

Key Drivers of Customer Value

*A business model analysis of VG Nett, Dagbladet.no, and
Nettavisen*

Mariya Valcheva



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Department of Media and Communication
University of Oslo

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Abstract

The research intent of this thesis was to explore the main drivers of customer value in the context of the three biggest online newspapers in Norway, respectively VG Nett, Dagbladet.no, and Nettavisen. The aspect of customer value was studied from a provider-centric perspective, rather than through the consumers' evaluation of such value. The customer value concept was further looked upon in terms of non-monetary and intangible aspects, and referred to the intrinsic benefits appropriated to the customer segments from the perspective of the three online newspapers. The motivation for pursuing this research objective was based on the contention that the implementation of such value drivers, along with high editorial standards and efficient revenue models, could establish an economic fundament for firm profitability, as well as strong buyer-supplier relationships.

In order to elucidate the key sources of customer value, I explored the business activities and the strategic choices of the three media companies, by conducting a qualitative content analysis of their business model. By scrutinising their key activities through the lenses of the *Business Model Ontology*, I was able to elucidate the locus of customer value, and, more specifically, the intrinsic benefits appropriated to the customer segments. Discussing these benefits in light of the *Value Driver Model* and the interview responses of three newspaper executives provided sufficient grounds for identifying *efficiency, complementarities, novelty, convenience, interactivity, connectivity, and customer integration* as the key drivers of customer value in the context of VG Nett, Dagbladet.no, and Nettavisen. As these sources bring valuable insights into the strategic choices and the distinct value creation logic of key online players, I reason that their identification and implementation would have a vocational and practical value to the online news industry.

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1. Introductory Chapter

1.1 The Advent of the World Wide Web: The New Economic Landscape

The rapid rise and dissemination of information and communication technology (ICT), and especially the Internet, have brought the economy and the newspaper industry, in particular, to an extraordinary point of transition. The discourse about the revolutionary effects of these technological advancements has brought forth an array of debated statements about the scope, velocity, and convoluted nature of market change (Boszkowski 2004; Küng 2008). As the pace of alteration and the novelty ration have rapidly accelerated, this has truly raised the spectre for new business opportunities and economic ameliorations, and, not least, uncertainty.

At the height of the dot.com boom confidence in e-business fuelled the growth of numerous start-up firms, all claiming to offer customers a unique value proposition in the emerging market (Currie 2004: xiii). Business marketers, however, failed to recognise that the escalating diffusion and adoption of the Internet has also led to transformations in the structure, processes, and boundaries of the business landscape (Åkesson 2009: 1). Thus, when entering the online field, newspaper publishers discovered that not only the technologies and the business idea were different, but the fundamental logic of value creation was also changed (Rolland 2003: 14). As this transformation “*permeates throughout the entire economic system, and affects all processes of value creation, value exchange, and value distribution*” (Castells 2001: 66), it is crucial that newspaper publishers understand and comply with the new market imperatives in order to survive and prosper in the electronic sector.

In both popular and academic literature, the implications of the emerged changes for the news industry have been explored from different perspectives. One research stream focuses on the potential added value of online news services, emphasising the web’s distinctive media characteristics, among which interactivity, hypertextuality, and multimediality (Mings 1995; Dahlgren 1996; Jankowski & van Selm 2000; Deuze 2001; Paulussen 2004; Boczkowski 2004; van der Wurff 2005). Other research stream stresses the importance of revenue models and economic

viability to the success of online newspaper ventures (Picard 2000, 2002; Mings & White 2000; Outing 2000; Gallagher *et al.* 2001; Ihlström & Palmer 2002; Ihlström *et al.* 2002; Bleyen & Van Hove 2007). Paulussen (2004), however, argues that if online newspapers want to be profitable, if they want to attract audience, they first have to become “valuable” in the eyes of their users. This line of reasoning, in particular, informs the point of departure for this thesis. My main contention is that exploiting the vast potential of the Internet and the various revenue streams is insufficient to guarantee economic viability unless the strategic responses of online newspapers focus increasingly on the identification, configuration, and delivery of offerings that customers would value. As the online market for information goods is increasingly under pressure to provide free content (Gallagher *et al.* 2001: 483-484), I contend that the logic of creating customer value in online newspapers is a topical issue, which deserves special attention.

1.2 Objectives and Research Approach

The research intent of this thesis is to explore the aspect of customer value in the context of the three biggest online newspapers in Norway, VG Nett, Dagbladet.no, and Nettavisen accordingly. The motivation for pursuing this particular aspect of value is based on the following key assertions. As pointed out by Normann and Ramírez (1993: 1), customers are one of the only two resources that really matter in a fast-changing competitive environment. In such turbulent business surroundings, the underlying strategic goal of any company seeking success is to create a better fit between customers and competences (e.g. relationships and knowledge) (*ibid*). Jelassi and Enders (2005: 10) further claim that the creation of customer value is a prerequisite condition for achieving competitive advantage that could, subsequently, lead to sustainable profitability for the respective firm. I could, therefore, argue that studying the logic of customer value creation in online newspapers would bring insight into how these media firms endeavour to position themselves in the emerging market. This could also provide a sufficient understanding for the present customer acquisition and retention strategies in the online news field.

The core aim of this thesis is to explore the main drivers of customer value in online newspapers. I, therefore, address the following research question in this thesis:

What are the main drivers of customer value in VG Nett, Dagbladet.no, and Nettavisen?

The research question revolves around the identification of the main sources of customer value, looked upon from the perspective of the firm provider, three online newspapers accordingly. By this, I refer, most specifically, to the sources that enhance the value accrued only to the customer segments. Slightly adjusting the definition borrowed from Amit and Zott (2001: 494), the terms *source of customer value* and *value driver* (which are used interchangeably in this thesis) would pertain to any factor that enhances the total value that is created for the customer. As newspapers operate in the so-called “dual product market”, which implies marketing content to readers and audience access to advertisers (Picard 2001: 168), both segment are regarded as a focal point when exploring the key drivers of customer value.

The Norwegian online news market is the empirical context of this thesis, strategically chosen due to its large IT coverage, increasing Internet usage, and high newspaper readership per capita. Its topicality and pertinence for the intent of this study is further corroborated by the fact the 43 per cent of the population aged 9-79 read online newspapers on an average day in 2010, and this percentage is increasing steadily (Medie Norge 2011).

My focus, more specifically, is riveted to the three biggest online newspapers VG Nett, Dagbladet.no, and Nettavisen¹. These media firms are selected because of their significant market position and popularity in the Norwegian online news market, as well as their background and ownership structure. VG Nett (also referred to as vg.no) is the leading online newspaper with the astonishing figures of average 1,3 million unique visitors daily, 2,6 million visits from user sessions², and 12,5 million accumulated from page impressions³ (TNS Gallup, week 10, 2011). Dagbladet.no has on average 800 000 unique visitors daily, 2,6 million from user sessions, and a traffic

¹ Although the differences are minor, it is essential to note that throughout the period of empirical examination (week 40 in 2010- week 11 in 2011) Aftenposten.no (another online newspaper in Norway) has once outstripped Nettavisen in week 11 in 2011 (TNS Gallup).

² A user session is a measurement tool utilised in tabulating statistics for web site usage. It is applied for counting the times all users with a specific IP address access the web site regardless whether the same person visits the site several times a day.

³ Page impressions is a common method for traffic measurement, reporting the exact number of times a particular web page is being requested from a server.

of approximately 6,1 million visits from page impressions (*ibid*). Respectively, 360 000, 620 000, and 2,3 million are the traffic figures pertaining to Nettavisen⁴ (*ibid*).

Moreover, these newspapers belong to different media corporations present in the Norwegian market; Schibsted owns VG Nett, Berner Gruppen owns Dagbladet.no, whereas Nettavisen is a product of the joint ownership between A-pressen and Egmont. VG Nett and Dagbladet.no, in effect, emanate from established printed publications with nationwide distribution and single-copy sales. They could be regarded as typical online newspapers, whereas Nettavisen is commensurate with the atypical type, as it possesses no printed counterpart. Although not representative for the whole online news market, VG Nett, Dagbladet.no, and Nettavisen nonetheless express with greater intensity the main dynamics and emerging trends in this highly competitive business sector. I reckon that embracing the distinct business logic of these market competitors could provide fruitful insights into the main sources of customer value in the online news industry.

Although I acknowledge that the journalistic and cultural aspects of news output essentially contribute to customer satisfaction and the establishing of strong buyer-supplier relationships, such aspects, however, do not correspond to the objectives of this thesis. Hence, my core aim is to explore such output in a more economic and strategic manner. My study, therefore, touches upon aspects within the field of media economics with an emphasis on strategic choices and implementation. Given the core objectives of this thesis, I also foster theoretical perspectives from entrepreneurship and strategic management that will assist in detecting the main sources of customer value. In order to identify these key drivers, I scrutinise the business activities and strategic choices of VG Nett, Dagbladet.no, and Nettavisen by conducting a qualitative content analysis of their implemented business model. Exploring their key activities and the current flow of products and services could, hence, contribute to elucidating the locus of customer value from a provider-centric perspective, and, more specifically, the intrinsic benefits accrued to the customer segments. This could, in turn, give grounds for identifying the main drivers of such value. This research approach is depicted in the following figure (Figure 1).

⁴ It is important to note that these traffic figures are exemplary for the period between the initiation of this study and the collection of the empirical data set. They may, however, not longer be credible at the time the thesis is submitted.

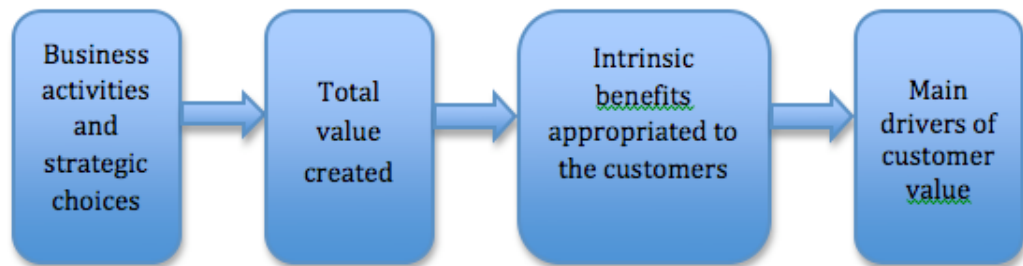


Figure 1. Research approach

It is essential to underline that this research is mostly indicative, rather than general. Its core aim is to establish explanatory richness and sufficient understanding of the key sources of customer value. This could, subsequently, engender patterns of theoretical importance for the online newspaper sector. My overall contention is that the implementation of such value drivers, along with high editorial standards and efficient revenue models, could establish an economic fundament for firm profitability, as well as strong buyer-supplier relationships.

1.3 Structure of the Thesis

Chapter 2 outlines the conceptual underpinnings of this thesis, which are considered to provide a sufficient fundament for justifying the research limitations in the paper. Chapter 3, on the other hand, presents the theoretical foundation of the study, which serves as a strong guideline for exploring and detecting the main sources of customer value in the selected online newspapers. More specifically, the adopted theoretical perspectives establish the operational set for examining value creation in e-business, particularly customer value, by navigating design, data collection, and analysis. In chapter 4, I provide an account of the research strategy and research methods, as well as a justification for their applicability and relevance to the objectives of the thesis. Based on a conducted business model analysis, Chapter 5 presents the main empirical data for this study. In essence, it explores the key

activities and the strategic choices of VG Nett, Dagbladet.no, and Nettavisen. This analysis helps articulate and make explicit assumptions about the total value created in the three online newspapers. The intrinsic benefits accrued only to the customer segments are then thoroughly discussed in Chapter 6. This gives sufficient grounds for identifying and inferring the main drivers of customer value. Finally, Chapter 7 summarises the research objectives, approach, and main findings of the thesis, bringing concluding remarks and future research avenues to the fore.

2. Conceptual Underpinnings and Previous Research

In order to avoid confusion when analysing the main sources of customer value in the three Norwegian online newspapers, it is essential to shed light on how the concept of *value* and *customer value* will be defined and employed in the thesis. This chapter, therefore, aims to explicate the conceptual choices that further substantiate the research objectives of the paper. The purpose of the following section is not to present a comprehensive overview of the conceptual development and the plentiful interpretations of the terms in question. Rather, it aims to provide a sufficient fundament for justifying the research limitations in this thesis. This chapter, in addition, presents a brief review of central academic stances from previous research. The objective is to highlight potential sources of value creation, as well as to provide more clarify about the configuration of value in the merging context of the Internet.

2.1 The Concept of *Value*: An Economic Perspective

Despite the increasing attention that has been attributed to the concept of *value* both in business and management literature (Sweet 2001; Walter *et al.* 2001), there is, however, a scant consensus on its real meaning (Payne & Holt 2001; Patanakul & Shenhar 2009). The word value is deemed polysemous and multifaceted, with perceptions neither constant nor universal. According to its dictionary definition⁵, value means relative worth, merit, or importance; it implies excellence based on desirability or usefulness, and is represented as a magnitude or quantity. This notwithstanding, there is a sufficient gap existing both at the conceptual and the practical level (Patanakul & Shenhar 2009: 340), as the various definitions of value are often used with minimal precision and the logic underlying their articulation and configuration is rather fuzzy and implicit (Sweet 2001: 71).

⁵ <http://www.thefreedictionary.com/value>

Although generally acknowledged that the value concept could be subsumed into a variety of empirical classifications⁶, in this thesis, however, the identification of value is examined from an economic perspective. Much like Wilson & Jantrania (1994), I focus on the general realm of *economic value*, rather than ethical or philosophical values, in order to avoid further complications in the already ambiguous area of value conceptualisation. In particular, a primary attention is drawn to value as a *business and economic concept*, which, as pointed out by Ravald and Grönroos (1996: 19), plays a pivotal role in the ability of a company to provide superior customer value.

More specifically, I look upon value as *provided by organisations* - that is, the combination of intrinsic quality attributes in a market offering determined in the value system of an online newspaper and delivered to customers - rather than “measuring” consumers’ evaluation of these offerings. Thus, much like Christensen *et al.* (2002), a limitation of the present study is that the end customer is left out by not collecting data on value creation as perceived by customers. This means that I will look upon value as framed through the strategic choices of the firm provider and not through the consumers’ assessment of the utility offered by a given product.

Although concentrating solely on the perspective of only one of the parties involved (in this case the firm provider) could be regarded as an incomplete and unbalanced approach to the matter of study, I do, however, believe that such approach could provide a richer and more contextualised view of how customer value is affected by e-business efforts. My contention is that the strategic choices of leading online newspapers both shape market trends and reflect customer demand, and communicate this understanding through the development and delivery of value propositions that meet and exceed customer expectations. I, therefore, reckon that approaching the aspect of customer value from the perspective of the firm provider would make a meaningful contribution to the extant research on value creation in the online news market, and, perhaps, answer unsettled questions.

⁶ In the pursuit of furnishing a non-circular and positive definition of the value concept, Sheldon (1914: 114) points out that all valuable objects known to our experience belong to at least one of the following six classes: (1) those which satisfy immediately any fundamental instinctive sense-tendency of a living organism, (2) economic commodities, (3) esthetic or beautiful objects, (4) moral conduct, (5) religious objects, (6) intellectual values. For a detailed account of the specific situations in which values are found, see Sheldon (1914).

I further constrain my “measurements” of value to *non-monetary* and *intangible* aspects. This means that value will not be looked upon as the total functionality or performance of a product offering in a given customer application (Anderson *et al.* 2000), but as the creation of new knowledge and new offerings, competitive gains, and social relationships (Wilson & Jantrania 1994; Möller & Törrönen 2003). As noted by Pohlman *et al.* (2000: 15), when we focus on profitability as the sole means of creating organisational value, we are reverting to a unidimensional way of thinking that is far too simplistic in the new complex business arena. Consistent with the approach taken by Rouse and Boff (2001), I employ the concept of value by focusing on organisational outputs (or outcomes), rather than inputs; although an organisation’s budget (an input) may reflect the value the organisation provides, it is, however, not a direct measure of this value.

In order to present an operational definition of customer value that incorporates my design choices, in the following section I briefly present some relevant denotations of the concept of value and customer value, primarily rooting in the fields of marketing and business strategy. This approach to conceptualisation is inspired by Helfert (1966), who states that “*a close definition can be established only when we build a framework for reference*” (quoted in Wilson & Jantrania 1994: 59).

2.2 Defining Customer Value

Researchers in marketing, however, have assessed extensively the construct of value in the context of consumer products, the focus of which has been the relationship among price, brand name⁷, quality, and perceived value⁸ (Wilson & Jantrania 1994: 61). As a whole, the conceptualisation of value has developed into two distinct research streams - the value of the core and augmented products, and the

⁷ Brand identity represents a complex cluster of value satisfaction and quality to buyers, and is, therefore, closely linked to the concept of value (Levitt 1980; Gale & Wood 1994). As markets fragment and choices proliferate, brands, if nurtured properly, help consumers both determine value and make product choices that are worthy of a price premium (Naumann 1995: 24). Yet, Ramsay (2005: 560) points out although the brand name may be affecting the would-be recipient’s mental responses, it does not, however, alter the fundamental nature of value.

⁸ *Perceived value* is defined by Zeithaml (1988: 14) as the consumer’s overall assessment of the utility of a product based on the perception of what is received and what is given. Perceived value is, in addition, subjective and individual, and therefore varies among consumers (*ibid*).

value of buyer-supplier relationships with main emphasis on *customer value* (Lindgreen & Wynstra 2005: 736). In its conventional meaning, such value pertains to the trade-off of weighing the pros (e.g. customers' perceptions of benefits received) against the cons (e.g. sacrifices incurred, the offerings' price) of obtaining a market offering (Monroe 1979: 38; Zeithaml 1988). From a provider-centric perspective, it could also be understood as the statements of benefits delivered to customers (Bagchi & Tulske 2000: 1).

Customer value is also often used in relation to the construct of customer satisfaction. In line with Crosby's (1979) "conformance to requirements", higher quality service and customised products are said to lead to greater levels of customer satisfaction, and, subsequently, to greater levels of customer loyalty and retention (Reichheld & Teal 1996; Ulaga & Chacour 2001). Storbacka *et al.* (1994), in addition, argue that customer satisfaction that be translated first, into buyer-supplier relationship strength, then relationship longevity, and, finally, customer relationship profitability.

Similar viewpoints are also present in the strategy literature. As stated by Porter (1985a), firms create value for their customers by either lowering their costs or raising their performance, when a cost leadership or a differentiation strategy is adopted. While Porter (1985a) notably relates value to the transformation of inputs into products, Day *et al.* (2003, in Ramsay 2005) expound on the generation of value through the integration of strategy processes, content, and superior capabilities. According to Rayport and Sviokla (1994, in Christensen *et al.* 2002), value is not only created by the products and services offered by suppliers (the *content*), but also by the way the good is delivered (the *infrastructure*), and the way it is presented to the customer in the marketplace (the *context*). The scholars further suggest that it is important to disaggregate the conventional value proposition when moving from traditional marketplace into electronic marketplaces in order to create new ways of adding value, lowering costs, and forging relationships with non-traditional partners (*ibid*).

Accentuating on the *augmented product concept*, Levitt (1969) also argues that marketers need to think through different levels of the product, each of which adds more value to the consumer. He underlines that competition does not occur between what companies produce in their factories, but between what they add to

their factory output in the form of packaging, services, advertising, financing, and delivery arrangements that customers may value. Thus, Levitt (1969) argues that the core value⁹ created by the firm does not refer to the tangible product; it depends on the intangible assets. It is, however, essential to note that the creation of value is not a substitute for the development of creative ideas as these are a prerequisite for any innovative strategy (Jelassi & Enders 2005: 50).

As pointed out by Mizik and Jacobson (2003: 63), the value creation alone is insufficient for achieving financial success. Yet, along with value appropriation, it is a required fundamental process for achieving sustainable competitive advantage. The scholars argue that value creation influences the potential magnitude of the advantage, while value appropriation influences the amount of the advantage the firm is able to capture and the length of time the advantage persists (*ibid*: 64). These processes complement and serve as imperfect substitutes for each other, especially as firm value depends both on the magnitude and the persistence of advantage (*ibid*).

Based on the above-presented seminal research, I could derive a plausible definition of customer value that addresses the research objectives of this thesis. The concept will, more specifically, incorporate two viewpoints that will supplement each other. First, I make use of a definition proposed by Woodall (2003), which emphasises the demand-side perspective of value. Whenever the term customer value is employed hereafter, unless otherwise specified, it will refer to as the intrinsic benefits or advantages accrued to the customer segments from the perspective of the online newspaper. This definition will further comprise the components *content value* and *context value*, a conceptualisation borrowed from Han and Han (2001). The content value refers to the generic benefit offered from the content of the transaction, whereas the context value refers the contingent values/benefit offered in the transaction process (*ibid*: 28-29). Content value appeals to the logical reasoning, the context value appeals to the emotional response. This implies that customers can benefit both from the outcome and the process of the transaction.

⁹ It is important to distinguish between core value and added value. As defined by Grönroos (1997), the core solution is the offering's core value, whereas additional services are its added value. Summed up, core value and added value provide an equation of the customer perceived value in a long-term notion.

2.3 Sources of Value Creation: Previous Research

The body of literature on the creation of value has grown substantially over the past decades; there is, however, little research that directly addresses the factors that enhance customer value from a provider-centric perspective. As pointed out by Han and Han (2001), previous research on customer value or related topics focuses primarily on customer satisfaction (Jarvenpaa & Todd 1997; Keeney 1999) or the characteristics that affect website success (Liu & Arnett 2000; Huizingh 2000). Ghosh (1998, in Han & Han 2001), for instance, identifies convenience, information, personalisation, and interactivity as the real value of the Internet, whereas Liu & Arnett (2000) highlight information and service quality, system use, playfulness, and system design quality as critical factors to web site success. Han and Han (2001) disclose that creating and improving customer value in online business can be achieved by quality enhancements, cost reduction, and customization. Sweet (2001) makes an account of the value drivers for customer participants and distinguishes eight drivers, among which interactivity, connectedness, speed, global reach, and accuracy.

As far as online newspapers are concerned, Kalakota and Whinston (1996, in Ihlström & Palmer 2002: 230) identify personalisation and packaging of news as important factors that can be utilised in innovative ways. Saloner and Spence (2002, in Ihlström & Palmer 2002: 230) also discuss personalisation and customisation together with product information, convenience, and complementary services as ways for creating value for the customers. Amit & Zott (2001) propose efficiency, complementarities, lock-in, and novelty as key sources of value in online business, whereas Rolland (2003) argues in favour of convergence as value creation strategy for media firms. More radically, Prahalad and Ramaswamy (2004) introduce the changing nature of the consumer-producer interaction as the locus of co-creation of value. Joint value creation, they argue, could deliver “unique” value to customers and unlock new sources of competitive advantage.

Moreover, some of the central academic stances in traditional business are also largely employed to highlight the potential and the configuration of value within virtual markets. In the context of the *value chain* framework, Porter (1985a) argues that value is configured and optimised through product differentiation by either

lowering buyers' costs or raising buyers' performance. Thus, the relationships between value activities, channels, and business units are identified as the enhancers of uniqueness and differentiation (hence, value creation). Schumpeter (1934), on the other hand, emphasises innovation¹⁰ as main source of value, whereas the *resource-based view of the firm* postulates that combining a unique set of complementary and specialised resources and capabilities¹¹ is the key to value creation (Amit & Zott 2001: 497). The *strategic network* approach stresses that establishing network configurations could significantly enhance the possibilities for value creation (Amit & Zott 2001). According to the *transaction cost economics*, similar outcome could be achieved by reaping the benefits from reducing the governance cost of a transaction.

