

DEPARTMENT OF ECONOMICS  
LUND UNIVERSITY  
SWEDEN



# **Switching Costs in the Swedish Morning Newspaper Market**

Bachelor of Science Thesis

By

Patrick Jansson

Supervisor:

Prof. Jerker Holm, Department of Economics, Lund

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### Abstract

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The initial part of this paper presents an overview of research conducted on switching costs and their implications. Different types of switching costs are identified and categorised according to available research and examples are given. Further, switching costs are with the help of previous research put in relation to various business actions we may encounter on an everyday basis and how they affect our behaviour and the decisions we make as consumers. Examples include the effects of switching costs on return policies, competition and price matching guarantees.

After a theoretical overview, the switching costs in the Swedish morning newspaper market are identified and categorised according to the reviewed research. The different types of switching costs are individually analysed and quantified for comparison and their correlation to the newspapers' annual subscription prices is evaluated.

Finally, the individual switching costs are summed up for each newspaper in order to provide a complete picture of the market faced by their customers and the switching cost distribution of the market is illustrated both in the form of a table and graphically, allowing for the providers with the highest and lowest switching costs to be identified. These providers are then briefly discussed along with the market's most and least dominant switching costs and the possible reasons for their strengths and weaknesses.



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## 1 Switching costs and hassle costs

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Switching costs, or hassle costs, are the costs that a consumer faces when cancelling a service, switching service provider, or returning damaged or otherwise unsatisfactory goods. The consumer's cost of cancelling a service, or returning goods and getting money back (all or in part), is also considered to be a switching cost. But in this particular case he chooses to switch to not having a supplier. This case has the same negative impact on the service provider, or seller of a returned good, that a change of supplier would have. There are many descriptions of both switching costs and hassle costs and several different definitions of these costs exist. Some view switching costs and hassle costs as being different labels for the same type of costs, while others differ between the two in different ways, depending on if they are monetary, measurable or tangible.

Directly measuring switching costs is difficult since "all costs associated with deserting one supplier in favour of another constitute switching barriers" (Fornell 1992). However, it is valuable to review earlier research in order to determine which costs may be quantified, how they may be quantified, and how one may characterise different switching costs, whether quantifiable or not.

### 1.1 Definitions of switching costs

Heide and Weiss (1995) define switching costs as "the costs involved in changing from one supplier to another", while Burnham et al. (2003) define them as "the onetime switching costs that customers associate with the process of switching from one provider to another" and also point out that "While switching costs must be associated with the switching process, they need not be incurred immediately upon switching."

These switching costs can of course be both monetary and non-monetary (Dick and Basu 1994), and particularly the non-monetary costs are numerous and difficult to quantify. As explained by Klemperer (1987a), "If a consumer must purchase a brand to discover whether or not it is suitable for him (that is, each brand is an experience good in the terminology of Nelson [1970]), then, in expectation, the consumer faces a loss of utility from switching from a brand that he has already tried and liked to an untested rival."

### 1.2 Hassle costs

The non-monetary switching costs that consumers face when cancelling a service, or returning unwanted goods are known as hassle costs. They are "costs imposed on consumers which do not involve cash transfers back to the sellers" (Davis et al. 1998).

Fornell (1992) mentions several non-monetary costs such as search costs, transaction costs, learning costs, loyal customer discounts, customer habit, emotional cost and cognitive effort, coupled with financial, social and psychological risk on the part of the buyer. Non-monetary switching costs may, for instance, be transactional or relationship costs that are incurred since new routines or procedures need to be established with a new supplier (Heide and Weiss 1995). Frazier (1983) even mentions that a buyer may be dependent on a supplier and that a

business' relationship and established routines with a supplier could be vital in order to reach its goals.

**1.3 Organising switching costs and hassle costs**

Klemperer (1987b) divided switching costs into three types. The defined switching costs were divided into learning costs, transaction costs and artificial switching costs. Klemperer defined learning costs as the cost of the consumer to learn how to use a new brand of product after having learnt how to use a different brand. He mentions the examples of having to learn to use a new brand of computer or cake mix than the brand the consumer would be used to using. Transaction costs were defined as costs that are directly related to the cost of transferring a service from one provider to another. Costs incurred when switching provider of a bank account, long-distance telephone services, or rented equipment, were mentioned as examples. The third cost that Klemperer defined was artificial costs, costs that companies may create artificially. Artificially created switching costs may be coupons that reward repeat purchasing or frequent-flyer programmes that encourage passengers to fly with the same airline. These switching costs reward repeat customers and thereby penalize consumers who switch brands. An artificially created switching cost could also be a service or product that requires a high initial investment and that allows subsequent units to be bought at a lower price. Apart from these three defined types of switching costs, Klemperer also recognised that there may be a fourth, psychological, cost. Such psychological costs may be simply habitual or for reasons of loyalty and do not need to be either rational or financial.

Later, these switching costs were divided into four types with subcategories. Klemperer (1995) listed the switching costs as the following investments: “*physical* investment in (a) equipment or in (b) setting up a relationship, an *informational* investment in finding out (c) how to use a product or (d) about its characteristics, (e) an *artificially-created* investment in buying a high-priced first unit that then allows one to buy subsequent units more cheaply, or even (f) a *psychological* investment.”

<b>Physical investment</b>	<b>Informational investment</b>	<b>Artificially created investment</b>	<b>Psychological investment</b>
...in equipment	...in how to use a product	...in buying a high priced first unit	...in breaking a habit or sense of loyalty
...in setting up a relationship	...about a product's characteristics		

**Table 1.** Switching costs according to Klemperer (1995).

Burnham et al. (2003) defined eight different facets of costs which may be organised into three different types of switching costs.

*Economic risk costs* are the costs of uncertainty that are related with a risk of a negative outcome when switching provider. These costs may be present if the consumer does not have sufficient information about the new provider.

*Evaluation costs* are costs of time and effort needed to gather information about alternative suppliers when switching provider.

*Setup costs* are the costs of time and effort when setting up a new relationship with a new provider or installing a new product for initial use. These costs for services are dominated by informing a new provider of customer specific needs.

*Learning costs* are the costs of time and effort needed to learn how to use a new product or service. These costs are often provider-specific, and may be incurred each time the consumer switches supplier.

*Benefit loss costs* are onetime costs of losing economic benefits for staying with an incumbent supplier. When switching provider, consumers may lose discounts or benefits that are not offered to new customers.

*Monetary loss costs* are onetime financial costs of switching provider others than those of purchasing the new product or service. Switching supplier may involve onetime costs such as deposits or initiation fees for new customers.

*Personal relationship loss costs* are the costs of breaking the bonds of familiarity formed with the incumbent provider's employees, which create a level of comfort that will take time to form with a new provider.

