Models for internationalization – A study of the early steps of the internationalization of Scandinavian media companies

By: Erik Lakomaa

Abstract: Newspaper companies have historically used different models of internationalization and the number of successful cases is limited. In this paper different models of internationalization used by Scandinavian media companies are compared and analyzed. It is found that the local entrepreneurs, particularly the self-organization among these entrepreneurs, play an important role when newspaper companies enter new markets. It is also found that business models in the newspaper industry that focus on the search for local knowledge are driving the success of market entry. The paper also gives an overview of the previously unwritten history of the internationalization of the financial newspaper Dagens Industri.

Keywords: newspapers, internationalization, Search

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Introduction

Foreign direct investment was indeed possible in the Scandinavian media industry before the 1990s, but the opening of the formerly closed markets in Eastern Europe, and in the former Soviet Union, gave the industry a new dynamic. This new dynamic and the business models used to enter new markets are the topics of this paper. This paper integrates research in business history with theory drawn from the field of international business and industry studies. These fields are closely linked together (Jones and Khanna 2006).

Three Scandinavian newspaper corporations are studied in this paper: Dagens Industri (Sweden), Metro (Sweden) and Schibsted (Norway). The number of companies studied is fairly small but at the same time all the major companies in the region are included. Two of the companies are since long established media houses Bonnier (the owner or Dagens Industri) and Schibsted. The third, Kinnevik (owner of MTG/Metro) is a late challenger on the Scandinavian media market. All were during the period covered in the paper family controlled. Family business is a specific field of business history (Fellman 2008) and family ownership can have implications for business behavior. The companies studied differ in size and had different degrees of autonomy. Dagens Industri is a subsidiary of the Bonnier Group, while Metro is a listed company, albeit one where the Kinnevik Group holds a majority position. The research questions is what models did these major Scandinavian media companies use when they first ventured into new markets, and what the outcomes these ventures were.

The decision to limit the study to one part of the Bonnier group is based on the fact that Dagens Industri had a business model distinctly different from other companies within the Bonnier Group. The internationalization of the Bonnier Industry Group and, as well as the internationalization of the Bonnier Magazine Publishing Group, have also previously been studied by Larsson (2002, 2009) and are outside the scope of this paper. They will not be covered unless their operations have a direct impact on the actions taken by Dagens Industri.
The time period covered by this paper is 1989 to 2002. This excludes previous foreign investments made by the Bonnier Group from the study (these are covered in detail by Larsson (2003, 2001). Here, in each case, the first steps towards internationalization are considered being of most interest. Thus, the five years following the first international venture is chosen as a limit. In the case of Bonnier/Dagens Industri this means that the period of interest is 1989 to 1994, for Kinnevik/Metro 1997 to 2002 and for Schibsted 1997 to 2002. However, when it is necessary for the analysis events outside these time periods are covered.

The paper consists of two parts. The first part gives a brief description of the history of the early phases of the internationalization of the three media companies, combined with a description of their models for internationalization. Since the history of the internationalization of Dagens Industri has not previously been subject to scholarly work, this section is somewhat more extensive. The second part compares the different companies on a number of relevant criteria, and analyzes the models chosen relating them to theories of internationalization (Kindleberger 1969; Johanson and Vahlne 1977; Johanson and Wiedersheim-Paul 1975; Barkema and Drogendijk 2007). In this part the search aspect of internationalization of the newspapers also are analyzed.

The paper is based on a combination of interviews and secondary sources. The description of the historical development of Dagens Industri is primarily based on Lakomaa (2010), Metro on Wadbring (2003) and Schibsted on Helgesen (2002) and Høyer (1999).
**Dagens Industri**

*Dagens Industri* is a financial newspaper published by the Swedish publishing and media company, the Bonnier Group. The paper was founded in 1976 in Sweden and became in the early 1980s the most profitable publication within the Bonnier Group. As seen in Lakomaa (2010) the business model of *Dagens Industri* was radically different to the ones used by existing newspapers when it started. Instead of running typesetting and printing in-house, *Dagens Industri*, as the first major Swedish newspaper, outsourced these tasks. This not only enabled *Dagens Industri* to reduce costs and to rapidly take advantage of new technology, it also allowed the paper to stay out of the devastating labor conflicts that rocked the media industry, and especially the Bonnier Group, in the late 1970s and early 1980s.

**Bonnier as an international company**

Bonnier early become an international company group. The first steps were however taken in the industrial group, i.e. the non-publishing side of the company. The internationalization of the industry group and the rationale behind it has been covered in detail in Larsson (2001).

The internationalization of the publishing side started in the mid-1950s when Bonnier begun trials with a multi-market and multi-language, lifestyle magazine. This venture failed and it was not until the late 1960s that the group again made an attempt with an international venture. In 1969 Bonnier acquired a minority stake in the Danish financial *Børsen*. *Børsen* was then a rather small paper with a circulation of only 6000. Bonnier also tried to acquire two Norwegian financial papers. None of these deals, except *Børsen* which later become wholly owned by Bonnier, became reality. *Børsen* was however a success and the paper was later, gradually transformed into a copy of *Dagens Industri*.

There were also some moves toward internationalization in the magazine division. These have been studied by Lindgren (2009) and will not be covered here.
Dagens Industri as an international company

In 1989 Dagens Industri began publishing a newspaper in Estonia, making it the company’s first international venture. In many respects this was an unusual and unexpected decision.