Notwithstanding the aforementioned academic assertions, Tse (2007) points out that the sources of value creation in online business are still not fully understood. Amit and Zott (2001: 494) observe that the creation of value in e-business goes beyond the value that can be realised through the configuration of the value chain, the formation of strategic networks among firms, and the exploitation of firm-specific core competencies. They further argue that e-business firms often innovate through novel exchange mechanism and transaction structures primarily not present in traditional media firms. And yet, the pressing question is what sources enhance the intrinsic benefits accrued to the customer segments in online newspapers.

¹⁰ Schumpeter's (1942) concept of innovation embraces the aspect of self-destruction and discontinuous change. Despite creating fundamentally new and superior value, once innovations become established practices in economic life and knowledge is diffused, the old inefficient products and methods are replaced by new ones. For more insights on the "*perennial gales of creative destruction*", see Schumpeter (1942).

¹¹ According to the RVB theory, a firm that is able to accumulate *valuable, rare, inimitable, and non-substitutable* resources and capabilities (i.e. the so-called *VRIN attributes*) could achieve greater value creation and advantage over competing firms (Barney 1991; Wernerfelt 1984).

3. Theoretical Foundation

Drawing on the epistemological assertions that all knowledge is theory-laden and that all methods are theory-driven (Mitchell & Cody 1993: 170), the following chapter seeks to logically establish a coherent theory-research linkage. Thus, the intent of the chapter is to provide a sufficient account of the adopted theoretical framework, which will serve as a valuable backcloth against which I will place my analytical arguments. First, an introduction to the *business model* concept is given as it plays a pivotal role in capturing and elucidating the locus of value creation in e-business. While the business model is adopted to function as a unifying unit of analysis, the inquiry further builds upon the *Business Model Ontology* of Osterwalder and Pigneur (2004) and the *Value Driver Model* of Amit and Zott (2001). These theoretical models will establish the operational set for exploring and detecting the main drivers of customer value in the context of the online news sector, by navigating design, data collection, and analysis. A sufficient account of their key characteristics is presented below, accompanied by an argumentation for their applicability and relevance to the objectives of the thesis.

3.1 The *Business Model*: On Definitions, Ambiguities, and Application

The *business model* concept (BM) is of central importance to this thesis as it affects a firm's possibilities for value creation and value capture, which, in turn, impact its performance prospects (Amit & Zott 2001; 2008). Although the term has, in recent years, gained prominence in the strategic management vocabulary, it has been part of the business jargon for a long time (Casadesus-Masanell & Ricant 2010), routinely invoked "*to glorify all manner of half-baked plans*" (Michael Lewis, quoted in Magretta 2002: 3).

In essence, a business model is a simplified representation of a firm's underlying core logic and strategic choices for creating and capturing value (Shafer *et al.* 2005: 202). As the architectural implementation of a business strategy, it also

articulates the cause-and-effect relationships and the internal consistency of these strategic choices (*ibid*). Moreover, Amit and Zott (2001) contend that a business model can capture the main locus of value creation in e-business, and hence is the appropriate unit of analysis that spans firm and industry boundaries. In line with this assertion, I adopt the business model construct as a *unifying unit of analysis* for this study, given that it could capture the value creation that arises from multiple sources.

More specifically, the reason for utilising the business model as a unit of analysis is twofold. First, the business model facilitates analysis, testing, and validation of a firm's strategic choices (Shafer *et al.* 2005: 203). It also assists in identifying and understanding the relevant elements in a specific domain (hence, the online news sector), and the relationships between them (Osterwalder & Pigneur 2002a: 2). Second, the BM is a useful analytical tool to explain and predict an empirical phenomenon (namely, customer value in online newspapers) that is not fully explained or predicted by conceptual frameworks already in existence (Amit & Zott 2001: 511). It captures the sources of value in a more comprehensive way than the more traditional units of analysis such as the firm, the industry, the individual transaction, or the network (*ibid*: 503). Thus, utilising the business model construct as a unifying unit of analysis will provide a common foundation for studying and discussing the overall business logic of VG Nett, Dagbladet.no, and Nettavisen. More specifically, it will help identify and address the relevant set of measures for exploring the main drivers of customer value within the selected media companies. It is important to underline that the study of the business model elements of the three newspapers will not include any measurement and evaluation of the impact these elements have on the firms' performance.

Although there is a long list of approximations¹² to the notion of business model, it is, however, a term with no commonly accepted meaning (Osterwalder & Pigneur 2004) and with no single, comprehensive, and cogent taxonomy yet available (Rappa 2000). Notwithstanding, in the thesis, I make use of two definitions for business model that integrate the earlier work in the academic field. As defined by

¹² In the existing literature, the concept of business models has been discussed and classified along a range of dimensions, such as definition, components, taxonomy, representation tool, ontological modeling, change methodology, and evaluation models. For a more comprehensive account on business and e-business models, see Osterwalder (2004), Pateli & Giaglis (2003), Shafer *et al.* (2005), Krüger *et al.* (2003), and Rappa (2000).

Osterwalder and Pigneur (2004: 2), a business model is a description of the value a company offers its customer segments, the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, in order to generate profitable and sustainable revenue streams. Amit and Zott (2001), however, present a more precise definition that focuses on the realm of e-business. In their opinion, a “*business model depicts the content, structure, and governance of transactions designed so as to create value through exploitation of business opportunities*” (Amit & Zott 2001: 511). While the *content* refers to the goods or information exchanged, and the resources and capabilities acquired, the *structure* refers to the parties that participate in the exchange, the way they are linked, and the way they choose to operate. Finally, *governance* pertains to the way information, resources, and goods are controlled by the relevant parties.

It is essential to note that although a business model facilitates analysis and communication of strategic choices, it is not in itself a strategy (Zott & Amit 2008; Shafer *et al.* 2005). Osterwalder (2004) argues that both concepts talk about similar issues, but on a different business layer (Figure 2). In many ways, a business model is the translation of a company’s strategy¹³ into a blueprint of its logic of making money (Osterwalder 2004: 17). A business strategy is respectively the firm’s contingent plan of action as to what business model to be used (Casadesus-Masanell & Ricant 2010: 204).

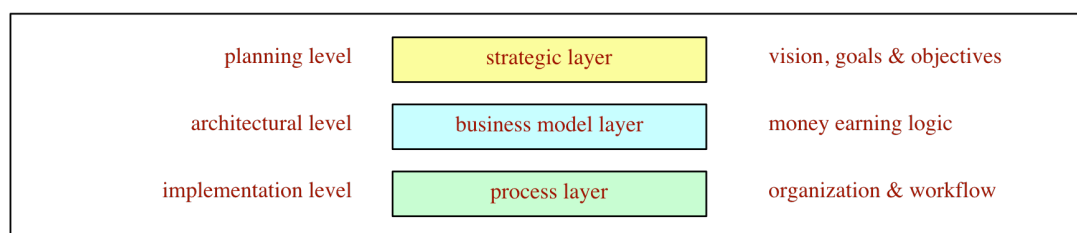


Figure 2. Business layers

Source: Osterwalder (2004)

¹³ By juxtaposing the concept of strategy and business model, Casadesus-Masanell and Ricant (2010) discover two main modes of relation- coincidence and separation. In simple situations, strategy may ‘coincide’ with the firm’s business model so that an outside observer can know the firm’s strategy by looking at its business model. However, a substantive difference arises when the firm’s contingent strategy calls for business model modifications (e.g. changes in policies, assets or governance). Casadesus-Masanell and Ricant (2010) further explain that while *every* organisation has some business model (because every enterprise makes some choices that have consequences), *not* every organisation has a strategy.

In the literature, as well as in the practical world, the business model is also often conflated with a revenue model. Whereas the business model refers primarily to value creation, the revenue model is mainly concerned with the specific modes in which a business model enables revenue appropriation (Amit & Zott 2001: 515.). As noted by Osterwalder (2004: 15), a business model has to be understood as a much more holistic concept that embraces various elements, and, more specifically, the financial aspects.

Before inquiring into the particular manner of studying the BM of VG Nett, Dagbladet.no, and Nettavisen, it is important to note that a business model is not formulated and executed in a vacuum (Christensen *et al.* 2002: 18). It involves simultaneous presence and inter-working of various endogenous and exogenous business factors (Currie & Parikh 2006: 155). Considering today's complex and uncertain business landscape, a business model exists in a two-tiered environment; it is executed in a competitive environment and is subject to external pressures of government policies and regulation (Christensen *et al.* 2002: 18). In addition, there are the continuous pressures exerted by technological change, customer demand, and social environment among others (Osterwalder 2004: 18). In this study, I focus on certain characteristics of the competitive environment and key Internet properties, whereas the external environment is not directly taken into account.

Much like Osterwalder (2004), for facilitation I use the term business model interchangeably with the various existing expressions such as “e-business model”, “internet business model”, and “internet-enabled business model”.

3.2 The *Business Model Ontology*: On Creating, Delivering, and Capturing Value

In the academic literature, there is a manifold of authors that have attempted to define and describe the elements of a business model (Afuah & Tucci (2003), Alt & Zimmermann (2001), Hamel (2000), Linder & Cantrell (2000), Weill & Vitale (2001), Stähler (2002, in Osterwalder 2004), etc.). As pointed out by Osterwalder (2004: 30), the extant approaches and the depictions of business model components vary greatly regarding their depth and rigour, ranging from simple enumerations to

detailed descriptions. After a careful scrutiny of exiting BM frameworks, I found that the *Business Model Ontology* (BMO) developed by Osterwalder and Pigneur (2004), is the most comprehensive academic contribution to address the reach and the goal of the thesis. This framework is, therefore, adopted to serve as a theoretical guideline for exploring value creation in the context of the online newspapers.

The *Business Model Ontology* is of a particular relevance to the research objectives of the thesis, given that prime attention is riveted to the logic and concept of value creation, at a higher level of abstraction, which is the business model (Osterwalder & Pigneur 2004: 3). The ontology highlights the relevant e-business issues and elements that firms have to think of, in order to operate successfully in the Internet era (Osterwalder *et al.* 2002: 2). It aims not only to accurately describe what a business model consists of, but also to act as a design tool for businesses (Hamari 2009: 72). A key argument for utilising this theoretical framework is that it is grounded on a rigorous literature review of the business model domain. In regard to comparable models, the business model ontology represents a synthesis of the overall literature and a step forward in the rigour of conceptualisation (Osterwalder 2004: 159).

The BMO builds entirely on the contribution of 14 prominent studies on business model components (Table 1, Appendix). Its elements cover all business model building blocks mentioned by at least two authors within the field. Although excluding elements related to competitive landscape and implementation of a business model, the ontology integrates all exiting components that are conceived as internal to the business model of a firm, not just related to it (Osterwalder 2004: 44). As the BMO builds on the existing knowledge of the domain, I could argue that its formation is supported by epistemological arguments and logical assumptions. As noted by Jensen (2002b: 258), such arguments could provide justifications concerning the nature of the ensuing analysis. As the ontology is deeply rooted in theoretically, methodologically, and contextually established knowledge I reason that it is the appropriate theoretical tool to inform and guide data collection and analysis. Much like Jensen (2002b: 258), I could argue that as a framework of interrelated concepts the BMO could lend relevance and meaning to the configuration of empirical data or findings.

The *Business Model Ontology* provides, in effect, a more rigorous and formalised approach¹⁴, which is essential in communicating and understanding the fundamental questions of a business¹⁵. Based on the fact that the model has been refined throughout many publications on the subject (Osterwalder 2004; Osterwalder & Pigneur 2002a, 2002b, 2003, 2004, 2010; Osterwalder *et al.* 2002, 2005), I argue that it presents an improved conceptualisation. It has also been utilised as a theoretical tool in a number of academic studies (Camponovo & Pigneur 2003; Grønsund 2007; Hagan 2007; Hamari 2009; Dahl 2010; Halvorsen 2011). These clarifications provide a greater legitimacy to the ontology, as well as further account for its adoption in this thesis.

On the basis of the hitherto presented arguments, I consider the BMO as a highly appropriate and improved framework that will assist in capturing and explaining the sources and logic of value creation in online newspapers. This does not, however, imply that the model will be tested for its tenability and consistency. Rather, it will function as a scaffolding with regard to the establishment of a sufficient operational set of measures for the subject under scrutiny, and the procedure of collecting pertinent empirical data (Yin 2003a: 29). The BMO will be utilised for exploring the key e-business activities and the current flow of products and services in VG Nett, Dagbladet.no, and Nettavisen. This will, in turn, give grounds for identifying the intrinsic benefits appropriated to the customer segments from the perspective of the provider. I believe that grounding the inquiry on this theoretical framework will make its development and execution more resistant to constant research challenges and irrelevant variables for data collection.

¹⁴ In some ways, the BMO has been inspired by various enterprise ontology projects such as Toronto Virtual Enterprise, Enterprise Ontology, and Core Enterprise Ontology (Osterwalder 2004). However, it is important to note that while enterprise ontologies focus essentially on the structural aspects of a business enterprise, the Business Model Ontology addresses the key constituents in the business model domain (*ibid*).

¹⁵ According to Osterwalder (2004), Osterwalder and Pigneur (2004) and Osterwalder *et al.* (2002), the use of such formalised approach could contribute in five essential areas. First, business models can contribute in *understanding and sharing* the business logic of a firm. Second, the use of ontology can help *analysing* the business logic of a company by improving measuring, observing, and comparing of this logic. Third, it can contribute in improving the *management* of business logic (e.g. modification in design, planning, and implementation. Fourth, it can help *foster* innovation and increase readiness for the future. Fifth, business modelling could have an important role in the legal domain as entrepreneurs and companies in e-business seek to *patent* e-business processes and even entire aspects of their business model. For more information, see Osterwalder (2004).

The *Business Model Ontology*¹⁶ is founded on four main pillars: *product innovation*, *customer relationship*, *infrastructure management*, and *financial aspects*. The *Product Innovation* pillar explains the value proposition of an enterprise, not only its bundles of products and services, but the manner in which it differentiates itself from competitors. The *Customer Relationship* block (also termed *Customer Interface*) covers all customer-related aspects, including the process of targeting, reaching, and interacting with customer segments, as well as defining the type of relationship the firm aims to establish with its consumers. The *Infrastructure Management* pillar describes the processes of creating value and maintaining customer relationships. Finally, the *Financial Aspects* block, describes the revenue flows, the pricing mechanism, and the cost structure of the company; these aspects are transversal and could be found throughout the three former pillars.

Yet, exceeding this level of low granularity, the ontology is further decomposed into nine interrelated elements, respectively *value proposition*, *target customer*, *distribution channel*, *relationship*, *value configuration*, *capability*, *partnership*, *cost structure*, and *revenue model* (Figure 3). While the four areas are considered a rough categorisation, the nine elements constitute the core of the ontology. Whereas it is recognised that value creation is associated with transaction, production, and distribution costs ascribed to the supply side, this thesis, however, does not aim to scrutinise the financial aspects related to online news activities. Rather, the objective is to provide an insight into the importance of the Internet-enabled activities and strategic choices for a firm's profitability. Therefore, the financial aspects block with its subsequent elements is left out and data of such nature will not be collected.

¹⁶ The architecture of the BMO bears congruence with the clear demarcation between the two sides of the human brain. Whereas the right hemisphere is capable of making intersensory associations based on emotions (Gazzaniga 2004), the left hemisphere is characterised with logical and rational thinking. Similarly, following this ratiocination, the right side of the ontology is concerned with *value*, whereas the left one- with *efficiency*. This way of depicting the theoretical tool provides an explicit understanding of the exponential relations of its building elements.

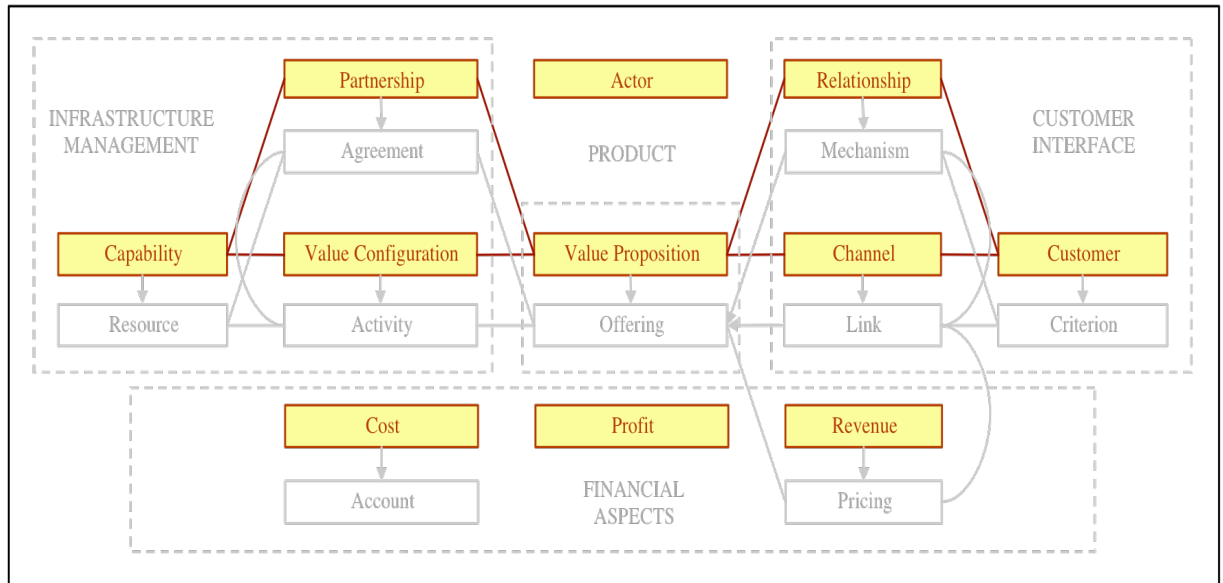


Figure 3. The Business Model Ontology

Source: Osterwalder & Pigneur (2004)

However, before coming to a more detailed ontology description, it is essential to elucidate the manner of notation and labelling of the business model elements. The seven remaining components are the primary variables of measure and as such they will be further explained, as well as depicted graphically in appendix. Every business model element is decomposed into a set of sub-elements and attributes. The latter will be explored in less detail, as it would not contribute significantly to the general view of the thesis. Much like Osterwalder's notation (2004), elements and sub-elements are formatted in capitals (e.g. VALUE CONFIGURATION), while attributes in both capitals and italic (e.g. *ACTIVITY LEVEL*).

3.2.1 The Business Model Elements: An Instrumentation

VALUE PROPOSITION (VP). This element gives an aggregated view of the value an enterprise offers its customer segments. Osterwalder and Pigneur (2004) describe VALUE PROPOSITION as the definition of how items of value (e.g. products, services, and complementary value-added services) are packaged and offered to fulfill consumer needs. Thus, specifying the exact value propositions could clarify why a

particular firm outperforms competitors and how it differentiates itself in the present era of information ubiquity and spectrum plenty.

The VP element can be further decomposed into a set of elementary OFFERINGS (e.g. a specific product or service), which outline the assumed value to the customers (Figure 4, Appendix). An OFFERING is characterised by the attributes *DESCRIPTION*, *REASONING*, *LIFE CYCLE*, *VALUE LEVEL*, and *PRICE LEVEL*. The *REASONING* attribute captures the customer utility delivered by an OFFERING, whereof value could be created through *use*, *risk* reduction, or *effort* reduction. By quantifying the value and the price of an OFFERING in comparison with the one of the competitors, the *VALUE LEVEL* measures *me-too* value, *innovative imitation*, *excellence*, or *innovation*, whereas the *PRICE LEVEL* scale comprises *free*, *economy*, *market*, and *high-end* price demarcation. The *LIFE CYCLE* attribute captures at which stage of the value life cycle an elementary OFFERING creates value, which could be at the moment of the *value creation* (e.g. customisation), its *purchase*, its *use*, its *renewal*, or its *transfer* (Figure 5, Appendix).

TARGET CUSTOMER (TC). This business model segment defines the type of customers a company wants to address and serve. This is, in turn, closely related to the market scope (Dubosson-Torbay *et al.* 2001) and the process of segmentation (Osterwalder & Pigneur 2004). Effective segmentation enables a firm to allocate investment resources to target customers that will be most attracted by its value proposition (Osterwalder & Pigneur 2004). Spurred by the advancement of digital technology, a company could efficiently market to business-to-business (B2B) and business-to-consumer (B2C) segments, as well as implement differentiation strategies for targeting widely dispersed online communities of interests (Osterwalder 2004). The TC element can be decomposed into a set of CRITERION(s); that is, characteristics of geographical or socio-demographic nature (Figure 6, Appendix). It is essential to note that target customer and target segment will be used interchangeably in the thesis.

DISTRIBUTION CHANNEL. This element links a firm's VALUE PROPOSITION(s) to its TARGET CUSTOMER(s) and can be maintained by the firm itself or by its partners. Its purpose is to make the right quantities of the right products or services available at the right place, at the right time, to the right people - subject of

course, to the constraints of cost, investment, and flexibility (Osterwalder & Pigneur 2004: 8). The DISTRIBUTION CHANNEL gives an aggregated view of how a firm delivers value to its customers, either through direct or indirect channels; this, in turn, defines the company's channel strategy. The element can be further decomposed into its channel LINK(s), which illustrate(s) specific marketing tasks or channel roles (Figure 7, Appendix). A channel LINK could fulfill one or more of the functions of the CUSTOMER BUYING CYCLE, which reflects all possible contact points between a supplier and a customer. The cycle is divided into four phases, respectively the customer's *awareness* (e.g. promotions), the *evaluation* of the company's VALUE PROPOSITION (e.g. sales force), the moment of *purchase* (i.e. the actual transaction and fulfillment), and *after sales* (e.g. maintenance) (Figure 8, Appendix).

CUSTOMER RELATIONSHIP. This component describes the relationship a company establishes with a CUSTOMER SEGMENT. It contributes to maximising CUSTOMER EQUITY by improving *acquisition*, *retention*, and *add-on selling*; this optimises a firm's strategy in acquiring and retaining customers, and selling them additional products (Osterwalder & Pigneur 2004). The RELATIONSHIP element can be decomposed into several relationship MECHANISM(s), which have a specific role in the customer relationship building and fulfil a certain FUNCTION (Figure 9, Appendix). This attribute comprises *personalisation* (e.g. one-to-one marketing, personalised product recommending systems), customer *trust*, and *brand* building.

CAPABILITY. The CAPABILITY element explicates the most important assets required to make a business model work. In essence, it describes the ability of a firm to execute a repeatable pattern of actions in the use of assets to create, produce, and offer products and services to the market (Osterwalder 2004: 79). This element is composed of a set of RESOURCE(s), which are the inputs into the value-creation process (Figure 10, Appendix). CAPABILITY(ies) and RESOURCE(s) are either assured in-house or essentially outsourced by external ACTORS.

VALUE CONFIGURATION. This element describes the configuration of inside and outside ACTIVITY(ies) a firm must resort to in order to create value for its customer segments (Figure 11, Appendix). A VALUE CONFIGURATION can take the form of one of the three basic CONFIGURATION TYPE(s): *value chain* (Porter

1985b, 2001), *value shop*, and *value network* (Stabell & Fjeldstad 1998).

The *value chain* framework contains the different activities a company performs to deliver low-cost or differentiated products (Osterwalder & Pigneur 2004). Its main generic activity categories include *inbound logistics* (receiving, storing, and disseminating inputs to the product), *operations* (transforming inputs into the final product form), *outbound logistics* (collecting, storing, and physically distributing the product to buyers), *marketing and sales*, and *services* (Osterwalder 2004). The value creation logic is the transformation of inputs into products, where the main interactivity relationship logic is sequential (Osterwalder 2004).

