

CONSUMER NEWSPAPER CHOICE IN MARKETS WITH FREE PRINT OPTIONS: ARE FREE DAILY NEWSPAPERS COMPETITION OR OPPORTUNITY FOR TRADITIONAL PAID PRODUCTS?

Dr. Kathleen P. Mahoney, The New York Times
Dr. James H. Collins, Scarborough Research

Abstract

The consumption of paid newspapers in the United States and most other mature print news markets has been in slow but general decline throughout the last four decades. Much of this decline has been precipitated by a variety of (usually) free electronic news and information sources – most notably radio, television and now the internet. A recent addition to these sources is free newspapers, some introduced as competitors to paid newspapers, others designed to encourage newspaper reading among current non-readers. The impact of free newspapers on the market for paid print dailies in four major United States markets is analyzed in terms of whether these two sorts of products are competitors or complements.

In general we find that at this point in time and in the sorts of U.S. markets wherein free dailies have been introduced that these two product types are not genuine competitors for audience. However, given 1) the modest penetration levels of free newspapers, and 2) the high levels of duplication between paid and free readership it is unlikely that reading of free newspapers will appreciably bolster reading of paid ones.

Introduction

With a circulation of approximately 19 million worldwide and nearly two million in the US, free tabloid newspapers have become serious media players less than 10 years after they were first introduced in Sweden [1]. And now, traditional paid newspapers facing an already difficult marketplace are asking: are free dailies competition or opportunity? This paper will provide some guidance to newspaper companies either considering introducing a free offering or being confronted by one, by examining whether the free dailies are competitive or complementary to the traditional paid newspaper.

There are two theories about the impact of free dailies on the market for the paid product with separate business strategies emerging from each. Some of the free tabloids have been introduced with the intention of directly competing with traditional newspapers by capturing both non-readers and readers of paid publications and holding them over the long-term. Others are subsidiaries or partners of traditional paid dailies. Designed and marketed to attract current non-readers to traditional paid newspapers, their long-term business strategy rests on the expectation of eventually up-selling free tabloid readers into the franchises' paid products. Both strategies target young adults as well as non-white ethnic groups, each of which are becoming increasingly elusive for traditional papers. Success for both the competitive and complementary strategies rests on the ability of the free tabloids to attract and hold young readers over the long term, to attract new advertisers who want to reach them, and for those in the paid newspaper business to gain a greater share of wallet both from the new readers and advertisers.

The logic is straightforward, but to date the impact of the introduction of free dailies on the US newspaper market is ambiguous. This should come as no surprise as the challenge posed by other free, but qualitatively different news and information sources (e.g., radio, television and now the internet) – all, at times, predicted to quickly extinguish printed news products – has been more modest and occurring over a more substantial duration than initially anticipated. The content of free tabloids is distinctly different from what has been available in the marketplace in their brevity, local scope and format or layout. As substitutes for more complete and broader-scope paid print offerings, the free papers may have some niche appeal. As complements to the paid products, free dailies can serve different information to those already reading.

Moreover, the long-term viability of free tabloids, remains an open question - some are profitable, others not. As the free tabloids are reliant on only a single revenue stream – advertising – their ability to remain viable throughout economic cycles remains at issue.

However, as they are in the early stages of roll-out in the US, the threat posed or opportunity offered by free newspapers to paid print sources remains unresolved and hence all the more important as a business question.

Questions Examined

This paper looks at some of the key questions that can help traditional newspapers decide what to do about free tabloids, essentially whether to try to beat them or join them. We limit our comments and conclusions to issues of audience and we will not deal with the advertising revenue implications because they are unique to each market and reliable data on ad expenditure is difficult to obtain and often quite incomplete.

- Are the free dailies competitive with traditional newspapers for their audience, or do they complement traditional paid dailies?
- How does the distribution strategy for the free dailies impact readership?
- What is the opportunity for traditional newspapers to grow audience, especially among young adults?
- What reader needs are being served by this new delivery platform?

To consider these questions readership data from several local United States markets surveyed by Scarborough Research will be analyzed. Unless otherwise stated in the analysis, readership is defined as “yesterday (weekday) reading.” Four primary metropolitan areas in particular will be featured as a part of this analysis, Boston, New York, Chicago and Dallas. Although Scarborough measures entire Designated Market Areas (DMA’s), as the free tabloids have distribution in primarily the core city such serves as the population of analysis. The choice of these markets is driven by their distinct newspaper readership patterns, the ownership of the free (New York, Boston, and Dallas) or low-cost (Chicago) printed news offerings, and the means of their distribution.

Competitive Landscape of Markets Studied

New York has approximately thirty daily paid newspapers of which close to half a dozen are distributed throughout the entire DMA and two free daily newspapers, am New York, a partnership with The Tribune Company, and Metro New York, which are distributed primarily at major subway stations in the city of New York. Boston has a single free daily metropolitan tabloid, Metro. The New York Times Company is an investor in Boston Metro and its subsidiary, The Boston Globe manages the day-to-day relationship. As in New York, distribution is primarily through public transit locations. Like Boston, Dallas also has a single free newspaper, Quick owned by the Belo company, owner of Dallas’s largest metropolitan daily, the Dallas Morning News. In contrast to Boston and New York, Dallas does not have a public transportation system around which to organize a distribution infrastructure. As an alternative, Quick is distributed in fast-food establishments, coffee shops, convenience stores and in newspaper boxes located on street corners and in office buildings.

Chicago presents yet another situation with two tabloids, one free and owned by the Chicago Sun Times called Red Streak. The other, Red Eye, published by The Chicago Tribune has a nominal price of \$0.25, but is available for free at many locations. Both offer home delivery at a cost. The latter newspaper is entertainment focused more than on traditional news. Both Chicago publications are distributed via a mix of outlets including convenience stores, drug stores, gas stations and Starbucks, as well as at transportation and commuting hubs.

In addition to the differing circumstances of newspaper ownership, distribution and pricing the overall readership patterns among these four major markets are relatively distinct. New York and Boston have relatively stable levels of cumulative daily newspaper readership throughout the 2000-2005 period, while Chicago has experienced moderate declines. Finally Boston, after experiencing declines in the 2002-2004 period has witnessed an increase in overall daily newspaper readership during the most recent period.

Complements or Competitors?

One way to begin to address the question of complement or competitor is to assess what happens when readers are offered a free newspaper. Do they substitute reading a paid newspaper with the free one – a competitive environment? Or are complementary dynamics at work, wherein consuming one form of print news encourages the consumption of the other? Or finally, are the consumption patterns of paid and free news offerings developing relatively independent of each other – driven by potentially related or differing underlying consumer preferences?

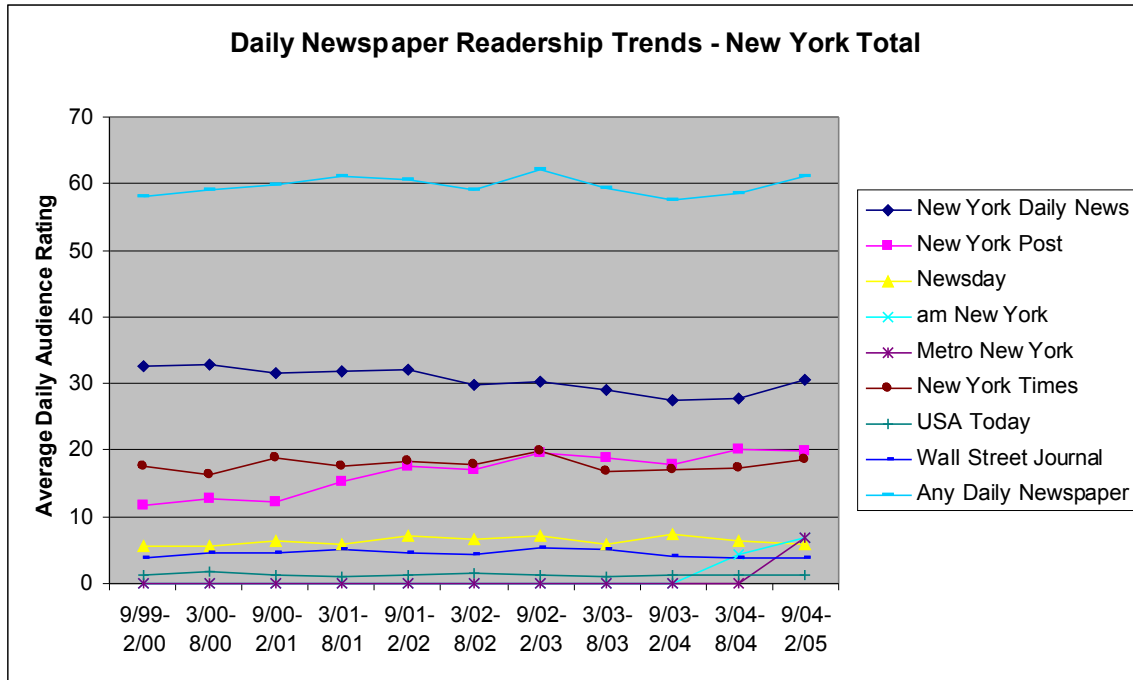
Four Market Newspaper Readership Trends Do Not Show Cannibalization