*Brand relationship loss costs* are the costs of breaking bonds of identification that have been formed with a supplier, and with which the consumer associates himself. Consumers often identify themselves with purchases, and these brand- or company-based relational bonds are lost when switching supplier.

These eight facets of switching costs may be divided into three types of switching costs of higher order:

- *Procedural switching costs*: Consisting of economic risk, evaluation, learning, and setup costs, these types of switching costs primarily involve the expenditure of time and effort.
- *Financial switching costs*: Consisting of benefits loss and financial-loss costs, these types of switching costs involve the loss of financially quantifiable resources.
- *Relational switching costs*: Consisting of personal relationship loss and brand relationship loss costs, these types of switching costs involve psychological or emotional discomfort due to the loss of identity and the breaking of bonds.

<b>Procedural switching costs</b>	<b>Financial switching costs</b>	<b>Relational switching costs</b>
Economic Risk Costs	Benefit Loss Costs	Personal Relationship Loss Costs
Evaluation Costs	Monetary Loss Costs	Brand Relationship Loss Costs
Set Up Costs		
Learning Costs		

**Table 2.** Switching costs according to Burnham et al. (2003).

These definitions of facets of switching costs and their three types will be applied throughout the investigation of the Swedish morning paper market in this paper.

Hassle costs are, in this model, the kind of switching costs which are labelled as procedural switching costs. One may argue that the facet of economic risk is a monetary cost. However, this only becomes true if the lack of information leads to a monetary cost. Then it becomes a monetary cost which is a facet of financial switching costs. Instead, it is the cost of acquiring information to reduce the risk of such a monetary loss that is a procedural switching cost.

Relational switching costs may also be considered hassle costs since they are “costs imposed on consumers which do not involve cash transfers back to the sellers” (Davis et al. 1998). However, such costs are highly individual and impossible to quantify. Thus, brand relationship loss costs have not been researched in this paper and personal relationship loss costs have been measured by the presence of student discounts and discounts to young people since this quantifiable measure reveals if newspapers try to create relationships with new readers at an early age.

The organisation of switching costs according to Burnham et al. does not conflict with that of Klemperer. A physical investment in equipment and a relationship are equivalent to a monetary loss cost and a set up costs respectively. An informational investment in how to use a product and about a product’s characteristics, are equivalent to learning costs and evaluations costs. An artificially created investment may be equivalent to a monetary loss cost if it requires a high initial investment, or a benefit loss cost if it means a loss of repeat purchasing rewards. And a psychological investment is equivalent to either a personal relationship loss cost or a brand relationship loss cost.

### **1.4 Implications of switching costs**

Switching costs are utility losses that consumers face when switching or returning a service or product, regardless if they are monetary or nonmonetary. But which implications do they have on consumer behaviour? And how can businesses use switching costs, natural or artificial, in order to either guide consumers to act in certain ways or as tools in competition with rivalling firms? There exists observed evidence that switching costs have a great impact on repeat purchasing behaviour (Weiss and Heide 1993), but they also have significant implications in

markets with price matching guarantees (PMGs), regulate 'moral hazard in consumption' and may increase, or decrease the level of competition in a market, etc.

### 1.4.1 Switching costs and return policies

Davis et al. (1998) found that many retailers deliberately offer refunds with switching costs, such as partial refunds or restocking fees, in order to control for 'moral hazard in consumption'. They introduce this term and define it as the behaviour of some consumers who under a 100% money-back policy purchase a product and return it after using it, even if they are satisfied with the product.

However, they also listed a number of reasons why hassle costs, nonmonetary switching costs, are often preferred by businesses with return policies. A monetary cost is both readily noticeable and measurable by consumers and partial refunds may also be considered unfair. In addition, retailers that only offer partial refunds cannot advertise that they offer a 100% money-back policy, something that may affect consumer loyalty negatively (Hart 1988).

Davis et al. (1998) did not just differ between the impact of monetary and nonmonetary switching costs, they measured the negative impact of hassle costs by defining and measuring a hassle index, *H*. In their hassle index, they measured five different variables of hassle which they then measured by interviewing sampled retailers which were located in shopping centres and free-standing outlets. They found that retailers generally offered return policies of lower levels of hassle when one or more of three particular cases took place. Either the product, or its benefits, could not be consumed in a short period of time (such as calendars). Or the retailer's products offered an opportunity for cross-selling, i.e. an opportunity to sell an additional product or service to the customer. Or the retailer could salvage most of the value of the returned product (re-selling the product to another customer). This means that retailers can optimise their return policies by having different types of policies for different types of products, a HiFi and music shop may for instance offer less liberal return policies for their CDs than for their radios.

### 1.4.2 Switching costs and competition

Klemperer has argued that markets with switching costs in the second period of a two-period market may lead to either a higher level of competition in the first period (Klemperer 1987a) or a lower level of competition in both periods (Klemperer 1987b). As an example of a market which has switching costs in the second period, and a high level of competition, he mentions UK banks which offer students money or free services in order to induce them to open an account. In the first period, the banks impose few or very low service charges on students in order to attract as many customers as possible with high reservation prices. These students will then become valuable customers after graduation. Once the students have graduated, the second period begins and the former students incur high bank charges. With switching costs in place, it becomes valuable for the banks to attract as many students as possible in the first period and hence the level of competition is very high in the first period.

But Klemperer (1987b) also claims that consumers with rational expectations recognise that companies that have a low price in the first period will gain market share and thereby charge a higher price in the second period. This is based on the expectation that companies with a large market share focus on earning as much as possible from their customers while companies with a small market share focus on gaining market through lower prices. Since customers with rational expectations know this, Klemperer (1987b) claims that switching costs make the market demand more inelastic in both periods since customers will be much less attracted by a low price in the first period compared to a market without switching costs. Because of this,

Klemperer points out that switching costs may make a market less competitive in both periods.

In later work, Klemperer (1995) states that since firms' current market shares are important to their future profits, there exists a high level of first-period competition in shape of introductory offers, price wars, and entry-deterring behaviour. Still, his research finds that with switching costs in the second period, non-cooperative prices may still be higher in both periods, even if there are no switching costs in the first period. He also shows that when products are artificially differentiated by switching costs, companies are less likely to differentiate their products in any real way, by making the products more cost-efficient or by enhancing the consumers' choice. Because of these results, he argues that public policy should be designed in a way which minimises switching costs, thereby increasing the overall wealth of the population.

The result that current profits depend on yesterday's market share and switching costs, is according to Klemperer (1995) very general. But it may explain why market share is considered to be valuable and why it is rational for business people to value market share as much as they do. Expanding on this, Klemperer (1995) finds that switching costs mainly effect the market prices in two ways.

On the one hand, customers who in the first period have bought from a firm experience switching costs and are somewhat locked to purchasing from the same supplier (with higher prices than with no switching costs in place). On the other hand, since companies realise that lower prices in the first period will lead to higher profits in the second period, they will offer lower prices in the first period. In a simple model, these two effects may balance, however, Klemperer (1995) prefers a more realistic model, with further parameters taken into consideration.