The *value shop* relies on an intensive technology to solve customers' problems and can model the value creation logic of critical support activities (Stabell & Fjeldstad 1998). This configuration type schedules activities and applies resources in a fashion that is dimensioned to the individual needs of the client (*ibid*: 420). The primary value shop activities comprise five generic categories, namely, *problem-finding and acquisition*, *problem-solving*, *choice*, *execution*, and *control and evaluation*. The value creation logic is solving customer's problems, whereas the main interactivity logic is cyclical and spiraling (Osterwalder 2004).

The *value network* relies on a mediating technology where value is created by linking clients or customers who are or wish to be interdependent (Stabell & Fjeldstad 1998: 427). The firm itself provides a networking service and, thus, functions as an intermediary that facilitates exchange between different parties. The primary activities of the value network comprise *network promotion and contract management*, *service provisioning*, and *network infrastructure operations*. The value creation logic is linking customers, while the main interactivity relationship logic relies on simultaneously performed mediating activities (Stabell & Fjeldstad 1998).

PARTNERSHIP. A PARTNERSHIP network helps firms leverage their core competences and shows how the value creation process is distributed among their partners (Figure 12, Appendix). In essence, a PARTNERSHIP is a voluntarily initiated cooperative agreement formed between two or more independent companies in order to carry out a project or specific activity jointly by coordinating the necessary CAPABILITY(ies), RESOURCE(s), and ACTIVITY(ies) (Osterwalder & Pigneur 2004: 21). The attribute *REASONING* discloses that companies engage in partnerships

in order to achieve *optimisation and economies of scale*¹⁷, *reduction of risk and uncertainty*, or *acquisition of resources* (Osterwalder & Pigneur 2004).

3.3 The *Value Driver Model*: Sources of Value Creation in e-Business

As pointed out by Amit & Zott (2001: 500), the multitude of identified value drivers in the literature raises the question of precisely which sources are of particular importance in e-business. The scholars recognise that each theoretical framework that might explain value creation has its limitations when applied in the online market. Consequently, Amit & Zott (2001) develop the *Value Driver Model* to address particularly this need for identification and prioritisation of the sources of value creation in the highly networked electronic market. As it is based on the premise that each theory in itself offers a valuable insight into one aspect of value creation, I consider this theoretical tool to be of particular topicality and relevance to the objectives of this thesis.

In essence, the utilisation of the *Value Driver Model* in this thesis is based on a twofold rationale. First, the model provides a more structured and integrative approach to the subject at hand by combining established theories in the fields of entrepreneurship and strategic management. Each of the implemented theoretical perspectives is conferred with equal priority and attention when examining the value creation potential in e-business. Although the *Value Driver Model* is not the first step¹⁸ towards an improved theoretical understanding of value creation, it does, however, present one of the most constructive contributions based on the integration of *value chain analysis*, *Schumpeterian innovation*, *resource-based view of the firm*, *strategic network theory*, and *transaction cost economics*. As noted by Amit & Zott

¹⁷ Economies of scale refer to the decline in average unit cost that occurs as the volume produced increases (Albarran 2002, Picard 2002). In this respect, they exist in any industry where the marginal costs are lower than the average costs, and result in making savings and gaining efficiencies as more of the firm's output is consumed (Doyle 2002). Economies of scale are characterised with high initial production costs, and low marginal reproduction and distribution costs.

¹⁸ Amit and Zott (2001) refer to several preceding studies that have made considerable progress in advancing the idea of linking strategic management and entrepreneurship theories of value creation. The scholars allude to the studies of Gulati (1999) and Afuah (2000), who integrate resource-based view of the firm and strategic network theory, emphasising the importance of resources and capabilities of network partners for a firm's performance. Jones *et al.* (1997), on the other hand, have initiated the integration of transaction cost economics and network theory, arguing that networks arise under conditions of asset specificity, demand uncertainty, and task complexity and frequency (*ibid*).

(2001: 509), such an improved framework would yield a more complete picture of the functioning of e-businesses and capture the various sources of value creation.

Second, the *Value Driver Model* is not just an abstract theoretical contribution, but an applicable framework developed from the interplay of existing theoretical foundations and empirical research. In particular, the model provides a systematic overview of the main factors that enhance value creation by applying the selected theoretical insights on fifty-nine international e-business firms. Hence, the common patterns of value creation in e-business are derived from a cross-case analysis of the empirical data set. As noted by Tse (2007: 118), the model represents one of the most comprehensive and ambitious attempts to deepen our understanding of the strategic issues facing online firms in reality. More specifically, this theoretical perspective will be utilised in the data analysis when elucidating the intrinsic benefits appropriated to the customer segments. These customer benefits will be discussed in light of the *Value Driver Model*, which will give grounds for identifying and inferring the main drivers of customer value in VG Nett, Dagbladet.no, and Nettavisen.

The *Value Driver Model* presents four primary and interrelated value drivers - *efficiency, complementarities, lock-in, and novelty* accordingly (Figure 13). Amit & Zott (2001) suggest that the value-creating potential of any business model is enhanced by the extent to which these factors are present. While the business model is proposed as the appropriate unit of analysis, the *Value Driver Model* is considered to facilitate an assessment of the BM's value-creating potential. It is essential to note that in Amit & Zott's (2001) empirical study the term "value" refers to the total value created for all parties involved in the e-business transactions (e.g. the firm provider, its supplier, its customers). As this thesis primarily focuses on customer value, the theoretical model will be utilised with preference to only those aspects that could help explicate the research intent of the study. Similar limitation is imposed on the combined effects and the interdependency of the value drivers, which is said to enhance the potential value of an e-business. As this aspect is not central to the objectives of the thesis, the descriptions of these correlations are left out and will not be discussed in the following section.

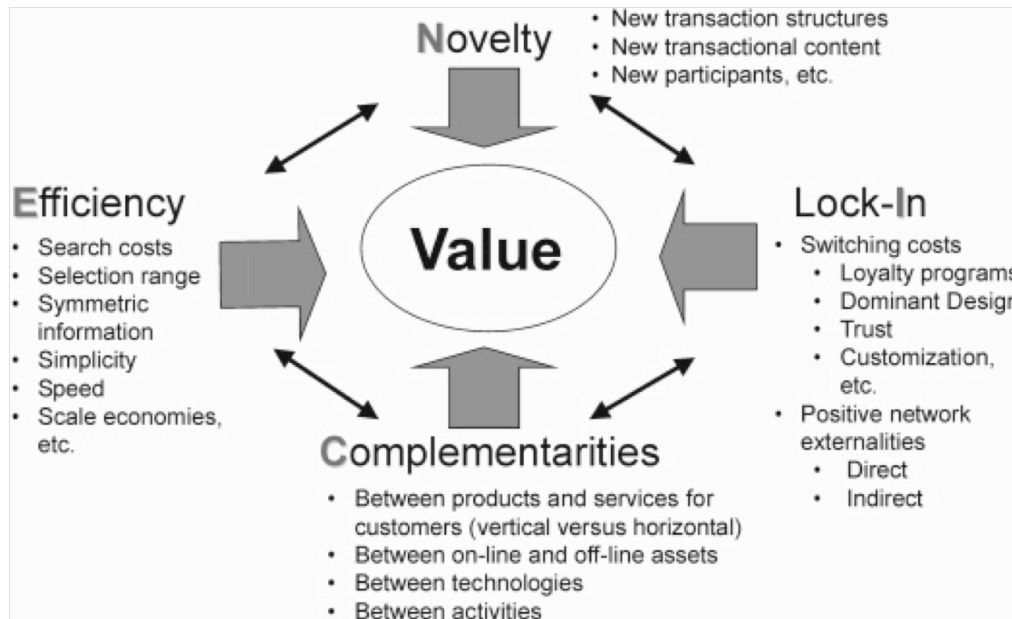


Figure 13. Sources of value creation in e-business

Source: Amit & Zott (2001)

3.3.1 Efficiency

Efficiency is a source of value creation consistent with the transaction cost theory, according to which transaction efficiency increases when the costs per transaction decrease (Amit & Zott 2001: 503). The greater the transaction efficiency gains that are enabled by a particular e-business, the lower the costs and, hence, the more valuable the business operations will be (*ibid*). Therefore, companies that utilise the Internet to increase transaction efficiency have the potential to create more value for all parties involved in the transaction (Zott *et al.* 2000: 467).

Amit and Zott (2001) identify a number of ways for realising efficiency enhancements relative to online business undertakings. As increasing the knowledge of both buyers and sellers is deemed a critical point in any successful business, the reduction of information based- market inefficiency and asymmetries emanates as a major way of achieving enhanced efficiency. The supply of more comprehensive and up-to-date information can, in turn, reduce customers' search and bargaining costs, as well as enable faster and more informed decision-making (*ibid*: 503). By leveraging the cheap interconnectivity of virtual markets and the richness of information, e-

businesses could further enhance efficiency by providing a more simplified, time-saving, and convenient transaction context for all customers. They could also provide for greater selection range of products and services at lower costs by reducing distribution costs, and allow consumers to benefit from scale economies through demand aggregation and bulk purchasing (*ibid*: 504).

Strengthening the ties in the supply chain by reducing supplier costs and integrating vertically is another way of taking advantage of the richness and reach in a virtual market (Zott *et al.* 2000: 468). At any degree of outsourcing or supply chain integration, companies can achieve greater efficiency by strengthening the links to other participants in the transaction and, thus, enriching the information flows between parties (*ibid*: 469). By exploiting the unique characteristics of virtual markets, efficient e-businesses could speed up transaction processing, as well as lower marketing and communication costs. Hence, the firm's value-creating potential can be enhanced through scalability (i.e. increase the number of transactions that flow through the e-business platform) (Amit & Zott 2001).

3.3.2 Complementarities

E-business firms can facilitate the creation of value by offering *complementarities*. This value dimension is present whenever having a bundle of goods together aggregates more value than the total value of having each of them separately (Amit & Zott 2001: 504). Complementarities are expected to augment value by enabling revenue increases and cross-selling (*ibid*: 505).

E-businesses leverage this potential for value creation by offering complementary goods to their customers in terms of *vertical complementarities* (e.g. after-sales service) or *horizontal complementarities* (e.g. one-stop shopping, or cameras and films), in most cases provided by partner firms. Amit & Zott (2001) explain that complementary goods are often directly related to a core transaction enabled by the company. They could be, therefore, looked upon as supplementary attributes that enhance the core product; this could, subsequently, generate added value. Customers may also benefit from a range of complementary goods that may not

be directly related to the core transactions of the firm provider, but fit well with the business idea of the respective enterprise (Amit & Zott 2002: 32).

Amit & Zott (2001) point out that e-business firms may also create value by incorporating online and offline transactions. In particular, customers who buy products over the Internet value the possibility of getting after-sales services offered through brick-and-mortar retail outlets, including the convenience of returning or exchanging merchandise (*ibid*: 505). E-businesses, in effect, may further create value by capitalising on complementarities among activities (such as supply-chain integration), and complementarities among technologies (such as linking the imaging technology of one business with the Internet communication technology of another), thereby unleashing hidden value (*ibid*).

3.3.3 Lock-in

The value-creating potential in e-business is also enhanced by the extent to which customers are motivated to engage in repeat transactions and strategic partners have incentives to maintain and improve their associations (Amit & Zott 2001: 505). The *lock-in* property of a business model, also described as *stickiness*, creates value by increasing transaction volumes and preventing the migration of consumers and vendors to competitors. In general, lock-in refers to high switching costs and network externalities.

Amit and Zott (2001) identify several effective ways for enhancing customer retention and stickiness. Establishing loyalty programmes that reward repeat customers with special bonuses is one of the strategic means of encouraging frequent purchasing. Firms can also establish a trustful reputation among customers by offering transaction safety and reliability, guaranteed primarily by independent and highly credible third parties (*ibid*). Companies can, in addition, develop dominant design proprietary standards for business processes and products (e.g. Amazon's patented shopping cart) for drawing and retaining customers. Whereas a strong brand name is said to contribute directly to lock-in, familiarity with the interface design of a web site requires customer learning and, thus, inhibits customer from switching to other sites (*ibid*: 506).

Lock-in can be further enhanced when opportunities for *customisation* (initiated by the customer) and *personalisation* (initiated by the e-business firm) are exploited. In essence, customers can tailor products, services, and information to fit their particular personality and tastes through customisation features such as “one-click ordering”, frequent updates, alerts, and customised news (Amit & Zott 2001). A company can achieve personalisation through personalised interface, direct advertising, and cross-selling-tailoring tactics that are possible when the firm has adequate knowledge about the customer (Zott *et al.* 2000: 471).

Enabled by the lack of geographical constraints, e-business firms function as network generators because they often connect numerous parties that participate in commercial transactions (Amit & Zott 2001). The creation of virtual communities¹⁹ is, therefore, suggested as an effective method for improving customer stickiness that provides benefits to both customers and vendors. By sharing information and ideas in online communities, visitors can develop a sense of belonging that can maintain loyalty and, thus, induce high switching costs (Tse 2007: 120). Besides, the access to a large customer base enable vendors to better target their products offerings to segmented audiences of commercial interest (Zott *et al.* 2000: 472). All parties could, hence, benefit from such enriched system and transaction volume, which, in turn, enhance the total value created.

3.3.4 Novelty

Novelty refers to the value creation potential of innovations with main emphasis on the provision of brand new value propositions. Amit and Zott (2001) discover that none of the traditional sources of value creation articulated by Schumpeter (1934) capture the essence of the novelty introduced by e-business firms. Rather, e-businesses innovate in the structuring of transactions, which indicates the business model as the locus of innovation (Amit & Zott 2001). Online firms introduce new ways of conducting and aligning transactions, thereby eliminating inefficiencies

¹⁹ Virtual communities exhibit *network externalities* (also called network effects) as the value of a product to one user usually depends on the total amount of users (Küng *et al.* 2008: 20). In the context of a business model, positive network effects are present when the value created for the customer increases with the size of the customer base (Amit & Zott 2001: 507).

in the buying and selling processes (*ibid*). In essence, value is created through addressing latent consumer needs and connecting previously unconnected parties, hence, creating entirely new markets.

Amit & Zott (2001) reveal that e-business firms can uncover latent sources of value by identifying and incorporating valuable complementary products and services into the bundle of offerings in novel ways. Companies are also seen to innovate through engaging in appropriate partnerships, leading to unprecedented richness of linkages. In particular, firms can direct and intensify traffic to their web sites by initiating affiliate programmes with third parties, who are compensated for enabling the execution of transactions from their own web sites (*ibid*: 508). As noted by Amit and Zott (2001), online companies can gain substantial advantages by being the first to market a new idea, a product or a business model. Indeed, being the first-mover is considered imperative for creating high switching cost, developing brand awareness, and reputation. E-business innovators can, in addition, achieve gains by learning and accumulating proprietary knowledge, pre-empting scarce resources, and creating new incentives (e.g. customers can create content) (*ibid*: 508).

3.4 Summary of the Theoretical Approach

Theories, in general, are utilised in order to systematically establish sufficient understanding and coherence of empirical data. In line with this assertion, the *Business Model Ontology* and the *Value Driver Model* are employed to serve as explanatory and guiding tools for detecting and exploring the main drivers of customer value in the context of the online news sector. Although the use of theoretical perspectives as explanatory models would always have an element of uncertainty (Rørvik & Nesheim 2010: 27), I consider, however, that the selected models would provide tentative clarifications of the phenomenon under scrutiny. In essence, exploring the business model of the selected online newspapers through the lenses of the *Business Model Ontology* would reveal the total value created and the strategic choices of these companies. This could, in turn, help elucidate the intrinsic benefits appropriated to the customer segments from the perspective of the firm provider. Discussing these customer benefits in light of the *Value Driver Model* could

give grounds for identifying and inferring the main drivers of customer value. This research framework is depicted in the following figure (Figure 14).

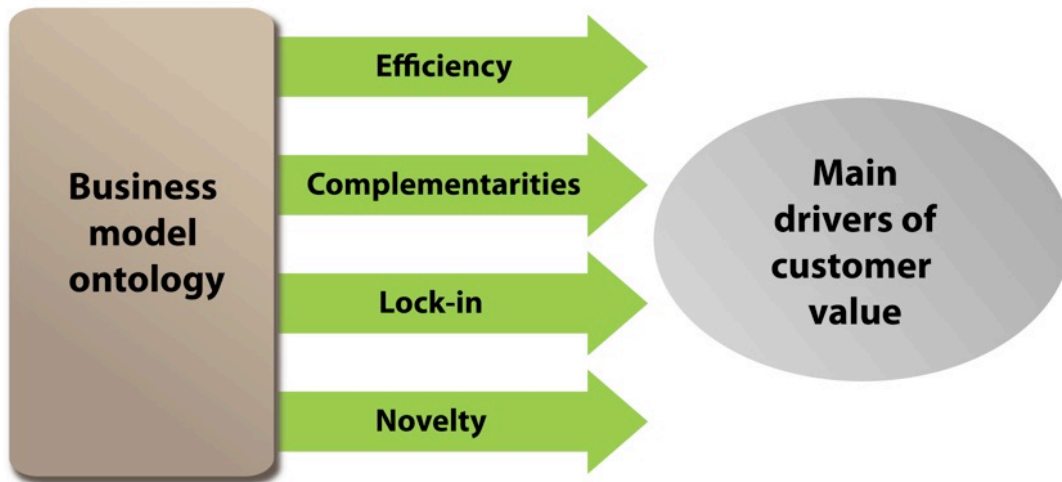


Figure 14. Research framework

Source: Inspired by Christensen *et al.* (2002)

4. Methodological Framework

4.1 Introduction: A Qualitative Research Design

In conjunction with the nature of the research question, this thesis adopts a qualitative research design, where meanings rather than frequencies assume paramount significance (Kirk & Miller 1986: 5). This research tradition is committed to an idiographic, case-based position that directs attention to the specifics of particular cases and the provision of rich descriptions (Denzin & Lincoln 2000: 12).

The strengths of the research approach, in essence, justify its relevance and appropriateness to this study. Qualitative research provides the opportunity for developing detailed, context-rich data that could unravel the complexities of subtle underlying relationships (Hollifield & Coffey 2006: 581). Being multiparadigmatic in focus, this research tradition involves an interpretive, naturalistic approach to the social world (Denzin & Lincoln 2000: 3; Bryman 1995, in Doyle & Frith 2006: 562). It seeks to elucidate how individuals experience and give meaning to social reality. Put succinctly, qualitative research is chosen for this study because it stresses “*the socially constructed nature of reality, the intimate relationships between the researcher and what is studied, and the situational constraints that shape inquiry*” (Denzin & Lincoln 1998: 8).

As the research objectives call for an empirical inquiry that investigates a contemporary, still evolving phenomenon within its real life context (Yin 2003a: 13), a case study approach is adopted as the preferred research strategy. More specifically, the thesis utilises an exploratory case study design with three units of analysis, VG Nett, Dagbladet.no, and Nettavisen accordingly. The case study approach, in turn, comprises two research methods: a qualitative content analysis of the business model of the selected online newspapers, conducted by applying the *Business Model Ontology* of Osterwalder and Pigneur (2004), and qualitative interviews with key executives from the concerned media firms. The following section will provide a more detailed account of the aforementioned approach and research methods, as well as a justification for their applicability and relevance to the objectives of the thesis.

4.2 The Case Study Approach: Conceptual and Application Aspects

The case study approach has retained considerable appeal and utility in various academic circles²⁰. In the extant literature, however, it still lacks adequate recognition and sufficient explanation of its principles and techniques (Yin 2003b: xii). Despite the ongoing confusion over its virtues and vices, Gerring (2004: 341) argues that case study survives in a curious methodological limbo.

The case study could be described as the intensive and holistic examination of the singular, the particular, and the unique (Simons 2009; Merriam 1988), by delving into its specifics rather than generalities (Stake 1995). Often acknowledged as a “*bounded system*”²¹, it necessitates that the unit of analysis is a well-specified *self-contained entity* (Denscombe 2007: 44) that the researcher would study in its totality and complexity (Stoynoff 2004: 380). The research intent of the case study is to “*illuminate the general by looking at the particular*”, and to provide an elucidative account of a case by emphasising richness of details and nuances, rather than breadth of study (Denscombe 2007: 36-37).

Based on the abovementioned scientific assertions, I could infer that case study is the appropriate approach for exploring the main sources of customer value in VG Nett, Dagbladet.no, and Nettavisen, especially as the boundaries between the naturally occurring phenomenon and its context are not clearly evident (Yin 2003a: 13). The main traits of the research strategy are in congruence with the nature of my research question, especially as it concerns tracing operational links and not just mere frequencies or incidences (Yin 2003a: 6). In this regard, case study is the preferred research tool, as it comprises an all-encompassing method by covering the logic of design, data collection techniques, and a specific approach to data analysis (Yin 2003a: 14).

²⁰ The case study approach has emerged as a reliable form of inquiry in a myriad of disciplines, from social science (Denscombe 2007) and political science (Gerring 2004) to practice-oriented fields such as public policy and social work (Gilgun 1994), business and management studies (Ghauri & Grønhaug 2002; Doyle & Frith 2006), and education (Simons 2009; Merriam 1988, 1998). Each of the disparate disciplines, however, has developed procedures for establishing the validity of case study for their respective purposes (Simons 2009; Stoynoff 2004).

²¹ The term “bounded system”, however, has also been considered unhelpful, as it is often difficult to define the boundaries of a case both in time and space (Bloor & Wood 2006). For further details, see Cresswell (1998).

The objective of gaining insights into areas of organisational activity that is not yet well documented or understood (Doyle & Frith 2006: 565) further substantiates the adoption of the case study approach in this thesis. As the product innovation activities in online newspapers are in constant development due to uncertain demand and random success, in line with Hartley (2004, in Cassell & Symon 2004: 325) I argue that case study could be useful in capturing the emergent and changing properties of life in these organisations. In this respect, the case study approach can “*“close in” on real-life situations and test views directly in relation to phenomenon as they unfold in practice*” (Flyvbjerg 2006: 235).

The adoption of a particular case design “*should serve a specific purpose within the overall scope of inquiry*” (Yin 1994: 45), and provide tenable arguments for illuminating the research question. Based on this contention, I adopt an *exploratory case study* approach. As my research question is framed on a “what” query, the nature of the question is a justifiable rationale for conducting an exploratory study that could bring new understanding or develop pertinent propositions for further inquiry (Yin 2003a: 6).

More specifically, the case study in this thesis comprises three units of analysis- VG Nett, Dagbladet.no, and Nettavisen, with a particular emphasis on their implemented business model. Each of the units is explored individually. Findings are thereupon drawn together in order to yield a richer and nuanced picture of the underlying strategic choices of these market competitors, and optimise a credible understanding of the customer value they create. The objective is to provide a more concrete, context-dependent knowledge of the subject in question, especially as this kind of knowledge is considered more valuable than the vain search for general, theoretical knowledge that applies to universals (Flyvbjerg 2006: 224).

4.2.1 Case Study: An Umbrella Term for Multiple Methods

The case study possesses the ability to incorporate and deal with multiple sources of evidence, as well as a variety of research methods. This inherent strength is particularly exploited in the methodological framework of this thesis, where a combination of methods and data sources is employed. Such combination of methods

is expected to enhance the credibility and persuasiveness of the research account. It is important to note that it should not be mistaken either with mixed methods approach or with methodological triangulation design, as the findings of the utilised methods will not be crosschecked for potential conformity.

The methodological framework adopts *qualitative content analysis* and *qualitative interviews* to serve as the main vehicles for collecting empirical data. The former method provides the primary data for the study, whereas the latter contributes with complementary material to enhance the overall research findings and inferences. The utilisation of these research methods would facilitate the validation of the collected data and, thus, provide a richer and more textured account of the main drivers of customer value in online newspapers. Such combination of methods could also increase confidence in the interpretations (Tellis 1997: 2), as well as generate and strengthen evidence in support of key claims (Simons 2009: 129). As noted by Blaikie (1991: 115), “... *the deficiencies of any one method can be overcome by combining methods and thus capitalizing on their individual strengths*”. Similarly, the methods applied in this study are considered to complement each other regardless of generating similar or slightly diverging findings, as both types of output are equally important for understanding the case in question. Although utilising a combination of methods may add a sense of richness and complexity to the inquiry, it is essential to underline that it does not guarantee validity, but could, however, contribute to it and help ensure the credibility of findings (Bryman 1989; Simons 2009).