The choice to begin newspaper publication in Estonia, however, was as much as project to aid democracy as a commercial venture, people at Bonnier say.\(^1\) International expansion was not an entirely new idea, though. As early as 1956 senior executives in the Bonnier group had been discussing the prospects for international ventures in financial papers, although they were however more like the weekly magazine *Veckans Affärer* than the daily *Dagens Industri*.\(^2\)

There were also some suggestions that Dagens Industri should enter the American market in the late 1970s, but the proposal “never left the discussion phase.”\(^3\) Some years later, in the mid-1980s, *Dagens Industri* had serious plans to start a financial paper in Germany, ”*Geld*”. The venture was subsequently abandoned when the German partner backed off.\(^4\) Wågberg claims that there were even discussions about future newspaper publishing in the Baltic republics in the then Soviet Union, in the early 1970s but that these suggestions had passed as jokes.\(^5\)

The internationalization of *Dagens Industri* could possibly have triggered by a vacation trip. In the summer of 1989 the Soviet system had opened up somewhat, and it was now possible for foreign leisure boats to enter Estonian harbors. Hasse Olsson, then the editor in chief of *Dagens Industri*, was one of the sailors that took the opportunity to enter these previously closed waters. Olson himself says that it was his interest in sailing that was the foundation for the internationalization of *Dagens Industri*.\(^6\) An Estonian democracy activist Ulo Päärnits had previously met Olsson in Stockholm and suggested that Bonnier should start a financial paper in Estonia. “It seemed impossible” Olsson commented. In the summer of 1989 Olsson however sailed to Tallinn, meeting Päärnits. After some

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\(^1\) Wågberg interview 2009, Bonnier interview 2009, Olsson, interview 2009  
\(^2\) Bringert & Torekull 1995 p 29  
\(^3\) Bringert & Torekull 1995 p 152  
\(^4\) Olsson, interview 2009  
\(^5\) Wågberg, interview 2009  
\(^6\) Olsson interview 2009, Wågberg, interview 2009, supports this claim
discussions, it was decided that a test issue should be made. This was something that Olsson could approve without asking the board of directors.\(^7\) He sent for Kjell Wågberg, then technical director, who went to Estonia a couple of weeks later that summer. In order to start a company in Estonia a local majority partner was needed. Päärnits worked for a government owned company called *Mainor* and this company became the local partner, holding 51 percent of the shares. The process was rapid after Wågberg’s visit. A group of people came over from Estonia to Sweden and were given a crash-course in newspaper publishing. A first issue was then printed in Sweden and shipped by boat to Tallinn.\(^8\) The paper was named “Äripäev” which means “Business Day”, and was an immediate success. The initial run of 55,000 copies sold out in two hours. “There was probably great unfilled demand for western press in Estonia.”\(^9\) After the success with the test issue the paper was quickly approved by the board at *Dagens Industri*.

As had been the case in Sweden, the Estonian venture begun publishing weekly and then gradually increased the rate. From February 1990 on, the paper was printed in Estonia, but the process was not free from obstacles. The Soviet heritage was obvious. Olsson describes how it was necessary to re-educate the journalists from propaganda instruments to investigative journalists. This in turn created some difficulties (not only in Estonia but also later in other Eastern European markets) with law suits from companies and politicians who did not like what were written about them. Being a foreign and established publishing company here provided a clear advantage since foreign companies was less likely to be drawn into local power politics.

The Estonian operation had to be built from scratch. There was almost nothing to buy in Estonia and *Dagens Industri* had to supply its printer with paper, dyes and chemicals. There was no distribution network so the readers had to collect their paper at distribution centers. Subscriptions worked quite differently than in the West. In Estonia the Post office handled subscriptions and owned the

\(^7\) Olsson interview 2009, Wågberg, interview 2009

\(^8\) According to Olsson there were no legal means to get the papers into Estonia, but the customs officers did not care about the shipment. Olsson, Interview 2009. It is said that papers at other occasions were seized by customs.

\(^9\) Olsson, interview 2009
subscribers. It was not possible to begin or renew a subscription except for in November each year.

This had to be changed in order to make the venture profitable. In 1992 Dagens Industri was allowed to buy out Mainor and Ulo Päärnts, and at the same time the board discussed which markets to enter next. The board of Bonnier put pressure on Olsson to continue the expansion.\textsuperscript{10}

The paper in Estonia followed in all relevant aspects the business model of the Swedish edition. Printing and typesetting was outsourced (with the exception of the first issues which were produced in Sweden and was edited manually). This also made it possible to use the latest computer technology available both for the editing and the layout of the paper. That printing and layout was done by subcontractors also made it possible to put pressure on them – or to choose another supplier if they did not deliver or if the quality was sub-par.

**The further internationalization of Dagens Industri**

When the Estonian venture proved successful, pressure was put on Dagens Industri to further exploit the newly opened Eastern and Central European markets. Initially, three countries were considered for the next step of the expansion: Latvia, Hungary and Russia.\textsuperscript{11} Bonnier already had a presence in the first two.\textsuperscript{12} In Latvia the Bonnier group through Expressen owned a stake in the newspaper Diena, and in Hungary the Bonnier magazine division Åhlén & Åkerlund had been printing comic books since 1976.\textsuperscript{13} In 1991 Hungary was chosen as the next market but the venture later proved unsuccessful.

The Hungarian business paper was discontinued by Bonnier in 1992 due to competition from other papers.\textsuperscript{14}

\textsuperscript{10} Olsson, interview 2009

\textsuperscript{11} Olsson interview 2009

\textsuperscript{12} In addition the Bonnier industry Group (the non-publishing part of Bonniers) had operations in both Poland and Hungary.

\textsuperscript{13} This – together with DI – was the first examples of outsourcing in the Bonnier group. The reason behind the decision to outsource the printing of comic books was cost cutting. That their long shelf life made them less vulnerable to delays (i.e. the advantage of printing them in-house was limited) and that the staff at Å&A found it cumbersome to do all the adjustments needed in the printing presses for the different formats they used, made the decision easier (Sunesson interview 2009). The circumstances indicate that the outsourcing decision also was a way of avoiding labor strife but there are no source material explicitly supporting this.