As most free and low-cost tabloids have been introduced into United States markets only within the last three years, reviewing readership trends for paid newspapers within those markets for the past five or more years offers some insight into the impact these tabloids are having on the consumption of individual paid print offerings and overall newspaper readership.

Charts #1 through #4 for New York, Boston, Dallas and Chicago respectively suggest that while the free tabloids have gained readership, the levels of readership for the major paid newspapers have not suffered as a proximate consequence. To be explored in more substantial detail later, this finding also suggests that there is little price sensitivity within the market of current consumers of paid newspaper products. If price was a major factor in the consumption of full-featured paid dailies the introduction of a free (or low-cost) product would be expected to decrease the consumption of individual paid ones while preserving the overall levels of newspaper readership – an expectation contrary to the facts in all four of the markets under review.

In New York for instance, the introduction of am New York in October, 2003 and Metro in January of 2004 does not seem to have precipitated any drop in readership for paid newspapers in general, regardless of whether they are tabloids (The Daily News and The New York Post) or broadsheet (The New York Times). Notably, The New York Post readership has risen consistently throughout the 2000-2005 period.

Chart #1



While the readership trends for Boston, Dallas and Chicago show somewhat more marked volatility than is evident in New York, overall levels of readership track most consistently with the corresponding levels for the major individual paid newspapers. Trends wherein there is stability in overall readership levels, declines in paid newspaper readership and increases in free tabloid readership – the pattern of evidence to be found with substantial switching from paid to free readership – are nowhere to be seen.

Chart #2

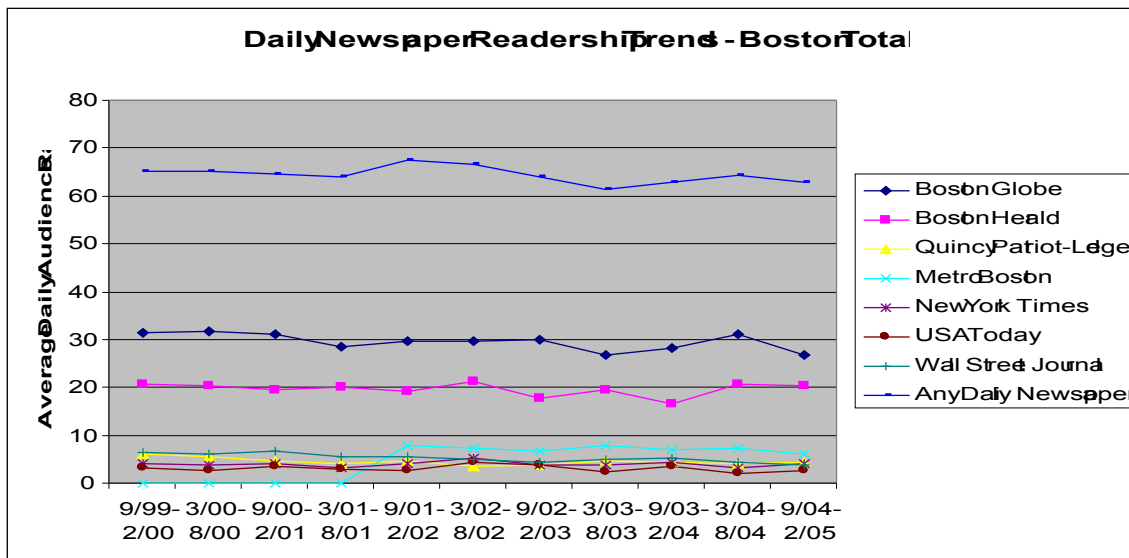


Chart #3

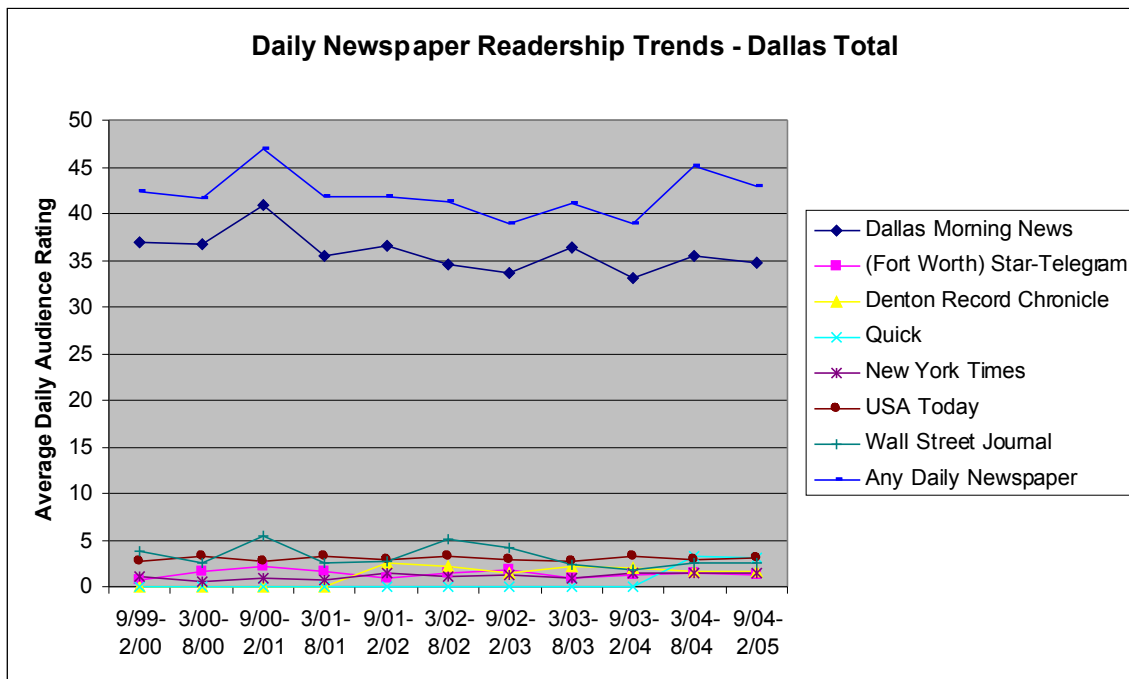
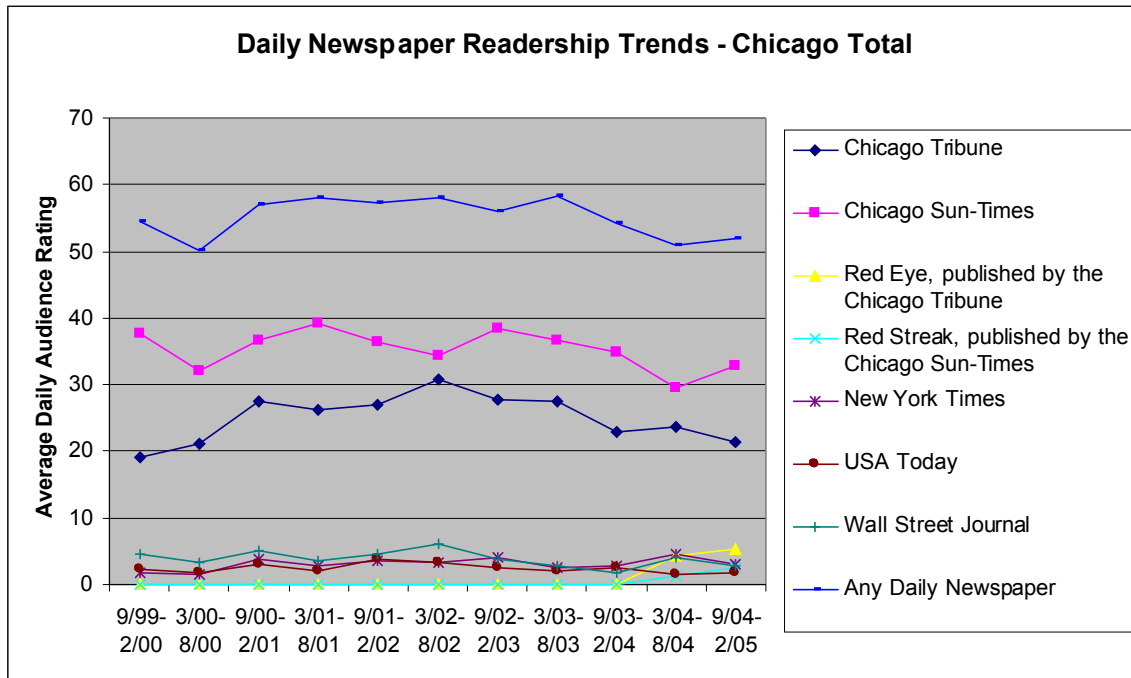