4.2.2 The Role of Theory in Case Study

As case study relies both on empirical and theoretical sources, the utilisation of theory occupies a central position in this thesis. In essence, the study adopts a *theory-led* case study approach, which entails exploring or even exemplifying a case through a particular theoretical perspective (Simons 2009: 21). More specifically, the approach encompasses a *theory-before-research* perspective, where the theory stage precedes the design and data collection stage of the research enterprise (Berg 2007: 23-24). It is essential to note that I do not follow the linear progression of *idea* → *theory* → *design* → *data collection* → *analysis* → *findings* research model. In line

with Berg (2007), I recognise it instead as a spiralling approach that allows for continual reformulation, deflection, and clarification of the research process, by moving forward and backward to uncompleted stages.

Utilising a theory-led approach does not, however, imply testing a specific theory or generating certain theoretical propositions emerging through data collection and analysis. Rather, the use of theory in this case study is considered to provide strong guidance in defining the appropriate research design (Simons 2009: 22; Yin 2003a: 33). As pointed out by Yin (2003b: 3), reliance on preliminary theoretical concepts to navigate design and data collection remains one of the most important strategies for developing a rigorous case study. The scholar further stresses that without guidance from theoretical concepts the case study would not be positioned into an appropriate research literature, so that lessons from the case study would more likely advance knowledge and understanding of the given topic (*ibid*).

In general, the utilisation of theory in this thesis is of immense aid in establishing a sufficient operational set of measures for the subject under examination. The adopted theoretical propositions function as an adequate blueprint for the study (See 4.3), by navigating design, data collection, and analysis. This approach is explicitly guided by Yin's assertion (1994) that theory should inform propositions and propositions inform data collection and analysis.

Although the use of a theory-led approach could provide security and focus in the inquiry, the downside is that it could lead to a false consensus by either making the data fit the framework or failing to see the unexpected (Simons 2009: 33). However, my intention is not to apply the theories slavishly, but to utilise only those aspects that address the research objectives of the thesis. Thus, as the selected theories provide a comprehensive picture of value creation in general, I strategically utilise only those components that would help identify the main sources that enhance customer value.

4.3 Qualitative Content Analysis: On an Interpretative Approach and Blended Strategies

As “*a research technique for making replicable and valid inferences from data to their context*” (Krippendorff 1980: 21), *qualitative content analysis* is employed as the appropriate research method in the pursuit of the main drivers of customer value. Its applicability and relevance to the objectives of the thesis could be justified by its inherent characteristics and strengths. In essence, qualitative content analysis is *systematic* as it utilises a principled form of media output sampling and content coding (Gunter 2002: 220), in order to produce an analytical trustworthy version of reality. It is also deemed *objective* in identifying the special characteristics of media output as long as analysis is kept unaffected by the researcher’s own idiosyncrasies and biases (*ibid*). As a whole, it provides a careful and detailed examination of a concerned body of material. I could, therefore, contend that the utilisation of qualitative content analysis would help explore the business activities and strategic patterns within VG Nett, Dagbladet.no, and Nettavisen.

More specifically, I adopt an *interpretive* approach to qualitative data analysis, which bears the traits of a *phenomenological* orientation. Such approach attempts to discover the practical understandings of meanings and actions, as well as capture the *telos* (essence) of an account (Berg 2007: 304). In addition, the content analysis in this thesis employs an *a priori* design; this implies that all decisions on variables, their measurement, and coding rules are made before the inquiry begins (Neuendorf 2002: 11). Such deductive approach does not only concur with the guidelines of scientific endeavour, but also meets the requirements of objectivity-intersubjectivity when conducting a research (*ibid*).

Furthermore, the content analysis applied in this thesis combines *manifest* and *latent* content strategies. The former refers to the physically present and visible elements of communication (Neuendorf 2002; Graneheim & Lundman 2004), while the latter extends to the interpretive reading of the symbolism underlying the physical data (Berg 2007). In other words, manifest content is comparable to the *surface structure* present in the message, whereas latent content is the *deep structural meaning* conveyed by the message (Berg 2007: 308). As manifest and latent content provide different depth and level of abstraction of the interpretations, blending the

two content strategies could enable a more thorough examination of the data material. This could as well demonstrate a larger magnitude of the overall analysis.

The qualitative content analysis in this thesis entails a scrutiny of the business model of VG Nett, Dagbladet.no, and Nettavisen; for this reason, I also refer to it as a *business model analysis*. The content analysis, in particular, consults scholarly literature and is entirely guided by well-grounded theoretical variables of measure. It is conducted by applying the *Business Model Ontology* (as explained in 3.3.1), which serves as a comprehensive codebook with critically identified variables. The implemented business model of VG Nett, Dagbladet.no, and Nettavisen is decomposed and scrutinised against the seven building blocks of the ontology. It is important to note that this analysis is mostly representative for the period spanning from week 40/2010 to week 11/2011 included. Supported by secondary sources of information (e.g. online articles and annual reports), it explores the key e-business activities and the current flow of products and services within the newspapers. This could, in turn, help identify the benefits appropriated to the customer segments and the key drivers of such benefits.

4.4 Qualitative Interviews

Operating from the standpoint that knowledge is situated and contextual (Mason 2002: 62), *qualitative interviewing* is adopted to supplement the methodological framework and, foremost, enhance the overall understanding of the subject under scrutiny. As the thesis explores the sources of customer value from the perspective of the firm provider, this method emerges as a highly appropriate and effective technique to address the research objectives.

I contend that the utilisation of qualitative interviewing would provide more richness and roundedness to the overall data set. By emphasising specificity and precision in the descriptions (Kvale 1996; Mason 2002), this method would generate more accurate knowledge upon which I could place my analytical arguments. Thus, obtaining material that is rooted in the interviewees' first-hand experiences and professional viewpoints (Rubin & Rubin 2005) would undoubtedly produce valuable insights into the strategic choices and the value creation logic of the selected online

newspapers. It is, however, important to underline that the data gathered and synthesised from the qualitative interviews will not serve as the main source of primary information. Rather, it will serve as a complementary material to enhance the overall research findings and inferences.

More specifically, I adopt a *semi-structured interviewing* format that leaves room for clarifying ideas and factual information in the course of the interview. Having a rather informal and flexible structure, this semi-standardised approach to design generates valuable data by emphasising the perspectives that interviewees themselves give prominence to (Rørvik & Nesheim 2010: 29). To ensure that general topics were covered in the interviews, I made use of an interview guide. The set of predetermined questions did not only allow a sufficient freedom in sequencing and wording, but also proved a useful instrumentation in closing logical gaps in the interview responses (Patton 2002: 349). I could, therefore, argue that the use of interview outline would increase the comprehensiveness of the data collected.

My initial intent was to interview representatives from the three media companies and, thus, attempted to establish contact with six potential informants via e-mail. These informants were strategically selected based on their central position at the intersection between decision-making and business development. After several letters of reminder and kind requests for an informal conversation, I managed to conduct face-to-face interviews with three informants; Gunnar Stavrum - the editor-in-chief and the CEO of the Media house Nettavisen, Richard Brande - the head of strategy and business development at Dagbladet.no, and Jo Christian Oterhals - the general manager of VG Nett, previously the head of product development.

It is imperative to note that despite the narrow range of informants, the generated data still provides additional and meaningful insights into the logic of business activities and strategic choices of the concerned media firms. Given that my informants are key figures within the area of interest for this study, I could argue that their interview responses yield a more concrete, context-dependent knowledge that could optimise a credible understanding of customer value in the online newspapers.

Moreover, the informants got acquainted with the purpose and the nature of the study ahead of the interview appointment, and expressed a genuine interest to contribute with expertise and personal experience. The interviews lasted 30 to 40

minutes and were conducted at the head-office of the respective firms, which encouraged a relaxed and informal two-way communication. The interviewees had a professional and friendly demeanour, and responded adequately and elaborately to my questions. They also gave informed consent to be identified with real name and occupation in the thesis; this considerably lessened the ethical issues of anonymity and confidentiality associated with qualitative research. The interviews were, in addition, recorded, which proved an advantage when analysing and interpreting the collected data.

4.5 Methodological Challenges in Qualitative Research

In the course of conducting the study, I was attentive of the challenging aspects and pitfalls of qualitative research. To ensure the rigour and credibility of the inquiry, in the following section I address the key issues of generalisation, validity, reliability, and subjectivity, and present how they were handled in the thesis.

Given that the case study has often been critiqued for providing information that cannot resonate with a broader class, the degree of scientific generalisation, however, is not considered to be of great significance in this thesis. The findings concerning the main sources of customer value are not meant to be necessarily transferable to the business strategy of other companies operating in the online news market. Rather, the aim of the inquiry is to establish explanatory richness and sufficient understanding of the key value drivers, as well as engender patterns and linkages that could be of theoretical importance. This study, I believe, could have a vocational and practical value to the media industry by bringing insights into the logic of business activities and strategic choices of key online players. Therefore, much like Stake (1995; 1978), I argue for a more intuitive, empirically grounded form of generalisation that appeals much more to tacit knowledge than propositional knowledge.

To reduce the threads to the integrity of the case study, combination of research methods is employed. The utilisation of a qualitative content analysis and face-to-face interviews is intended to enhance the credibility and persuasiveness of the research account. The adopted research design and its implementation in the thesis

are, therefore, carefully articulated in order to lift the investigation from a descriptive account to a piece of research that can lay claim to being a worthwhile, if modest addition to knowledge (Rowley 2002: 16).

In order to increase confidence in the interpretations and establish acceptable levels of reliability, well-grounded theoretical variables of measure are adopted to inform and guide data collection and analysis. I consider that using the *Business Model Ontology*, as a coding scheme for the content analysis of the newspapers, would provide more accuracy and consistency to the research findings. In one way, such coding scheme leaves less room for the subjective and arbitrary judgements of the researcher (Flyvbjerg 2006: 234). In another, it is not limited only to the use of the principal investigator (in this case me), and if repeated, the study would yield similar results. As pointed out by Neuendorf (2002: 142), these aspects provide a basic validation of the coding scheme and establish an acceptable level of reliability, which is a necessary criterion for a valid and useful scientific research.

The face-to-face interviews are also engineered within the constraints of the qualitative tradition. When interpreting the data material, I focus primarily on unveiling and clarifying relations and general patterns within the interview responses, rather than concentrating on the elements individually. I not only construe the informants' utterances attentively and logically, but also use direct citations that could substantiate and provide coherence to the inferences. To further enhance the level of credibility and trustworthiness, I asked my informants to approve the correctness of depiction and the contextual use of their interview statements before the publication of the thesis. Although they confirmed that their viewpoints were rendered properly, this does not, however, make the truth criterion in qualitative interviews less questionable. This is particularly true as interviewees often give personal evaluations and interpretations that are invariably subjective, even though the factual information may be considered correct.

Although being a novice in case study research, I do recognise the inevitable presence of subjectivity in the thesis, as subjectivity is an inherent component in one's persuasions and judgements. Much like Peshkin (1988: 17), however, I hold the view that my personal qualities have the capacity to "*filter, skew, shape, block, transform, construe, and misconstrue what transpires from the outset of a research project to its culmination in a written statement*". Therefore, I endeavour to be mindfully attentive

of my rational process and the emotions engaged, as this could unfavourably impact upon the outcomes of my research. I do not, however, intend to erase subjectivity, rather attempt to prevent any biases from distorting the findings of this study. For that reason, I do systematically document the procedures adopted in the inquiry and justify their relevance for the research objectives of this thesis.

5. The Strategic Choices of the Firm Providers²²

The following chapter presents the main empirical data for this thesis, derived from a systematic qualitative content analysis of the implemented business model of VG Nett, Dagbladet.no, and Nettavisen. In light of the *Business Model Ontology*, their key activities and strategic choices are brought to focus. Scrutinising the current flow of market offerings and product developments will, in turn, provide valuable insights into the locus of customer value from the perspective of the firm providers. This will further give grounds for identifying and inferring the intrinsic benefits appropriated to the customer segments.

5.1 CASE: *VG Nett*

VALUE PROPOSITION: VG Nett is found to provide five value propositions. The primary value proposition is the richness of content and the continual updating of online news and entertainment, enabled by its dynamic front page. In essence, VG Nett adjusts content to exactly reflect the current most topical events, minute by minute. The company's bold site redesign, as noted by LaFontaine (2007), is implemented to emphasise breaking news, which he argues, creates "the CNN effect". By offering up-to-date information classified in a myriad of verticals, the newspaper seeks to maintain its position as the preferred supplier of news, sports, and entertainment (Schibsted Annual Report 2009). The various product developments not only reinforce its primary value proposition, but also generate a higher recycling effect.

The personal adviser magazine *Dinepenger.no* and the business journal *E24.no* nicely exemplify the company's editorial commitment in the business and economic sphere. The former provides useful information to inform financial

²²Although the product portfolio of VG Nett, Dagbladet.no, and Nettavisen underwent slight modifications (e.g. closing down obsolete products and launching new ones) after the study was conducted, it is important to say that these changes are not profound enough to affect the main findings of the business model analysis.

decisions, whereas the latter offers stock exchange notices and share prices, comments and analyses. Although both offerings create value in the process of *consumption*, E24.no also creates value at the moment of *value creation* due to a log in mechanism that enables account customisation. These products could be measured to a *me-too* and even an *innovative imitation* value scale because, despite of imitating existing offerings, they somewhat improve value by adding innovative elements.

Whereas *Rampelys* is a broad editorial initiative that reflects the current issues from the world of entertainment, *MinMote.no* offers news from the fashion and beauty sphere. Despite being the only web site entirely devoted to this niche market, minMote.no could be measured just to an *innovative imitation* value level. The product imitates an existing offering, but also attempts to breach a pretty saturated market by integrating an attractive combination of additional features and services. In particular, blog contributions and fashion video series enhance the editorial content, whereas the membership club *minMOTE-klubben* and the online fashion outlet *Trendbazaar.no* generate added value to the core product. Although value is created through the actual *use* of the offering, the augmentation of the product package would provide differentiation for VG Nett.

VG Nett also offers news related content and materials concerning the game sphere. *Hestespill* and *VG Nett Tipping*²³ provide a large variety of real-time sports gaming and betting, whereas *VG Spill* and *VGManager.no* offer games pertaining to a more fictitious and computer-enabled entertainment. The main value of these offerings is created in the *consumption* phase, regardless of the various customisation mechanisms that facilitate users to configure their own value package. Although these services somewhat differ from those of the competitors, the value they offer could be measured only at a *me-too* level, as customer utility is unaffected.

VG Nett's primary value proposition is further underpinned by music charts (*VGlista.no*), job advertisements, TV guide and a weather forecast service. End-customers could also take advantage of diverse guides, travel and classified ad search

²³ Norsk Tipping is a state-owned company for sports money games and betting, which is under the jurisdiction of the Ministry of Culture and Church Affairs. Norsk Rikstoto, on the other hand, is the National Totalisator.

(*Finn.no*), as well as news archiving and a publication of the tax assessments. The various series of pictures and sound recordings, quizzes, comics, and funny web materials further corroborate the primary value proposition by emphasising entertainment as area of commitment.

Besides offering depth of content, VG Nett is engaged in the provision of multimedia services and digital content, which comprise its second core value proposition. The integration of video content has, in essence, dramatically increased both the demand curve and the number of viewers, which has unprecedentedly reinforced VG Nett's competitive advantage in the online news market. As noted by LaFontaine (2007), this success is derived from a “*three-tier video strategy*” that enables VG Nett to synchronise customer segmentation with a compatible length of the digital material.

In addition to the interactive games, VG Nett also offers web TV (*VGTV.no*) and streaming sports services (*VGLive.no*). *VGTV.no* has, in particular, grown to become a mixture of entertainment, news, reality and animation series, as well as live concerts and on-the-spot football transmissions. Since August 2010 it is also available as a TV channel, included in the basic package of the IP TV distributor *Altibox*. *VGLive.no*, on the other hand, delivers football streaming services that include Norwegian football, La Liga, Serie A, and English League. Both offerings create value at the moment of *use*, where the integration of live chat interactions provides additional value for end-users. As *VGTV.no* has initiated an evolutionary change in the news content inherent to the traditional news sector, its value could be measured to *innovation*. Despite not bringing newness to the market, *VGLive.no*, creates added value through complementary attributes, and could, thus, be measured at an *innovative imitation* value level.

VG Nett also provides consumer-oriented services (which I refer to as “off” the news services) that comprise its third value proposition. Such services primarily facilitate mediation between end-customers and suppliers²⁴, seeking to increase traffic flow and revenue generation. *Mittanbud.no* and *Prisjakt.no* reflect this area of commitment. Acting as a pure intermediary, *Mittanbud.no* connects customers, who

²⁴ Whenever mentioned in this thesis, the term suppliers will refer to every vendor, retailer, or small private firm that has something to offer that would be of interest to end-users.

desire a task done, with contractors and craftsmen, who are interested in executing the respective task. Similarly, Prisjakt.no provides end-customers with a simple and transparent comparison-shopping experience, while assisting retailers in finding interested buyers. For end-customers, value is created in the actual *consumption* of the offerings through *effort* reduction, while for suppliers it emerges when *acquiring* the services at additional price. The value derived from Mittanbud.no could be measured at a *me-too* level, whereas Prisjakt.no positions itself to the level of *innovative imitation* as it increases value by integrating customisation elements and forum features.

VG Nett has also engaged in another type of paid consumer-oriented services, which are found on the concept of virtual communities, yet enhanced with supplementary product attributes. The dieting club *Vektklubb.no* provides individual weight profiles and personalised training programmes, as well as a range of tools for calculating calorie intake, development of IBM, rate of metabolism, and weight reduction. In addition, users can leverage personal diaries, online forums, and coach letters that enable exchange of expertise and personal experience. Similarly, the dating service *Møteplassen.no* facilitates virtual discussions between singles, as well as personal meetings through arranged leisure activities. Depending on the subscription type, users can benefit from a matching personality test, letter exchanges, VIP features, and video chats. In both offerings value emanates from their actual *consumption* and could be captured at the *ownership* (e.g. value use) stage of the value life cycle, as users are bound to purchase the services before utilising all available functions. The value derived from Vektklubb.no could be measured to *innovation*, whereas Møteplassen.no positions itself at the level of *innovative imitation*.

By utilising *Fotoalbum* and *Hjemmesidetjeneste*, end-customers can take advantage of personal utility services that reduce *effort* through lowering search, operation, and maintenance costs. Fotoalbum provides a photo storage service and production of photo items. Customers can, in essence, store, retrieve, and develop photos in a safe and secure way, order diverse photoproducts and personal stamps, as well as participate in consumer forums. Value is, therefore, created through *purchase* by making the appropriation phase as smooth as possible, and by streamlining purchase and delivery to customers' satisfaction. Similarly, utilising the home page

service Hjemmesidetjeneste, end-users can derive value from the easy and inexpensive service maintenance, operations, and customer support. By facilitating personalisation and configuration of own value packages through a variety of audiovisual elements and attributes, the offering also integrates customers into the *value creation* process that could, in turn, generate added value. Notwithstanding, the customer utility of both products can be measured only at a *me-too* level, as they possess no differentiation in comparison to the value offered by competitors.

End-customers can, in addition, acquire mobile entertainment content (*Mobilmorro*) and congratulate friends publicly on the front page of VG Nett (*VG Hurra*). Both offerings create customer value at the moment of *use*, where value is maximised as product attributes correspond to customer needs and expectations. These services relate in terms of implementing user acquisition costs, but differ greatly on customer utility level. Whereas the value derived from Mobilmorro could be located at a *me-too* value level, VG Hurra introduces a completely new service, and could, thus, be measured to *innovation*.

VG Nett has increasingly concentrated on product initiatives than put accent on user-generated content on the front, which comprises its fourth value proposition. In essence, the company has emphasised tight customer integration, realising that allowing visitors to comment on news stories and add own multimedia content can unlock latent value. As noted by LaFontaine (2007), this strategic initiative is considered auspicious in the long run as it could energise the community and strengthen the coverage. *Lesernes VG*, a blog section on the front page of VG Nett, is a topical example of such consumer empowerment, which, at the same time, also encourages freedom of expression. By displaying interesting and noteworthy blogs, it aims to create an arena for debate and reflection.

The services *Tett på nett*, *Reisepanelet*, *VG Debatt*, *Reisebrev*, and *VG Blogg* further underpin this area of commitment. Whereas *Tett på nett* and *Reisepanelet* facilitate written interaction between readers and specialists, *VG Debatt* enables online discussions and knowledge exchange, for which it necessitates user registration. These offerings create value at the moment of their *use*, especially as assumed customer value matches perceived customer value. Despite contributing to information enrichment, the value these services provide could be measured just at a

me-too level.

Similarly, the online travelogue Reisebrev enables readers to share their travelling experiences, supplemented by personal tips and photos. The user contributions are then added to VG Nett's general travel database and, subsequently, displayed with relevant editorial content. VG Blogg, on the other hand, provides a multi-user multi-blogging service for a high-volume environment, based around the WordPress MU system. By utilising MMS functionality, various theme options, and site-wide ratings, end-users are integrated in the configuration of their own value package. This entails that value is derived through *use* at the moment of *value creation*. Although VG Blogg incorporates the novel function of reciprocal linking between relevant blog posts and editorial articles (enabled by *Twingly*), the value it offers could not be measured to more than a *me-too* level.

VG Nett has also massively enhanced the diversity and functionality of its fifth value proposition, which addresses the advertisers. Seeking to meet the needs of the advertiser, the newspaper provides a large spectre of purposeful advertising formats, respectively on front page, article, and section levels. In essence, it offers standardised and tailor-made advertising formats that enable higher accuracy of coverage due to efficient customer segmentation and geo-targeting. Advertisers can take advantage of the large traffic generated on the front page by utilising angle advertisements (e.g. coherent topboard and sideboard) and sticky sideboards, various button groups and netboards, as well as narrow and expanding advertisements. On a sub-section and article level, where the contextual association is stronger, advertisers can utilise the co-called *dominance format*, consisting of top-, side-, and netboards, supplemented by smart and mini boards.

VG Nett offers, in addition, a digital enclosure format that enables greater contextual communication between advertisers and readers, as well as stronger brand impression. Through an editorial approach and frequent updates, such digital enclosure is optimised for the highest traffic during a whole month of advertising. Due to weekly traffic reports and questback-surveys, advertisers get the possibility to improve accuracy and framing of the content, thus establishing stronger brand values. Moreover, the implementation of web TV and mobile services has undoubtedly paved the way for new advertising horizons, where sound, live pictures, and banners complement the marketing potential. The multimedia formats comprise pre-rolls,

post-rolls, mid-rolls, and overlays, which are clickable in order to yield more views. By offering segmentation on a section level, different hours of the day, and *geo*-targeting, such advertising formats are aimed at providing better-tailored solutions and more precise reach of the target segments. VG Nett also facilitates control over the frequencies of a multimedia advertising campaign in order to optimise scope in proportion to presupposed objectives.

TARGET CUSTOMER: VG Nett's value propositions target a large and heterogeneous audience, which could be divided in three groups of target segments, end-users, advertisers, and suppliers accordingly. The company addresses both B2B and B2C customers, by which it attempts to increase its market share and operation scale. In essence, VG Nett employs classification of its product developments, which enables it to effectively synchronise allocation of investment resources with compatible customer segments. Through efficient segmentation, the newspaper distinguishes between target prospects that share similar geographical and socio-demographic characteristics. Its portfolio addresses customers at various levels between "mass" and "one-to-one" marketing, emphasising segmented, niche, and multi-sided markets. This strategy could result in strengthening the scope of business operations and enhancing the fundament for potential profitability.

