, or people will turn away from the paper. There is no set ad ratio, but McGregor says it is a question of not overloading the paper with ads. « We prefer to charge a premium for the ads that are inside. » Visually, there have to be a lot of breakouts and entry points on a page. Each individual page must also have a local news flavour.

Metro decided it would use promotions to a certain extent to increase readership frequency. « Promotions don't sell the paper, it's just extra value and a way to get people to read it more regularly, » McGregor says. The « Is this you? » promotion has been particularly successful. It features a photo of someone outside a subway station every day. If the person brings in the photo, he or she can collect 50 pounds (approximately 75 US dollars). This is Metro's most costly gimmick, but the paper continues it because it increases the word of mouth about the paper. « People will recognise their friends or colleagues in Metro and bring it to them at work, » McGregor says.

Metro started with 30 editorial staff, but that number has doubled now that Metro has been launched in other cities in Britain. The editorial team is generally young and has set high journalistic standards for itself. Journalists are paid less than at a national daily, but not significantly. A staff culture has quickly developed and employees have been loyal. According to management, there is a real buzz about working at Metro because young journalists see it as a new and exciting project.

There have been some economies of scale because the same stories can sometimes appear in different editions, but they often have to be adapted. « In the case of soccer scores, the news has

to appear in a different order depending on the city, so that the local team can always appear first, » McGregor explains.

Given Metro's limited resources, the paper doesn't do any investigative journalism or break stories. Management is betting the paper's objective writing style will garner it faithful readers. Most British newspapers espouse a political point of view, making objective news coverage the exception rather than the rule in Britain. Thus Metro effectively filled a market gap.

LOGISTICS

The content goes to press at around 10:30 p.m. or just after that night's sports scores come in. The 360,000 copies of the London Metro edition are printed in three different locations so that they can be ready by 6:30 a.m.. Associated Newspapers says there are effectively no returns.

CONCLUSION

Metro sets out to maintain the same standards of news rigor and accuracy than any other publication. « We have to have the same standards as any other paper, we just aim it at a particular audience: the people who don't normally read newspapers, » McGregor says.

Ian McGregor
Editor of Metro

METRO AS AN ADVERTISING PHENOMENON

By launching Metro, Associated Newspapers set out to reach a demographic whose preferences may have been somewhat neglected by the newspaper business up to then: commuters. Until now, no one had targeted effectively the 400,000 subway users who do not read a national newspaper. It was potentially a huge market and one that was still untapped.

Advertisers were sceptical at first, but within weeks they saw people were getting into a Metro habit, says Mike Anderson, Metro's Managing Director. Not only was Metro read, but, perhaps more importantly, young, affluent people were reading it. Placing an ad in Metro isn't like buying space in a regional free newspaper. « It's about buying a 20 minute relationship with London on the move, » Anderson says.

METRO'S GOLDEN DEMOGRAPHIC

According to research performed by Britain's TGI, more than three quarters of Metro's readers are in the ABC1 demographic: the market segment advertisers find most desirable. This means Metro's readership is one of the youngest and most upmarket in Britain, closest to internet users than any other media. With Metro, advertisers can reach 350,000 ABC1 adults in one day at a fairly attractive price, Anderson says. Metro advertisers can reach 1000 people in Britain's top demographic for 4,500 pounds per insert compared with 20,000 pounds for Carlton TV, a London-based commercial television channel and 39,000 pounds for billboards.

By pricing its space against other media options to reach the 'golden demographic', Metro has managed to charge a higher cost per thousand than other British national newspapers.

According to BMRB, a British market research firm, 76% of Metro readers in the London area are ABC1 and 77% of them are ages 15 to 44. The research also found that 85% of Metro readership occurs before 9 a.m., thus dominating the commuter's mind in the morning. « That means you can advertise in the morning and by noon, there has been a response because people go into the shops during their lunch hour, » Anderson says. « As a matter of fact, one our offers is to give out a free promotion, valid until 2:30. »

A year after the initial launch, Metro is thinking of reviewing its ad sales model. Metro may have been underselling itself until now, Associated Newspapers argues. The paper is looking into moving away from the fixed ratecard in favor of a fee-per-response price model. Given the strong level of response an ad in Metro generates (a recent advertisement about a holiday had an estimated response rate of 25%), it seems wise to move beyond traditional pricing methods. Under such a system, Metro would take on more risk, but Associated Newspapers think this will be to their benefit. Interestingly, Metro would then become the first newspaper in the world free both to readers and advertisers!