\textsuperscript{14} Larsson 2003 p 265
In Latvia and Russia Bonnier worked in parallel with the ventures. In Latvia there was cooperation with aforementioned *Diena*. Both projects were successful. “We had learned a lot from the Estonian venture” Olsson says.

The way we educated the local staff was that we took them to Stockholm, five or six at each time. We made a dummy. We showed them all the departments, discussed different types of journalism, layout and organization and let them practice writing. It was almost a revolution. They were accustomed to write long articles where the punch came in the last two sentences. Our way was completely different. We should write short, intense articles with the punch in the beginning.\textsuperscript{15}

Eastern European markets had enormous potential. They all had a rapid economic expansion and a growing demand of economic information. “The demand and the bright futures – that were the result of their low starting points”, were the driving factors, Olsson explains.\textsuperscript{16} The Russian and Latvian ventures were followed by ventures in Poland, Slovakia, Austria, Czech Republic, Croatia, Bulgaria and Scotland. Most of them eventually were profitable, Scotland being the major exemption.

When ventures failed it could be attributed to one of three factors: (i) There was already an established paper on the market (ii) *Dagens Industri* entered the marked via acquisitions or (iii) the paper stated full scale publishing from the beginning.

Even though *Dagens Industri* was very successful in its internationalization, the company faced some major setbacks. In Hungary they pulled out after only two years had passed, in this case the failure could be attributed to the presence of an established competitor. In Austria *Dagens Industri* acquired a 50 per cent stake of the local financial paper *Wirtschaftsblatt*, but later sold the shares in the paper due to conflicts with the other owners. In Scotland *Dagens Industri* begun as a five-day paper with a staff of 200 and was forced to abandon the project in order to cut the losses.

When *Dagens Industri* has entered a market as the first mover and when they have started in small scale (one or two issues a week) in order to keep costs down and limit losses, the ventures have

\textsuperscript{15} Olsson interview 2009
\textsuperscript{16} Olsson interview 2009
succeeded. The strategy has been to pull of markets where the papers had not shown profits in the first five years.

**Was there a Bonnier advantage?**

There are some indications that being a large and foreign media house had significant advantages. A newspaper is easily copied and there is no way to patent or copyright a publishing concept or a paper design.\(^{17}\) Had it only been about the paper, *Dagens Industri* would probably have faced serious local competition. A newspaper concept is easy to imitate and the success of *Dagens Industri* must have encouraged prospective competitors. However, the paper went unchallenged in most cases and the attempts to preempt Bonnier’s entry on new markets were few. This begs the question about what Bonnier’s advantage was.

The most obvious advantage Bonnier had compared to a startup was their financial strength. The establishment of new newspapers is costly even if they begin on a small scale. The time until profitability is usually measured in years. Here Bonnier stretched the three-year time frame that Å&Â used for new ventures in the magazine publishing business to five years. The assumption at *Dagens Industri* was also that it would take ten years until they have recouped the investments in the new ventures. To launch a financial newspaper when the profitability was expected only five years in the future was probably hard to secure bank financing for. The ventures were also risky. Bonnier pulled out of one fourth of all ventures due to lower than expected profitability.

A second advantage could be that Bonners had the access to know-how internally, and could attract external know-how if needed. Connected to this is that local entrepreneurs often went to Bonnier with plans for local newspapers. In some cases the entrepreneurs had already assembled teams of key personnel before approaching Bonnier.\(^{18}\) The reputation of *Dagens Industri* and the Bonnier Group probably gave them an advantage in this field.

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\(^{17}\) Trademark and logo excluded
\(^{18}\) Olsson interview 2009
The third advantage was that *Dagens Industri* could use its bargaining power to reduce the cost of supplies. Even if the physical production of the papers were outsourced the conditions at these new markets were such that subcontractors at times could not get needed supplies, or were forced to pay inflated prices for them. The size of Bonnier and its Western origin made it possible to overcome some of these supply problems. Wågberg for example mentions that they managed to keep the production of Åripääv going by flying in a vital chemical compound for the printing process from Sweden via a chartered aircraft and that he managed to get an export permit for the compound even if it was after office hours.\(^9\) It is not hard to imagine that a local Estonian entrepreneur most likely would have failed here.

This advantage is connected to the fourth, namely the ability to stay out of local power politics. The political situation – especially in the early 1990s – was less than stable in the Eastern European countries. As a foreign company *Dagens Industri* was less vulnerable to political pressure. The exception was Russia were at least Olsson considered being foreign a disadvantage.\(^{20}\) Despite this they had their share of incidents including visits from local mobsters and protracted legal processes involving high ranking government officials in more than one occasion.

Previous market knowledge must however be considered of limited importance in this specific case. Bonnier had been involved in ventures in Eastern Europe before the fall of communism, both in media – most notably the comic book printing operation that Å&Å run in Hungary, and *Expressen’s* early investment in the Latvian newspaper *Diena* – and in other industries, e.g medical and dentistry supplies in Poland and Hungary. *Dagens Industri’s* venture in Hungary was despite the local presence the first to fold, and the paper in Latvia was one of the least successful of all surviving papers.

\(^{19}\) Wågberg, interview 2009
\(^{20}\) Olsson interview 2009
Metro

*Metro (Metro International)* is a Swedish print media group. The core product of the company is the free newspaper *Metro*. The company was founded in 1995 (as *Metro AB*) and is since 2001 listed on NASDAQ and in Stockholm (first at the alternative list SBI and since 2001 on *OMX Stockholmsbörsen*). The company is controlled by the Swedish conglomerate the *Kinnevik Group*.