DISTRIBUTION CHANNEL: VG Nett provides its value propositions through two main distribution channels, which I have classified according to their function as delivery platforms for content dissemination. The desktop Internet is the primary distribution channel through which the newspaper delivers value directly to its customer segments. Its main channel links are the company's web site, RSS-feeds, podcast, and its Facebook page. As the front page of VG Nett generates the majority of web traffic without relying on referrals from search engines, it is considered the main building block and constitutes the company's marketplace. Value is also delivered through Facebook integration, podcast and RSS-feeds to readers, who have personally enrolled to receive frequently updates. Meanwhile, the newspaper distributes the electronic publication of its printed counterpart VG (e.g. the Flash-enabled version *ePaper* and the *pdfPaper*). Yet, the four channel links both develop the customers' *awareness* of VG Nett's offerings and facilitate the *evaluation* of whether the perceived customer needs correspond to the assumed customer needs.

The mobile Internet platform is the second distribution channel, which has

shown an overwhelming pace of adoption, amounting to 570 000 unique visitors in week 7/2010 (VG Nett Annonseinfo). Its current cycle consists of the channel links wap phones, smartphones, iPod, and iPad. In an attempt to reflect the fast ramp of mobile Internet usage, VG Nett offers four apps for iPhone and one app iPad (*VG+*), which offers exclusive editorial content from VG, VG Nett, Dine Penger, and E24. The links of the mobile Internet channel present specific marketing tasks that coincide with the *evaluation* stage of the consumer's buying cycle, as they embrace company information, product catalogues and specifications, as well as user communities and product testing.

CUSTOMER RELATIONSHIP: VG Nett establishes and maintains three relational strategies with its customer segments, respectively automated services, co-creation, and user communities. The automated services relationship is enabled by the utilisation of personalised mechanisms, primarily underpinned by RSS-feeds and free podcast services. By subscribing to newsletters (e.g. *Mittanbud.no*, *minMote-klubb*, RSS-feeds), end-users can keep current within genres they have personally selected. They can also keep track of personal activities through login mechanisms (*Fotoalbum*, *Møteplassen.no*, *Vektklubb.no*). Such relational strategy communicates the company's value propositions over a longer period and could result in strengthening its *brand* image and establishing customer loyalty. Despite constantly reinforcing the editorial value of public-mindedness (Redaksjonelt regnskap VG 2010), VG Nett does also initiates a more personal approach to customers, utilising one-to-one and one-to-tribe marketing.

By applying user communities and co-creation strategies, the company further seeks to leverage customer equity. In order to sustain these relationship dynamics, VG Nett resorts primarily to interaction mechanisms. On one hand, the implementation of interaction mechanisms is aimed to provide a discernible communication channel for multi-user and producer-consumer interactions. This is realised by the provision of virtual communities, online forums, discussion boards, and blogging services. Such offerings could increase customer *acquisition* and improve customer *retention*, which is beneficial both for VG Nett, in terms of high traffic volume, and for the potential advertisers, in terms of augmented customer base.

On the other hand, the implementation of interaction mechanisms is aimed to encourage active user participation in the editorial processes of the newspaper (e.g.

co-creation relationship), rather than just passive acquisition of information. Readers have the possibility to correct spelling errors and comment on articles, as well as share own stories and experiences (e.g. travelogue and blogging services), made accessible to all users. In effect, such direct customer participation in the editorial product could establish a stronger and more personal relationship to the newspaper. This could also develop a sense of belonging that can maintain loyalty, and, thus, induce high switching costs. The reciprocal linking between editorial content and contextual blog contributions, and the display of user-generated content on the front page (*LesernesVG*) further corroborate customer integration. In sum, I could argue that the interaction mechanisms utilised by VG Nett could contribute to customer trust and build a positive company reputation.

CAPABILITY: In order to provide its value propositions, VG Nett essentially masters five core capabilities. The ability to continually create and publish news content is qualified as one of its key competences. The newspaper internalises content production and editorial processes, which provide the foundation for an in-house assured content enrichment. The rich and dynamic front page further corroborates this core capability. The utilisation of the online typographic and front-editing tool *Dr Front*, in particular, enables VG Nett to maintain a rich media front that truly reflects the most topical news affairs. Whereas this technological resource is delivered by the software company *Aptoma*, management and access to news content are primarily assured in-house.

The ability to process and manage editorial content and frequent news publishing also conduces to the provision of multimedia services and digital content. These propositions are unquestionably reinforced by the web video solution *Dr Video*. More specifically, VG Nett has the ability to synchronise digital content with existing news categories and to incorporate contextual interlinking of complementary services. This is enabled by the utilisation of content and service integration, which comprise the second and the third core capability of the company. *VGTV.no*, synchronising content with existing categories, and *VGLive.no*, integrating VG Debatt and Facebook chat, are prime examples of these integration strategies. By exploiting such integration, VG Nett seeks to reap the benefits of content enrichment and product rationalisation.

In order to provide customer-oriented services and user-generated content, VG Nett deploys assets that are derived both from internal and external capability integration. These pertain to the utilisation of customer segmentation and customer integration, which comprise VG Nett's fourth and fifth core capability. Initiating various product and service developments that reciprocate the threshold traits required by end-users implies segmentation of the customer base. The integration of user contributions and customer segmentation also yields an attractive marketing proposition to advertisers. By providing better-tailored solutions and greater contextual communication between advertiser and reader, these core capabilities enable higher advertising accuracy and customer reach.

VALUE CONFIGURATION: As value is the outcome of a configuration of inside and outside activities and processes, VG Nett fulfils the key activities of two value configuration types: *value chain* and *value network*. By functioning as a value chain, VG Nett creates value by transforming raw materials into finished products, which, in turn, establishes a basis for differentiation. As the process of value creation is sequential, the company adds value at each interrelated stage of the production chain—from input logistics to outbound logistics and sales. In particular, VG Nett is directly involved in each of these generic activities, as 59 per cent of the 36 592 articles published in 2010 were pure in-house production (Redaksjonelt regnskap VG 2010).

VG Nett, on the other hand, provides a networking service, which facilitates exchange relationships among customer segments, distributed in space and time. Acting as an intermediary, the newspaper enables interaction between end-customers and suppliers, as well as end-customers and advertisers. The company seeks to capture rents from positive network effects, where one additional user to the network directly increases the value of the service to all users. Commensurate with the primary activities of the value network, VG Nett is engaged in network promotion and network management, as well as service provisioning and infrastructure maintenance.

PARTNERSHIP: VG Nett has initiated partnerships, which I classify into two main groups of partnering, respectively *strategic partnerships* and *joint collaborations*. The first type of partnering emphasises optimisation through *strategic alliances* and *marketing agreements*, where the company focuses on its core competencies and relies on partner networks and outsourcing for its non-core competencies and activities (Osterwalder 2004). By engaging in strategic alliances with successfully

established firms, VG Nett seeks to benefit from their competitive advantage and specialised knowledge in order to enhance economies of scale and customer acquisition. This partnership type has informed the foundation for *VG Spill* (King.com), *Hestespill* (Riks Toto), *VG Nett Tipping* (Norsk Tipping), *Prisjakt.no* (Schibsted), *Fotoalbum* (Eurofoto), *VG Hurra* (Roxory), *VG Nett Hjemmesidetjeneste* (123hjemmeside.no), *VG Manager* (Swush.com), *Mobilmorro* (Lobus Mobil), and *Weather Forecast* (*pent.no* by StormGeo).

VG Nett has also established marketing agreements for supply of editorial content supply and distribution of technological resources, primarily as a unilateral flow towards the online newspaper. Outsourcing is the main objective behind such distribution agreements as partner resources and capabilities may possibly leverage VG Nett's business operations and core competences. The technological contributions for live publishing of multimedia feeds (*Shootitlive.com*), sports streaming (*C Sport.no*), and blogging services enhanced with various community tools (*Insub.com*) illustrate this nicely. The editorial products are further enriched by content supply on the topics of travel and search (*Finn.no*), food and beverage (*Aperitif.no*), home and interior (*hjem.no*), technology and games (*lydogbilde.no*, *gamer.no*, *Pressfire.no*, and *PC World*), as well as various content from its paper counterpart VG.

Although VG Nett has predominantly launched products and services autonomously, it has, however, also engaged in a joint collaboration for co-development of new offerings. *Møteplassen.no* exemplifies such type of cooperation between Finn.no, VG Multimedia AS, and Schibsted Tillväxtmedier AB. This undertaking is characterised by shared infrastructure in order to reduce risk and uncertainty both in the Norwegian and Swedish online dating market.

5.2 CASE: Dagbladet.no

VALUE PROPOSITION: Dagbladet.no also offers five value propositions, each of which comprises a bundle of products and services that cater to the needs of specific customer segments. The primary value proposition is the provision and frequent updates of news related content. The implementation of an in-house developed

publishing system further reinforces this key proposition by facilitating dynamic dissemination of topical information and, thus, improving service performance. Such up-to-date content is conveyed through a range of news classifications, among which politics, sport, culture, travel, and entertainment. The primary value proposition is further enhanced by the provision of a news archive, a browsable publication of tax assessments, picture series, and comic strips.

The sports magazine *Sport.no*, nicely exemplifies Dagbladet.no's editorial interest in the sports sphere. In addition to reporting on wide range of sport types, this product offers sports betting, a sports commentary section, and a football blog. The utilisation of key word search further add an innovative element to the created value, thus, bringing better usability and newness to the core product. Similarly, the *Culture* section covers the current issues within the fields of music, film, literature, and art. This core solution is further enhanced by supplementary elements (e.g. book charts, top lists from Spotify and WiMP, and an editorial music blog). Despite discernibly improving value by adding innovative elements, both offerings could be measured at a *me-too* level, where value is created at the moment of actual *use*.

Whereas less importance has been ascribed to the economic and financial segments, an increasing emphasis has been placed on entertainment and leisure. The online feature magazine *Dagbladet Magasinet* nicely illustrates this area of editorial commitment. Based on three weekly publications in the printed-paper, this product provides consumer content on the subjects of interior, wine and cuisine, social life and cohabitation, as well as portrayal interviews with famous people. Even though Dagbladet Magasinet provides accessibility and lower search costs to its end-users, value is, however, still configured at the moment of *consumption*. Despite bringing a distinct mix of supplementary elements, this offering could still be measured at a *me-too* value level, as customer utility is basically unaffected. The entertainment site *Kjendis.no*, on the other hand, provides celebrity material and famous events both of national and international character. By synchronising fashion and celebrity articles with relevant multimedia content, this offering becomes commensurate with VG Nett's *Rampelys*. It could be, therefore, located at a *me-too* value level, where value is created through *consumption*.

The entertainment portal *Start.no* offers a large variety of quiz, videos, top lists, comic strips, and online games, and has managed to attract up to 800 000 unique visitors per week (Start Network). By focusing considerably on the development of services that enable user participation, Start.no has positioned itself as a social arena for the younger audience, underpinning the reciprocal function of being entertained and entertaining others. Value is, therefore, created both at the moment of *consumption*, as value proposition attributes match customers' needs, and at the moment of *value creation*, as customers are also integrated in the configuration of their value package. Although resembling an already existing offering, Start.no could be measured at an *innovative imitation* value level as it adds novel elements to the core product.

Dagbladet.no has also acknowledged the gaming sphere as an important area of commitment. The game magazine *Pressfire.no*, on one hand, reflects this business reasoning. This editorial product provides an in-house assured commentary section and game reviews. Value is again created through *use* and could be positioned at a *me-too* level in comparison with market competitors. On the other hand, the obsolete service *Spillklubb* could be regarded as a strategic initiative for generating additional value as it enables registered members to win prizes through message competitions. Furthermore, the newspaper provides a large variety of sports betting and games through *Travtips* and *Oddstips*. Although including services such as trotting advice, practical assistance, and related news content, these offerings possess the same attributes as those of the competitors, as no differentiation and newness is provided.

Moreover, end-customers can also benefit from a live boat traffic service that reports the location of vessels on a world basis (*Kystkartet*), as well as a weather forecast service (*Været*). *Se.no*, on the other hand, offers a detailed TV programme through channel selection, lists and timelines, supplemented by trailers, film reviews, TV quiz, additional facts about upcoming broadcastings, and articles from *Kjendis.no*. Value is derived both from the actual *use* of the offering and the *value creation* process as users are able to customise a calendar with TV favourites, subscribe for message alerts, and free newsletters. As *Se.no* improves value by adding a novel compound of elements, it could be measured at an *innovative imitation* level.

Dagbladet.no also provides multimedia services and digital content, which

comprises its second core value proposition. Reflecting this area of commitment, *Dagbladet Live* offers live streaming of breaking news and important sports arrangements, as well as pay-per-view football matches. The written explications of studio hosts and the forum comments of registered users supplement the real-time broadcasting with elements of interaction and social engagement. Value is, thus, created through actual *consumption* and could be measured to *innovative imitation*.

The web TV service *Dagbladet Video* clearly illustrates the company's strategic logic of integrating video segments in news articles and customising video for various platforms (Werring 2007). This service not only utilises video as a complement to the various news categories of Dagbladet.no, but also as a feature or a main element, where text and static images are its supplements (*ibid*). By coordinating product attributes and customer needs, this offering maximises value at the moment of *use*. However, it does not provide any differentiation and could be, therefore, estimated at a *me-too* value level.

The second value proposition is further underpinned by the online game site *123spill.no*. Functioning as a content aggregator, this offering provides online games by linking to the respective web site that initially distributes them. By enabling customers to participate in the formation of the product portfolio, I could infer that *123spill.no* creates value at the moment of the *value creation*, where the value level is measured to *innovation* in comparison with market competitors.

Dagbladet.no has also engaged in the provision of consumer-oriented services that constitute the third value proposition of the company. On one hand, the newspaper offers services that facilitate mediation between end-customers and suppliers, which, consequently, lowers the search costs of both parties. The real estate portal *Ny.no* and the cost-efficient purchasing service *Start.kickback.no* are prime examples of such product developments. While the former generates a marketplace for reciprocal interaction between estate sellers and potential buyers, the latter allots cashbacks and discount ticket coupons to registered members when purchasing from its respective partners. Value is, thus, created through the reduction of search and acquisition costs, and could be captured at the *consumption* phase of the value life cycle. Both *Ny.no* and *Start.kickback.no* could be measured at the level of *innovative imitation*.

Dagbladet.no has, on the other hand, also engaged in consumer-oriented services that are principally established on the concept of interest community, but do, also enhance value by adding novel product features. *Bokklubb*, in particular, provides an online arena for book purchasing and knowledge acquisition, where the enthusiasm for books lies at its core. With emphasis on Norwegian and translated quality literature, Bokklubb offers its members frequent newsletters, fixed discounts on book ordering, and short delivery time. Value is created through *effort* reduction during the appropriation phase of the value life cycle by ameliorating customer's buying experience and providing complementary materials about books and writers (*Litteraturklubben Blogg*). As the Bokklubb- concept is deemed neoteric for the Norwegian newspaper market (Bonnier News - Tanum), the offering could be measured at an *innovation* value level. Nonetheless, Dagbladet.no also provides a book retailer service (*Bokhandel*) for non-members, who would like to purchase books online in an easy and convenient way.

Similarly, the video-on-demand service *Filmarkivet.no* offers a variety of films with preponderance of Norwegian production. The rental service provides both pay-per-view and free of charge productions, but requires a member registration before use. This offering creates value at the moment of *consumption* and could be measured to *innovation*, as it offers a completely new product in comparison with market competitors. The editorial focus on the film segment is further corroborated by the provision of film reviews and trailers, a film database (*Filmbasen*), and the paid service *Filmklubb* that sends invitations to members for free movie screenings.

Acknowledging the essential role in the consumers in the competitive business environment, Dagbladet.no has increasingly facilitating user participation and user-generated content, which constitute its fourth value proposition. Through the editorial services *Dagbladet Debatt* and *Nettmøte* readers are enabled to express their opinion by either commenting on or inquiring the viewpoints of experts. They are also empowered to interject remarks on editorial content, where articles are often indexed with a reciprocal link to contextual blog posts (a function enabled by *Twingly*). Through an e-mail and RSS update function users can further follow the responses to their own contributions and the unfolding of debates in general. All these offerings create value at the moment of *use*, especially when assumed customer value corresponds to perceived customer value, and could be measured at a *me-too* level.

Diktbasen and *Dikt.no*, on the other hand, epitomise the company's emphasis on co-creation and tight customer integration. The former product encourages end-users to submit personally created poems through the forum channels *Diktkammeret* and *Skolekammeret*, while the latter facilitates circulation and discussion of consumer-generated poems, novels, and factual prose. Similarly, the entertainment portal *Start.no* solicits end-customers to create content for public consumption, as well as evaluate and comment on user-shared contributions. As end-customers participate with personally created videos, quiz, polls, and top lists, I could infer that value is derived from *use*, at the moment of *value creation*, which, in turn, creates additional value for other users. Taking into account that VG Nett's user-generated content site *Snutter.no* does not longer pose any competition due to discontinuation, *Start.no* could, therefore, be measured to *innovation*, as it introduces a novel combination of product features and attributes.

Nevertheless, *Dagbladet.no* has also attributed a great importance to the offerings that address advertisers, which constitute its fifth value proposition. With emphasis on diversity and functionality, the company primarily offers standardised and tailor-made advertising formats that are aimed to correspond to advertisers' needs and objectives. Depending upon a front page, article, or section advertising level, advertisers can take advantage of top and middle banners, net and super boards, horseshoe, skin, and text-based advertisements, which link to the advertiser's web site. Advertisers can also aspire a stronger brand effect by selecting advertising formats on a duration base. Thus, a day-based, week-based, and view-based advertising could contribute to a more efficient and accurate advertising scope, as well as better contextual "communication" with target prospects. Advertisers can, in addition, personally compose their day-based campaigns and reserve advertising slots through self-assisted advertising.

Dagbladet.no further provides purposeful tailor-made advertising formats, considered to provide better optimisation of message and scope. Following the market trends of higher contextual advertising and integrated customised solutions, the company has also included the digital enclosure format in its marketing apparatus. The implementation of web TV and mobile services has, on the other hand, paved the way for multimedia-enabled formats, comprising Flash advertisements, pre-rolls and post-rolls. In sum, by providing a rich spectre of advertising formats, *Dagbladet.no*

seeks to satisfy advertisers' needs and requirements, which could, consequently, result in higher recycling effect and increased profitability for the newspaper.

TARGET CUSTOMER: Dagbladet.no's business operations are aimed to reach and serve three distinct customer segments, end-customers, advertisers, and suppliers accordingly. Although the preponderance of readers share the common demand for information and entertainment, the newspaper does, however, acknowledge that target customers also have varying needs and requests. This has resulted in the utilisation of efficient segmentation that enables better synchronisation between allocating investment initiatives and matching target segments. The newspaper, on the other hand, also caters to several interdependent customer segments. Recalling the core of the "dual-product market", Dagbladet.no needs interesting products to attract a large reader base, which, in turn, attracts advertisers, who finance its production and operation. This implies that the business model of the newspaper is also designed to employ a multi-sided market approach.

DISTRIBUTION CHANNEL: Analogous to Nettavisen and VG Nett, Dagbladet.no also utilised two distribution channels for bringing its value propositions to the market. The desktop Internet is again the primary channel, through which the newspaper reaches customer segments and communicates its customer value. Its main channel links comprise the company's web site and free RSS news feeds. The company's web site provides a direct connection with customer segments, which affects the business process management and advertising revenues of Dagbladet.no. This channel link, in addition, distributes the editorial product of the printed counterpart Dagbladet (e.g. *ePaper* and *pdfPaper* formats), as well as markets its weekend home delivery service. Besides, the company enables a bookmark and article sharing function for Facebook and Twitter, but still hasn't fully exploited the vast potential of such technological integration. Notwithstanding, the two channel links both fulfil the role of raising *awareness* and assisting the *evaluation* of the company's value propositions.

Dagbladet.no reaches customer segments also through the mobile Internet platform, which constitutes its second distribution channel. As identifying the right channels for bringing the value propositions to the market is crucial for most businesses (Osterwalder & Pigneur 2010), Dagbladet.no has certainly made an adequate strategic choice. The constant endeavours to stand at the forefront of product

innovation and adapt to the changing consumer patterns have harvested enviable results, when in 2010 the media company won the prize for best mobile site. More specifically, the mobile content is disseminated through the channel links wap phones, smartphones, and iPad accordingly.

CUSTOMER RELATIONSHIP: Dagbladet.no essentially establishes and maintains three customer relationships, respectively automated services, co-creation, and communities. These relational strategies are found to co-exist in the company's relationship with its end-customer segments, which could significantly impact on the overall customer experience. The automated services relationship entails a more sophisticated form of customer self-service and implements personalised mechanisms to extend the duration of the producer-consumer interactions. By subscribing to particular RSS news feeds and newsletters (e.g. *Bokklubb*, *Se.no*), users receive the company's value propositions over a longer period of time. Such automated services are directly assigned to *retaining* customers, which could further contribute to *brand* building and customer loyalty. The utilisation of personal online profiles (e.g. *Filmarkivet*, *Start.no*, *Start.kickback.no*) provides access to customised services and history of personal activities through a login mechanism. At its best, such type of automated services can stimulate a personal relationship and enable Dagbladet.no to maintain its customer base.

Analogous to a large number of companies, Dagbladet.no has also gone beyond the traditional customer-vendor relationship, namely, co-creating value with customers. The newspaper enables end-customers to contribute to the formation of a product offering (*123spill.no*) and create content for public consumption (*Start.no*) that could enhance the total value offered to other users. As far as the customer equity goals are concerned, such co-creation relationships utilise interaction mechanisms to optimise customer *acquisition* and maximise customer value.

To some extent, Dagbladet.no also maintains a user community relationship, which slightly deviates, however, from the conventional understanding of online communities as social aggregations that facilitate many-to-many interaction and collaboration on the basis of common interests and needs (Rheingold 2000). Although the company's social networking site *Blink.no* was closed down in March 2011 due to decreasing figures, Dagbladet.no still provides a type of audience community, which is embedded in its discussion service. Through a personal account end-users can

expound views on particular articles or posted comments, as well as recommend interesting web material. The possibility to follow the contributions of other members and integrate personal blog and twitter entries further corroborates the community trait. Encompassed by the notion of stronger relationship, such relational strategy could, in effect, increase customer loyalty and enhance customer *retention*.

CAPABILITY: Dagbladet.no disposes five core capabilities that are essential for the configuration and provision of its value propositions. In essence, the company internalises editorial processes and content production, which enable frequent updates of news and entertainment. The utilisation of the in-house developed publishing system *Labrador* further corroborates the primary core capability. By handling all aspects of digital front- publishing from text to video integration, this technological tool enables an effective and dynamic content editing that reflects current news.

Notwithstanding, the ability to articulate complete content management and frequent news updates manifests itself as a key asset also in the provision of multimedia services and digital content. The company possesses, in particular, the ability to integrate digital elements as a complement to news articles, as well as synchronise multimedia content with existing categories. This content architecture is rendered possible by the utilisation of content integration, which comprises the second primary capability of the newspaper. Dagbladet.no also modestly embrace service integration, which I regard as its third capability. Incorporating Kjendis.no and Facebook functionality, Se.no clearly exemplifies of this capability. By exploiting content and service integration strategies, the company seeks to provide relevance and content enrichment to its core editorial product.