METRO'S ROLE IN THE MORNING ROUTINE

According to Associated Newspapers, Metro has begun to play a key role in Londoners' morning routines. Readers often talk about stories once they get to work. Reading Metro eases the pain of commuting and fills a daily time gap. « This is why Metro has an extremely high degree of reader loyalty", says Linda Grant, Metro's Head of Planning. « We've found 81% of readers read Metro « almost always » or « quite often, » she says.

The same qualitative research found Londoners have already become fairly attached to their Metro. Almost half of Metro readers say they would consider paying for the newspaper. Metro readers are 60% male and 40% female. In addition, attention paid to the paper is relatively high; 85% of readers say they pay « full » or « almost full » attention to Metro and 73% say they read at least half of the paper. « That means we have a situation where the bulk of our readers are reading the bulk of our newspaper, the bulk of their attention for 20 minutes, » Grant says.

Associated Newspapers say the number of contest entries they receive proves this. Around 40,000 readers participated in the wide screen TV/ DVD player contest, 22,000 sent in entries for the 5 Compaq computer laptops and another 20,000 people handed in ballots for the trip to Australia. « Thirty percent of those who have read Metro in the last four weeks have taken some form of action as a direct result of reading Metro, » Grant says. « In London alone, that means half a million people in the last month. » Of these, 17% were responding to a promotion or offer, 15% visited a web site, 12% visited a store and 5% tried new products.

METRO'S GROWTH POTENTIAL

Metro also has huge growth potential. Outside London, there are 8.1 million working adults who do not read a national newspaper. Metro has already begun publishing in Glasgow, Edinburgh, Manchester and Birmingham.

A subway isn't required for a Metro to be viable in a city but commuters are. As in London, commuters elsewhere in the United Kingdom are looking for a mix of news and information. They like to read just the facts, without any editorial spin and are keen to see interesting local news.

In other cities, Associated Newspapers has had to precisely identify areas of market potential and find the most appropriate distribution locations. « When there is no subway, we look into distributing along bus routes that go to areas that are visited by our target audience,» Grant says. « But we don't distribute on every route. » Associated Newspapers also distributes the paper at key car junctions and is looking into certain coffee shops, internet cafes or clubs.

The company has done extensive research to determine what neighbourhoods their upmarket target audience lives in and where they work so it can reach them most effectively. « We are targeting an audience, not a number, » Grant maintains.

In expanding, Metro has tried to remain consistent in terms of color and market positioning. Around 10% of the ads are regional and the remaining 90%, national. The paper is stapled, so as to avoid flyaway pages. « Everything that makes Metro, Metro - that is, design, editorial, etc. - is consistent on a national basis, » Grant says.

Metro is not completely free of direct competitors however. The Guardian Media Group puts out a free daily in Manchester, where Metro has been established since November of 1999. But the company says the Guardian free newspaper venture is more like a traditional regional paper than Metro. Associated Newspapers is taking the competition seriously however. It doesn't take away the remaining papers in Manchester at 10 a.m. as it does in other cities.

EFFECT ON ASSOCIATED NEWSPAPER'S OTHER PUBLICATIONS

Associated Newspapers says its three other titles haven't really suffered as a result of Metro's success. Associated Newspapers admits Metro has reduced the number of copies of the Daily Mail sold at certain travel points, but maintain this has been minimal. The company actually uses Metro to drive sales in its other papers. « We sell the Evening Standard in Metro and even offer money off coupons for the next day's Daily Mail, » says Anderson. This cross-promotion has been especially beneficial to the Saturday edition of The Daily Mail and The Mail on Sunday. He says Metro readers read the paper around three out of the five business days. « Those other two days, we want them to be buying another one of our papers. »

But Associated Newspapers argues that the real test will come when the advertising market, which has been growing robustly since Metro's launch, constricts. « Then some papers are going to feel the pinch, » Anderson warns. « We just hope it won't be us. »

Metro's London edition broke even and started producing an operating profit eleven months after its launch. But this doesn't take into account the substantial investment it took to get it off the ground. Metro has also helped out Associated Newspapers' on-line recruitment site. The site, which is called bigbluedog.com, enjoys heavy traffic thanks in part to the ads placed in Metro.

Mike Anderson
Managing Director

Linda Grant
Head of Planning