Chart #4



The trends for each of these four markets suggest that free tabloids are not crowding out paid newspapers – that they are at least not strong competitors to the paid dailies. That total readership levels (any daily newspaper) and comparable levels of individual paid newspaper readership have essentially tracked each other (for both stable and more volatile markets) is evidence that free tabloid readership must be essentially duplicative and potentially complementary to paid readership.

Separately, that the readership levels for the free and low-cost tabloids appear to have stabilized, suggests that the market for even free printed news sources may be limited, either by the nature of consumer newspaper preferences and/or by the distribution systems of the free papers. If this pattern continues the potential of free dailies to be either strong complementary or competitive forces in the daily print news market is limited.

Reader Profiles Suggest Distribution is the Key Readership Driver

As a foundation for further analysis it is important to understand the extent to which the market for free tabloids is the same as or different from the market for paid dailies. For instance, if in fact daily newspaper readership (and regularity of reading) is influenced by the cost of purchasing a newspaper it would be natural to assume that if all other factors were equal that reading of paid newspapers would have a relatively lower incidence among lower income groups than among higher ones. If in fact there is price sensitivity with respect to newspaper purchasing/reading then free newspapers would have a substantial competitive advantage over paid ones among portions of the market that are so sensitive.

Using data from Scarborough's New York, Boston, Chicago and Dallas Release 1, 2005 studies, Tables #1, #2, #4 and #5 show the demographic and other relevant profile characteristics of paid and free/low-cost daily readers.

In all four markets, the readers of free dailies are younger, have lower household incomes and are considerably more ethnically diverse than their paid counterparts, meeting some of the key expectations of the publishers.

However, what is most distinguishing about the free daily composition is the elevated incidence of subway and bus ridership for the New York and Boston markets. This is in large measure an artifact of the distribution strategy adopted by the free dailies in New York and Boston – copies handed out at the entrances and exits of major subway stations and bus stops. This suggests that the different demographic (age, household income, race/ethnicity, etc.) profiles of paid and free readers are more an artifact of the demographic characteristics of subway and bus riders than they are a consequence of any price sensitivity.

Confirming this, in a stepwise regression on reading one or more of the free dailies yesterday, subway and bus ridership account for substantial portions of the total variance explained, particularly in the New York and Boston markets. The results of these stepwise regressions for New York and Boston (and Chicago and Dallas) are shown in Table #3.

**Table #1
Demographic Profile of New York Paid and Free Daily Newspaper Readers**

	Paid Daily Readers	Free Daily Readers
Age	48 Years Old	40 Years Old
Household Income	\$107,000	\$90,000
Education	14.2 Years	14.6 Years
Males/Females (Percent)	50%/50%	51%/49%
White	66%	36%
African-American	13%	27%
Asian	4%	6%
Hispanic	14%	25%
Other Race/Ethnicity	3%	5%
Ride Subway to Work	23%	55%

**Table #2
Demographic Profile of Boston Paid and Free Daily Newspaper Readers**

	Paid Daily Readers	Free Daily Readers
Age	49 Years Old	37 Years Old
Household Income	\$98,000	\$78,000
Education	14.6 Years	14.6 Years
Males/Females (Percent)	49%/51%	55%/45%
White	88%	61%
African-American	5%	15%
Asian	2%	10%
Hispanic	4%	11%
Other Race/Ethnicity	2%	4%
Ride Subway to Work	11%	47%
Ride Bus to Work	8%	39%

**Table #3
Percent Variance Explained Free/Low-Cost Daily Newspaper Readership – New York, Boston, Chicago and Dallas**

	New York	Boston	Chicago (Low-Cost)	Dallas
Age	3%	2%	5%	10%
Household Income	1%	<1%	<1%	2%
Education	9%	<1%	3%	3%
Males/Females (Percent)	1%	1%	71%	<1%
White	14%	6%	<1%	NS
African-American	4%	2%	1%	74%
Asian	<1%	15%	<1%	2%
Hispanic	NS	NS	NS	<1%
Other Race/Ethnicity	2%	<1%	9%	<1%
Ride Subway to Work	63%	58%	10%	NA
Ride Bus to Work	3%	16%	<1%	6%

Chicago serves as an interesting contrast to New York and Boston because Red Eye and Red Streak are distributed in a variety of locations including transportation and commuter hubs, convenience stores, gas stations, and coffee shops. A small percentage (about 10% according to the International Newspaper Marketing Association) are nominally paid copies.

Table #4
Demographic Profile of Chicago Paid and Free Daily Newspaper Readers

	Paid Daily Readers	Free Daily Readers
Age	46 Years Old	41 Years Old
Household Income	\$75,000	\$69,000
Education	13.7 Years	13.2 Years
Males/Females (Percent)	55%/45%	75%/25%
White	48%	37%
African-American	32%	29%
Asian	2%	3%
Hispanic	16%	26%
Other Race/Ethnicity	2%	6%
Ride Subway to Work	24%	31%
Ride Bus to Work	29%	33%

As noted previously, Dallas has no significant public transit infrastructure through which to readily distribute free newspapers. Thus Quick is distributed free through relatively high-traffic, morning-oriented food and retail establishments (e.g. coffee shops and drug and gas/convenience stores) and in newspaper boxes located at major intersections and in office buildings.

Table #5
Demographic Profile of Dallas Paid and Free Daily Newspaper Readers

	Paid Daily Readers	Free Daily Readers
Age	48 Years Old	36 Years Old
Household Income	\$96,000	\$63,000
Education	14.5 Years	14.0 Years
Males/Females (Percent)	51%/49%	48%/52%
White	68%	32%
African-American	16%	49%
Asian	1%	0%
Hispanic	11%	18%
Other Race/Ethnicity	3%	1%
Ride Bus to Work	2%	8%

In each of the four markets, the free dailies generally reach segments of the population having relatively lower incidences of paid newspaper reading — a younger, lower income, and ethnically diverse population. To a great extent, these papers are delivering on their promise of reaching the underserved reader. However, while the free daily readers are younger, they are not overwhelmingly within the coveted 18-34 consumer category. Of the markets we examined, Dallas comes closest to meeting expectations in this regard. It is also slightly less affluent, though not downscale and is more ethnically diverse.