Dagbladet.no also resorts to customer integration and customer segmentation, which constitute its fourth and fifth core capability. Substantiated by in-house assured and outsourced resources, these competences are pivotal for the facilitation of user-generated content and the provision of consumer-oriented services. By mobilising readers to actively participate in the configuration of value packages, Dagbladet.no seeks to inject a clever brand building mechanism and boost audience, so that revenue logics can evolve. Both core capabilities further yield an attractive proposition to advertisers. By facilitating greater contextual association with target prospects and access to a large customer base, they contribute to a more efficient and accurate advertising scope.

VALUE CONFIGURATION: In line with the key activity assertions of Stabell & Fjeldstad (1998), Dagbladet.no employs more than one technology and could, thus, be considered an instance of two distinct value configurations. In this respect, the company performs a number of key activities that pertain to the *value chain* and *value network* configuration types. Dagbladet.no functions as a value chain as it is engaged in production activities that are primarily signified as the sequence of inbound logistics – operation – outbound logistics. Value is created through the transformation of inputs into products, where the adaptation of supply to demand is accentuated.

Despite present to a lesser extent, Dagbladet.no also performs network-related activities by facilitating reciprocal relationships between suppliers and end-users. In essence, the company provides a mediating service, where the main value creation logic is connecting inter-reliant customer segments. As positive network externalities have a direct influence on such networking services, value is, therefore, considered to increase with the expansion of the respective network. Commensurate with the primary activities of the value network, Dagbladet.no performs activities that relate to network management, network promotion, and service provisioning.

PARTNERSHIP: Drawing on the assertion that partnerships are becoming the cornerstones of many business models (Osterwalder & Pigneur 2010), Dagbladet.no is engaged in two partnerships- *strategic partnerships* and *joint collaborations*. I divide the former type into *strategic alliances* between non-competitors and *marketing agreements* for acquiring content and resources. By engaging in buyer-supplier agreements, Dagbladet.no seeks to take advantage of partners' specialised knowledge and scale economies, and, thus assure cost reduction and customer acquisition. This key rationale underlies the provision of *Travtips* (Norsk Rikstoto), *Oddstips* (Norsk Tipping), *Bokhandel* (Tanum), *Start Nettpill* (King.com), *Start.kickback.no* (Kickback.no), *Filmarkivet.no* (Norges Film AS), *Kystkartet* (AIS Hub) and *Weather Forecast* (StormGeo).

Dagbladet.no has also entered marketing agreements for unilateral content supply and distribution of technological resources. The technological contributions that facilitate live publishing of professional photos and videos (*Shootitlive.com*), football streaming (*C Sport.no*), and film database (*FilmLex*) epitomise this type of strategic partnering nicely. Such marketing agreements have also furnished complementary editorial content on a variety of consumer topics and technology

(*Klikk.no* and its partner network), entertaining material (*Humor911.no*) and book charts (*The Norwegian Bookseller Association*). Besides, *Dagbladet.no* collaborates tightly for editorial supply with its printed counterpart, which further enhance its business operation and value offerings.

The company has, in addition, initiated joint collaborations for co-development of new elementary offerings. One motivation behind such partnerships is the reduction of risk and uncertainty through shared infrastructure and efficient exploitation of firm-specific assets. This underlying rationale is nicely exemplified in the entertainment site *Start.no*, which is the outcome of the joint venture with the web portal *SOL* (*Start.no*). Similar logic could be found in the development of the book related service *Bokklubb*. Yet, it also corroborates the objective for capitalising on the core competences of the partnering firms, which, in essence, have achieved a competitive position in their respective area of commitment (the bookstore *Tanum*).

5.3 CASE: Nettavisen

VALUE PROPOSITION: Although e-business value propositions tend to be complex and hard to communicate in an easy way, *Nettavisen* essentially offers five value propositions, each of which includes various offerings. The primary value proposition is again frequently updated news publishing and information, classified in the verticals news, sports, economy, consumers, and technology. The economic news site *NA24.no* nicely exemplifies the company's product developments within the business sphere. It provides financial and media related news, supplemented by career materials, daily comments, and blog contributions from specialists. The stock market service *Euroinvestor.no* and the financial service portal *Finansportalen.no* further underpin this area of commitment. The former provides investment information and investor relations services to private investors and publicly traded companies, whereas the latter empowers consumers to make well-founded decisions by comparing the various products in the financial services industry. Value is, therefore, derived from *utilisation* by *effort* reduction of time-consuming information search, and could be measured to *innovative imitation*.

Nettavisen has branched out into two online lifestyle magazines: *Side2.no* catering to female consumer segments (*Side2.no*) and *Side3.no* to the male audience. Both web sites provide a mixture of smartly composed content and supplementary services that could increase customer value. *Side2.no* provides an online dating service (*Match.com*), a portal for the alternative market (*Magic.no*), and a marketplace for vintage clothing (*Side2vintage.no*), whereas *Side3.no* substantially integrates the Facebook's comment and share functionality in its content architecture. Both sites offer user contributions through blogging services: *Side3* with *Flinkepiker.org* and *Side2* with *Side2blogg.no* and *Blogglisten.no*. Value could be created both through the actual *consumption* of the online magazines and at the moment of *value creation*, as customers are enabled to participate in the value configuration process. The customer utility could, thus, be measured at an *innovative imitation* value level.

Readers can also benefit from the editorial strength of the publishing house *Hjemmet Mortensen*. Its wide range of magazines is strategically gathered within the web site *Klikk.no*, which Nettavisen distributes. As one of the fastest growing consumer web portals, *Klikk.no* covers a myriad of topics within housing and food, parenthood and health, interactive guides, and consumer tests. Through *Proccycling.no*, *Altomfotball.no*, and *Nettavisen Live*, Nettavisen, the newspaper attempts to cover other areas of interest such as cycling and football. The main value again comes from the actual *consumption* of these offerings as their basic attributes match customers' expectations in terms of editorial scope. As the offerings provide novel elements, their customer utility could be measured to an *innovative imitation* level. Drawing on similar underlying logic, the in-house assured blog feature *Comments* provides readers with valuable input on ethical and consumer-related issues. Value is again created through *use* and could be measured at a *me-too* level.

Nettavisen also provides news related content about the game sphere. *Spillmagasinet.no*, a consumer portal for all game enthusiasts, presents the latest in the market, supplemented by commentary sections, forum contributions, and related videos from its YouTube channel. *Barnetid.no*, on the other hand, provides useful tips and evaluation of children's computer games, and addresses primarily parents and game interested children within the age of 13. For both offerings value is created at the moment of *use*, whereas the customer utility is measured to different value levels.

Spillmagasinet.no could be located at a *me-too* value level, as it bears no differentiation traits, while Barnetid.no caters to an entirely new set of needs and could, thus, be measured to *innovation*.

This area of editorial commitment is further corroborated by the provision of online gaming communities. *007.no* (also *007spill.no*) and *King.com* offer a wide range of online games and personalised mechanisms, whereas *Managerleague.com* enables multiplayer interaction between real people managing fictitious football teams. Value is again created in the *consumption* phase of the offerings, at the moment of *value creation* as end- customers are enabled to configure personal value packages. The customer utility is, however, unaffected in comparison with existing market offerings, and could, thus, be measured at a *me-too* value level. Similar logic evolves for the sports game site *Sportspill.no*, which operates as a commission broker for Norsk Tipping and Norsk Rikstoto. The main value of this offering is derived through *consumption*, predominantly in the *purchase* stage of the value cycle, as it improves fulfilment by cumulating personal gaming activities and monetary transactions. Although the customer utility could be measured at a *me-too* value level, the core value proposition of Norsk Tipping and Norsk Rikstoto is enhanced with supplementary features (e.g. forums and editorial articles) that, subsequently, generate added value.

The personalised product *Nettavisenpluss.no* further substantiates the prime value proposition of the newspaper. It functions as a web news aggregator in conformity with personally proposed news sources and categories. Customers are enabled to create their own online newspaper through a combination of news articles both from Norwegian news sites and international titles. Value is, thus, created at the moment of *consumption* through *effort* reduction. In comparison with market competitors, *Nettavisenplus.no* could be measured to the level of *innovation*, as it introduces a revolutionary combination of product attributes.

Nettavisen also provides a job advertisements section, classified advertising delivered by *Zett.no*, a browsable register of taxpayers, and a weather forecast service. In addition, customers can benefit from a news archive (spanning Nettavisen, A-pressen, and TV2), as well as an online car shop (*Motorshop.no*) and a column space with a direct link to the football team Vålerenga.

Moreover, multimedia content is also discernible within Nettavisen's product offerings. Despite being appropriated to a lesser extent in comparison with VG Nett and Dagbladet.no, I do, however, regard this as the company's second value proposition. Multimedia content is reflected in the provision of online games, interactive games, and football live streaming. Essentially outsourced by affiliated partners, these services create value through *use* and could be measured at a *me-too* level.

Nettavisen has in recent years increasingly concentrated on the provision of consumer-oriented services, which comprise the company's third value proposition. Acting as pure intermediaries, such "off" the news services create information-enriched marketplaces, where various customer segments are enabled to engage in reciprocal commercial transactions. In particular, end-customers can switch to more favourable mortgage conditions (*Minrente.no*), cheaper electricity subscriptions (*MinStrøm.no*), receive personal tenders from contractor firms and craftsmen (*Mittoppdrag.no*), or from estate agents when selling properties (*Meglerguiden.no*). End-users can also receive preferred loan offers (*Minkreditt.no*) or information about annual car controls, car insurances, and repair shops (*Bileier.no*). These consumer-oriented services are founded on the "naked systems" concept (Anderson & Narus 1995), wrapped with additional elements that provide fast and simple access for consumers, as well as large visibility and presence for suppliers. For end-customers value is created at the moment of *use* through *effort* reduction, while for suppliers value emerges at the moment of *acquisition* of the services (e.g. at additional price). Value is again maximised as product attributes correspond to customer needs. Although not bringing a revolutionary newness to the market, these offerings, however, introduce a new investment path that takes form in the online news sectors, and could be, therefore, measured to *innovative imitation*.

The member club *Norgespasset.no* further underpins this value proposition by providing beneficial offers fitted to customers' preferences, participation in exclusive competitions, and access to a number of Nettavisen's services. In essence, the newspaper communicates directly with each member on behalf of suppliers and

advertisers, based on the personal profile and the type of membership²⁵ of each respective user. This personalised service presents a novel way for reconditioning the media realm by providing for segmented communication, more streamlined and focused customer targeting, and advertising optimisation. Value is, thus, created both through *use* as service attributes correspond to vendor needs and customer preferences, and through customers' *effort* reduction as search, evaluation, and acquisition costs are considerably lowered. The main value of the offering is created at the stage of *value creation* as customers are enabled to personalise or configure their own value package. Although Norgespasset.no is not a completely new market offering, it introduces, however, a revolutionary combination of service attributes, and could, thus, be measured to the level of *innovative imitation*.

Emphasising local and regional marketing, *Informa.no* comprises a product and service catalogue with special daily offers with up to 90 percent discount. The service builds on “social group buying”, which entails that deals become actualised as long as there is a sufficient amount of purchases. Such logic could, in turn, aggregate a larger customer base for Nettavisen and a higher purchase volume for suppliers. The bulk of value could be localised at the *innovative imitation* level of the value scale and is derived from the actual *use* of the offering, which at a *free price level* (e.g. without any additional fees) enables end-customers to make cost-efficient purchases.

Similarly, the real-time reservation service *Bordbestilling* facilitates online restaurant booking, as well as dinning availability and location check in more than 17 countries. End-users can utilise a free of charge, convenient, and timesaving reservation service, whereas restaurateurs can gain increased website functionality, online marketing, and business promotions. Analogously, *Momondo.com*, the travel search aggregator for flights, hotels, and car rentals, facilitates end-customers in saving time and money. Provided as a complimentary service for personal and non-commercial use, Momondo.com also enables personalised settings and uploading of users' travel materials. Both offerings create value through *effort* reduction at the moment of *use*, and could be measured at the *innovative imitation* value level.

²⁵ Members subscribed for gold membership receive more favourable offers, premium content (e.g. news analysis, exclusive newsletters and editorial content) and get access to new services before non-paying members.

Underpinning the third value proposition, *Gullvekten.no* and *Sølvtorget.no* function as return channels for old and damaged jewellery, golden and silver accordingly. These services are reasoned to create value through *effort* reduction as transactions happen in a controlled and effective way, and settlements are registered directly on sellers' bank account. Despite serving a pretty narrow market, *Gullvekten.no* and *Sølvtorget.no* present a novel way for transaction efficiency, and create value at the *value transfer* stage when old items are disposed of with a profit.

Nettavisen is also engaged in another type of consumer-oriented services that draw on the concept of virtual communities. The online dating service *Match.com* (primarily provided by *Side2.no*) enables contact between singles from several countries. Depending on the subscription type users can take advantage of key-targeted search, relationships advisors, affinity tests, and two-way matching functions. Although online dating services already exist in the market, enhanced with supplementary product attributes *Match.com* positions itself at the *innovative imitation* level. Value is again derived through *use* and is primarily created at the *purchase* stage of the value life cycle, as paid subscriptions grant users more access and more avenues for social interaction.

End-customers can also leverage the web-applications of the online community for mental training *Hjerneklubben.no*, supplemented by consumer forums for exchanging experiences and receiving competent advice from experts. Building on the concept of "edutaining people", this offering aims at accelerating the mental function, the cognitive processes, and the level of knowledge of career- and self-development interested consumers. *Hjerneklubben.no* can be placed at the *innovation* phase of the value scale as it introduces distinctiveness and newness to the online news sector. Value is again derived from *consumption*.

Similarly, by utilising Nettavisen's *Hjemmesideservice* end-users can create their own home page from a variety of audiovisual elements, themes, and picture configurations. Value is, thus, created in the *value creation* process as the customisation features enable customers to tailor the product according to personality and tastes. The customer utility can be measured at a *me-too* value level, as the service does not differentiate itself by product specificities and price from the one of the competitors.

Nettavisen also resorts to enhancing customer value by taking advantage of the symbolic relationship between citizen media and mainstream media. The utilisation of user-generated content and customer integration comprise the fourth value proposition of the company. Readers are enabled to expound views on news articles or earlier posted comments. Services like *Blogglisten.no* and *Twitterlisten.no* further encourage active user participation by creating a public arena for user-generated content. *Blogglisten.no* enables cost-efficient promotion of blogs by increasing their visibility and aggregating more traffic. Similarly, *Twitterlisten.no*, provides an overview of the Norwegian Twitter sphere with its topical hashtags, aggregated links, and retweets. Both offerings create value at the value *use* stage of the life cycle. As the former lowers search costs and the latter provides simplification of the Twitter's user interface, value is configured through *effort* reduction and measured respectively at an *innovative imitation* and *innovation* level.

By providing advertising space, Nettavisen also addresses advertisers (e.g. its fifth value proposition). Whether targeting a broader audience or niche markets, where the contextual association is stronger, advertisers can take advantage of standardised advertising formats and purposeful tailor-made advertising. Localised on front page, article, and section advertising levels, the standardised formats comprise corner and top banner ads, skyscraper and strip, net board and article board, as well as top button and horseshoe. The tailor-made advertising, on the other hand, enables advertisers to segment their campaigns in a more efficient way. Such special formats include full screen Flash advertisements, accompanied by video, expandable top banner ads, Sticky sky, and RedSans. Following the trend towards high contextual advertising and integrated customised solutions, Nettavisen also provides the rapidly expanding *digital enclosure* format. As digital enclosures develop greater communication through insights into customer and market knowledge, they are utilised in order to create stronger impression and involvement among readers.

TARGET CUSTOMER: Nettavisen's business operations are aimed at a homogenous target group and this, therefore, does not determine a particular target end-user profile. By utilising effective segmentation, however, Nettavisen is able to allocate investment resources to target segments that will be most attracted by its value propositions. In this respect, the core value propositions address both business and private customers (e.g. B2B and B2C). As these customer segments are considered

interdependent, I could infer that the company resorts to a multi-sided market approach. The B2B and B2C customers could be further decomposed into end-users, advertisers, and suppliers. I could infer that Nettavisen's product portfolio targets both genders and addresses customers at different levels between mass markets and "one-to-one" marketing, with an emphasis on segmented and niche market strategies.

DISTRIBUTION CHANNEL: Nettavisen offers and markets its value propositions through two main distribution and communication channels. The desktop Internet is its primary distribution platform, which plays a pivotal role in the promotion, dissemination, and visibility of its elementary offerings. The main building blocks of this marketing system consist of the company's web site, the web sites of intermediaries, RSS- feeds, and the Facebook page of the newspaper. The company's web site constitutes its marketplace and is, thus, the primary channel link that enables the newspaper to deliver value directly to its customer segments. Nettavisen, on the other hand, also delivers its value propositions indirectly through partner channels (e.g. the partner-owned web sites of VIF-football and Klikk.no). This may lead to lower margins, but also allow the newspaper to expand its reach and benefit from partner strengths. In sum, these channel links develop customers' *awareness* of the company's existence and provide for the *evaluation* of its value propositions.

The mobile Internet platform is the second distribution channel, where the bundle of mobile publishing, mobile marketing, and sports on mobile is delivered through the channel links wap, smart phones, SMS alerts, and iPad. The mobile version of the web site is hosted by Boost Communications, which also provides Nettavisen with a range of SMS services for votes, quiz, breaking news alerts, and SMS live score alerts for football. These links not only fulfil the *awareness* and *evaluation* functions of the customer buying cycle, but also introduce new relationship mechanisms, such as personalisation and trust. The iPad version of the newspaper is also found to serve the same functions. It uses, in addition, ICTs for innovative online support solutions (e.g. *after sales* support) and is optimised for various reading experiences and article rotations. This, in turn, provides additional value and contributes greatly to customer satisfaction.

CUSTOMER RELATIONSHIP: Nettavisen maintains three types of customer relationships, automated services, co-creation, and user communities that could contribute to customer equity customisation. As profits from customer relationships

are deemed the lifeblood of all businesses (Osterwalder 2004), Nettavisen has utilised interaction and personalised mechanisms in order to leverage customer acquisition investments by building up long-term customer relationships.

The automated services relationship is reflected in the utilisation of RSS and e-mail subscriptions, free newsletters, sms alerts, and online profiles. By enabling end-users to register for news updates (i.e. 14 RSS- feeds and article comments), Nettavisen seeks to realise customer *retention* and boost *brand* building. The personal online profiles, on the other hand, give customers access to customised services (e.g. Norgespasset.no, Match.no, Bileier.no, and Minrente.no). Such profiles, in essence, establish a sense of *personalisation* as they recognise individual customers and their characteristics, and offer information related to their personal needs and transaction activities (e.g. Norgespasset.no and Mittoppdrag.no). Personalisation is also achieved through installing switching costs, a strategy nicely exemplified by Nettavisenpluss.no.

The company's business model also builds on co-creation and user community relational strategies that again give impetus to customer *acquisition* and customer *retention*. Although Nettavisen has not yet fully exploited the advantages of co-creation strategies, it also encourages user participation in the development of product offerings. This is exemplified in blogging services (e.g. Side2blogg, Blogglisten.no, and Twitterlisten.no) that serve primarily as vehicles for creating and sharing user-generated content for public consumption.

Moreover, the provision of virtual communities and online forums (embedded in services like Sportspill.no, Spillmagasinet.no, Hjerneklubben.no, etc.) seeks to increase traffic volume through positive network externalities. Such product initiatives not only provide a communication arena for end-customers, but also encourage them to engage in repeat transactions, which, in turn, enhance customer retention. The aggregation of large customer base, on the other hand, furthers the acquisition of new suppliers and advertisers. Thus, by providing suppliers with assignment guarantees, and advertisers with tailor-made advertising campaigns and optimised targeting, Nettavisen seeks to establish *trust* in its customer relationships.

CAPABILITY: Nettavisen disposes five core capabilities in order to provide its value propositions. The primary capability concerns the ability to process and manage

editorial content, as well as offer frequent news updates. The online newspaper articulates content enrichment and information integration, in effect, push-base integration as it provides personalised content. Management and access to local news content are primarily assured in-house and content is catered to customers through a web optimised front page (enabled by *LinkPulse*). Information enrichment, however, solely relies either on gathering and annotating online materials, or content outsourced by editorial partners. Although such content integration is somewhat modestly utilised and does not completely correspond to the type exercised by VG Nett and Dagbladet.no, I still consider it as the second core capability of the firm.

Nettavisen also employs service integration (its third primary capability), which is an essential step towards product optimisation. In particular, the newspaper disposes the ability to embed established social networking services, such as Facebook and Twitter, in its product infrastructure. Nettavisen Live and Side2.no are prime examples of such service integration by encompassing respectively Altomfotball.no and Sportspill.no, and Blogglisten.no and full comment integration with Facebook, Yahoo, Aol, and Hotmail. Side3.no further corroborates this capability, as its section classifications are largely underpinned by Facebook integration for commenting, recommending, and sharing.

Nettavisen also utilises customer integration and customer segmentation, which comprise its fourth and fifth core capability. Both capabilities enable matching editorial content and relevant advertising to corresponding customer needs. This also provides benefits to the advertisers. Although some resources essential for realising audience segmentation and customer integration are outsourced by partners, concurring with Osterwalder (2004), I could say that Nettavisen uses e-business technologies to maintain the tight integration that is necessary for a firm to function efficiently.

VALUE CONFIGURATION: By analysing the firm-level value creation logic of Nettavisen, the newspaper fulfils the activities of both a *value chain* and a *value network*. The company functions as a value chain because it delivers value by transforming inputs into refined outputs such as low-cost or differentiated products. Enabled by long-linked technology, Nettavisen is engaged in the production activities- from input logistics and packaging to marketing and distribution.

Nettavisen also provides a networking service that facilitates exchange relationships between customers. The company functions, more specifically, as an intermediary, whose main value creation logic is linking customers through simultaneously performed mediating activities. As a value network, Nettavisen is engaged in network promotion and contract management, as well as service provisioning and network infrastructure operations.

PARTNERSHIP: Nettavisen relies on a strong partner network consisting of *strategic partnerships* (i.e. *strategic alliances* and *marketing agreements*) and *joint collaborations*. The newspaper has entered strategic alliances with successfully established brand names, where the motivation is to assure customer acquisition by utilising the core competences and activities of the associates. The output of the strategic alliances is translated into the following products and services: *Klikk.no* (the publishing house Hjemmet Mortensen), *Sportspill.no* (Norsk Tipping and Norsk Rikstoto), *Match.com*, *Hjerneklubben.no* (Memolife Pte Ltd), *Nettavisen Momondo* (Momondo.com), *Euroinvestor.no* (Euroinvestor.com and NA24), *Bordbestilling* (Livebooking Holdings Limited), *007.no* (Duplo Media AS), *Nettavisen Hjemmesideservice* (123hjemmeside.no), *Nettspill* (King.com), *Weather forecast* (Storm.no) and *Magic.no* (Kontura AS). Most of these products are established by internalising the so-called “white labels”. This implies that Nettavisen is a co-branded partner with sites that are well reputed both in the national and the international media sphere.

Nettavisen has also entered marketing agreements for product and editorial distribution. Such distribution agreements have established the foundation for *Finansportalen.no* (The Consumer Council in Norway), *Altomfotball.no* (TV2sporten.no), *Vif-fotball.no*, *Motorshop* (Soko AS), *classified advertising* (Zett.no), *Gullvekten.no*, and *Sølvtorget.no* (Aurarius AS). These marketing agreements have also furnished technological contributions that enable blog aggregation (*Bloglovin.com*), real-time comment platform (*Disqus.com*), and football streaming (*TV2 Sumo*). Due to partnerships, Nettavisen offers a variety of editorial content within music and film (*730.no*), travel (*Reiserogferie.no* and *Reiseplaneten.no*), football (*TV2sporten.no*, *siste.no*, *demokraten.no*, etc.), as well as technology and mobile (*Mobilen.no*, *Teknofil.no*, etc.).

