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**TWO-SIDED MARKETS:  
THE CASE FOR (OR AGAINST)  
A  
FREE SPORTS NEWSPAPER IN PORTUGAL**

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## **Abstract**

Could a free sports newspaper be successful in Portugal? We answer this question by (i) extensively analyzing the literature addressing the evolution of the newspaper industry—currently undergoing significant change and concomitantly facing financial turmoil, (ii) interviewing several key agents in the industry and (iii) conducting a survey of potential readers. We conclude that a free sports newspaper would not be economically successful in Portugal at this juncture.

Keywords: Two-sided markets, newspapers, free newspapers, sports.

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## 1. Introduction

Many markets—some new, others in existence for quite some time—have been described as two-sided markets, whereby two (or more) groups of agents interact through a platform. Examples abound: a television station is a platform liaising two groups, the audience and advertisers; a credit card company connects merchants and consumers, thus also being a platform. So is an operating system, which connects software developers and consumers. By the same token, a newspaper is also a platform, allowing advertisers and readers to interact.

At first glance, one would expect a platform's optimal pricing to involve charging both sides since both derive utility or profits from the interaction. In the case of a newspaper readers enjoy reading news stories and are willing to pay for them, while advertisers value exposing the readership to advertisements, a service for which they too are willing to pay. Despite this *prima facie* intuition, pricing in two-sided markets is often rather lopsided. One side is often subsidized, even to the point of paying nothing whatsoever for access to the platform despite such access entailing a strictly positive marginal cost. This is the case of free newspapers, whereby one side (the readership) is not charged for the newspaper despite the fact that producing and delivering a copy of the (free) newspaper certainly involves a positive marginal cost arising from paper use, printing, distribution, etc. The intuition for this apparent paradox is clear: by subsidizing one side—even to the point of giving away the commodity—the platform may so substantially increase the number of consumers on the subsidized side and thus the amount that it optimally charges to the other side that it opts to do so, rather than charge both sides. For another example, take free (underground or surface) parking at a mall, which by significantly increasing the number of visitors allows for charging significantly higher rents to merchants who rent stores.

Free newspapers are, as exemplified above, an interesting example of a recent platform operating in a two-sided market, of which *Metro*, a free newspaper present in many European

cities (and elsewhere) is perhaps the best-known example. The Portuguese market has had several free newspapers (see the next section for details), of which many folded and one remains in its original form.

The Portuguese seem to be quite interested in sports as evinced not only by the number of paid sports newspapers, some of which of a regional nature, sports television programs, and sport updates programs broadcast several times a day by upmarket radio stations, but also by a study conducted by *Entidade Reguladora para a Comunicação Social* that states that the interest in sports news in Portugal is higher than in all the remaining 10 countries analyzed, with 37% of the population interested in sports related news.<sup>1</sup> This leads us to ask the following research questions: *is there scope for a free sports newspaper? Could it achieve a high readership while at the same being not too costly to produce, yet able to capture advertising revenue? Would it be likely to turn a profit?*

We approach the research question from three angles, one literature based, another bearing on supply side issues, and a third one dealing with demand issues. (i) We thoroughly review the literature on the current evolution of the newspaper industry—which is undergoing significant change, while at the same time facing financial turmoil—thus obtaining information on the current status and trends of the newspaper industry. (ii) We tackle supply-side issues by interviewing 5 individuals who are currently or were until recently working for newspapers (free as well as paid), thereby gauging the main issues that, in their view, might plague or recommend the launching of a free sports newspaper. Finally, (iii) demand-side issues are addressed by means of an internet questionnaire in which individuals are queried about their interest in a free sports newspaper, as well as other aspects that may impact its take up.

The presentation is organized as follows. After this Introduction we offer a short review of the free newspaper market as it evolved in Portugal. Then, in Section 3, we review the literature on the topic. Section 4 describes the data collection methodology, followed by Section 5,

which states the results obtained on the basis of the data described in the Section 4. Section 6 offers final conclusions.

## **2. Free newspapers**

Several free newspapers have been published in Portugal. While some were general in scope, others were rather specific, covering subjects such as the economy, politics, *sports*, health, beauty, as well as several other topics. Their success (or otherwise) can help us better answer our research questions.