Finally, among the four markets one variable consistently shows little difference between readers of free/low-cost and paid dailies and that is education. Analysis of these four markets shows that on average non-readers of paid newspapers have on average one-half to one full year less education than do paid newspaper readers. In Boston for instance, the average years of education for readers of either paid or free newspapers is 14.6 years while the average for non-readers of paid newspapers is only 14.5, for Dallas the comparable numbers are 14.5, 14.0 and 13.2. As education is a critical factor in readership generally and newspaper reading in particular, it may be that readers of free newspapers in a very fundamental sense are more similar to paid readers than other demographic measures might suggest.

Considered together, it appears as if consumption of free daily newspapers is an artifact of some combination of 1) distribution schemes, 2) product design and targeting and 3) potentially acute price/time sensitivity – factors which will be explored in greater depth in subsequent sections. What is clear is that these free and low-cost tabloids are being consumed by members of younger and more ethnic demographic groups, which have lower incidences of paid daily newspaper readership. **It remains an open question as to whether or not the free and low-cost daily readers from these low-incidence demographic groups are typical or untypical of their demographic groups with respect to newspaper readership.** That there is substantial similarity on levels of educational achievement suggests that readers of free newspapers may be readers of paid ones at levels atypical of their demographic cohorts.

However, to the extent to which the business strategy of the publishers of these free and low-cost dailies is the targeting of younger and particularly younger male readers the strategies by whatever means appear to be at least modestly successful. We will return to this subject further.

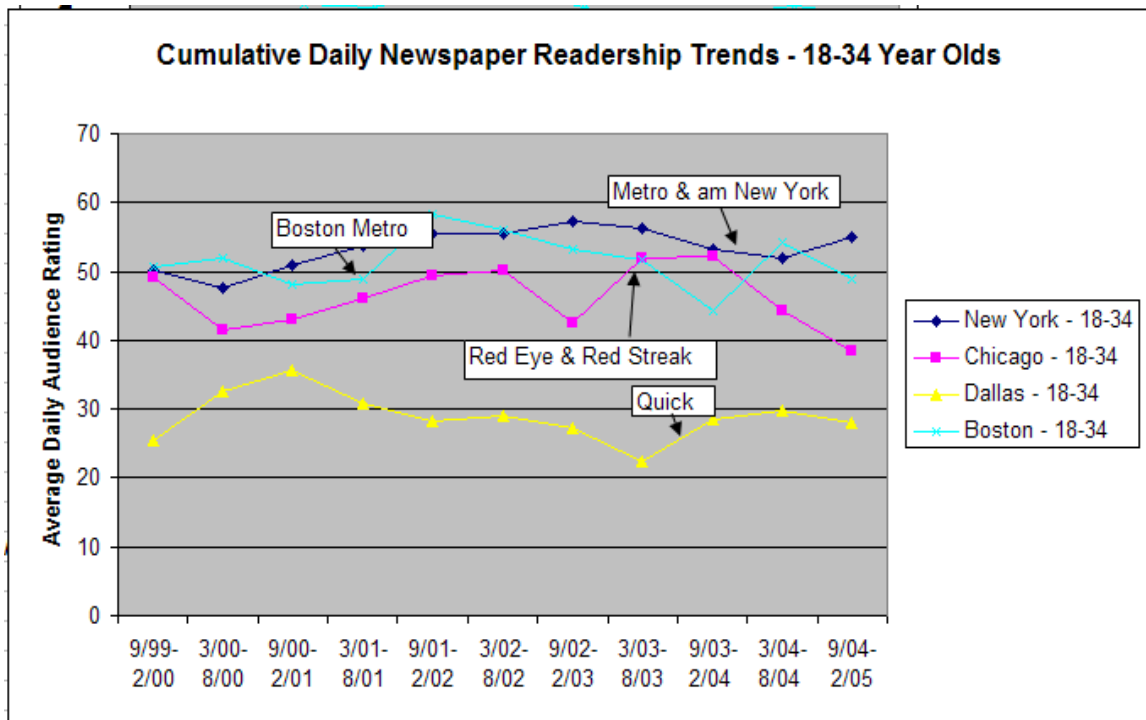
Free Tabloids Attract a Younger, But Not Young Audience

As a critical element of the strategy of free and low-cost tabloids is the targeting of demographic groups having traditionally low incidences of paid readership it is important to understand the impact on total and paid readership for these groups in particular.

Chart #5 shows the cumulative daily newspaper reading for the New York, Boston, Chicago and Dallas markets and the points in time when the free and low-cost publications were introduced. Generally, during the time periods proximate to the introduction of the free tabloids, total newspaper readership increases – evidence of initial success of the strategy of targeting low incidence readership groups for new readers. However, the general trend is that total readership tends to quickly settle or even decline after the initial introduction, suggesting that significant portions of new readers are neither being converted into readers of other paid dailies nor even always remaining as loyal readers of the free/low-cost ones.

Charts #6 through #9 detail this pattern for New York, Boston, Dallas and Chicago respectively. With the exception of New York, total newspaper readership is generally declining for the 18-34 year old cohort, particularly in the most recent time period. Moreover in those markets where Scarborough has measured individual free/low-cost tabloids for a year or more, their average audience ratings have at best leveled-off and in some instances declined.

Chart #5



Chicago is particularly important from this perspective as the Red Eye began to migrate to a paid, albeit low-cost product in late 2004/early 2005. Red Eye’s 18-34 readership rating declined at this point suggesting that there is a fairly modest monetary value placed on such publications by their audiences. This finding should be viewed cautiously since there is evidence that the paper is widely available for free at locations where younger people tend to be, such as college campuses.