Nettavisen has also engaged in a variety of joint collaborations, whose main goal is the co-development of products and services based on shared infrastructure. As today's competitive environment entails high financial risk and capital investments, I could induce that the formation of partner consortium is primarily grounded on two rationales. Through partnering, Nettavisen seeks, on one hand, to increase anticipation and, thus, reduce premium risk and uncertainties. As the launch of new commodities has become quite costly, Nettavisen has engaged in temporary collaboration with competitors, the co-called *co-opetition* (Osterwalder 2004). The co-developed *Mittoppdrag.no*, *Informa.no*, *Minstrøm.no*, and *NA24.no* illustrate this nicely. Nettavisen, on the other hand, seeks to achieve optimisation by capitalising on partners' specialised knowledge. Similar logic could be found in the business organisation of *Side3.no*, *Norgespasset.no*, *Meglerguiden.no*, *Barnetid.no*, and *Side2vintage.no*.

6. Analyses and Discussion: Customer Benefits and Main Value Drivers

6.1 Information Dissemination: Frequent News Updates and the Paradigm of the 24 /7 Availability

The conducted business model analysis of VG Nett, Dagbladet.no, and Nettavisen shows that all three online newspapers, even though in slightly diverging manners, demonstrate a keen understanding of the attention economy and attempt to follow the mechanisms of this paradigm. This is epitomised in their constant endeavours to adapt to the changing consumer patterns and market trends, as well as to stand at the forefront of product development and innovation. In this respect, the three newspapers seek to develop an operational business mindset that emphasises both customer relationship operations and product innovation.

We try to do both, because if you stand still in this market, you lose. We have at any time a handful of products, so we do focus on product development. As I said, our ambition is to always increase the number of users and page impressions, but users foremost. To do that we need to keep the current customer base and develop new products to attract new customers. We seek to generate new customers, but not frightening away the user base we already have. We keep in mind that we need to retain the current users happy and focus on getting new ones. So we have two main ideas in mind at the same time. (Richard Brande, interview 10.06.2011)

I think one follows the other really: product innovation follows the customer relationship aspect. The product innovation is a way to try to stay relevant for the users. We cannot do this without changing, adapting, and expanding. So it is all about trying to stay large and relevant at any time, because that drives traffic and revenue. (Jo Christian Oterhals, interview 27.10.2011)

Although in the face-to-face interviews the informants gave slightly more expression to the commercial-oriented aspects of operating and surviving in the online news industry, they did, however, acknowledged that customers are undoubtedly the blueprints for thriving in the age of constant change. Therefore, scrutinising the strategic choices of these newspapers has helped elucidate the locus of customer value from the perspective of the firm provider, and, more specifically, the intrinsic benefits accrued to the customer segments.

The value creation logic of the three newspapers reveals that by fulfilling the key activities of the value chain configuration, the companies create value by transforming input into product offerings, where the adaptation of supply to demand is accentuated. The aggregated view of the total value created indicates a strong congruity between the core value propositions of the online firms in question. The preponderance of their elementary offerings is found to maximise customer value at the moment of use, as product attributes are considered coordinated with customer needs.

VG Nett, Dagbladet.no, and Nettavisen essentially provide information-based product offerings, which pertain, however, to somewhat diverse content areas. Despite the comparatively different editorial coverage and scope, they all seek to provide frequent updates and richness of content, which are in-house assured, outsourced by business partners, and, to a lesser extent, annotated. VG Nett and Dagbladet.no are, in addition, found to utilise an effective typographic and publishing system (e.g. *Dr Front* and *Labrador*), which further secures a dynamic content dissemination that truly reflects the current news affairs.

We have one single value proposition for our customers and that is to be updated and best at the big news. Not best at every news, but best at the important events that occur. In this context, we do not narrow down the definition of news; so we emphasise best coverage on the really big news stories. It is about always trying to be ahead, and being ahead in this business entails a combination of being first and having the best depth. We, therefore, emphasise depth, breadth, and timeliness. (Jo Christian Oterhals, interview 27.10 2011)

Based on the aforementioned findings, I could infer that customer segments, primarily end-users, could benefit from the provision and frequent updates of news related content and entertainment. The new paradigm of the 24/7 news availability and the regular updates enable end-users to keep well informed with the current global affairs. More specifically, the provision of comprehensive and up-to-date information is fully consistent with one of the efficiency enhancements presented in the theoretical part. Recalling the theory section on the main value drivers, the supply of current and improved information is also asserted to reduce customers' search costs. Although the overall customer gains partially depend on the quality of news contributions (a journalistic aspect that is left out in this research), *efficiency* could be pointed out as the main value source that enhances such customer benefits.

6.2 Variety, Diversity, and Breadth of Selection: The Long Tail of Product Developments

The empirical data further conjecture a positive association between the level of customer retention and customer satisfaction and the range of product selection. In order to enhance customer equity, VG Nett, Dagbladet.no, and Nettavisen are found to secure breadth of editorial selection and vastness of product offerings, which, I construe, could provide generic customer benefits. Gunnar Stravrum also gives expression to this inference, underlining that the Internet-enabled business is all about variety and a lot of small streams; this, in his opinion, is what the present business model for online newspapers rests upon. Jo Christian Oterhals, in particular, juxtaposes the broad product portfolio with a restaurant menu, emphasising that each customer would consume something, but it might not always be the same thing.

By utilising efficient segmentation, fragmentation, and diversification strategies, the newspapers seek to reciprocate the threshold traits required by customer segments, and, subsequently, reveal a previously untapped market demand. Bearing strong resemblance to the concept of the *Long Tail* (Anderson 2006), these strategic choices imply a broad product assortment consisting of homogenised, niche, and somewhat obscure products, present within the newspapers under scrutiny.

The core product, that is news, sports, and entertainment, we have to deliver, because the users expect that from us. The second layer, the thematic consumer-oriented themes, we must deliver, because that is the area where we make money, mainly from advertisers. The third layer is to make loyal users and to make use of the traffic we generate in the previous two areas. Spin-off products, I call it, but on a commercial basis. (Richard Brande, interview 10.06.2011)

End-customers are found to benefit from an extensive range of mass- and niche-oriented product offerings that closely correspond to various individual tastes and preferences. Such gains, I infer, would have a strong association both with the generic and the contingent values offered in this type of business transactions. Advertisers are also found to benefit from a large spectre of purposeful and efficient advertising formats, respectively on front page, article, and section levels. Whether targeting a broad audience or seeking a stronger contextual communication,

advertisers can take advantage of standardised and tailor-made advertising formats, as well as digital enclosure formats that offer more focused and streamlined marketing.

We have recognised that our advertisers are very different- from the big ones such as Telenor and Statoil to the many small companies in Norway. And that is a way of enabling them to use Dagbladet as a platform, even those companies with small advertising budgets. (Richard Brande, interview 10.06.2011)

VG Nett and Dagbladet.no are also found to offer multimedia-enabled formats, which supplemented with geo-targeting (VG Nett) and duration-based segmentation (Dagbladet.no) further complement the marketing potential for the advertiser segments. These product developments seek to provide diversity and functionality, as well as better optimisation of message and scope.

I could deduce that the three newspapers cultivate variety and diversity in their product portfolio, which, in turn, provides a fundamentally new paradigm in the realm of online news. Thus, in line with Normann & Ramírez (1993: 4), I could infer that these companies are not only a link on a value chain, but also a centre of constellation of news, services, and e-commerce elements as they are engaged in a myriad of different customer-related activities. Still, the vastness of content and the abundance of products provide customer gains that are commensurate with the value enhancements resulting in scale economies through demand aggregation. Such scale economies could not only provide efficiency benefits for the firm provider, who emphasises multiproduct production, but also accrue efficiency gains to the customer segments. Put succinctly, *efficiency* again emanates as the factor that largely enhances the magnitude of assumed customer benefits.

In addition to distributing a large portfolio, VG Nett, Dagbladet.no, and Nettavisen also introduce completely new product offerings. Measured to *innovative imitation* or *innovation* value level, such offerings either add novel elements to existing products that could further generate added value (e.g. MinMote.no, Norgespasset.no, Momondo.no, DagbladetLive, etc.), or introduce a revolutionary combination of product attributes (e.g. Vektklubb.no, Bokklubb, Nettavisenpluss.no, etc.). Although these products are presumed to provide newness and uniqueness to customers, Gunnar Stavrum explicitly emphasises that there could be a diversion

between what the firm provider defines as unique and what is actually conceived as unique by readers.

Each of the newspapers is found to offer at least three novel offerings that are measured to innovation, and at least four products that could be positioned at the level of innovative imitation. As such product expansion introduces distinctiveness and newness to the customer segments, I argue that user benefits reside in the new combinations of products, services, and information. These benefits are, in essence, consistent with the provision of new transactional content presented in the *Value Driver Model*. As the creation of new products and the structuring of new business transactions are regarded as ways for realising novelty enhancements, I could infer that customer value is also undoubtedly driven by *novelty*.

Furthermore, customer segments are also found to benefit from supplementary products and services that essentially augment the core of the companies' market offering, as well as enhance the total consumption experience of end-users. Such product and content enrichment strategies add, in particular, a novel and attractive compound of additional elements that could, subsequently, increase the overall customer value. The statements of the interviewees also give expression in support of this contention. In particular, the informants explicate that the content complementary elements and products are usually positioned in a specific context, which is near the core of the business operations.

You cannot stretch the brand too far from the core, which is news, sports, and entertainment. It has to be connected in a way to those core pillars, so to speak. So when we develop new business areas, they have to be connected to something that people associate with VG from beforehand. So we are looking for areas of content that we already cover in order to provide a natural extension to them. (Jo Christian Oterhals, interview 27.10.2011)

In this regard, I could deduce that the newspapers implement what Anderson & Narus (1995) call the "naked systems" concept, as the media firms wrap additional content and technological features around core editorial products. Such product augmentations are enabled mainly through strategic alliances and marketing agreements with successfully established firms that are well reputed both in the national and the international business sphere (e.g. Bokklubb and Nettavisen Momondo).

These findings provide a strong support for value enhancements, which are achieved through adding multimedia elements and content integration, on one hand, and utilising service integration, on the other. In this regard, the newspapers are found to supplement core products with elements of live publishing, real interaction, and social engagement (e.g. Dagbladet Live and VG Live), customisation and forum features (e.g. Prsjakt.no, Møteplassen.no, and Vektklubb.no), as well as blog contributions and horizontal complementarities (e.g. Side2.no and Side3.no).

The general impression is that the three newspapers have managed to exploit the opportunity to create complementarities, which further provides complementary outputs, hence additional benefits, to their customers. Consistent with the theoretical assertion of Amit & Zott (2002), the bundles of supplementary products, services, and content may not be directly related to the core transactions of the firm providers, but fit well with their business idea. According to the *Value Driver Model*, such *complementarities* are expected to increase customer value and, therefore, could be highlighted as key factor enhancing customer benefits.

The business model analysis shows that VG Nett, Dagbladet.no, and Nettavisen also embrace social-media services such as Facebook and Twitter, implemented to varying extents in the comment, recommendation, and content sharing functions of the firms in question. Underpinned by the informants' statements, the utilisation of social media is considered a key contrivance for detecting, attracting, and interacting with the younger audience.

When we talk about interaction with users, we are, of course, looking into how to use social media and get responses from the audience, as well as how to use the commentary system on our articles. This is the path we have focused on and we still have a long way to go. We are not entirely taking out the potential there. I think we could obtain a new amount of loyal users through these social channels. (Richard Brande, interview 10.06.2011)

Although the newspapers haven't yet fully exploited the vast potential of such integration, they do, however, seek to approach customers by incorporating the popular social networking services that have in recent years experienced exponential growth in membership and usage. As pointed out by Gunnar Stavrum, it is essential to follow the usage patterns of the target segments, as well as incorporate the most popular networking sites in the company's product infrastructure.

The point of departure for such strategic initiatives is grounded on the presumption that end-customers are already well familiar with the interface design of the respective web sites. In this regard, the newspapers aim to reach these prospects by offering a common, simple, and convenient transaction context. This contention gains strength, as end-customers are able to benefit from additional content suppliers (hence the online newspapers) without conforming to new usage patterns, new user interfaces, and new technological specifics. The indicated transaction simplicity is, in effect, an extant efficiency enhancement present in the *Value Driver Model*. I could, therefore, infer that the main factors enhancing the customer benefits accrued from social media integration pertain to *convenience* and *efficiency*.

6.3 Diversity and Functionality of Value Outlets

The empirical data indicate that VG Nett, Dagbladet.no, and Nettavisen have utilised a conscious channelling strategy in order to bring their value propositions to the market. Each newspaper is found to make use of two primary delivery platforms for content dissemination, the desktop Internet and the mobile Internet accordingly. Through a range of direct and, to some degree, indirect distribution links, these communication channels optimise reach and margins in serving and interacting with target customers. On one hand, end-customers can appropriate value through the companies' web site, the web sites of affiliated partners (e.g. Nettavisen), RSS- feeds, newsletters, podcasts, and the companies' Facebook page. Through the provision of automated services, end-users can, in addition, register for receiving updates on personally selected news genres. This, in turn, has a positive association with the establishment and the duration of strong buyer-supplier relationships.

On the other hand, end-customers can receive value through mobile Internet publishing, which has, in recent years, shown an overwhelming pace of adoption. Customers can appropriate value through the channel links wap phones, smartphones, and iPad. Besides, VG Nett is found to offer four applications for iPod devices, whereas Nettavisen provides a wide range of SMS services for quizzes, votes, breaking news alerts, and SMS live score alerts for football.

In essence, the diversity and the numerous functionality features of the distribution links enable end-users to utilise the outlets that best suit them with regard to personal choice, circumstances, disposal time, and convenience. Thus, as noted by Wilkinson (2009), audiences are provided with smarter and faster digital platform options and an enhanced ability to control their media choices. These assumed outcomes bear again consistency with some of the efficiency enhancements described in the theoretical part. In line with the *Value Driver Model*, the diversity and functionality of outlets is found to augment the provision of simplified, timesaving, and convenient transaction context. I could, therefore, infer that the great selection range of distribution links offered to the customer segments is an important value enhancement, wherein *efficiency* and *convenience* stand out as main value drivers.

6.4 “Off” the News Services

A closer look at the key business activities of VG Nett, Dagbladet.no, and Nettavisen reveals that all three enterprises support reciprocal service provisioning by incorporating supply and demand aggregation. The research shows, more specifically, that the newspapers have devoted different degree of commitment and level of resources to the provision of consumer-oriented services, which primarily facilitate mediation between individual end-customers and suppliers. Although such “off” the news services are embraced to considerably different extends by each of the respective newspapers, their presence in the product portfolios, however, indicates that this is a distinct investment path with a particular underlying logic and strategic meaning. The three interviewees also underline that despite the high degree of product failures, consumer-oriented services are certainly the topical area of future commitments. Jo Christian Oterhals further elaborates that such services represent an efficient way to help customers solve their real-life problems and needs.

Being primarily a product of strategic alliances, these product developments create value by addressing latent consumer needs and connecting previously unconnected parties. These findings indicate full consistency with the theoretical propositions of the *Value Driver Model* concerning the novelty value driver. Recalling this particular part of the theoretical framework, I could ascertain that the consumer-

oriented services enhance customer value by strengthening the links between the participants of potential transactions, end-users and suppliers accordingly. Consequently, I could identify *connectivity* and *novelty* as the main value dimensions that actuate such customer benefits.

The mediating services are not only found to enable interaction and mutual commercial transactions between inter-reliant customer segments, but to create information-enriched marketplaces. As such marketplaces enrich the knowledge and information flows between parties, I argue that customer benefits could arise from the reduction of information-based market inefficiencies and asymmetries. Bearing strong resemblance with the *cloud-computing* model, these services provide, on one hand, fast and simple access for end-customers, and, on the other, large visibility and presence for vendors and suppliers. Customer segments are assumed to benefit from a convenient, on-demand network access to a shared pool of configurable resources (NIST) that could be rapidly provisioned to them either through a free of charge account (for end-users) or a subscription account (for suppliers).

The business model analysis reveals that such “off” the news services primarily tend to solve customer problems and fulfil customer needs by providing tight correspondence between requirements and respective offers. They are also found to diminish effort through the reduction of search and acquisition costs regarding both participating parties. In effect, the afore-depicted customer gains are commensurate with many of the efficiency enhancements presented in the *Value Driver Model*. Thus, I could infer that *efficiency* again emanate as main factors driving customer value.

6.5 Differentiating the Content of the Transaction: Customisation of Products and Services

This research further conjectures a positive association between the customer relationship and value proposition elements, and the presence of customised products. This contention rests upon the observation that VG Nett, Dagbladet.no, and Nettavisen implement personalised mechanisms in the pursuit of establishing durable producer-consumer relationships and interaction. The business model analysis reveals

that despite the variant degree of utilisation, customisation is a rather common tailoring tactic in the portfolio architecture of these enterprises.

We do utilise customisation, but it is mainly within the sub-sites. Although one of the main things that make an online newspaper successful is to be the same for every reader, we are, however, moving slowly in that direction. VG Nett would definitely further embrace personalisation and customisation of product and services to match the individual preferences of end-customers. (Jo Christian Oterhals, interview 27.10.2011)

According to Amit and Zott (2001), customisation is a strategic means for enhancing customer retention and creating stickiness. This notwithstanding, I argue that it is also an efficient way for improving customer value. This is due to the increase in the degree to which an offering meets the individual requirements or tastes of the customer, which includes modifications both in the content and the context of such transaction. It is essential to note that this tailoring tactic is solely initiated by the customer; this, in turn, leaves the impression that the user participation margin is widened.

Advertisers, for instance, are found to harvest benefits from high contextual advertising and integrated customised solutions. Among these, I could emphasise digital enclosure formats and self-assisted advertising. Whereas the digital enclosure formats allow advertisers to improve accuracy and framing of their advertising campaign (present in all three companies), the self-assisted advertising enables personal composition of day-based campaigns and self-reservation of advertising slots (offered by Dagbladet.no).

The business model analysis reveals that end-customers could exploit the opportunities entailed by such tailoring mechanisms through the use of automated services. By subscribing to particular RSS- feeds, newsletters, and sms alerts (the latter offered only by Nettavisen), end-users can personally select the news genres they wish to receive updates on. The personalised product Nettavisenpluss.no further exemplifies such tailoring tactics by supplying web material in conformity with personally proposed news sources and categories. Gunnar Stavrum explains this product enables readers to add on elements they personally like and not just acquire the material assembled by the newspaper, a practice that has been commonplace in the news sector.

The utilisation of personal online profiles and log in mechanisms further facilitates access to customised services that recognise individual end-customers and their characteristics (e.g. Norgespasset.no, Minrente.no, E24.no), as well as access to a history of personal activities (e.g. online betting and gaming services, Møteplassen.no, Vektklubb.no, Fotoalbum, Mittoppdrag.no). End-users are also able to configure their own value package as they are integrated, to some extent, into the value creation process of an offering. Hjemmesideservice and Hjemmesidetjeneste epitomise this nicely as a variety of customisation features and attributes enable users to tailor own home pages according to personality and aesthetic predilections.

Clearly, by exploiting the opportunities proffered by customisation, customers could take advantage of a personalised transaction environment. The possibility to personally choose the outcome and the context of a transaction could be reckoned to add additional benefits to the customer. This, I assume, could provide both generic and contingent benefits to the customer segments, as well as reduce the search costs usually imposed by using time for allocating the required information. Based on these findings and on reiterations of the theoretical part, I could identify *convenience* and *efficiency* as the main factors driving such customer benefits.

6.6 The New Logic of Value: Co-opting Customer Competences

The empirical data indicate that there is a relatively strong association between e-business enabled news activities and co-option of customer competences. The analysis reveals that the three companies have considerably embraced the symbolic relationship between citizen media and mainstream media. This is also substantiated by what Gunnar Stavrum describes as the declining role of the megaphone speaker, primarily intrinsic to old media, especially as newspapers gradually attempt to become conversation partners with their customers. As emphasised by all interviewees, the present-day philosophy of the online newspaper is to progressively interact with customers through discussions. I could, therefore, argue that VG Nett, Dagbladet.no, and Nettavisen have noticeably redefined the role of end-customers in the e-business economy, realising that allowing visitors to take active part in the product development can unlock latent value for all parties involved.

Sometimes, readers could bring relevant extensions to content we provide. So it is an addition to what we do ourselves really. We realised that if we allow our readers to contribute, we will become better. This again brings depth and breadth to what we do". (Jo Christian Oterhals, interview 27.10.2011)

The degree of user participation and integration of customer competences is found to somewhat vary among the explored companies. Notwithstanding, I could be inferred that all three newspapers acknowledge that customers are essentially changing the economic value and the dynamics of the marketplace. These findings are in support of Normann and Ramírez's contention (1993: 5) that end-customers are not only encouraged to consume value, but also mobilised to create it. Hence, I could argue that the possibilities for customer integration provide a whole new dimension to their conventional role of passively acquiring information.

Findings show that the companies have remarkably furthered the integration of user-generated content and active user participation in their business activities. These strategic choices have positive implications for accommodating the social aspects as part of the production channel of the newspapers. End-users are enabled to interject remarks on editorial content, share and recommend articles, as well as share personal experiences (e.g. travelogue services, blog posts). Thus, I presume that customer benefits could be derived from the opportunity to communicate personal opinion and directly interact with the editorial offerings. These advantages could be viewed as an outcome of the current democratisation processes of expanding the possibilities for content creation and publishing in the public sphere, a merit that was earlier entirely vested in the mainstream media. Such user empowerment, in effect, transforms end-customers into developers of personalised experiences, which, in turn, could influence the emotional aspect of customer value.

End-users are also enabled to create and share content for public consumption (e.g. Diktbasen, Start.no, Lesernes VG), and, to a certain extent, contribute to the formation of a product offering (e.g. 123spill.no). In this respect, the end-user is not only an individual, but also part of an emergent social and cultural fabric (Prahalad & Ramaswamy 2000). In effect, readers can share travel experiences, supplemented by personal tips and photos (e.g. Reisebrev), contributions that become part of a general travel database and, on latter occasions, displayed with relevant editorial content.

Similarly, the provided blogging services are found to encourage active user participation in the companies' editorial offerings (e.g. Blogglisten.no, Twitterlisten.no, VG Blogg). End-customers could benefit from the cost-efficient promotion of their blog through greater visibility and higher traffic aggregation. Such customer advantages are further corroborated by the novel function of reciprocal linking between editorial content and contextual blog contributions (e.g. VG Nett, Dagbladet.no). As a result, the direct customer involvement in the editorial product could establish a stronger and more personal relationship to the respective newspaper.

Obviously, the opportunity for active user participation and co-creation of value could generate additional value for the end-customers, having a significant impact both on the generic and the contingent benefits accrued. Based on these plausible inferences, I could conclude that *customer integration* emerges as one of the main sources driving customer value. By recalling the theory on e-business value drivers, I could further ascertain that the co-opting of customer competences bears resemblance with the novelty dimension that emphasises the provision of new market incentives. As the appropriation of customer competences and active participation enables end-customers to produce content, hence co-create value, I could explicitly identify *novelty* as another driver enhancing such customer value.

6.7 Between-user Interaction

The business model analysis further reveals that VG Nett, Dagbladet.no, and Nettavisen have all implemented interaction mechanisms in order to leverage customer equity. Through such mechanisms the companies seek to provide, more specifically, a discernible communication channel for multi-user interaction. As already pointed out, such interaction tools facilitate many-to-many interactions and collaborations on the basis of common interests and needs (Rheingold 2000). Although these strategic mechanisms are meant to increase customer acquisition and improve customer retention, in favour of the firm producer, they do as well add a whole new facet to customer value.