### **Destak (2001 – )**

Destak is the first free newspaper offered in Portugal, and the only one that still survives as a free newspaper. Founded in 2001, it started as a weekly and became a daily after three years. Distributed throughout Lisbon and Oporto, its daily readership is now 600.000, mainly young professionals. It thus focuses on short news covering topical stories, sports, entertainment and culture.<sup>2</sup>

### **Metro (2004 – 2016)**

The first international project brought to Portugal, *Metro* was a joint venture between the Swedish editor *Metro International* and *Media Capital* group. Besides its in-hand distribution, the newspaper had an exclusive contract with the Lisbon underground (*Metropolitano de Lisboa*) whereby it distributed the newspaper in metro stations, a privileged location offering a competitive advantage.<sup>3\*</sup>

### **OJE (2006 – )**

*OJE* started as a free daily newspaper focused on the economy, operating a “not-exactly-free” price structure: it charged 1 cent per copy and required a subscription in order to be delivered. Its first edition had a print run of 16 000 and garnered 11 000 subscriptions, with 5 000 copies

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\* According to the National Readership Survey, *Metro*'s English edition recently became the most-read daily print newspaper in England, reaching an audience of 10.4 billion readers, mainly due to its impartial stance on major political matters buffeting the UK.

being freely distributed as a promotion strategy. Each subscription cost 2 euros per year, plus delivery costs.<sup>4</sup>

In 2016 it became a joint project involving OJE and *Diário Económico*, under the name *O Jornal Económico*, a paid newspaper currently still being published.<sup>5</sup>

### **Global Notícias (2007 – 2010)**

Published by the *Controlinveste* media group (now renamed *Global Media Group*), it became the circulation leader in Portugal (202 000 copies), and had activity in several cities. However, a rapidly evolving press industry and huge accumulated losses led to its demise late in 2010, when its circulation was down to 140 000.<sup>6</sup>

### **Diário Desportivo (2007 – 2007)**

*Diário Desportivo* was a *free* sports newspaper. It lasted only eight months. During that period it had three editors and distributed about 100 000 copies in Lisbon and Oporto.<sup>7</sup>

### **Ripa Desporto (2007 – 2007)**

*Ripa Desporto* was a weekly *free* newspaper distributed in Lisbon that aimed at also covering sports other than soccer. Nonetheless, it started under the name *Ripa na Rapaqueca*, a magazine dedicated to football. The decision to diversify its coverage arose from an opinion study that suggested readers' interest in sports other than football.

The first edition of *Ripa Desporto* involved 60 000 copies, and was distributed in-hand, as well as in partnership with a few kiosks in Lisbon. Moreover, it was also distributed at football matches, as well as in tennis, golf and gymnastic clubs.<sup>8</sup>

The newspaper survived only for a few months, sustained mainly by the advertising placed by *Santa Casa da Misericórdia*, which paid for the newspaper's printing. However, this arrangement was not sufficient to keep it aloft.<sup>9</sup>

Besides these paper newspapers, there exist several free online publications that mainly cover sports, namely, Maisfutebol.pt, Bancada.pt, Planetadesportivo.pt, Zerozero.pt, Diáriodesportivo.pt.

This section offers a summary of the history of free newspapers in Portugal. In order to better understand the industry's trends we review the literature in the following section.

### **3. Literature review**

#### **a. The newspaper industry: trends in circulation and revenues**

Much has recently been written regarding the state and evolution of the newspaper industry. The majority of these studies revolve around the “digital trend” so pervasive nowadays, namely the boom of the internet and social media. Despite all the analysis so far carried out, there is still much uncertainty regarding the upcoming trends: borrowing from Winston Churchill, one could say that the future of the print newspaper remains “a riddle, wrapped in a mystery, inside an enigma”.

According to World Press Trends 2017, WAN-IFRA (World Association of Newspapers and News Publishers) newspapers' overall revenue arises mostly from circulation sales rather than from advertising (See Appendix 1).<sup>10</sup> This is also the case in Portugal, as suggested by the financial accounts of a major media company, *Cofina*, for which circulation revenue represents 50% of total revenue, advertising amounts to 33%, and the remaining 17% arise from other marketing campaigns (See Appendix 2).<sup>11</sup>

According to a forecast by PwC Portugal (PwC Global Entertainment and Media Outlook, 2013), the Portuguese newspaper industry has been in recession for quite some time now. This study also reveals that globally, the revenue and circulation of newspapers, though increasing in emerging markets, is decreasing in developed ones. In Portugal, circulation is diminishing as are advertising revenues, which went from €183.53 million in 2008 to €124.43 million in 2012. These figures clearly illustrate the adverse economic context pervading the



industry. In addition, Portugal's daily newspapers have the lowest circulation in Western Europe, as opposed to the weekly publications, which have maintained their popularity among readers (See Appendix 3).<sup>12</sup>

The data above raises questions as to whether a Portuguese free sports newspaper would succeed. On the one hand, free newspapers are, for obvious reasons, deeply dependent on advertising revenues, which, as we have seen above, account for a diminishing percentage of newspapers' overall revenues. On the other hand, the downturn in printed media also suggests that creating a free sports newspaper is not advisable.