Chart #6

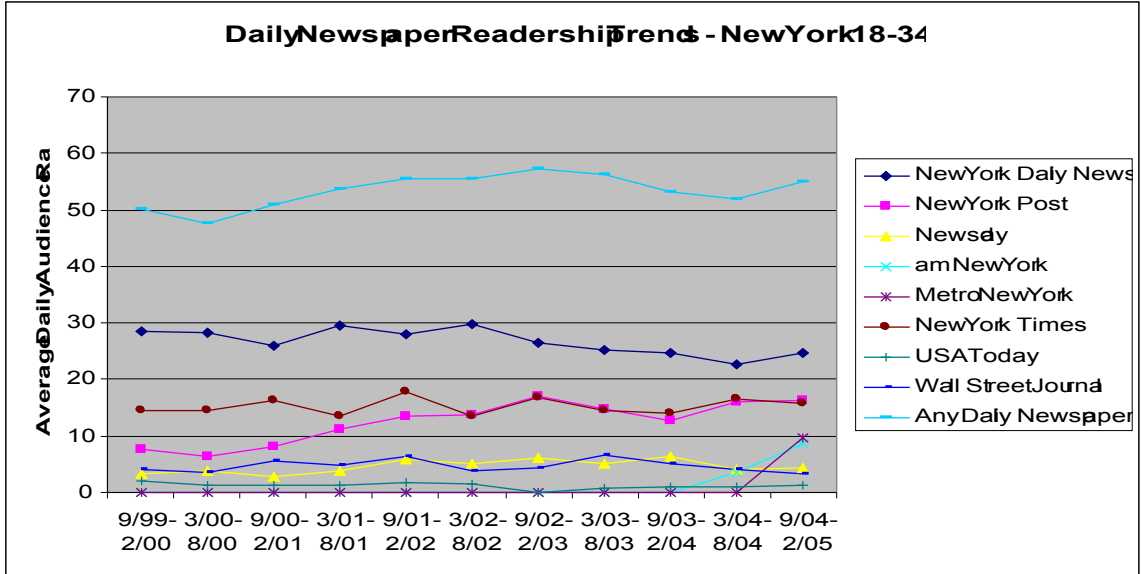


Chart #7

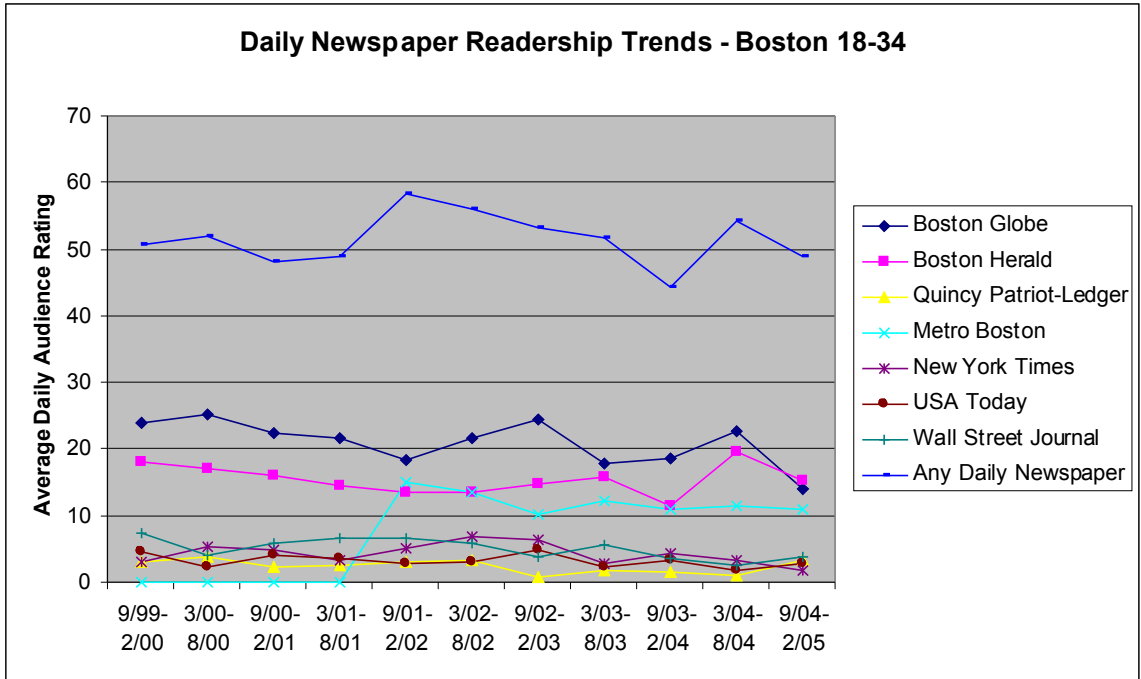


Chart #8

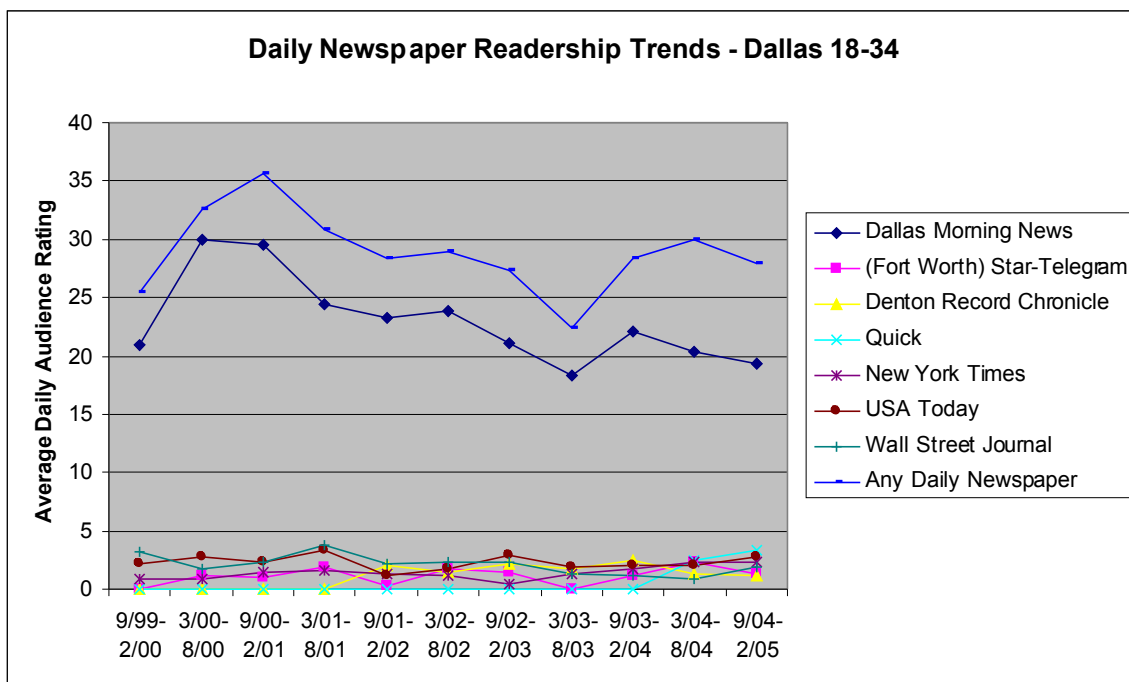
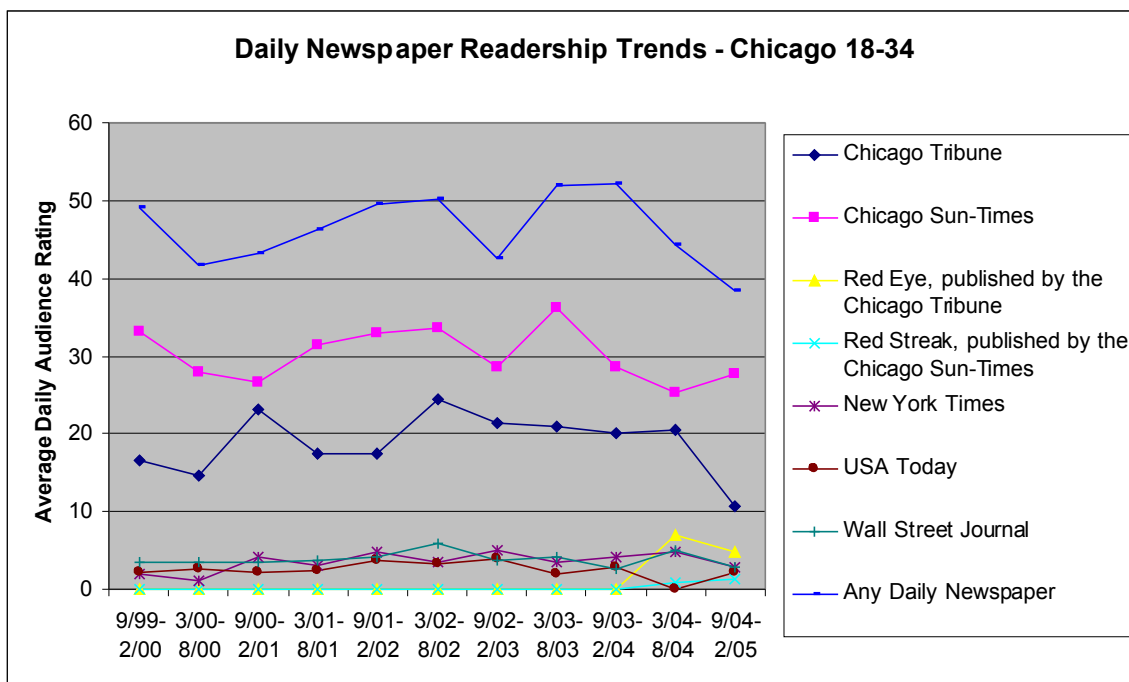


Chart #9



Readers of the Free Dailies Likely to Also Read a Paid Daily

Much of the evidence thus far presented suggests that free/low-cost daily tabloids neither genuinely compete with paid dailies for their readers, nor draw substantial new populations into newspaper reading (free or paid). In fact, the patterns of reading behavior suggest very high levels of free/paid duplicated reading.

Tables #6 through #9 for the New York, Chicago, Dallas and Boston markets respectively support this proposition.

Approximately 78% of am New York yesterday readers read one or more paid newspapers yesterday with 72% of Metro New York doing likewise. Even readers of both am New York and Metro New York read paid newspapers at high rates with 79% reading at least one paid newspaper.