In his more realistic model, Klemperer (1995) lists three main reasons to why prices in a market with switching costs are higher than without switching costs:

1. Discounting reduces the desire to exploit current customers.
2. If a firm raises its prices, his competitors will gain market share and in the presence of switching costs raise prices in the next period. This gives each firm an incentive to raise prices in order to make his competitors grow and become less aggressive in the second period.
3. Also the demand of new customers is less elastic than if there were no switching costs. This is because customers realise that lower prices today mean higher prices in the future, and because customers, when they cannot switch supplier without incurring costs, are more influenced by permanent product characteristics than current prices.

These points imply a higher equilibrium price since they suggest that switching costs are raised for both new and old customers when firms cannot discriminate between them. As an example, Klemperer (1995) mentions that the prices of oligopolists are generally below the joint-profit-maximizing price and that this suggests that switching costs raise the profits of oligopolist firms.

Further, Klemperer (1995) argues that firms have less incentive to differentiate themselves and their products in any functional way in the presence of switching costs. With identical products, there are never any reasons for the consumer to switch supplier, and thereby incur switching costs. Therefore this may result in prices which are higher in comparison to differentiated products. This results in large welfare losses since the switching costs raise

prices, create deadweight losses and deter new entry which further reduces the market's level of competition. In his conclusion, Klemperer (1995) argues that these incentives to reduce product differentiation and market competition suggests that public policy should aim at discouraging switching costs and even encourage activities which reduce switching costs.

### 1.4.3 Switching costs and price matching guarantees

Hassle costs may make price matching guarantees (PMGs) much less effective according to Hviid and Schaffer (1999) They argue that even an arbitrarily small level of positive hassle cost, borne by all buyers, will drive customers to strictly prefer buying from the firm with the lowest price, regardless if this firm's competitors are committed to PMGs or not. This leads to each firm having an incentive to lower their prices and thereby force the market prices towards the competitive level. This holds true for all level of positive hassle costs and encourages competition. However, Dugar and Schaffer (2006) point out that there is still no empirical work to date which has evaluated the effectiveness of hassle costs on competition, even if their work finds that those few customers who do incur the hassle costs to invoke PMGs act as a very important market disciplining device. They explain the lack of empirical work on the effect of hassle costs on PMGs with the difficulties of quantifying these costs in an objective and realistic way.

### 1.4.4 Switching costs and customer recommendations

Some switching costs may include loyalty benefits which have to be given up by the customer when he ends the relationship with his supplier or service provider. According to Lam et al. (2004), these benefits may lead to the customer recommending the supplier or service provider to other potential customers. Because of this, they argue that there may exist a positive relationship between switching costs and the recommend dimension of loyalty.

Lam et al. (2004) constructed a model with measures which investigated interrelation between customer value, satisfaction, loyalty and switching costs, from a business-to-business (B2B) perspective. The measures they developed measured the switching costs in terms of time, money, effort, and risk of technology change in an empirical test of the courier service industry. This industry was chosen for its characteristics which are important for B2B service, including reliability and customisation, and the data collected was a heterogeneous sample of corporate customers to a confidential major player in the international courier industry.

Among their conclusions, Lam et al (2004) mention that customer satisfaction, in a similar way to switching costs, help the service provider to retain its customers. However, customer satisfaction seems to have a larger effect on loyalty than switching costs in the shape of monetary expenses and psychological effort. This leads Lam et al. (2004) to conclude that switching costs seem to encourage customers to recommend the service provider and that this possibly is due to the link between the switching costs and their specific benefits to the relationship between the service provider its customers.

### 1.4.5 Switching costs and contract design

Della Vigna and Malmendier (2004) investigated contract design under different conditions, among them, switching costs. They found that the contract design depends on how naïve customers are. If customers are not naïve, renewal does not happen by default and customers are asked whether they wish the contract to be renewed. But if customers are partially naïve, firms will prefer contract design with automatic renewal and a high cancellation cost.

Della Vigna and Malmendier (2004) illustrated this with an example from the US newspaper market which offers subscriptions which are automatically renewed from week to week and

carry a high cancellation cost. Commonly, pricing is backloaded, with discounts between 50 and 90 percent during the first 8-12 weeks. After the initial weeks of low price, the subscription is automatically renewed and the full price for the subscription applies. These contracts are designed to take full advantage of the consumers' underestimation of ease of cancellation and the switching costs which may apply.



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## 2 Swedish morning newspapers

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There are several thousand publications printed in Sweden and several hundred of them belong to the category labelled as ‘daily press.’ Much information about these publications, and statistics of their coverage and their readers is gathered and published by Tidningsstatistik AB (2010). This market information, provided by Tidningsstatistik AB for 2009, has provided the raw data for calculating the key figures used for creating comparative measures. Tidningsstatistik AB has also divided the country of Sweden into 70 different areas, which are called A-regions. All information about the A-regions and the publications which dominate them, and to which degree, is presented separately for each A-region. The different A-regions are listed in Appendix A.

### 2.1 The Market

In order to define and limit the market to be investigated, the market of Swedish morning newspapers was defined by papers which fulfil the following four criteria:

1. The paper must be printed and not only be published on the internet.
2. The paper must have at least five issues per week and be issued in the morning.
3. The paper may not be free.
4. The paper does not need to be politically independent, but its main objective has to be the reporting of news events and not a political agenda. Neither should the paper be tied to an organisation or an association.

The A-regions Värnamo and Arvika are not included in the investigation since there are no major morning papers in these A-regions which meet the stipulated requirements. Värnamo Nyheter is only published four times per week and Arvika Tidning is only published three times per week.

Because of these criteria, the following papers are not included in the investigation:

- Lidköpingsnytt.nu (internet publication only)
- Aftonbladet, Expressen (evening papers)
- Metro, Lokaltidningen (free papers)
- LO-tidningen, Flamman (political publications), Kyrkans Tidning (organisational publication)
- Dagens Industri (excluded by exception since they only report financial news)

Applying these criteria, 72 morning newspapers were identified and selected to be part of the investigated sample. The selected newspapers and data related to their publishing are listed in Appendix B. It should be noted that the three newspapers Nyheterna, Piteå-Tidningen and Östran are wholly owned by the Swedish social democratic party (Svenska Socialdemokratiska Arbetarepartiet). Also, the newspaper Sydöstran is said to be owned to ca. 10% by the same political party. But since these papers are focusing on reporting local news, and not on publishing a political agenda, they have not been excluded even if it may be concluded that their editorials and columns are likely to be more politically influenced than other newspapers. Further, the two newspapers Norrbottenskuriren and Norrländska

Socialdemokraten, are owned by Norrbottens Media, which in turn is owned to ca. 25% by Piteå-Tidningen (Norrbottens Media AB 2010). In Appendix B, Norrbottenskuriren and Norrländska Socialdemokraten (through Norrbottens Media) and Sydöstran have been listed as having the owners NTM-koncernen and Gota Media respectively, since these are the main owners of the newspapers.