*Metro* is a free newspaper founded by the entrepreneurs Pontus Braunerhielm, Per Andersson and Monica Lindstedt. Their idea, born in the early 1990s, was that since the distribution cost of a paper could be approximated as being equal to the subscription fees, a paper with no (or very low) distribution costs could be profitable without subscribers. This, of course, provided that the circulation could be kept large enough by other means. The needed circulation could be met by distributing the paper to mass transit passengers in the Stockholm subway, hence the name – albeit the paper later came to be distributed in other mass transit systems than subways and also by delivery men.

Initial funding – 50 MSEK – was provided by the Kinnevik group, then led by the entrepreneur and financier Jan Stenbeck. The rather large capital requirements was due to the fact that the estimated number of readers needed to break even was 200,000. The initial run was 611,000 copies. The *Metro* concept was based on the publishing of a five-day-paper. This was probably necessary in order to get the advertisers and the mass transit companies onboard. *Metro* assumed that advertisers currently buying ad space in established morning or evening papers would be hard to convince to switch to a new paper with a new distribution model and unclear readership. *Metro* instead decided to compete on price and target advertisers which were using direct mail. The agreement with the mass transit system was equally important. Using the mass transit systems as a distribution channel

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21 According to Wadbring, the distribution costs of a newspaper are about 30 percent of total cost.
22 This could be compared to Dagens Inudstri which initially cost Bonnier 30 MESK over five years (in 1995 prices about 114 MSEK) and that required a much lower circulation to break even, despite DI having editorial staff.
23 (Wadbring 2003)
24 Wadbring 2003 p 97
not only provided access to a group that the established newspapers did not previously reach, but also reduced distribution costs and restricted competition. Since Metro was granted an exclusive agreement with the Stockholm Regional Council to distribute the paper in the Stockholm Subway in exchange for a full page ad in each paper prospective competition were ruled out, making the venture less risky.\textsuperscript{25} Metro later won tender offers to supply the mass transit systems in the Swedish cities Gothenburg (1998) and Malmo (1999) with papers, securing three local markets free of competition.

Metro was from the beginning committed to keep costs down by relying on outside contractors, both to both produce the paper and to provide the content. By not hiring journalists the cost could be kept down. In order to achieve this Metro had to cooperate with news agencies, primarily the Swedish news agency Tidningarnas Telegrambyrå (TT). The problem was that TT was owned by a consortium of Swedish newspapers, to which Metro was a competitor. The people behind Metro assumed that this might be a problem which had potential to derail the venture, but TT had no objections to support Metro with content.\textsuperscript{26} Nor was finding outside printers a problem, and also in this case a potential competitor, Tidningstryckarna, which was owned by Aftonbladet and Svenska Dagbladet, won the bid to do the printing. At the time there was significant overcapacity in the newspaper printing industry.\textsuperscript{27}

Outsourcing of printing and typesetting had successfully been tested on the Swedish media market by Dagens Industri in 1976, but outsourcing the provision of content was something new. Even if Metro outsourced printing and content provision they kept a fairly large in-house advertising sales department, in addition to a fairly large journalistic staff\textsuperscript{28}. The initial staff amounted to 25 persons in 1995 of which 10 were journalists and 10 advertising salespersons. The rest were graphic designers and administrative staff. Five years after the first international venture the average staff on a paper

\textsuperscript{25} Wadbring 2003 p 86- The exact details of the agreement have never been disclosed
\textsuperscript{26} Wadbring 2003 p
\textsuperscript{27} Melesko 2001
\textsuperscript{28} This might be considered strange in relation to the business model but can probably be explained by the small size of the paper at that time. The proportion of journalist to other staff declined when the paper grew.
was about 40. The staff in Stockholm had at the time grown to 96, where over 50 were ad salesmen. The number of journalists had however been reduced from 10 in 1995 to 4 in 2002.


In all of these cases, the key success factor was to find the right local entrepreneurs. Even if staff from Stockholm has been involved in the foundation of most foreign editions, local people with the right connections were important. Since *Metro* depended on reaching agreements with politically controlled mass transit systems, local knowledge was essential to success.

The business model was to quickly build the papers and establish them as accepted advertising channels. Contrary to other papers however, *Metro* did not have to acquire subscribers. Instead, the product was essentially the same from the start and profitability was the result of the growth of advertising revenues, and if potential synergies with existing or future editions could be realized. In most cases *Metro* had to pay the same to the mass transit companies regardless of readership, something that further emphasized the need for speed.

By *Metro* growth came first and profitability later. Initially the papers did not need to be profitable, only able to show enough potential for profitability to be used as collateral when the company needed to finance the foundation of further editions.

*Metro* published a set of criteria where to invest, which reads:

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29 Wadbring 2003 p 91 – that us about half of an average edition of *Dagens Industr*  
30 Wadbring 2003 p 94  
31 Wadbring 2003 p 288  
32 Interview Törnberg in Wadbring 2003 p 298
“All Metro business plans assume the presence of competition. A rigorous set of criteria are applied to potential markets in order to assess their suitability, including the levels of economic growth, local media spend and newspaper readership, as well as the structure of the local media industry.”

This however implies no de facto limitation of the number of markets that could be entered. The number of cities that met Metro’s criteria was huge, making local factors like the actions of key personnel or local entrepreneurs approaching Metro with suggestions, a driving factor when and where to invest.

Notable is that Metro started international editions before the first edition in Stockholm had proved profitable. In Stockholm that took three years, until 1998. In Gothenburg, Metro’s second Swedish edition took four years to reach profitability, despite having been granted a monopoly by the municipality of Gothenburg through a tender process, and despite sharing most of the content with Metro Stockholm. Before venturing abroad, Metro in 1996 tried to launch a weekend edition in order to reach important advertising markets during the weekends. This project was, however, quickly abandoned due to low profitability.

The internationalization was not without problems. Metro for example faced problems with unions in a number of countries, but in no case the problems were more severe than in France. The local union CGT blockaded Metro demanding that the paper should be printed at a union controlled printer. In Paris, Metro deliverymen had been harassed and papers stolen and thrown into the river Seine, by union activists, forcing Metro to transport the papers in unmarked trucks. The Swedish unions, which usually are very powerful, kept calm the first six months in Sweden, something that Metro regarded as “a life saver”.