By way of contrast, reading rates in New York of paid newspapers by readers of the free tabloids are higher than both the total market and readers of the paid dailies alone. On a total market basis 40% of adults read no paid newspaper in comparison with much lower rates for free readers (22% and 28%). Reading rates for one or more paid dailies by free tabloid readers are on average higher than the comparable rates for the total market.

Perhaps even a more revealing comparison is between readers of free tabloids and readers of one or more paid dailies. Of those who read one or more paid dailies approximately 25% read a second paid newspaper and 11% read two or more other paid newspapers. In contrast, 37% to 40% of free tabloid readers also read a single paid newspaper and 16% to 22% read two or more.

Table #6

Free with Paid Duplicate Readership – New York

Number of Paid Newspapers Read	am New York	Metro New York	am New York and Metro New York	New York Market (Total)	New York Market Paid Readers
None	22%	28%	21%	40%	NA
One Paid Newspaper	37%	40%	39%	38%	64%
Two Paid Newspapers	22%	16%	21%	15%	25%
Three or More Paid Newspapers	19%	16%	19%	7%	11%

As the levels of duplicated reading between free and paid newspapers are high so also are the levels of duplication between the two free New York tabloids. Approximately 51% of am New York yesterday readers also read Metro New York yesterday and 52% of Metro New York yesterday readers read am New York yesterday.

Table #7

Free with Paid Duplicate Readership – Chicago

Number of Paid Newspapers Read	Red Eye	Red Streak	Red Eye and Red Streak	Chicago Market (Total)	Chicago Market Paid Readers
None	9%	3%	8%	46%	NA
One Paid Newspaper	61%	47%	59%	38%	70%
Two Paid Newspapers	12%	13%	12%	12%	23%
Three or More Paid Newspapers	18%	37%	21%	4%	7%

In the case of the Chicago market wherein levels of both overall reading and reading of most individual paid newspapers have been declining during the 2000-2005 period the duplication between Red Eye/Red Streak and paid reading is higher than even in New York. Less than 10% of Red Eye and Red Streak yesterday readers read no standard-rate paid newspaper yesterday in contrast with a total market percent of 46%. In fact, the average number of standard-rate paid dailies read by readers of either Red Eye (1.5) or Red Streak (2.1) was higher than the number of paid newspapers read by paid newspaper readers (1.4). The high levels of paid newspaper reading by the free/low-cost newspaper readers along with (modest) incremental monetary and convenience costs may account for the lower levels of duplicated reading between the two free dailies – 34% of Red Streak readers read Red Eye and 15% the converse – there is a saturation point for even avid consumers of printed news.

Alone among the four markets under analysis Dallas has only a single major metropolitan daily, the Dallas Morning News, accounting for the relatively low levels of multiple paid newspaper reading. With that stated, Quick readers nevertheless read paid newspapers in far higher proportions than the market average (75% versus 40%) with approximately 51% of that reading being duplicated with the Quick's owner's paid Dallas newspaper the Dallas Morning News.

Table #8

Free with Paid Duplicate Readership – Dallas

Number of Paid Newspapers Read	Quick	Dallas Market (Total)	Dallas Market Paid Readers
None	25%	60%	NA
One Paid Newspaper	59%	33%	82%
Two Paid Newspapers	8%	6%	15%
Three or More Paid Newspapers	8%	1%	3%

Among these four markets, Boston has the highest levels of unduplicated free/paid newspaper reading at 37%. In fact the paid reading distribution for Metro very closely approximates the comparable distribution for the total market adult population whereas in the three other markets free/low-cost tabloid readers exhibit substantially higher rates of paid reading than for their respective total market populations. Nevertheless most Boston Metro readers are reading one or more paid daily newspapers – a finding consistent with the three other markets.

Table #9

Free with Paid Duplicate Readership – Boston

Number of Paid Newspapers Read	Boston Metro	Boston Market (Total)	Boston Market Paid Readers
None	37%	40%	NA
One Paid Newspaper	42%	39%	65%
Two Paid Newspapers	17%	16%	26%
Three or More Paid Newspapers	4%	5%	9%

These very high levels of duplication with paid reading by readers of the free dailies goes a long way toward confirming an earlier conjecture that while free newspaper readers tend to be disproportionately members of demographic cohorts with low incidences of newspaper readership that they themselves are atypical of their cohorts as consumers of the paid offerings.

Taken together these high levels of free/paid and free/free duplicated reading are evidence against strong competition between the free/low-cost and the paid newspapers – that people who read a free/low-cost daily also tend to read 1) another free daily when one is available and 2) one or more paid newspapers.

Free Daily Readers Evidence No Trading Up

While these high levels of free/paid duplication are evidence against strong competition, left unresolved is the question of whether or not significant proportions of solely free/low-cost tabloid readers will expand their reading to include standard paid offerings. The economic consequences for paid newspaper publishers are substantial regardless of whether or not the paid publishers also invest in free/low-cost publications (e.g., Chicago, Boston and Dallas) or not (e.g., New York).

One way to gain some insight into this question is to assess the extent to which reading of free/low-cost newspapers is complementary to the reading of paid ones – does the free/low-cost newspaper reader derive some important benefit through pairing this reading with that of a paid newspaper. If such a benefit accrues, then the consumption of free/low-cost newspapers by heretofore non-newspaper readers, however small that cohort may be, portends well for their future consumption of paid newspapers. If, on the other hand, the reading of one is independent of the reading of the other then free/low-cost newspapers hold no particular promise for their paid counterparts.

While it is impossible to construct an actual experiment offering free/low-cost daily newspapers to one group and withholding them from another and determining the effect of this on the reading of paid newspapers, Scarborough’s readership measurement methodology offers the opportunity for a sort of natural experiment [2]. Scarborough measures daily newspaper reading using a last 5-weekday screen and for any newspaper into which the respondent screens there is a follow-up question regarding yesterday (weekday) reading from which the average issue audience is determined. Thus, if the relationship between reading free newspapers and reading paid ones was complementary you would expect that on days when a person read the free one they would also read the paid one – and, no yesterday reading of the free one, no yesterday reading of the paid. If the relationships were competitive the reading of the free one yesterday would tend to preclude the reading of the paid one and vice versa. If the relationship between reading free and paid was independent, then reading patterns would settle to random.

Tables #10 and #11 below summarize as indices of obtained to expected values paid yesterday/non-yesterday reading (and non-reading) for readers (and non-readers) of am New York and Metro New York respectively in the New York market.

Table #10**Patterns of Yesterday/Non-Yesterday Reading – am New York with Paid Newspapers**

		am New York		
		Read Yesterday	Read in Last 5 Weekdays but Not Yesterday	No am New York Reading
Any Paid Daily	Read Yesterday	131	109	98
	Read in Last 5 Weekdays but Not Yesterday	72	104	101
	No Paid Reading	36	70	104

Table #11**Patterns of Yesterday/Non-Yesterday Reading – Metro New York with Paid Newspapers**

		Metro New York		
		Read Yesterday	Read in Last 5 Weekdays but Not Yesterday	No Metro New York Reading
Any Paid Daily	Read Yesterday	121	114	99
	Read in Last 5 Weekdays but Not Yesterday	96	119	100
	No Paid Reading	46	40	104

Clearly among those who choose to read the free tabloids at least some of the time during the week they do so in a complementary fashion at greater than expected levels. For instance, among those who read Metro New York at least sometime during the week those who either read both free and paid yesterday or only before yesterday index at 121 and 119 respectively. Among consumers for whom reading free and paid dailies are more competitive activities, yesterday reading of the paid daily indexes at a higher than average rate (114) while yesterday reading of Metro New York occurs at a slightly lower than average rate. This indicates that a fair proportion of free reading in the New York market is complementary with paid reading and for those readers for whom it is competitive with paid reading that the latter tends to dominate.