There are newspapers who have the same editors and whose news articles only differ in their local sections, such as Tidningen Ångermanland and Örnsköldsviks Allehanda. These newspapers are treated as being one and the same and their circulation and coverage has been added together in the market investigation conducted in this paper.

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## **3 The investigation**

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There are several newspapers which differ completely in their editions, but which, through their common ownership, share a webpage and subscription services. Although managed by the same subscription service, these newspapers have different policies with regards to the renewal of annual subscriptions and introductory offers to new customers. But their policies regarding online subscription cancellations and money refunds are the same. For this reason, these newspapers are treated as being one and the same in the parts of the investigation which investigate switching costs related to these shared services and policies, so as to not distort the collected data with multiple identical answers. This has led to a subsection of thirty-nine subscription services, which are listed in Appendix C.

For each identified type of switching cost, categorised according to Burnham et al. (2003), the level of switching cost has been quantified between 0 and 2, in a similar manner to the hassle variables described by Davis et al. (1998). These cost variables are defined for each type of switching cost and presented both individually and as a sum in relation to the newspapers' subscription prices in order to determine if there is any significant correlation between pricing and switching costs. Finally, two regressions are performed with the data obtained. The first regression examines if switching costs have any effect on pricing and the second regression examines which factors effect switching costs.

### **3.1 Procedural switching costs**

This section of the investigation identifies and considers procedural switching costs which are defined as costs related to the time and effort spent by a customer to find information, learn about, and setup the new product before switching. The economic risk, evaluation and setup costs have been identified as risks and costs related to renewal of annual subscription, introduction offers and ease of subscription cancellation respectively and have been quantified according to defined conditions. Since learning costs are very low, this switching cost is only briefly commented.

#### **3.1.1 Economy risk cost**

A newspaper customer may face an economy risk cost according to Burnham et al. (2003) if he risks paying for an entire annual subscription even if he wishes to cancel the subscription before the end of the year. While many newspapers offer a trial period at a reduced price, which certainly offers consumers an opportunity to trial the product, this risk still becomes real in the second period of such a two-period game and needs to be considered. This risk increases in the cases where the annual subscriptions are automatically renewed at the end of the year and non-payment doesn't count as a cancellation. The total amount of economy risk cost the customer may face depends on the subscription policy and information offered by the newspaper in question. Interestingly enough, these policies and the amount of available information often differs between newspapers even if they share the same subscription service.

A total of 51 newspapers offer customers to choose if they wish to subscribe to the paper for one year only or with an automatic renewal. If a customer chooses a one year only subscription, he actively needs to agree to renewal of the subscription for it to be valid the following year. If he chooses automatic renewal he actively needs to cancel the subscription at

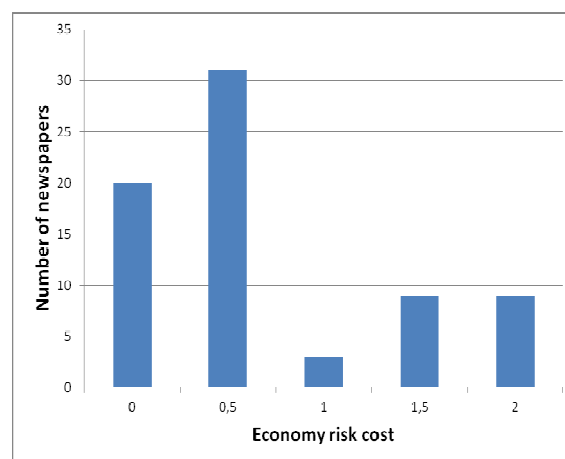
the end of the annual period for it not to continue the following year and non-payment does not count as cancellation. Among these 51 newspapers, 20 shared the details of these policies on their homepage while 31 did not.

The remaining 21 newspapers in the investigation only offered annual subscriptions with automatic renewal, of which only three shared the details of the policies on their homepage and 18 did not. However, nine of the 18 newspapers who didn't publish their subscription policy online said they would do so after being asked about the details per telephone.

With almost a third of newspapers only offering annual subscriptions with automatic renewal, and two out of five out of the newspapers which offer both one year only subscriptions and subscriptions with automatic renewal not sharing their policy online, one may according to Della Vigna and Malmendier (2004) suspect that customers are partially naïve.

The policies of renewal of annual subscriptions for the 72 newspapers are found in Appendix E and have been quantified with regard to their economy risk cost in the following manner:

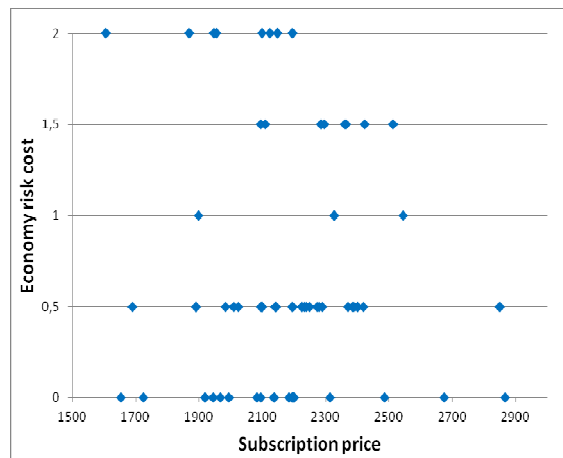
- Newspapers which offer both annual subscriptions of one year only, or with automatic renewal score 0, if their policy is published on their homepage.
- Newspapers which offer both annual subscriptions of one year only, or with automatic renewal score 0.5, if their policy is not published on their homepage.
- Newspapers which only offer annual with automatic renewal score 1, if their policy is published on their homepage.
- Newspapers which only offer annual with automatic renewal score 1.5, if their policy is not published on their homepage but they claimed they would update their homepage.
- Newspapers which only offer annual with automatic renewal score 2, if their policy is not published on their homepage.



**Graph 1.** Economy risk cost distribution of the 72 newspapers in the investigation.

Out of the 72 newspapers, 20 newspapers offer both annual subscriptions of one year only, or with automatic renewal, and publish it on their homepage. As many as 31 newspapers offer both annual subscriptions of one year only, or with automatic renewal but don't publish it on their homepage while only three newspapers only offer annual subscriptions with automatic renewal and publish the policy on their homepage. A total of 18 newspapers only offer annual

subscriptions with automatic renewal, without mentioning it on their homepage. Half of these newspapers claimed that they will update their homepage to reflect this while the other half did not comment.



**Graph 2.** Economy risk cost for renewal of annual subscription as function of newspapers' subscription prices.

The correlation between economy risk cost and subscription price is -0.05, which means that they are practically without correlation.