It is only in Sweden that the staff working at the paper is unionized. A bigger problem was, that the profitability of the international editions was low. Metro

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33 Annual report 2001 p 10
34 Wadbring 2003 p 104
35 Wadbring 2003 p 99 Den svenska pressens historia 2002 p 358
36 The blockade, albeit damaging to Metro, was not aimed specifically at Metro. The Schibsted owed competitor 20 minutes was also blockaded.
37 Vision 2002-02-14 ”Kommunistfack stoppar Metro”
38 Braunerhielm and Ejemyr quoted in Wadbring 2003 p 94
has themselves said that it is impossible to break even using hand delivery. When Metro started publishing the Zurich edition it was mentioned that hand delivery was ten times as expensive compared to distribution through bins in the mass transit systems.  

Hand delivery has been used as distribution method in about 50 percent of the local ventures. Wadbring (2002) claims that there is no connection between circulation and the choice of distribution model. It must, however, be argued that it is certainly a connection between distribution model and profitability. In addition, Using hand delivery would be contrary to the basic assumption behind Metro, i.e. that a free newspaper could be sustainable in the absence of distribution costs.

Although Metro does not publish any figures on local profitability we could infer from facts mentioned that the papers that were not distributed by means of bins in the mass transit systems were unprofitable. It has been argued that almost all editions that have survived for more than three years were profitable. The rationale behind the internationalization was to reduce costs by sharing content. Metro also started their own news agency in order to provide the Metro-papers with content. This didn’t work out as planned. In reality very little content were shared. The shared content was more or less limited to some movie reviews, celebrity interviews and boxes with funny facts used on the front page. This made Metro significantly less profitable than expected.

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39 Pressens tidning 1999-01-21
40 Wadbring 2002 p 287
41 Wadbring 2003 p 293, this is repeated in the annual report from 2001.
**Schibsted**

*Schibsted* is a Norwegian media and publishing company founded in 1839. Among the titles are the largest newspapers in Norway *Verdens Gang (VG)* and *Aftenposten*. *Schibsted* begun internationalizing its newspaper business in 1997 when it become the majority shareholder in the largest Swedish evening paper *Aftonbladet*. The year after, *Schibsted* acquired a majority stake in the second largest morning paper *Svenska Dagbladet*. In 1998 *Schibsted* moved into the Estonian print media market by acquiring 92 percent of the stock in *AS Eesti Media*. *Eesti media* was the largest media company in Estonia and at the time owned, or controlled two national newspapers, *Postimees* and *Linnaleht*, five local local newspapers, and nine magazines.

There are few similarities between the papers that *Schibsted* took over. The first investment, *Aftonbladet*, was when it was acquired the largest circulation paper in Sweden and highly profitable. The paper was owned by LO (The Swedish Federation of Labour) who wanted to exit the newspaper industry. The second, *Svenska Dagbladet*, was a struggling morning paper which had had financial problems for decades and faced hard competition from the Bonnier owned morning paper *Dagens Nyheter* and Bonnier’s financial paper *Dagens Industri*. The owners where a consortium of Swedish companies and a foundation controlled by conservative interests. What *Aftonbladet* and *Svenska Dagbladet* had in common were that they shared certain printing facilities and that their owners wanted to get rid of them.

A special part of the *Schibsted* internationalization process is the development of the 20 minutes free newspapers. The project was a joint venture with Swiss investors and begun in 1999. The company published free newspapers – distributed in public mass transit systems – in Cologne, Basel

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42 *Aftonbladet* and *Svenska Dagbladet* had since the 1980s collaborated in printing and distribution

43 This was later increased to 100 percent. In addition *Schibsted* already owned the Estonian TV outlet Kanal 2 since 1995.

44 Helgesen 202 p 226 argues that the 20 minutes project could be seen as “defensive investment strategy to obstruct the free newspaper *Metro*’s worldwide spread”.
and Zurich. The German issue was discontinued in 2000 but instead the company moved into Spain (Madrid and Barcelona) 2001 and France (Paris) 2002. In 1999 Schibsted also launched a free newspaper, Avis, in Oslo, Norway. All investments were intended to be profitable in their own right and Schibested run them as separate entities. In most cases Schibsted initially acquired a majority, but less than all of the shares in the target companies. Schibsted later went on to acquire the rest of the stock in the papers.

Schibsted’s investment strategy was to concentrate on a few markets. Even if the number of papers owned by Schibsted is high, the number of markets served outside Norway is limited to Sweden, Estonia, France and Spain (excluding the discontinued papers in Germany and Switzerland). The reason behind this was to cut cost by the reduction of staff and the sharing of overhead and facilities. As Svenska Dagbladet was heavily overstaffed, the new owner could rather quickly achieve major savings. Staff was cut from 530 to 270 in the first five years. In order to do so Schibsted had to fight the local unions who had earlier been very strong and opposed any cut backs. Despite strong unions, the cost reductions, except for some sable rattling in 2000, met no strong opposition from the unions. Some union officials realized that Schibsted – contrary to the former owners – would not support an unprofitable operation in infinity and that it was in their interest to accept the savings program.