In fact, operating in an increasingly competitive market, with changing trends and increased competition from new media, while struggling with diminishing advertising revenues and plunging circulation, some of the biggest players in the industry have been suffering critical changes, of which the end of *The Independent* in print (March 2016), massive cuts in newspapers as important as *The Guardian*, and numerous other contingency policies adopted by several newspapers are examples. In Portugal, *Diário Económico*, a reference business newspaper, discontinued its print publication in March 2016, while maintaining its online and TV editions only to see them close at the end of the same year.

Philip Meyer (2004), a journalism professor at the University of North Carolina has developed several studies on the decline of American newspaper readership. He concluded that if newspapers do not evolve and change their ways, their readership will be lost by 2044.<sup>13</sup>

Bill Keller (2007), executive editor of *The New York Times*, states that "It is certainly true that technology has lowered the barriers to entry in the news business...as it happens, newspapers have at least two important assets that none of the digital newcomers even pretend to match...What is absent from the vast array of new media outlets is, first and foremost, the great engine of newsgathering—the people who witness events, ferret out information, supply

context and explanation.” “Google News and Wikipedia...can pool reporting from hundreds of news outlets but what if there aren’t hundreds of news outlets? Or what if many of them are simply unreliable?”<sup>14</sup> This makes it clear that, in order to *truly* add value, a newspaper needs (lots of) people, an expensive proposition.

Toger Seidenfaden (2007), editor in chief of *Politiken*, states that “free newspapers need much higher distribution, at least double that of paid-for titles, to attain comparable readership levels”, which shows that free newspapers need bigger print runs, entailing concomitantly a higher cost, in order to achieve a given readership level when compared to paid for newspapers.<sup>15</sup>

#### **b. Digital vs. print**

At present, the digital trend undoubtedly affects nearly every business, and the media market is no exception. With the rise in Internet usage and the widespread use of smartphones, there seems to be no place left either for the (long-term successful) newspaper business model or for the print newspaper. According to World Press Trends 2015, WAN-IFRA, the growth in paid digital circulation revenues, which amounted to 547% over a 5-year period beginning in 2011, lead to revenues in excess of US\$ 3 billion in 2016.<sup>16</sup>

World Press Trends 2017 reports growth in digital circulation revenue of 28% between 2015 and 2016, and expects the trend to continue. However, the decline in print circulation is having an overwhelming countervailing impact on the overall global newspaper revenue, which fell 2% from 2015 to 2016.<sup>17</sup>

Mark Thompson (2016), CEO of the *The New York Times*, believes that the future of the newspapers is deeply dependent on how fast digital revenue increases and whether that is enough to counterweight the continuous deterioration of print revenue.<sup>18</sup>

In addition, according to KPMG's report entitled "Stop the presses!", the newspapers' revenue decline is expected to continue, calling into question whether print will be a primary, if at all, revenue stream for newspapers.<sup>19</sup>

On the other hand, not all analysts assess the newspaper industry gloomily. Nielsen Scarborough, despite all the recent changes in the newspaper industry, the shrinking margins and the reduced readership and marketing revenues, defines newspapers as remaining a valuable medium.

In the US, newspapers are read by 69% of the population. Perhaps even more surprisingly, among those who read newspapers, 81% read print versions, and 51% read newspapers solely in print (See Appendix 4). Moreover, newspapers are currently read by younger generations than ever before (See Appendix 5).<sup>20</sup>

This is not the only study that points out aspects that favor print newspapers. Though digital advertising revenues continue to grow, ad blocking, which allows Internet users to prevent advertising from being shown on their gadgets, is on the rise. According to *PageFair*, 22% of the world's 1.9 billion smartphone users have installed ad blockers on their mobile devices. This hinders the profitability of digital media, and enhances the attractiveness of print media.<sup>21</sup> Tejal Patel (2016), a Microsoft executive, believes banner ads on smartphones will disappear with the increasing adoption of ad blockers.<sup>22</sup> With a global readership base that surpasses 2.7 billion, 92% of newspapers' revenues still come from print. On the whole, this leads to a perhaps unexpected conclusion: the print media might not be at a dead end after all.