The severity of this risk is of course depending on how harsh the cancellation policy of automatic renewal subscriptions is actually followed by newspapers if customers wish to cancel their subscription just after missing their annual deadline or if they have been continuously subscribing for several years. But since this cannot be known to the customer in advance and since economy risk cost only considers the available information, this cannot be considered when determining the risk level. Any money refund policies which may effect the severity of this economy risk cost are considered as monetary loss costs and are investigated in 3.2.2.

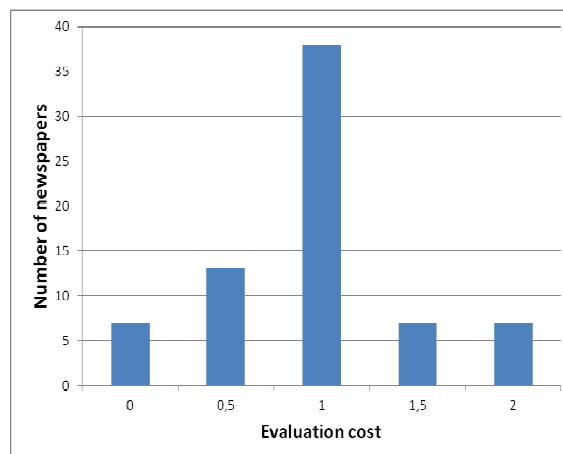
### 3.1.2 Evaluation cost

There aren't any significant evaluation costs for searching about supplier prices in the Swedish morning newspaper market. Every morning newspaper clearly state their offers and related prices on their homepages. In order to evaluate a newspaper's contents, a customer could visit the local library and read the newspaper for free if it is a local or national newspaper. This would however cost the customer time for visiting the library several times and may thus be considered an evaluation cost. For customers who don't have this time, or don't wish to spend it, or who are interested in a newspaper not considered to be local, many newspapers have introductory offers. These offers allow customers to receive the newspaper for free, or with a heavy discount, in order to evaluate it. But these offers are of very different nature and give the customers very different opportunities to evaluate the product. As Appendix D shows, 27 newspapers offer free subscriptions for up to as long as three months, while another 27 newspapers offer discounts for the first period – which may have to be for up to one year! Also, not all newspapers offer this information on their homepages. Some offers are only made if requested by the customers. The remaining 18 newspapers only offer new customers introduction discounts during campaigns.

These very different evaluation opportunities have been quantified as below:

- Newspapers which offer first period subscriptions for free score 0, if their policy is published on their homepage.
- Newspapers which offer first period discounts for 3 months or less score 0.5, if their policy is published on their homepage.
- Newspapers which offer first period subscriptions for free score 1, if their policy is not published on their homepage.
- Newspapers which only offer first period discounts during campaigns score 1.
- Newspapers which offer first period discounts for 4-12 months score 1, if their policy is published on their homepage.
- Newspapers which offer first period discounts for 3 months or less score 1.5, if their policy is not published on their homepage.
- Newspapers which offer first period discounts for 4-12 months score 2, if their policy is not published on their homepage.

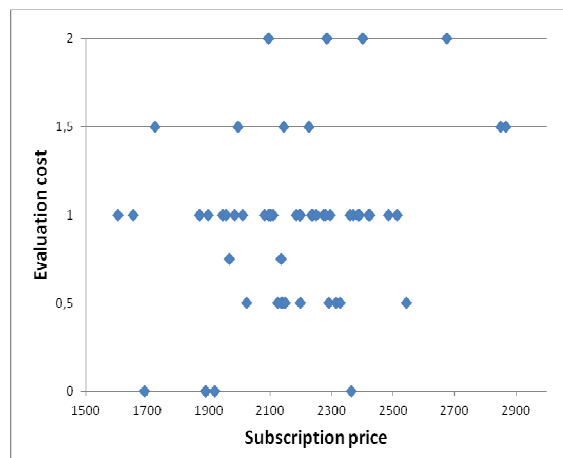
In those cases a newspaper offers different discounts for different lengths of time periods, the newspaper scores according to the shortest time period. In this quantification there are the two exceptions of Västerbottens Folkblad and Västerbottens-Kuriren. Since both newspapers offer a 40% discount for the first 3-6 months on their homepage, which would be quantified as 1, but also offer two weeks subscription for free which isn't published on their homepage and would be quantified as 0.5, they have both been quantified as having an evaluation cost of 0.75.



**Graph 3.** Evaluation cost distribution of the 72 newspapers in the investigation.

Among the 72 newspapers, seven newspapers offer first period discounts for free and publish it on their homepage and 13 offer first period discounts for three months or less and publish it on their homepage. 28 newspapers either offer free subscriptions without publishing it on their homepage, or only offer first period discounts during campaigns, or offer first period discounts for 4-12 months and publish it on their homepage. Only seven newspapers offer first period discounts for three months or less without publishing it on their homepage and just as few offer first period discounts for 4-12 months without publishing it on their

homepage. In Graph 3 above, the scores of Västerbottens Folkblad and Västerbottens-Kuriren have been set to 0.5 and 1 respectively, in order to not distort the distribution.



**Graph 4.** Evaluation cost for introduction offers as function of newspapers' subscription prices.

The correlation between evaluation cost and newspaper's subscription price was 0.33, which is a weak but not insignificant positive correlation. It reveals that a new potential customer has a slightly higher possibility of receiving free samples or discounted newspapers, or information thereof, the lower the cost of the annual subscription is. One could interpret this to mean that providers of more expensive newspapers are less keen to offer discounts or free samples and that this could have to do with the value of their product. But since correlation doesn't imply causality, such conclusions may not be drawn without further information and investigation which is beyond the scope of this paper.

It is of course of interest to compare the introduction offers for subscriptions of Swedish morning newspapers to the findings of Della Vigna and Malmendier (2004) which were mentioned in 1.4.5. They discovered that the contract design of US newspapers were often with backloaded pricing, offering introduction discounts for the first period and automatic renewal for subsequent periods with regular pricing. Among the 29 Swedish newspapers which offer introduction discounts, the first periods offered range from 1-12 months. Among the only 13 of these newspapers which publish their offer on their homepages, customers can accept the offer and order the first discounted period directly online. Apart from Eskilstuna-Kuriren and Corren, which allow customers to choose if the discounted first period subscription should be renewed with regular pricing, none of the other 11 newspapers mention automatic renewals and thus customers would need to agree to further subscription in order for a second period with regular pricing to be legally binding. Since the remaining 16 newspapers with discounted introduction offers don't even publish their offer online, their contract design is unknown.