Aftonbladet was better managed and profitable but also in this case the staff was reduced significantly. Schibsted did look for synergies on all the new markets but it was only in Sweden where these could be realized. In the case of 20 Minutes content was, and still is, shared between the local editions in the same country, e.g. the papers in Zurich, Basle and Bern, and Madrid and Barcelona. There were no exchange of material between the Cologne and the Swiss edition. That

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45 In 2005 sold to Express-Zeitung AG. Metro tried to outcompete 20 Minuten in Zurich and Basel but failed and had to pull out.
46 Wadbring 2003 p 298. According to Helgesen 2002 p 126 the paper was used as a spoiler in order to force the competing paper Osloposten out of the Oslo advertising market.
47 Interview Nilsson 2009. It might also have been a political component involved. For the previous owners it might have been unthinkable to let the only major conservative newspaper go bust.
48 Later, the Aftonbladet and Svenska Dagbladet began sharing office facilities.
may give a hint to what degree it is possible to share material cross borders even when the language is no barrier.

The process to find suitable investments was rather uncomplicated. Schibsted was looking for established media companies or papers where the profitability could be increased by savings. The targets were in most cases easy to find. Helgesen (2002) attributed the internationalization model used to the educational background of the management of Schibsted. A significant number of executives had went to the Bergen Business School in the 1970s and there been influenced by the contemporary theories of internationalization. Helgesen gives no guidance of which models he refers to but it is likely that the persons in questions were exposed to the theory of the product life cycle (Vernon 1966) and Johansson and Vahlne (1997). These models are top down. There are no indications that Schibsted have tried to influence the journalistic principles nor have they tried to teach a new way working (as Dagens Industri did). The journalistic parts of the papers have been run as before, albeit with less staff. The acquired papers also kept their own brands and style and little material was shared.

None of the Schibsted papers outside Norway, except Aftonbladet, were profitable during their first five years albeit Svenska Dagbladet had reduced its losses significantly. This is probably due to the fact that the acquirer often faces the risk to overpay for profitable papers due to the winners curse (Thaler 1988). It could also simply be that the potential for cost savings – for many reasons – are hard to realize. Here Helgesen (2002) argues that internationalization might be advantageous compared to acquisitions on the home market since it might be easier to reduce costs at operations outside the home market. “[it is] easier to act in a bluntly profit seeking manner abroad in the general

49 Helgessen 2002
50 Helgesen 2002 p 124
51 Helgesen 2002 p 136 argues that few papers have done anything on the organizational side. He must here forget Dagens Industri.
52 Schibested Annual Report 2002, Helgesen 2002 p 126, 236
newspaper market, as there may be little goodwill at bay. The company is foreign, and considered as profit seeking anyway.\textsuperscript{53}

\footnote{Helgesen 2002 p 124. This is consistent with Lakomaa (2002) who argues that companies might be less reluctant to cut costs when the risk of brand damage is lower.}
**Analysis**
Analyzing the three different companies we find that they are different in a number of important respects, both when it comes to control, culture and at which level revenue is maximized, as well as there are synergies to be found between the local papers. They also differed when it came to what degree they are dependent of local entrepreneurs. All these differences have shaped their respective models of internationalization. Some of these issues have been addressed indirectly when describing the models of internationalization of the papers but in this part these previous findings will be put into perspective.

(figure 1)

<table>
<thead>
<tr>
<th></th>
<th>Metro</th>
<th>DI</th>
<th>Schibsted</th>
</tr>
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<tbody>
<tr>
<td><strong>Revenue maximization</strong></td>
<td>Mother</td>
<td>Mother</td>
<td>Paper</td>
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<tr>
<td><strong>Control</strong></td>
<td>Mother</td>
<td>Mother/Paper</td>
<td>Paper</td>
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<tr>
<td><strong>Synergies between papers</strong></td>
<td>High</td>
<td>Low</td>
<td>Medium</td>
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<tr>
<td><strong>Culture</strong></td>
<td>Common</td>
<td>Common</td>
<td>Local</td>
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Figure 1 – some characteristics of the three media companies.

*Metro* have more centralized control than *Schibsted* and *Dagens Industri*, where the individual papers have more autonomy. However, since *Dagens Industri* ultimately decides on the corporate level which papers they start and keep supporting, papers initially are controlled by the mother company but much control is later ceded to the papers, even though the mother company still monitors them in order to maximize revenue. *Dagens Industri* would also discontinue papers that are unprofitable after a certain number of years, five in most cases. Some papers have even been discontinued earlier due to high losses.

Within *Schibsted* the local subsidiaries have a high degree of autonomy even if cooperation and the sharing of overhead are encouraged. In Estonia this is achieved though a common holding company.
In Sweden the local papers stayed separate and the degree of cooperation was limited during the first years following Schibested’s acquisitions.

*Metro* was instead managed as were all the local editions parts of a large newspaper (which they in some aspects are). All new subsidiaries that were founded during the period that are studied have been founded directly, or with guidance, of the Stockholm staff, even though the decision to launch them might have been influenced by actors from the local markets. There is also a *Metro* handbook that describes in detail how to run things at the local paper. The company is based on the idea that by sharing content, and some overhead, costs could be kept down enough to make the paper profitable without having to rely on subscription fees. The local operations in the *Metro* group is closely monitored by the headquarter, and there are extensive use of financial targeting and reporting. *Metro* also use the same graphic design for all their papers and as a result of the use of material from news agencies the journalistic content is also many times the same. That there have been little content sharing in practice is something else and that the company have posted losses for most years have not prevented the Kinnevik Group to successfully float a substantial portion of the company on the stock market.

The same, albeit not to the same extent, was the case in the *Dagens Industri* group. The use of local content there gave the papers within the group significant room to differentiate. This also made the papers different in style and tone. However, the reader could easily recognize the local editions as part of the same group. The graphic design of the papers was standardized and in many cases the future core staff was taken to Sweden in order to be trained in western journalism. The journalistic staff was also trained in the model of journalism developed by Bertil Torekull for the Swedish edition of *Dagens Industri*.

The degree of autonomy is also a driver behind corporate cultures. All *Schibsted* papers have individual corporate cultures and identities. *Metro* on the other hand have worked hard on building a

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54 In 2002 almost every other at the Stockholm office had some kind of supporting role.