In the case of Chicago wherein there are even higher levels of free/low-cost to paid duplication than occur in New York there are again quite high levels of complementary reading driven especially by dual yesterday readers – Red Streak indexing at 187 and Red Eye at 177 for this group of complementary readers. As with New York for competitive readers paid reading dominates.

Table #12**Patterns of Yesterday/Non-Yesterday Reading – Red Streak with Paid Newspapers**

		Red Streak		
		Read Yesterday	Read in Last 5 Weekdays but Not Yesterday	No Red Streak Reading
Any Paid Daily	Read Yesterday	187	158	96
	Read in Last 5 Weekdays but Not Yesterday	0	23	105
	No Paid Reading	14	51	104

Table #13

Patterns of Yesterday/Non-Yesterday Reading – Red Eye with Paid Newspapers

		Red Eye		
		Read Yesterday	Read in Last 5 Weekdays but Not Yesterday	No Red Eye Reading
Any Paid Daily	Read Yesterday	177	118	94
	Read in Last 5 Weekdays but Not Yesterday	36	83	105
	No Paid Reading	6	79	108

The pattern of complementary and competitive relationships evident in Dallas is consonant with those found in New York and Chicago – strong complementary reading between the free and the paid newspapers and where the behavior is competitive paid reading dominates.

Table #14

Patterns of Yesterday/Non-Yesterday Reading – Quick with Paid Newspapers

		Quick		
		Read Yesterday	Read in Last 5 Weekdays but Not Yesterday	No Quick Reading
Any Paid Daily	Read Yesterday	188	120	97
	Read in Last 5 Weekdays but Not Yesterday	27	149	101
	No Paid Reading	48	57	103

As discussed previously free/paid duplicated consumption in Boston occurs at a lower rate than found in the other three markets under review – almost 40% of Boston Metro’s yesterday readers read only that paper yesterday. Hence, the dynamics of complementary reading is somewhat distinct for Boston – wherein a disproportionate amount of this reading occurs among the non-yesterday readers. Moreover, it appears that among readers for whom free/paid is competitive a disproportionate share is selecting to read the free publication.

Table #15

Patterns of Yesterday/Non-Yesterday Reading – Boston Metro with Paid Newspapers

		Boston Metro		
		Read Yesterday	Read in Last 5 Weekdays but Not Yesterday	No Boston Metro Reading
Any Paid Daily	Read Yesterday	105	100	100
	Read in Last 5 Weekdays but Not Yesterday	137	138	95
	No Paid Reading	53	67	105

It thus appears that among readers of free/low-cost tabloids 1) complementary reading behavior predominates (even if weakly in Boston) and 2) that among those readers for whom reading paid and free newspapers is competitive that to date paid reading is the preferred behavior by a substantial margin except in Boston where free reading is somewhat stronger.

Audience Duplication May Be Related to Local News Needs

While there is no evidence here that overall paid readership is diminished by the free dailies, it might be presumed that readership of free dailies might have more duplication with readership of some paid dailies than others. Prima facie the audience appeal of the free dailies is seemingly more similar to the generally mass market targeted paid dailies (often a tabloid format) than to the papers with more scope of news coverage and extended stories and features. Thus it might be presumed that free dailies would take readers from the mass market papers more so than others.

Of the four markets under analysis New York is illustrative insofar as it has a serious general interest broadsheet with local New York news (the New York Times which is considered a local paper there), a large readership of the national financial broadsheet (the Wall Street Journal) and several large circulation mass market tabloids (New York Daily News, and New York Post). As is evident in Table #16, readership of either or both free tabloids occurs at approximately the same rate for readers of the paid tabloids as it does for broadsheet readers – suggesting that their format and content hold comparably equal appeal to both types of audience. Moreover, the higher duplicated reading of am New York and/or Metro New York for Wall Street Journal readers

suggests a complementary relationship – readers of a national financial newspaper are obtaining local non-financial information from the free tabloids.

Table #16**Tabloid/Broadsheet Duplicated Reading – New York**

% of Paid Readers	am New York and/or Metro New York
New York Times	15.9%
Wall Street Journal	22.0%
New York Post	16.2%
New York Daily News	15.5%

An analysis of the Boston market reveals much the same pattern as evidenced by this analysis of the New York market – that the free tabloids may have some complementary strength derived in part from their concise local coverage. Table #17 shows the duplicated reading for Boston's free Metro with the two local broadsheets (Boston has no metropolitan paid tabloids), and the three national broadsheets (New York Times, Wall Street Journal and USA Today). While in Boston the Wall Street Journal has much lower levels of duplicated readership with the Metro than the comparable level in New York, it is nonetheless slightly higher than Boston's largest newspaper, the Boston Globe. Moreover, Metro's duplication with the other two national papers occurs at substantially high levels, again supporting the idea that national newspaper readers will supplement that reading with a local free complement.

Table #17**Tabloid/Broadsheet Duplicated Reading – Boston**

% of Paid Readers	Metro
Boston Globe	7.3%
Boston Herald	13.3%
New York Times	16.3%
Wall Street Journal	9.0%
USA Today	18.9%

As Metro is a partner with the Boston Globe, the fact that duplication between the two is relatively low suggests that there are minimal prospects for cannibalization at least at the moment. In fact, that 13.3% of the Boston Globe's primary competitor the Boston Herald's audience reads Metro suggests that the strategy of extending the brand presence into a competitor's customer base is meeting with some success.

Paid Reading Potential of Free Newspaper Only Readers May Be Tied To Content Interests

One way to assess the potential free/low-cost newspaper only readers have of becoming consumers of paid dailies is to determine the extent to which they are similar to current paid newspaper readers on relevant measures. Reviewing a variety of historically significant demographic measures, media consumption patterns and other circumstances relevant to information consumption it is apparent that free/low-cost newspaper only consumers are somewhat different from consumers of the paid products.

Table #18 summarizes a number of these potentially relevant measures, comparing the readers of only free/low-cost tabloids with readers of at least one paid daily (who may also be free/low-cost readers) on an index basis. Although the sample sizes of free/low-cost only readership are relatively small, the consistency of results for many of these measures among all of the markets offers a robustness to the results.

Two sets of factors are associated with free/low-cost only readership – certain demographics and use of public transportation in cities having such systems. Clearly in Boston, Chicago and New York where the distribution of the free/low-cost tabloids is connected with their substantial public transit systems, free/low-cost only reading (as has been noted above) is positively related to ridership. However, beyond this, three distinguishing features of free/low-cost only readers are evident: 1) sharply lower household incomes, 2) a female skew and 3) a non-white ethnic skew. Also, in the three markets with the free (not low-cost/free) newspapers, Boston, Dallas and New York, the free only readership skews younger and experiences above average commutation times.

Table #18

Free/Low-Cost Only Reader Profile

	Boston	Chicago	Dallas	New York
Age	72	120	62	76
Household Income	61	52	55	55
Education	96	99	100	98
Female	111	All Females	157	158
Non-White	643	107	230	203
Subway	852	200	NA	312
Bus	521	No Bus Riders	No Bus Riders	209
Work Commute Time	152	55	154	102
Weekly Internet Time	73	654	137	98
Newspaper Sites	350	No Sites	275	82
Morning Drive Radio	No Listening	72	104	65
Morning Television	No Viewing	214	48	97

In summary, the cohorts for whom free dailies appear to have unique appeal are:

- Public transportation users
- Non-white ethnic communities
- Women
- Low/Moderate income groups

While the incidences among these groups of free/low-cost only readership (and newspaper readership generally) are quite low, this does suggest that newspaper reading per se holds some modest appeal to some within these cohorts. That said, it remains an open question as to whether or not the configuration and character of traditional paid daily publications will ever be compelling to this group of readers. Will the format of a broadsheet suit the riding conditions of urban mass-transit riders? Can the extensive coverage offered by even paid tabloids be accommodated into the schedules of the working mothers? While the coverage of paid broadsheets and tabloids is extensive how much is focused on the news and events of non-white ethnic communities? How relevant to women is the sports coverage dominating many tabloids and usually a full section in broadsheets? In short, the modest offering and nominal temporal and monetary investments afforded by the free/low-cost tabloids may thoroughly satisfy the printed news requirements of some small segment of the market. The virtues of the more robust and comprehensive offerings of paid newspapers with their concomitant investments in time and money may in fact be disincentives to these modest printed news consumers.