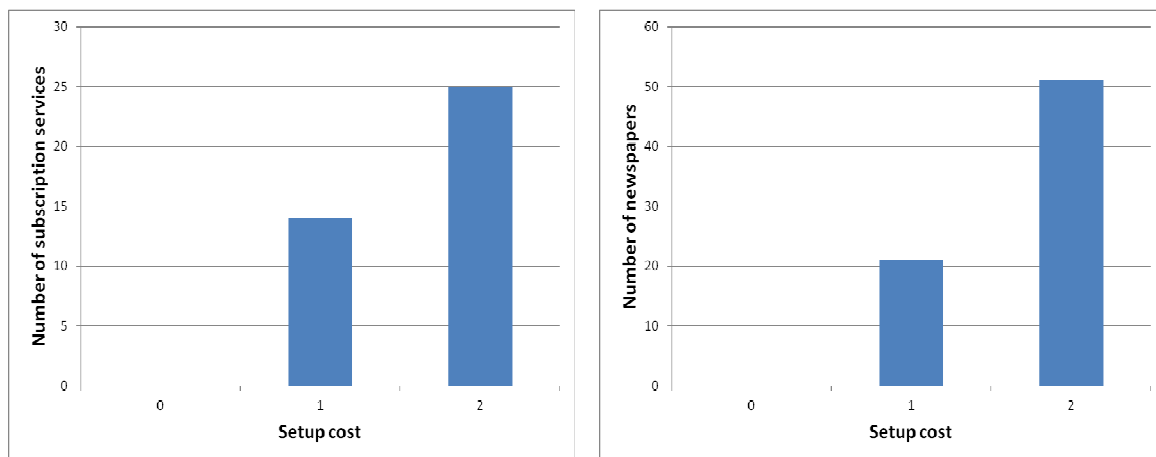
### 3.1.3 Setup cost

A simple way of introducing a switching cost is by not being available to receive a customer's cancellation. In order to investigate how easy or difficult it is for customers to cancel a subscription, the cancellation options were reviewed and compared with how easy it is to sign up for a subscription. Additionally, when calling the papers and asking for the subscription department for additional information regarding other parts of this examination, the time to get connected was noted in order to check if any paper took an unreasonable amount of time to connect customers to the relevant person. When comparing to the switching cost facets of

Burnham et al. (2003), any difficulty of cancellation can be regarded as a setup cost because of its cost in time and effort.

When determining the setup costs of the newspapers, the consolidation of 39 subscription services in Appendix C was used since several newspapers share subscription services and thus would yield identical results. The setup cost of the subscription services were defined and quantified as below:

- Subscription services which accept subscription cancellations online score 0, if they don't require the customer to log in.
- Subscription services which accept subscription cancellations online score 1, if they require the customer to log in.
- Subscription services which don't accept subscription cancellations online score 2.



**Graphs 5 and 6.** Setup cost distribution of the subscription services and the newspapers in the investigation. Graph 5 on the left shows the distribution of the 39 subscription services and Graph 6 on the right shows the distribution of the 72 newspapers.

All newspapers accept subscriptions requested via their homepage, by email or per telephone. However, not all papers accept all forms of communication when customers wish to cancel subscriptions. Only two subscription services, those of Hallands Nyheter and Nyheterna/Östran permit you to cancel your subscription on their homepage by using the contact form. And this, the customer has to figure out himself since there are no clear instructions on how to cancel a subscription. Thus, these two subscription services still scored 1. The majority, 25 subscription services, do not allow you to cancel your subscription through their homepage, while 12 subscription services only allow you to cancel your subscription on their homepage if you log in – a slightly lower level of hassle. Giving each newspaper the same score as its subscription service, means that 21 newspapers score 1 and the remaining 51 newspapers score 2.

Apart from Dagens Nyheter and Sundsvalls Tidning, all subscription services accept cancellations by email and all subscription services accept cancellations by telephone.

There are only two papers who on their homepages mention how subscriptions can be cancelled. Next to the form to fill in for subscribing, Dalademokraten has on their homepage, in bold text, written that the form cannot be used for cancellations and offers a telephone number to call if a customer wishes to cancel their subscription. Dagens Nyheter has on its



customer service page with contact information, informed customers that the contact form cannot be used for cancellations and mentions that cancellations are accepted by telephone or traditional mail. It has not been possible to find any information on any of the other paper's homepages on how subscriptions may be cancelled.

This is a strong contrast to the ease of finding information on how to become a subscriber. Most papers have a link at the top of their homepage which immediately offers new potential customers information about subscriptions and a form to fill out so orders can be processed immediately. While practically all papers have the contact details of their subscription department no more than one or two clicks away from the main page (three clicks for *Länstidningen i Södertälje*), one needs to search with more determination to find information about cancellation and then write the required email or make the necessary phone call.

The time it took to be connected to the relevant person at the subscription department when calling the papers ranged from 9 seconds to 4½ minutes. The overwhelming majority of papers connected to the relevant person in less than a minute. eight subscription departments established the connection within two minutes and 3 subscription departments needed up to three minutes. Only two subscription departments needed more than four minutes to make the connection. This is considered acceptable since it is not an outrageous amount of time and since the investigation was carried out during the first two weeks of July. During this time many people are on holiday and the offices are manned by students and other temporary workers who may not be familiar with all procedures or services.

### **3.1.4 Learning costs**

There are no significant learning costs to consider with morning newspapers. Possibly, a reader needs to familiarise himself with the layout of a new newspaper and learn where to find the news sections he is most interested in. But these learning costs are very low compared to more complex goods and are not quantifiable; therefore they have not been included in this investigation.

## **3.2 Financial switching costs**

The section on financial switching costs investigates switching costs of monetary nature, i.e. potential financial losses a customer may face when switching morning newspaper provider. The risks of benefit loss have been identified as newspapers offering membership cards or membership offers with discounts of products or services, while the risk of monetary loss has been identified as some newspapers' subscription services only offering money refunds under particular conditions when prematurely terminating a subscription.

### **3.2.1 Benefit loss cost**

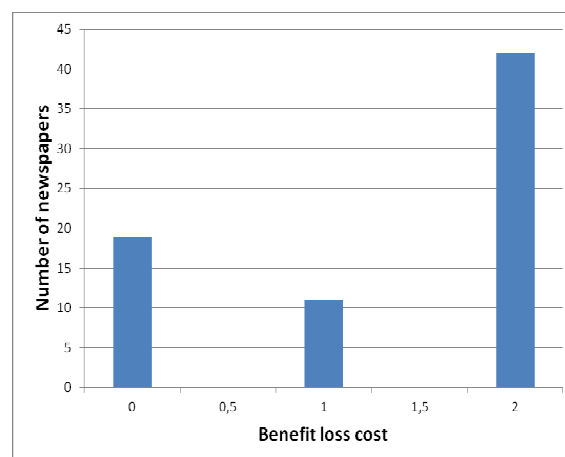
Just like most airlines and hotel chains, Swedish newspapers offer membership cards or other forms of club memberships which offer discounts in local shops, nationwide chains or at events. Examples of products and services discounted include anything from clothes and car washes to cinema tickets, holiday travel and local festivals, but it would not be possible to compile a complete list since the range of various benefits offered by the different membership cards is very wide. These discounts are additional benefits of being a customer and typical of a benefit loss which the customer would experience if he switches provider. No newspaper requires a minimum time as a customer to receive a membership card or to join a customer club, but the benefits will differ and the discounts offered by a new provider may be unfamiliar, unknown or simply unwanted. As listed in Appendix E, 40 newspapers offer their

subscribers membership cards with different types of discounts on various products and services, while 11 newspapers either occasionally send their customers different types of ‘membership discounts’, or have customer clubs which regularly change the products and services which are offered with discounts. 21 of the newspapers neither offer any membership cards, nor membership clubs or membership discounts.