<sup>23</sup> As for the case of Portugal, a recent study by *Reuters Institute* states that 47% of the Portuguese population obtains weekly news through media in print.<sup>24</sup>

A major conclusion is that the success (or otherwise) of a newspaper depends on how interwoven their online and print strategies are.

**c. Time spent reading newspapers**

According to *ZenithOptimedia*'s report, in 2014 readers spent on average 25% less time reading newspapers than in 2010, with a current estimated time of 16.3 minutes a day. In the same study, the forecast for 2017 pointed towards an average daily reading time of only 14.1 minutes. Comparing this with the forecast for the time spent browsing, 18.2 minutes a day, underscores the trend to consume news online rather than through newspaper reading. While the diminishing time spent reading news represents an opportunity for free newspapers, whose stories are shorter and do not reach the same depth as those in paid newspapers, the increasing trend to consume news online is a threat to the creation of a free sports newspaper.<sup>25</sup>

**d. Advertising**

According to data from *Zenith Optimedia*, television was the medium with the largest share of global advertising revenues in 2016, 35.5%, followed by desktop and mobile Internet, 34.1%. Print newspapers obtained just under 11% of advertising revenues, magazines 5.8%, outdoors and radio around 13%, and cinema 0.6%.

Additionally, the same report forecasts that by 2019 newspapers' printed editions will only obtain 8.3% of global advertising revenues, while desktop and mobile Internet will gather 41.7% (See Appendix 6). It is important to note that the continuous growth of Internet advertising has mainly arisen at the expense of print. This study evidences not only the shift from advertising in print to advertising online, but also the change in readership. In Europe, print newspaper advertising decreased 6.2% in 2015.<sup>26</sup>

According to a Pew Research Center analysis, in 2016 the total estimated advertising revenue for the newspaper industry in the US was \$18 billion, a decrease of 10% from 2015, and the percentage of these advertising revenues coming from digital has been steadily increasing

over the last couple of years, accounting for 29% of total revenues in 2016 (See Appendix 7).<sup>27</sup>

While advertising on the web has been steadily increasing, which favors newspapers with a digital version, the cost of producing content for the online platform is often higher than the revenue obtained from online advertising, resulting in a bigger audience but reduced profits.<sup>28</sup>

**e. Trust in newspapers**

From the readers' viewpoint, the reliability of the news is perhaps one of the most important characteristics when choosing which news platform to engage with and from which news' brand to get information. This concern has been an object of special attention recently, mainly due to recent political developments, which received huge media coverage. Quoting again Bill Keller (2007), executive editor of the *The New York Times*, "People crave trustworthy information about the world we live in... and at this time of desperate need for reliable news reporting, the supply is dwindling... In the end, I believe the gravest danger to the future of newspapers is not a hostile administration in Washington, not the acid rain of criticism, not a business model upended by new technology, it is a loss of faith, a failure of resolve on the part of the people who make newspapers".<sup>29</sup>

In view of the rise in Internet access and the increasing pace at which information is shared and thus spread, a crucial issue is whether readers question the information to which they are exposed. It is relatively easy to be faced with contradictions concerning the same story, or even for false "news" to be perceived as legitimate, and with that comes the lack of trust.

Thomas Jefferson (1787) argued that "The basis of our governments being the opinion of the people, the very first object should be to keep that right...And were it left to me to decide whether we should have a government without newspapers or newspapers without a government, I should not hesitate to prefer the latter".<sup>30</sup> Ed Williams (2016), CEO of Edelman

UK and Ireland, wittily summarizes the current state of affairs: “In the face of an expanding universe of information, every day increasingly feels like April Fool’s day”.<sup>31</sup>

The *Reuters Institute* study offers important insights concerning the perceived trustworthiness of the media in Portugal, which is quite high. In fact, Portugal is the second of the 26 countries analyzed regarding the level of confidence in the news. This confidence might have arisen from an historical event, the 1974 revolution and the press freedom that arose with it. This study points out that trust in the news is tied with trust in news’ brands, more than the trust in journalists, the news’ freedom from politics and commerce. Moreover, trust takes time to build: that is a main reason why well-established sources of news are seen as more reliable than newcomers. From a business viewpoint, this is a barrier to entry.<sup>32</sup>

Despite the fact that all these studies give important insights on the overall environment and trends of the industry, there was no data or detailed analysis whatsoever regarding free sports newspapers and their attractiveness (or otherwise). This is where our study adds to the existing literature: we analyze in detail the case for a free sports newspaper in the Portuguese marketplace.