55 Olsson, interview 2009
common culture, even when the local papers are ran as franchises. *Dagens Industri* is somewhere in between. The autonomy for papers within the *Schibsted* group was also signified by the fact that the group would not discontinue unprofitable papers, but on the contrary was willing to support struggling papers financially for a long time. *Dagens Industri* and *Metro* instead had the policy to close (or sell) operations that don’t reach their financial targets within a pre-defined time limit.

In contrast to *Dagens Industri* and the international arm of *Schibsted*, *Metro* was a highly centralized operation, and also one where there were a high potential for synergies between the papers, since the business model allowed both content sharing between editions and more than one edition in a specific country. There was, on the other hand, never many possible synergies between different editions of *Dagens Industri*, since there have never been more than one paper on a specific market. *Schibsted* focused on a few markets and have for example more than a dozen papers in Estonia and two each in Sweden, France and Spain, which at least in theory allowed for content sharing.

Another differentiating factor between *Metro* and *Dagens Industri* on one hand and *Schibsted* on the other is the importance of local entrepreneurs. Both *Metro* and *Dagens Industri* were very dependent on finding the right local entrepreneurs. Even if almost all *Metro* editions were founded by a group of staff from Stockholm, *Metro* needed people with local knowledge in order to negotiate for example agreements with mass transit systems, without which *Metro*’s chances to be profitable would be severely limited. In the case of *Dagens Industri*, the key success factor was to find good local managers and journalists. In many cases local entrepreneurs themselves approached *Dagens Industri* with an already assembled group of core staff and more or less asked to be hired as a group. *Metro* had limited need for journalists since most of the content was bought from news agencies. In their case managers and door openers with the ability to negotiate advantageous contract where the key staff.

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56 it is different when it comes to 20 Minutes where *Schibsted* has quickly closed down or sold unprofitable ventures. See Helgesen 2002
It might be argued that the media companies, in order to reach these entrepreneurs, had to be large and well known. Being an established and respected company was certainly an advantage but – at least in the minds of the managers of these companies – not enough. In order to reach potential local entrepreneurs both Dagens Industri and Metro took part in international media conventions.

The search models used by the media companies were not by any means new – in other industries search for new ideas, products and people are commonplace (see e.g. Bohman 2010). In the media industry few companies have been as dependent on search processes as Dagens Industri and Metro. They also both did well in this respect and that gave them an advantage compared to prospective new entrants.

Schibsted’s model for internationalization was much less dependent on search. The papers that were acquired were well known and it was easy to find potential targets for acquisition. The obstacle was to find targets at the right price. If they were to be in a country where Schibsted already had presence the numbers of potential objects were even more limited, as was the need for local expertise. After the papers were acquired Schibsted made limited changes to the staffing and limited reshufflings to the most senior management positions. Even these were in some cases left intact. The case of 20 Minutes is somewhat different. The first paper in Zurich was indeed the idea of local entrepreneurs that approached Schibsted with the idea, while the following papers was founded by Schibsted staff.

<table>
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<tr>
<th>Importance of local entrepreneurs</th>
<th>Metro</th>
<th>DI</th>
<th>Schibsted</th>
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<tr>
<td></td>
<td>high</td>
<td>high</td>
<td>low*</td>
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When we compare the media companies we thus find three totally different models of internationalization. Dagens Industri has chosen a cautionary policy where they carefully have examined each market before they have decided to enter, and only entered markets that fulfilled the following criteria (i) no competition, and (ii) high growth (primarily due to catching up effects after
newly won freedom from communism). Through the choice of entry criteria *Dagens Industri* has also implicitly reduced the potential for expansion. *Dagens Industri* has also limited the number of markets they have entered at one single point in time to one. In addition *Dagens Industri* only57 entered new markets on small scale, with publication once or twice a week, something that in itself only was possible when competition was absent. All of these measures were intended to reduce potential losses. This was considered necessary since it takes a long time – about five years until a paper like *Dagens Industri* is profitable, and five more until it has recouped the investment.58 These factors have in turn required the limitation of losses.

The unambiguous criteria used when selecting markets have also given a clear signal to potential competitors which prospective markets *Dagens Industri* could be expected to enter. A competitor might have used this information to preempt *Dagens Industri*’s moves. In reality this has not happened. The reason could be that even if the criteria do say something about which markets *Dagens Industri* will enter, they say nothing about the timing, since this has been driven by the actions of the local entrepreneurs. When Bonnier or *Dagens Industri* were approached by a suitable group of entrepreneurs, they have been able to respond quickly, and, if other market conditions have been right, been able to enter new markets on short notice. In some cases, representatives from the paper have in some cases also actively been looking for such groups on potential markets. When *Dagens Industri* has entered Eastern European markets, it has been, as a result of the immature journalistic traditions in these countries, necessary to educate the journalist in western style journalism, before a paper could be founded. There is no evidence that this have delayed market entry though.

It is obvious that the use of local entrepreneurs has made it possible for *Dagens Industri* to act unpredictably and therefore scare competitors off. There is no evidence pointing at that this being an explicit strategy, but the outcome is clear. At the same time, *Dagens Industri* must have been aware

57 Scotland is the exception, but that venture failed
58 Wågberg interview 2009
of the risk that the local entrepreneurs would instead approach potential competitors and, if the approaches were successful, instead closed the market for them. However, this has never happened.

One explanation could be that Bonnier was very successful in attracting these local entrepreneurs, so successful that Editor-in-chief Hasse Olsson claims that they could not handle all approaches. If this really was the case or if it is just his impression is hard to tell. The fact is that *Dagens Industri* took part in media industry conventions in order to attract this kind of entrepreneurs, and this indicates that they were actively searching for them. That both Bonnier and *Dagens Industri* were well known actors in the media market certainly played a role in attracting these entrepreneurs.