With consideration of the different types of memberships, the definition and quantification of the newspapers’ benefit loss costs is as follows:

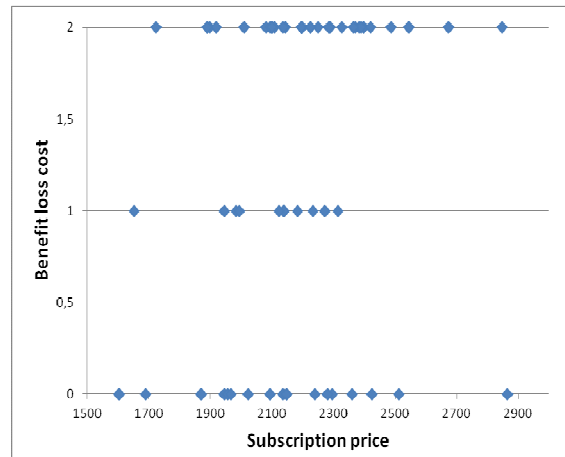
- Newspapers which don’t offer any membership cards, membership clubs or membership discounts score 0.
- Newspapers which offer membership clubs or membership discounts score 1.
- Newspapers which offer membership cards score 2.

Apart from not offering physical membership cards, the membership discounts and customer clubs offer a lower loss of benefit when switching provider since the offers either are infrequent or only available during a certain time period. Since these offers often change, and are unknown in advance, their benefit is less known and therefore lower compared to the benefits offered by membership card providers whose offers are usually fixed for at least a year at a time.



**Graph 7.** Benefit loss cost distribution of the 72 newspapers in the investigation.

A total of 19 newspapers don’t offer membership cards or membership clubs or membership discounts. The majority, 42 newspapers, offer membership cards, while 11 newspapers offer membership clubs or membership discounts.



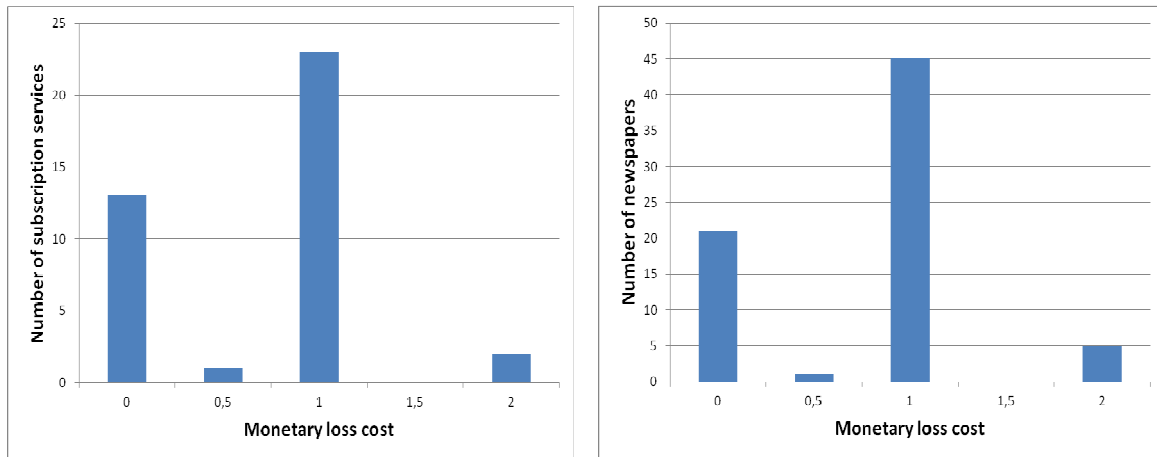
**Graph 8.** Benefit loss cost for membership types as function of newspapers’ subscription prices.

The benefit loss cost shows no significant correlation with subscription price. This correlation was calculated to be 0.14, which may be considered insignificant.

### 3.2.2 Monetary loss cost

The monetary risk cost in the Swedish morning newspaper market is somewhat related to the economy risk cost. While a subscriber who wishes to switch provider should consider the economy risk cost of the new provider, he may face a monetary risk cost by his incumbent provider. This monetary risk cost depends on the money return policy of the incumbent provider and applies if the customer has a subscription with automatic renewal which isn’t about to end its full year. Unless the customer fully informed himself about this policy of his current supplier when investigating the economy risk cost before his subscription, or is fully aware of the annual cycle of his subscription with automatic renewal, there is a risk that he may face a cancellation fee for terminating his subscription prematurely. As has been determined, there is an even larger risk he could lose the money already paid for the subscription and either have to wait until the end of the annual subscription cycle or subscribe to two newspapers at the same time for an overlapping period which could last for up to a year. Since the money back policies are identical for newspapers which are managed by the same subscription service, the consolidation of subscription services in Appendix C was used and the monetary loss cost and was quantified as such:

- Subscription services which always offer a money refund for cancellations score 0.
- Subscription services which only offer a money refund for cancellations against a fee score 0.5.
- Subscription services which only offer a money refund for cancellations if the subscriber moves somewhere out of the newspapers target region, becomes ill, or deceases score 1
- Subscription services which never offer a money refund for cancellations score 2.



**Graphs 9 and 10.** Monetary loss cost distribution of the subscription services and the newspapers in the investigation. Graph 9 on the left shows the distribution of the 39 subscription services and Graph 10 on the right shows the distribution of the 72 newspapers.

Among the 39 subscription services, as many as 23 only offer a money refund for subscription cancellations if the subscriber moves somewhere out of the newspaper's target region, becomes ill, or deceases. The subscription service of Enköpingsposten is the only provider which only offers a money refund against a fee when prematurely cancelling a subscription, while as many as 13 subscription services always offer a money refund. Only two subscription services never offer a money refund for premature cancellation of a subscription, the subscription services of Göteborgsposten and Smålänningen et al. Giving each newspaper the same score as its subscription service, means that 21 newspapers score 0 and only one newspaper scores 0.5. As many as 45 newspapers score 1 while five newspapers score 2.