#### **4. Methodology and data collection**

The main objective of this project is to better understand the scope for the successful launch of a free sports newspaper in Portugal. To this end, we conducted interviews with individuals with relevant experience in the industry, launched an online survey aimed at the general public, and collected data on online traffic and print circulation.

##### **a. Interviews**

We gathered insights from individuals thoroughly acquainted with the industry, aiming at understanding the supply side of the market for a free sports newspaper. In these interviews, we were mostly concerned with two issues: is a free sports newspaper capable of offering a

product that adds value? Is there enough advertising revenue to be had that proves sufficient to successfully support the project?

A questionnaire was addressed to five interviewees: a journalist from *Público*, an upmarket Portuguese daily newspaper; a former *Record* (one of the most successful paid sports newspaper) journalist; one of the founders of *Destak*, currently the only free national newspaper published in Portugal; a well-known journalist, former newspaper director and sports commentator who gave us permission to disclose his name, Mr. António Tadeia, and finally a journalist specialized in sports currently working at *Expresso*, a weekly upmarket newspaper.

As for the approach followed, we strove to subject all interviewees to the same treatment in order to obtain unbiased answers gathered under uniform circumstances. As a matter of swiftness, interviewees received the questions 72 hours before the actual interview took place. Doing so allowed them to collect their thoughts regarding the topic and obtain beforehand any information that they found necessary or useful to better answer our questions. Moreover, the venue where the interview took place was left to the discretion of the interviewee, thus ensuring that time was saved and the interviewee was most willing to offer his collaboration.

The interviews were conducted between July and November 2017 at a location of the interviewee's choosing, according to her or his availability, and lasted approximately one hour. Every interview was recorded and later documented into a written file. One exception to this methodology was adopted, as one of the interviewees could not meet in person and as such the questionnaire was answered via email.

#### **b. Online surveys**

These interviews gave us meaningful insights on the newspaper industry in Portugal, namely in what concerns advertising and readership trends, and served as a base to construct an online survey aimed at the potential readership, made available through Qualtrics, an online surveys

software, which collected 626 responses between September and November of 2017.

Of these, only 457 were complete whereas 169 respondents did not answer all the questions.\*

We restrict the analysis to fully completed surveys, while ignoring the responses of those that were left incomplete.

The survey was made available to respondents via an anonymous link, sent by e-mail, and posted on Facebook, where it was shared by several people. The sampling was restricted to Portuguese respondents as the aim of the study is to gauge the success of a free sports newspaper written in Portuguese. Despite the fairly large and wide-ranging sample collected, one source of bias remains: as the survey was solely conducted online, results might under-represent the opinions and news consumption behavior of those without online access. The data collected from these surveys was later compiled and analyzed through Excel.

### **c. Online traffic vs. print circulation**

We collected the number of online unique visitors and the total online monthly visits—both on desktop and smartphone—for a varied sample of Portuguese newspapers (free, paid generalist, paid sports and paid business related) from the *SimilarWeb* platform on November 2.<sup>33</sup> We also collected data on average circulation, defined as the average number of newspapers sold per edition, between July and August (the latest data available at the time of the analysis - November 2) from *Associação Portuguesa para o Controlo de Tiragens*, a Portuguese association that monitors newspapers and magazines' circulation (See Appendix 8).<sup>34</sup> We wish to understand whether online readership trends affecting the newspaper industry highlighted in the literature review section can be extrapolated to the case of free sports newspapers, as there is no information available on the readership trends of free newspapers. The analysis consists of studying whether the ratio online/print is correlated with the newspapers' topic.

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\* The maximum number of completed surveys originating from the same IP address was five. This suggests that no IP address was used to file an inordinate number of surveys, a robustness check that enhances confidence on the quality of the data gathered.



The analysis requires that we face several methodological issues. It is not obvious whether the best approach consists in comparing the total monthly visits with the monthly circulation in print, or instead comparing the monthly unique visitors with the circulation in print per edition.