As social aspects are considered a key to driving the commercial aspects (Wang 2007), the online newspapers seek to effectively harness the network effects of

the Internet. This is realised by the provision of virtual communities, online forums, discussion and blogging services, all of which put emphasis on contact and community elements. Incorporating a variety of inventive features, these product initiatives provide a communication arena for end-users.

End-customers could not only interject remarks on editorial content, but also evaluate and comment on user-shared contributions (e.g. Start.no, Vektklubb.no, Hjerneklubben.no, VG Debatt, etc.). More specifically, end-users can expound views on earlier posted comments by other readers; this, in essence, engenders a reciprocal flow of communication. These dialogue-oriented activities corroborate a novel type of community trait as they principally facilitate social interaction. This is also epitomised in the blogging services, where personally generated content with participatory context provides for direct interpersonal communication.

I presume that customer benefits, in this regard, could arise from the participation in social interactions, where purposeful flows and exchanges between end-users have evolved. As this type of interpersonal communication is characterised by high customer involvement and user control, *customer integration*, I reason, emerges as a main driver of such customer benefits. Moreover, the expanding communications landscape could further enhance the development of social bonds between participants. Whether generating an emotional attachment or a sense of accomplishment, such interactive relationships do provide contingent values for end-customers. Based on this contention, I could further infer that *interactivity* also largely enhance the magnitude of customer relationships and between-user interaction.

7. Conclusion

The research intent of this thesis was to explore the main drivers of customer value in the context of the three biggest online newspapers in Norway, respectively VG Nett, Dagbladet.no, and Nettavisen. The aspect of customer value, in particular, was studied from a provider-centric perspective, rather than through the consumers' evaluation of such value. The customer value concept was further looked upon in terms of non-monetary and intangible aspects, and referred to the intrinsic benefits appropriated to the customer segments from the perspective of the three online newspapers. The motivation for pursuing this research objective was based on the contention that the implementation of such value drivers, along with high editorial standards and efficient revenue models, could establish an economic fundament for firm profitability, as well as strong buyer-supplier relationships.

In order to elucidate the key sources of customer value, I explored the business activities and the strategic choices of the three media companies, by conducting a qualitative content analysis of their business model. By scrutinising their key activities and the current flow of products and services through the lenses of the *Business Model Ontology*, I was able to elucidate the locus of customer value, and, more specifically, the intrinsic benefits accrued to the customer segments. Discussing these benefits in light of the *Value Driver Model* and the interview responses of three newspaper executives provided sufficient grounds for identifying the main drivers of customer value in VG Nett, Dagbladet.no, and Nettavisen.

7.1 Main Findings

The analysis revealed that, even though in slightly diverging manners, all three newspapers demonstrate a keen understanding of the attention economy and attempt to follow the mechanisms of this paradigm. This is epitomised in their constant endeavours to adapt to the changing consumer patterns and market trends, as well as to stand at the forefront of product development and innovation. Acknowledging that customers are undoubtedly the blueprints for thriving in the age of constant change, VG Nett, Dagbladet.no, and Nettavisen seek to develop an operational business

mindset that emphasises both customer relationship operations and product innovation.

The long tail of product developments, the breadth of editorial selection, and the conscious channelling strategy of the three market competitors are found to provide a wide range of intrinsic customer benefits. By utilising efficient segmentation, fragmentation, and diversification strategies, the newspapers further seek to reciprocate the threshold traits required by customer segments, and, subsequently, reveal a previously untapped market demand. In essence, customer benefits are found to reside in the supply of comprehensive and frequent news updates, the 24/7 news availability, the diversity and functionality of distribution outlets, as well as the extensive range of mass- and niche-oriented products that seek to correspond to various individual tastes and preferences. Advertisers, in particular, could derive advantage from the large spectre of standardised and tailor-made advertising formats, as well as digital enclosure formats that offer a more focused and streamlined marketing. In general, such customer gains are found to arise through efficiency aggregation, the reduction of customers' search costs, the enhanced ability to control own media choices, and the provision of simplified, timesaving, and convenient transaction context.

Customer benefits are also found to reside in the supply of product augmentations, complementary elements, and social networking integration, as well as the provision of novel offerings that introduce distinctiveness and newness to the customers. These strategic initiatives not only essentially augment the core of the newspapers' market offerings, but also undoubtedly enhance the total consumption experience of end-users. Although not yet fully exploited, the integration of popular networking sites in the companies' product infrastructure conveys additional utility to customer segments, without imposing any switching costs or familiarisation with a new user interface. Such customer gains, more specifically, are found to arise through effort reduction, transaction simplicity, and novelty enhancements.

The provision of consumer-oriented services is also found to create customer value by addressing latent consumer needs and connecting previously unconnected parties. Such "off" the news services not only strengthen the links between the participants of potential transactions, but also enrich the knowledge and information flows between these parties. Customer gains, thus, emanate from improved

information, effort reduction, and fulfilment of customer needs. By exploiting the opportunities proffered by customisation, customer segments could also profit from a personalised transaction environment and the configuration of own value packages. Such tailoring tactics improve customer value by enabling users to differentiate the content of a transaction in accordance to their personality and predilections.

The analysis further revealed that customer segments are not only encouraged to consume value by passively acquiring information, but also enabled to create it. Users, in essence, appeared as part of an emergent social and cultural fabric that emphasises active customer participation, integration of user-generated content, and co-creation of value. Customer gains, hence, emanate from the direct customer involvement in the editorial product and the possibility to communicate personal opinions. Advantages are also found to arise from the participation in social interactions, where purposeful flows and exchanges between end-users can evolve.

On the grounds of the above-presented intrinsic benefits, I was able to identify and infer the main sources that enhance the magnitude of these gains. I could, therefore, conclude that *efficiency, complementarities, novelty, convenience, interactivity, connectivity, and customer Integration* emanate as the key drivers of customer value in the context of the three biggest online newspapers in Norway. Although these drivers are not exploited to exactly the same degree by VG Nett, Dagbladet.no, and Nettavisen, they do, however, articulate the patterns and logic of creating and delivering customer value. As these sources bring valuable insights into the business reasoning and strategic choices of key online players, I reason that their identification and implementation would have a vocational and practical value to the online news industry.

7.2 Weaknesses of The Thesis and Future Research Avenues

This thesis, as any scientific research, has its respective weaknesses. I could say that the limitations of this study may serve as a two-edged sword and, thus, have both positive and unfavourable impact upon its outcomes. By focusing solely on one aspect of customer value, I was able to provide sufficient understanding and explanatory richness of this phenomenon from the perspective of the firm providers,

hence the online newspapers. This gave sufficient grounds for elucidating the locus of such value, the distinct logic behind its creation, and, not least, the main drivers that enhance it. My main findings have, thus, identified clear patterns in the e-business efforts of key media players. This notwithstanding, the consumers' opinion and assessment of such value would also provide important insights into customer demand. This, in turn, could have positive implications for future product developments and areas of commitment, especially as the online news business is increasingly dependent on acquiring and retaining customers. Future research should therefore study what consumers consider valuable in online newspapers, their evaluation of the utility offered by existing products and services, as well as the adoption and use of such offerings. It could also be of interest to study the journalistic aspects of the newspaper output as they essentially contribute to customer satisfaction and the establishing of strong buyer-supplier relationships.

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APPENDIX

Table 1. Business Model Ontology compared to Literature Review

Source: Osterwalder (2004)

Business model ontology	Stähler 2001	Weill and Vitale 2001	Petrovic, Kirtl et al.	Gordijn 2002	Afuah and Tucci 2003	Tapscott, Ticoll et al. 2000	Linder and Cantrell 2000
Value Proposition	Value Proposition	Value Proposition, strategic objective	Value Model	Value offering	Customer Value		value proposition
Target Customer		Customer Segments		Market Segment	Scope		
Distribution Channel		Channels	Customer relations model				channel model
Customer Interface			Customer relations model				commerce relationship
Value Configuration	Architecture		Production Model	e3-value configuration	connected activities, value configuration	b-webs	commerce process model
Capability		Core competencies, CSF	Resource Model		capabilities		
Partnership	Architecture	e-business schematics		Actors		b-webs	
Cost Structure				Value exchange	cost structure		
Revenue Model	Revenue Model	Source of revenue	Revenue Model	value exchange	pricing, revenue source		pricing model, revenue model

Business model ontology	Hamel 2000	Mahadevan 2000	Chesbrough and Rosenbloom 2000	Magretta 2002	Amit and Zott 2001	Applegate and Collura 2001	Maitland and Van de Kar 2002
Value Proposition	Product/market scope	Value stream	Value proposition	What does the customer value?	Transaction component	Product and Services offered	Value proposition, assumed value
Target Customer	Market scope		Market segment	Who is the customer?		Market opportunity	Market segment
Distribution Channel	Fulfillment & support, info & insight			How can we deliver value at an appropriate cost?		Marketing/sales model	
Customer Interface	Relationship dynamics					Brand and reputation	
Value Configuration	Core processes	Logistical stream	Structure of the value chain		Architectural configuration	Operating model	
Capability	core competencies, strategic assets					(Organization and culture, management model)	
Partnership	suppliers, partners, coalitions		Position in the value chain		Transaction component	Partners	Companies involved in creating value
Cost Structure			Cost structure	What is the underlying economic value?			
Revenue Model	pricing structure	Revenue stream		How do we make money in this business		Benefits to firm and stakeholders	Revenue Model

Figure 4. Value proposition

Source: Osterwalder & Pigneur (2004)

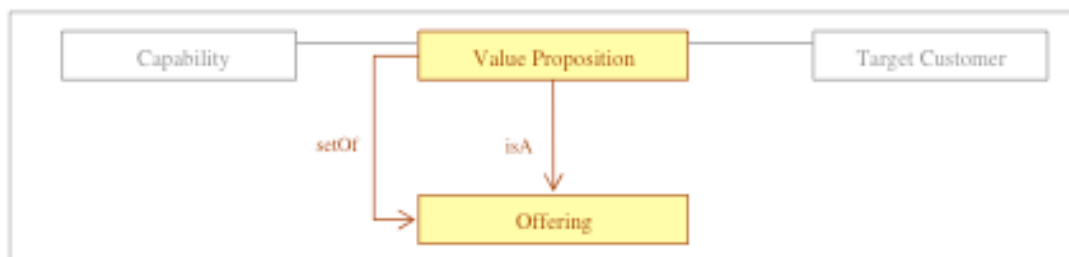


Figure 5. Value Life Cycle

Source: Osterwalder (2004)

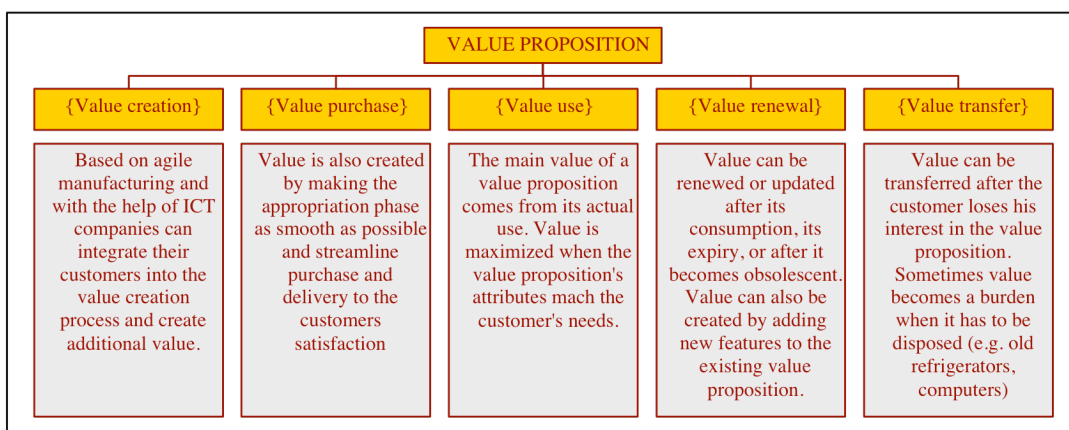


Figure 6. Target Customer

Source: Osterwalder (2004)

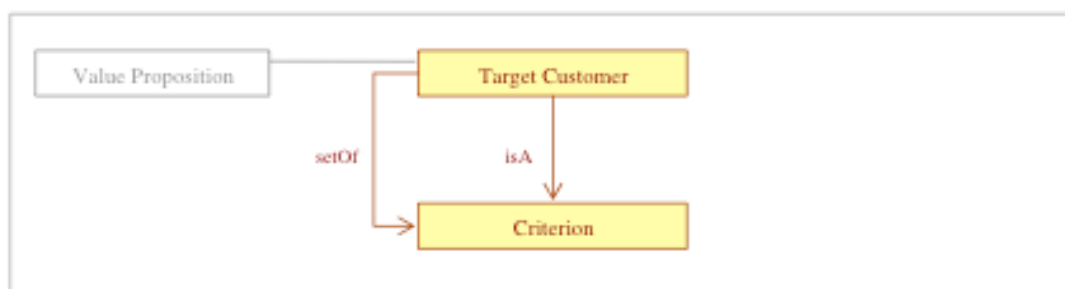


Figure 7. Distribution Channel

Source: Osterwalder (2004)

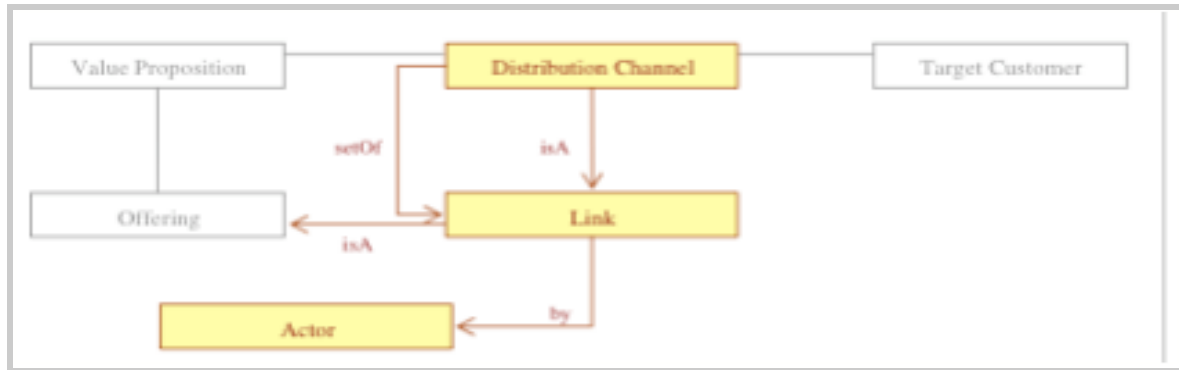


Figure 8. Customer Buying Cycle

Source: Osterwalder (2004)

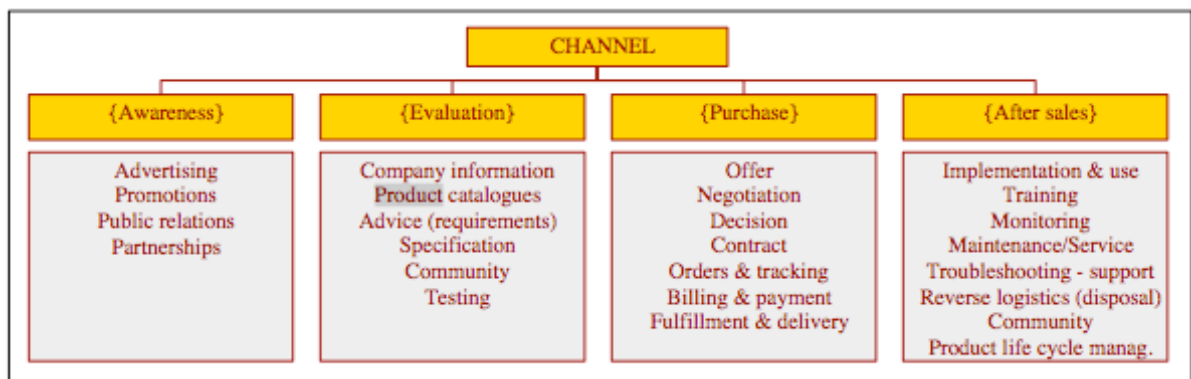


Figure 9. Customer Relationship

Source: Osterwalder (2004)

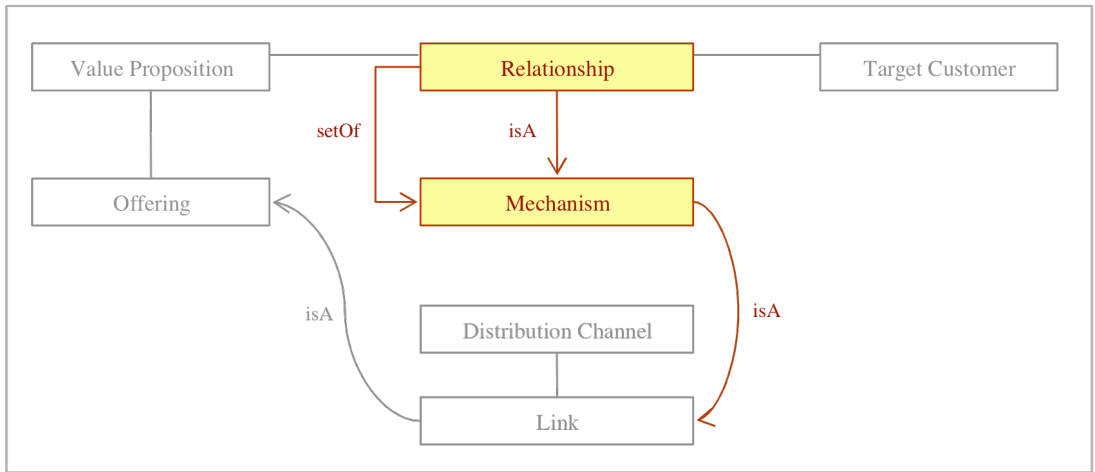


Figure 10. Capability
Source: Osterwalder (2004)

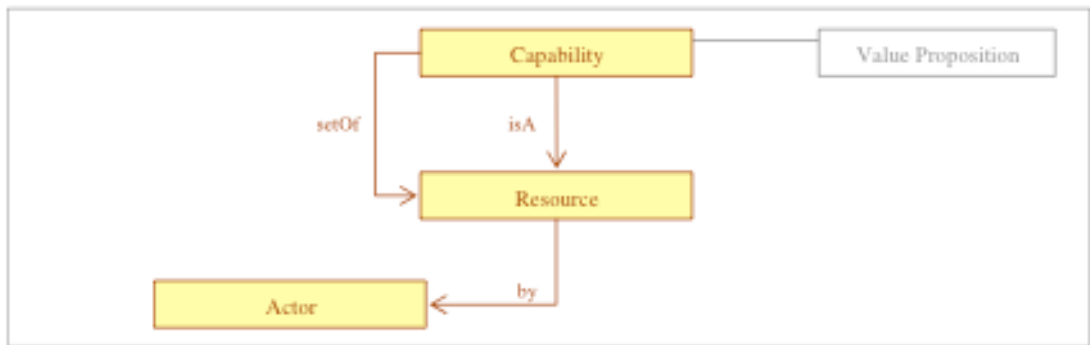


Figure 11. Value Configuration
Source: Osterwalder (2004)

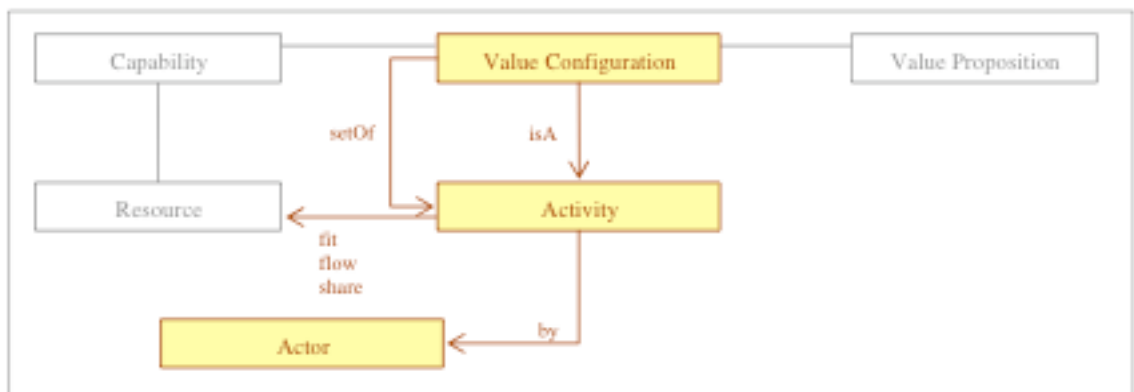
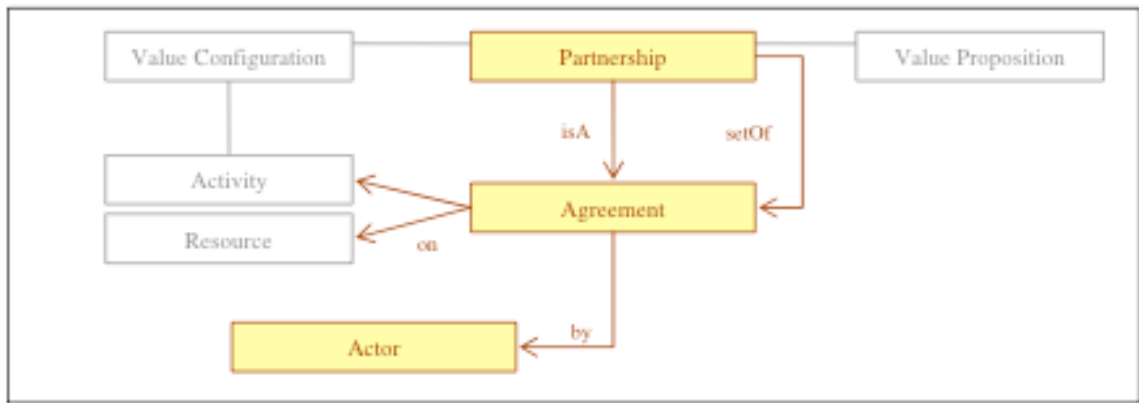


Figure 12. Partnership
Source: Osterwalder (2004)



Interview guide

(example)

1. How could you describe briefly? What according to you defines the company's identity?
2. Who is really the company's target customer? What customer segments does address?
3. What activities does the firm perform? What is the firm's bundle of products and services?
4. What do You think is unique about the products and services that offers?
5. In order customer to choose as the preferred online newspaper, it should provide them with some benefits. In this respect, what benefits do U think the newspaper offer it customer segments? How does attract customers?

(Does the newspaper have any clear strategy of how to create value for its customers?)

- * The newspaper offers a wide range of products and services. *What is the strategic role of such variety and diversity?*
- *offers as well a range of supplementary products and services. *What is the strategic logic behind such complementarities?* How important are complementary products or services?
- * The company has increasingly concentrated on the provision of “off” the news service. *What is the strategic role of such customer-oriented services?* In what way do you think such services could provide a benefit for customers?
- * provides customers with the possibility to customise products and services. *What is the strategic meaning of such customisation mechanisms?*
- * The newspaper also utilises tight customer integration by enabling end-users to generate and share content for public consumption. *What is the strategic meaning of customer integration utilised by the newspaper?*
- * *What is the role of Facebook (and Twitter) integration in the product infrastructure?*

* The newspaper also enables end-users to interact with each other. *What is the strategic role of such interactivity?*

7. Having in mind the benefits we've already discussed, what do you think are the main factors that enhance such customer benefits?

8. To what degree is the newspaper committed to customer satisfaction?

9. Do you have a specific approach towards advertisers? Do you provide them with any specific offerings that you consider they could benefit from?

10. Would you define the business of the company as *a customer relationship business* or *a product innovation business*? And why?