From the perspective of an entrepreneur to approach Dagens Industry with a proposition to start a local edition was a less risky strategy that other options. Bonnier was known to pay high performing individuals well, and being part of an established and financially strong group made the ventures more likely to succeed (and therefore giving the entrepreneurs a higher payoff).\(^{59}\) The alternative, to start the paper on their own, was in most cases not an option. Combined, these factors gave Dagens Industri an advantage over prospective competitors. That they have been able to scare of competitors at the same time have prevented the paper from being copied.\(^{60}\)

*Metro* on the other hand has been widely copied. One reason could be that contrary to what is the case for financial press, there is room for more than one free paper on a certain market. This is an explanation given by *Metro*.\(^{61}\) Without the restriction of no-competition is the number of potential markets huge. Since *Metro* is not a national paper this is further accentuated. Where Poland was a market for *Dagens Industri*, Warzaw, Kracow and Posnan were markets for *Metro*.

*Metro* has, like most free newspapers, started local editions on full scare – with high circulation, five editions a week etc. Starting of full scale is probably a requirement both from advertisers and from

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\(^{59}\) Olsson, interview 2009

\(^{60}\) The paper that came closest to be a copy of Dagens Inudstri was the venerable Swedish paper Finanstidningen which, in the late 1990s was remade into a close resemblance of Dagens Inudstry. The paper however, first merged with the IT-magazine Vision, and later went into bankruptcy.

\(^{61}\) Wadbring 2003 p 298
The local mass transit companies that in most cases have been the distributors. Since the time to profit for a paper like Metro is expected to be much shorter compared to a financial newspaper – the papers have been able to absorb larger initial losses. At the same time, this will increase the likelihood of meeting competition.

According to traditional models of internationalization (Johanson & Wiedersheim-Paul 1975, Johansson & Vahlne 1977) firms tend to move gradually into specific foreign markets after they have developed their home market, first entering markets that are geographically or culturally close to the domestic market and later more distant ones. The model also describes how firms start the foreign operations by the export of products via agents, then by the establishment of local subsidiaries and not until later by local production.

Metro in many cases choose markets that were neither close to the home market nor close (in geographical or cultural terms) to the markets that the paper had entered previously. Metro also showed willingness to enter more than one market simultaneously. Further, Metro begun entering new foreign markets long before the previous operations were profitable. Even if the underlying strategy in the Metro group has been to finds synergies between papers, they have not always chosen to enter markets that are close to existing ones implying that market presence was considered more important than profitability. Johanson and Vahlne (1990) has later expanded this model arguing that (i) firms that have abundant resources may take larger internationalization steps since the relative commitments are smaller, (ii) if the markets are stable or homogeneous knowledge can be acquired from other sources than previous market experience and (iii) firms with plenty of experience from similar markets can generalize this experience to other specific markets.

Dagens Industri and Schipsted on the contrary in almost all cases followed a market entry strategy compatible with Johanson & Vahlne. Both begun their internationalization long after they have built successful operations on the home market, and both entered closer markets before more distant ones. This model does not however take search and local entrepreneurship into consideration,
factors that played important roles for both Metro and Dagens Industri. For both papers, access to
local knowledge was an important factor behind profitability. In some cases, Metro has been granted
monopoly access to distribution in the mass transit systems. Editions with exclusivity privileges have
also been the most profitable operations within the Metro family, and exclusivity agreements could
probably not have been granted to outsiders without deep knowledge of local power politics.62

As is the case with Bonnier, the group behind Metro was also known to reward individual talent
generously, something that might have attracted local entrepreneurs to offer their services also to
Metro instead of trying to start their own papers. It is also likely that the markets chosen, and the
randomness of the pattern, are results of the presence or non-presence of entrepreneur groups
willing to help Metro found local editions.

For the search for entrepreneurs of this kind Metro has used various kinds of profit sharing models
such as co-ownership (as in Canada) and franchising (as in Seoul). We must however conclude that
profit sharing was not a very powerful incentive since many of Metros operations are unprofitable,
and since the company in many cases obviously preferred market share over profitability.63

Schibsted has instead chosen a model of internationalization where they slowly entered markets that
are close (geographically and/or culturally) to the home market and there tried to build groups of
local papers. Since the papers are established when Schibsted inter the new market the risk is lower
than with green field investments. Schibsted however always faced the risk of overpaying, especially
when the targets of the acquisitions are well managed papers.64 This model was also used by the
Bonnier Group when expanding in Sweden.

62 No individual figures are published but this could be inferred by published information.
63 See eg Wadbring 2003
64 Helgesen 2002. This is also what the theory of 'winners curse' Thaler 1988
Conclusion
In the internationalization of the three Scandinavian media companies Bonnier/Dagens Industri, MTH/Metro International and Schibsted we can observe three different models, as to how they have entered new markets, and also in which markets they have entered, even if they all have been attracted to the newly opened Eastern European markets. Two of the companies signify something new as they in many respects have broken new ground in the media industry. Dagens Industri by outsourcing printing and typesetting and later by creating a powerful presence in Eastern Europe, and Metro by outsourcing also the production of content and by creating a distribution model centered on the mass transit systems (since widely copied). Schibsted on the other hand signifies the traditional way of growing a company.

For both Dagens Industri and Metro the attraction of local entrepreneurs were essential to success. Both companies also used the strength of an established media company to attract local entrepreneurs to form the core staff of new papers. This implies a bottom up model of internationalization where the markets to enter – and also the timing – were to a great extent driven by where these groups of local entrepreneurs formed and when they approach the companies. It is also worth noting that despite the dependence on local search and attraction, there is for Dagens Industri no explicit strategy behind this model of internationalization, rather experimentation and a culture where management continued to pursue a road that have been successful in the past. Metro and Schibsted Group have on the other hand been strategy driven in their internationalizations.
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