When comparing the total monthly visits with the monthly circulation of the printed version of each newspaper one should bear in mind that readers can visit the newspaper's website several times to read the different news of a single edition, contrary to what happens when buying a printed version, which is counted only once even if the buyer reads it multiple times. In addition, several readers (all members of a household, say) may read a given copy of a print newspaper, while when reading online they would count as different visitors insofar as they do so using different devices. This leads us to believe that the data for the online readership is inflated when compared to the data regarding the readership of printed media.

Comparing the number of unique monthly visitors with the circulation per printed edition raises problems, too. Different readers may access a website on a single device and consequently count as only one visitor, or, on the contrary, access the same website through various devices and consequently count as different unique visitors while in fact being the same individual. Moreover, the comparison of a monthly with a per-issue measure involves two different timeframes. As such, in view of all these issues, both methods described above were used. Nevertheless, some assumptions had to be made.

For the comparison of the number of total online monthly visits with the monthly circulation of each newspaper, we multiplied the circulation per edition by its frequency per month. When comparing the total online monthly visits with the monthly circulation in print, we implicitly assume that readers do not visit a newspaper's website more than once per edition. This (strong) assumption makes it possible to compare both variables.

Regarding the comparison between the number of monthly online unique visits and the circulation in print, we assumed that people who visit a newspaper's website do so frequently, namely the number of times that a new edition of a newspaper goes out.

Moreover, in both comparisons, it is assumed that to each reader has a different IP and that no single reader accesses the newspaper's website from several devices (and consequently different IP addresses), nor that several readers access a website through the same website, which would lead to different unique visitors being counted as one.

The assumptions made, and consequently the precision of the calculated ratios, seem not to be too grievous for the analysis that we performed since our conclusions are only based on relative comparisons, with none relying on absolute values.

The newspapers considered in the analysis are *Correio da Manhã*, *Destak*, *Jornal de Notícias*, *Público*, *Jornal de Negócios*, *Expresso*, *Record*, *O Jogo*, *Diário de Notícias*, and *Jornal Económico*.<sup>\*</sup> The newspapers' selection was based on their online presence, as the traffic analysis platform only registers the number of visits when these exceed 5000. This might be a source of bias since we only account for newspapers with a large number of online visitors.

The variable "newspapers' topic" was converted to a binomial one, taking the value 1 for a sports newspaper and 0 otherwise. We calculated in Excel the correlation coefficient between the newspapers' topic and each of the two ratios described above in order to study the following issue: does either ratio correlate strongly with the newspapers' topic. The next section will present the results.

## **5. Results**

The interviews carried out, as well as the responses to the online survey, together with the secondary sources presented in Section 3 lead to the following conclusions.

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<sup>\*</sup>A *Bola* could not be included due to lack of data on its print circulation since this sports newspaper is not a member of the *Associação Portuguesa para o Controlo de Tiragens*.

## **a. Interviews**

The interviews not only offer insights into the Portuguese market for a free sports newspaper, but also corroborate some trends highlighted in section 3. All the interviewees share the opinion that the outlook for print newspapers is not promising, while stating that the digital trend explains this observation. However, this is not to say that offering a digital version of a newspaper will generate higher revenues than if a printed version were to be offered instead. In fact, all interviewees stated that regardless of a higher (and increasing) online readership base, revenues from a printed newspaper are still higher than those from an online version, mainly due to the lower prices practiced in digital advertising when compared to those of advertising in print.

There was also consensus regarding the current profitability of newspapers: it is low. The interviewees' understanding is that newspapers, whether paid or not, are not self-sustained, not only because of the diminishing readership and advertising revenues, but also due to huge costs associated with offering a printed version: paper, printing, and distribution. The reason why newspapers have survived (up to now) is that they belong to large media groups that favor their existence despite the losses.

As for free newspapers, Mr. António Tadeia believes that they do not represent a successful business model in Portugal, as they are perceived as a lower quality product, by both investors and advertisers. Another interviewee believes that there is no place in the market for another free newspaper in Portugal since this market is small, and highlights the fact that the advertising industry is itself experiencing a crisis.

In addition, there is a common belief that a free sports newspaper would not be able to differentiate itself from the other sources of sports news—thus not bringing value to the readership—since it would not be able to finance (solely from advertising) the journalists' teams and remaining resources needed to deliver a high-quality, added-value product.