Taken together, it seems unlikely that substantial numbers of free-only readers will migrate to paid readership in these markets. The circumstances of their lives may mitigate against them finding substantial appeal in traditional paid printed news products as currently offered. Traditional paid printed news products require a more substantial investment in time to realize the value of the monetary investment. Moreover, the nature of the coverage offered by many paid newspapers (e.g., sports, business, automotive, traditional arts and culture) may simply lack relevance to the interests and opportunities of many of free/low-cost only readers. In short, the briefer, more topical coverage offered by the free/low-cost tabloids possesses qualities which resonate more fully with this consumer segment and it is hard to imagine that without substantial changes in the character of the paid offerings that free/low-cost only readers will migrate to them.

Conclusions

This paper set out to help traditional newspapers decide whether to buy or build their own free daily tabloid, or whether to treat them as competitors in the marketplace.

Opportunities

Under certain conditions it can make sense for a traditional paid newspaper to publish a free daily. The data presented here show that the free dailies do not cannibalize paid readership. To the contrary, readers read more. Consequently, the free dailies are a way to have more touch points with existing readers and to increase brand mindshare and loyalty among the existing base. This can help their total revenue by increasing loyalty and retention to the brand by providing a product that may be more convenient for current readers at certain times of the day. This strategy, along with a 24 hour website operation offers an “always on” service for readers. However, proving an adequate return on investment on this might be challenging for many newspapers.

Beyond retention, which may be difficult to quantify, can traditional newspapers find ways to directly monetize the free daily audience? Existing advertisers might resist incremental pricing to reach mostly the same readers in markets like New York, Chicago, or Dallas. For some papers, this argument may be a barrier for some advertisers. In non-competitive markets, such as Dallas, the free dailies offer message frequency for advertisers for which this is attractive.

For all traditional papers, the free dailies offer the opportunity to attract smaller advertisers who may not be able to justify the expense of the traditional paid daily advertising, but open questions remain regarding how many such advertisers there are and how much they are willing to pay to reach this audience.

Another opportunity suggested here is the power of the distribution point. If a traditional newspaper can identify a target audience that can be sold to advertisers, the key challenge appears to be where to find them. For example, perhaps a strategy to reach younger readers than through transportation hubs is free distribution on college campuses, as The Boston Globe will be testing in the autumn of 2005. Other paid dailies have created free tabloids targeting ethnic groups to reach those sectors of the marketplace.

Questions about “Common Knowledge” Regarding Free Daily Readers

One of the key successes cited for the free daily phenomenon is the ability to get young people reading. This paper questions this as a blanket pronouncement. Yes, the readers of the free dailies are younger than those who pay for their papers. This could simply be a function of who rides subways and busses. In most of the markets examined here, readership of newspapers is down among 18-34 year-olds, or in New York, it is flat. This suggests that a modified distribution strategy that more aggressively seeks out 18-34 year-olds might produce better results.

Another commonly held belief about the free dailies is that they reach a new audience of non-readers. This is only partially true, and varies by market. Boston reaches more non-readers than other markets, but in general, the free dailies are add-ons for the paid product, and the value of this additional frequency of reaching them will vary by market and advertising needs.

Among the paid non-readers who are only reading free dailies, can they be recruited to paid readers? The answer to this question remains unclear. Total newspaper reading tends to rise immediately after the introduction of a free daily, but then falls back to previous levels, suggesting that those who want to read are already doing so and that the opportunity for free dailies is to get them to read more. Also, audiences tend to use the paid products on the same days that they use free ones. On days when they could trade up, they do not show a tendency to do so.

On the other hand, there is no evidence that free dailies are responsible for circulation declines at traditional newspapers. It has often been noted that the circulation of Metro in Europe is about the same as paid daily circulation declines in the region. This is most likely an accidental association. Furthermore, the paid tabloid is not necessarily more impacted than the broadsheet. Data here show that the reading duplication is the same for both paid formats, suggesting that something else, perhaps related to local content is compelling reading.

So, the emergence of free dailies does not yet address the very critical issue of why readers are defecting from traditional print newspapers. Moreover, neither is the free daily going to solve the circulation declines.

What the free dailies have done is to more clearly identify groups who will read such a paper, just not the traditional paper. So, the question is what needs of the free-only audiences are not being met by traditional papers? The free only audience is characterized by being female, non-white, and perhaps by the location at which they obtained their paper. In all markets, this data shows that price is not so clearly the driving factor in readership. The free only readers are not as wealthy as their paid reader counterparts, but they have adequate means. This suggests that some combination of content, style, and format of the free dailies attract the non-readers, bringing the discussion back to the proverbial question for any medium, whether to expand content to attract the largest number of readers, while still retaining a brand identity all the while doing so at reasonable expense. While the data are far from definitive on this point, the somewhat higher duplication of national publications with the very localized free dailies suggests a local content complement. It could be that the more parochial coverage of the free dailies is a content complement for (some) paid/free readers and the primary information interest for free-only ones.

We have not mentioned the internet yet in this discussion. We did attempt to see if there was a relationship between reading free dailies and using free internet sites operated by newspapers and we found none. Perhaps this is because the free internet sites more accurately mirror the content of the traditional paid daily with which they appear to be very slightly competitive [3]. Other research has suggested that when offered the same or similar product free, some newspaper readers will defect to the internet platform. But, it is most likely that they are looking for the same or similar content in either a free form or through a more temporally immediate delivery mechanism.

Returning to the overall question – should a traditional paid newspaper partner with or publish a free daily – fortunately or unfortunately it seems to depend on the particular market circumstances and the purposes for doing so. The data here question many of the commonly held beliefs that the free dailies can help grow circulation. In most US markets, where there is little or no newspaper competition (Dallas among the markets we have analyzed here), it is likely that the free daily is a loyalty tool and a way to increase frequency of reach, not reach itself. In competitive markets, it may be a way to reach some readers who are reading other paid dailies (and perhaps the advertisers they attract), but this is just a market share play, which may not result in significant incremental revenue. In small, non-competitive markets where there may be a lot of small advertisers not able to

afford the main paper, the free option may be lucrative. The bottom line is that the free daily will not necessarily be a bottom line panacea. A financial scenario based only on a loyalty benefit should be at least factored into decision making, because incremental audiences may not materialize for a significant incremental advertising benefit.

Finally, the emergence of free publications in the United States has been relatively recent, and confined to larger markets. However, the experience in the four markets studied here has been that the free newspapers are not uniformly performing as has been commonly expected. While these papers do not appear to be taking audience from paid dailies, neither have they shown potential for recruiting new readers to paid products. Nor are these papers attracting young readers, and in fact, the reader demographics are probably more associated with distribution points, such as public transportation, than with content or form of the paper.

We do hypothesize that there are within the four markets studied, content related factors that are attracting readers to the free papers, but further examination of these issues goes beyond the data analysis presented here. Furthermore, we cannot discount the possibility that these papers will serve as audience recruitment tools over a long period of time; we can only say that such recruitment has not happened in these markets within the one to three year time frames that these papers have been in the markets and measured by Scarborough Research.

Our ambitions have been to present a strategy for considering the relationship between free and paid newspaper consumption in four US markets, while at the same time recognizing that this is still emerging as a news and information platform.

End Notes

1. "Growth in a Shrinking Market: The Rise of the Free Daily Newspaper", Piet Bakker, Ideas Magazine, August, 2005, INMA.
2. The concept of newspaper read/screen as a natural experiment was introduced by Matthew Gentzkow in "Measuring the Impact of Online Newspapers: Print-Online Competition and Consumer Gains", Gentzkow and Collins, Worldwide Readership Research Symposium, 2003.
3. "Measuring the Impact of Online Newspapers: Print-Online Competition and Consumer Gains", Gentzkow and Collins, Worldwide Readership Research Symposium, 2003.