According to the interviewees, without different, original, and thorough stories, i.e. in the absence of a distinguishing factor, a free sports newspaper would not be successful. Moreover, the extant sports newspapers represent a huge barrier to entry, as they have a well-established brand and readership that is unlikely to read a new free sports newspaper, in particular if the latter does not have distinguishing features that add value for the reader.

Moreover, free general newspapers differ from a free newspaper exclusively dedicated to sports in what concerns the advertising market and targets, which for sports is composed by elder men, a less attractive advertising target. Another aspect pointed out is that a sports newspaper requires greater human resources costs, as it offers a specific product that covers a much smaller set of topics. This is particularly the case in Portugal where sports are a widely covered topic, not only by sports media channels but also by the generalist newspapers, which leaves little space for a new sports newspaper to differentiate itself from the leading established newspapers, in contrast with a generalist newspaper, which contemplates a diversity of topics and easily presents different stories from those offered by other paid newspapers. All the interviewees believe that those differences, allied to the current downturn in the media in print, would dictate its failure.

Regarding barriers to entry, the pervading impression is that every media platform that establishes a relationship with its audience (desired target) represents a barrier to entry, as it directly competes for advertising. All platforms, sports websites, sports sections in generalist newspapers, and TV sports programs are very direct competitors of a free sports newspaper, according to our interviewees.

Regarding profitability, all interviewees have stated that the costs of a newspaper, especially those arising from a printed edition, namely paper, printing, and distribution, whether paid or free, are too high to allow its economic success.

All interviewees believe that this project would not prove attractive to advertisers, in part because of the current condition of the industry and the declining trend in print advertising, but also due to the product, that serves a target audience that is not of interest to advertisers. However, one of the interviewees mentioned online betting firms and *Santa Casa da Misericórdia* as possible advertisers, while underscoring that their advertising would not be enough to achieve profitability.

In sum, from the five interviews one concludes that the outlook for newspapers in general is not good, with the outlook for newspapers exclusively dedicated to sports being even less promising. Given the unfavorable context in which the media, and in particular the newspaper industry is inserted, the consensus is that there is no place for a free sports newspaper in Portugal. However, two of the interviewees believe that there might indeed be scope for such an endeavor, either by differentiating the product and creating a premium sports newspaper dedicated to a niche, covering areas not overly explored by the extant media, such as surf, running, nature or lifestyle sports, or by adopting a digital format (See Appendix 9).

## **b. Online surveys**

### **Sample description and limitations**

65% of surveys were filed by females. This might bias the results since according to the Pew Research Center, in the US men tend to consume more sports news than women. Bearing in mind that 52% of the Portuguese are female, our sample overrepresents this gender and consequently understates the potential readership of a free sports newspaper.<sup>35</sup>

Around 60% of respondents are less than 30 years old, whereas 30% of the Portuguese population is under 30 years old.<sup>36</sup> This too might be a source of bias, especially in what concerns digital trends, that may be overstated insofar as young people often prefer to read on a digital device rather than on paper (Coughlan and Sean).<sup>37</sup>

Regarding the sample's geographic coverage, 35% of respondents live in Lisbon, while only 27% of Portugal's population does (2016 data). This might bias the responses regarding the

frequency with which they read free newspapers such as *Destak*, which is only distributed in Lisbon and Oporto. On the other hand, only 5% of our sample lives in Oporto while 17% of the Portuguese population does, which might counterweight the effects of the overrepresentation of Lisbon respondents. For this reason, we will assume that the geographic distribution does not have an undue impact on our conclusions (See Appendix 10).<sup>38</sup>

### **News consumption trends**

Through which platforms do readers prefer to consume news? Slightly less than 56% of our sample reads newspapers in print *less* than once a month, while slightly less than 70% of the sample reads news online *more* than once a week. Moreover, almost 39% of respondents read online newspapers every day.

The majority of respondents prefer to read newspapers online rather than in print (48% against 35% who prefer the printed versions), while a significant percentage admitted to be indifferent regarding the way they read the news.

This trend to consume news online is fully congruent with the statement of one of our interviewees, who stated that the tendency to read news online is a threat to the creation of a free sports newspaper.

### **Sports news**

Our five interviewees mentioned sports as a widely followed topic. That is clearly confirmed by our survey (despite the overrepresentation of female readers), since more than 41% of respondents frequently visit sports related websites. Moreover, only around 6% of the sample does not read about sports. Most of those who do tend to watch TV (34%). This is followed by social media (27%). Sports websites, with slightly more than 14%, are the third major source of sports news.

A large percentage of the sample obtains sports news from varied sources, which suggests that there is very little scope for a free sports newspaper to differentiate itself, an insight that the five interviewees had already anticipated.

When asked whether they usually buy sports newspapers, 82% of the sample does not. This observation leads to two (contradictory) insights. On the one hand, there is plenty of market scope for a free sports newspaper insofar as many respondents do *not* acquire paid sports newspapers while interest in sports is widespread (as demonstrated above). On the other hand, the fact that many respondents do not buy paid sports newspapers and yet care for sports suggests that they obtain enough information from other (free) media, with little scope left for a free sports newspaper.

As one might expect, the greatest percentage of respondents (30%) care mostly for football. Other sports such as surf, tennis, basketball, gymnastics and athletics interest around 10% of the respondents, each having been chosen by around 10% of the respondents, which is aligned with one interviewee stating that there might be an opportunity for a premium product focused on nature-related sports such as surf or running.

#### **Free sports newspaper**

63% of the respondents stated that they would read a free sports newspaper. However, as pointed out by several interviewees, it is not hard for a free product to be accepted by the public, the difficulty lying in its financial sustainability. As detailed in the literature review section, free newspapers need twice much circulation as paid ones in order to reach the same readership level since people might accept a free newspaper without any intention of reading it. This inflates their cost and hinders their profitability.

#### **Factors influencing consumers' choices**

As mentioned by the interviewees and confirmed by the online survey, the aspects people value the most in a newspaper are, by far, the quality of writing and the conveying of the latest news, while the price comes only fifth in importance. The relevance of quality becomes clear when asked about the frequency with which respondents read different newspapers. *Público* comes top, followed by *Expresso*, *Jornal de Notícias* and *Diário de Notícias*, all of them positioned as quality newspapers, while being some of the most expensive on offer.<sup>39</sup>

Moreover, these newspapers benefit from strong brand recognition, having been in the market for quite some time. There are no recently founded newspapers in the list of the most read, which leads us to conclude that a newcomer might not be immediately well accepted and well regarded.

According to our interviewees, free newspapers are perceived as lower quality products. In view of the importance given to quality, we conclude that a free sports newspaper likely would not succeed, raising, in turn, the issue of whether it would be profitable to create a *premium* sports newspaper, rather than a free one. This adjacent question clearly falls outside the scope of our research and as such will not be pursued.

### **c. Websites' traffic analysis**

Regarding the websites' traffic analysis, we calculated the correlation coefficient between the newspapers' topic and each of the two ratios: unique monthly visitors/circulation in print and total monthly visits/monthly circulation in print.

The correlation coefficient between the newspapers' topic and the ratio unique monthly visitors/circulation in print is  $-0.13$ , while for the total monthly visits/monthly circulation in print it equals  $-0.12$ . These values show a weak negative correlation between variables, indicating that online trends are not related to a newspaper's topic. Thus, regarding our research questions, one concludes that the trends described in the literature review section, which were not concerned specifically with free sports newspapers, apply to the particular case of sports newspapers.

## **6. Conclusion**

A free sports newspaper would currently not be a profitable proposition in Portugal, since (almost) all the results obtained above point to the conclusion that a free sports newspaper would not be able to achieve a successful competitive position. Even though the online survey suggests that it might achieve a considerable circulation, the profitability of its business



model, solely dependent on advertising revenue, would be very doubtful. This lack of revenue diversification (which would be troubling for any business) is rendered more acute by the crisis that the advertising industry is currently facing. Moreover, newspapers compete for advertising against all other means of reaching and engaging consumers, and the rise of new platforms, mainly online, suggests a very challenging scenario in this regard.

A free sports newspaper only differentiating factors are the facts that it is free and easily read. However, in this regard, there are other online news sources that provide readers with the same benefits.

While it is difficult to predict the future of print newspapers, we believe, based on our analysis, that it is highly improbable that a new free sports newspaper (or, we conjecture, any newspaper) would be successful if launched in Portugal in 2018.

Despite our negative conclusion, two avenues for future research became apparent: (i) could a *premium* sports newspaper beat the odds and become profitable? We doubt it, but the question remains. (ii) Our analysis does not involve a quantified business plan allowing for detailed financial predictions and permitting a sensitivity analysis. Would such a business plan alter our perception of how successful a free sports newspaper could become?

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