### 3.3 Relational switching costs

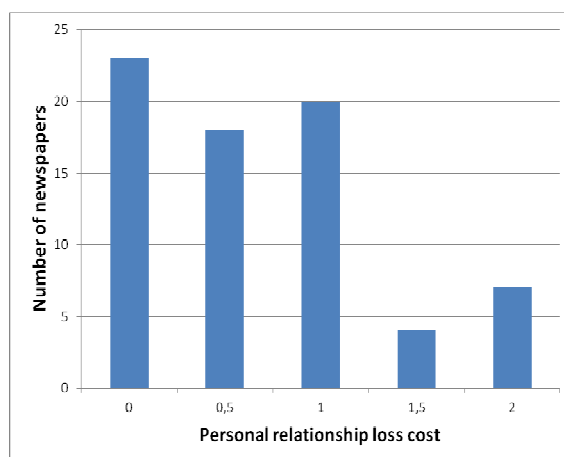
Relational switching costs concern the habits and emotional bonds a consumer attaches to a product and are usually difficult to quantify. Not many emotions are usually built with morning newspapers, but they do have an impact on many people's daily habit and news consumption. In this section, newspapers attempts to influence this habit are identified and quantified and possibilities involving brand relationship is briefly discussed.

#### 3.3.1 Personal relationship loss cost

The personal relationship which a reader may attach to his newspaper could be that he enjoys reading the columns of certain columnists or that he identifies with the editorials written by the newspaper's editors. But it could also relate to the familiarity of the narrative form of the articles in the newspaper. While it is practically impossible to quantify the value of anyone's personal relationship with his newspaper, it is possible to identify and quantify how newspapers attempt to build this relationship when customers are as young as possible. Many newspapers offer significant subscription discounts to either students or young people under a certain age, ranging from 25-28 years of age. In attempting to attract as many young readers as possible, some newspapers even offer discounts to both groups. This type of behavior may of course be considered a two-period game, where young newspaper readers are allowed to acquire the habit of daily reading the newspaper and building a personal relationship with it at a low cost. Once the young readers become of a certain age, or graduate, they then have to pay the full price of the subscription in order to maintain their habit and their relationship.

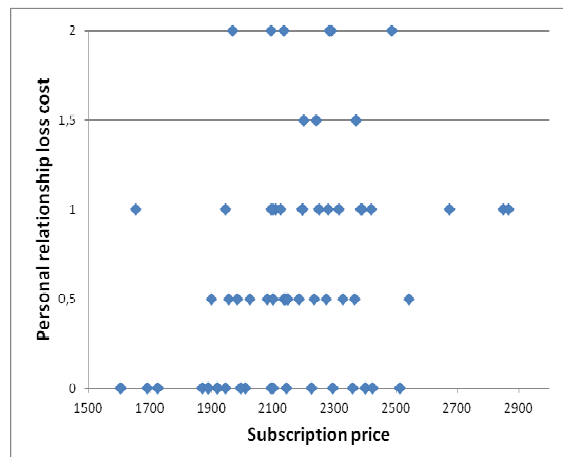
The types of discounts for students and young people are listed in Appendix D and have been quantified as follows:

- Newspapers which neither offer student discounts, nor a discount for young people, score 0.
- Newspapers which either offer student discounts, or a discount for young people, score 0.5, if the offer is not published on their homepage.
- Newspapers which either offer student discounts, or a discount for young people, score 1, if the offer is published on their homepage.
- Newspapers which offer both student discounts and a discount for young people score 1, if neither of the offers is published on their homepage.
- Newspapers which offer both student discounts and a discount for young people score 1.5, if only one of the offers is published on their homepage.
- Newspapers which offer both student discounts and a discount for young people score 2, if both offers are published on their homepage.



**Graph 11.** Personal relationship loss cost distribution of the 72 newspapers in the investigation.

Neither student discounts, nor discounts for young people, are offered by 23 of the 72 newspapers. A total of 38 newspapers offer either a student discount or a discount for young people, of which 18 do not publish their offer on their homepage and 20 do. The 20 newspapers which offer only one of these discounts and publish their offer on their homepage, account for all the newspapers which scored a 1, since not a single newspaper offers discounts to both students, as well as young people, without publishing at least one of the offers on their homepage. Among the 11 newspapers which offer both types of discounts, seven of them publish both offers on their homepage while four only publish one of their offers.



**Graph 12.** Personal relationship loss cost for first period discounts as function of newspapers' subscription prices.

The correlation between personal relationship costs and newspapers' subscription prices is 0.29 and thus weak but not insignificant. While the reason remains undetermined, students and young people seem more likely to receive discounts from newspapers with high annual subscription costs.

### 3.3.2 Brand relationship loss cost

While there are some companies such as Apple and Nike and several companies of luxury goods which are very successful in creating brand relationships with their customers, this type of switching cost has not been observed in the Swedish morning newspaper market. The reason is likely to be as simple that not many people identify themselves with a newspaper and its image. The closest comparison one could hope to make would be of the newspaper's sports section often writing about local or national teams which are of importance to the reader. But in such cases, the reader is more likely to have a brand relationship with the sports team in question and not the newspaper.

Since no brand relationship loss costs have been identified in this market, they have not been included in this paper's investigation.

### 3.4 Total switching cost

When adding up the scores of the switching costs investigated, newspapers can score a total of 0 to 12 points, where 0 points is equal to not having any switching costs in place and 12 points is equal to having the highest level of all identified switching costs in place. In order to achieve a total score which considers all switching costs a customer of a newspaper faces, each paper has received a score for setup cost and monetary loss cost equal to the score awarded to the subscription service which manages their subscriptions. The complete list of newspapers' switching costs may be seen in Appendix F.

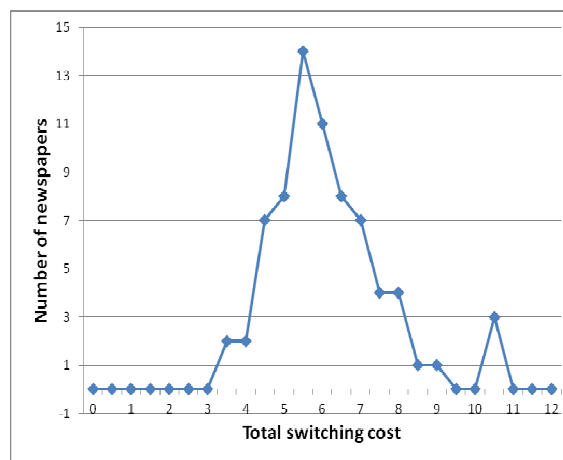
Two newspapers scored the lowest total switching cost score of 3.5 and three newspapers scored the highest switching score of 10.5. Most newspapers scored a total switching score of 5.5 or 6 – 23 newspapers altogether achieved one of these total scores. Together with Västerbottens Folkblad and Västerbottens-kuriren, which both scored 5.75, almost half of the newspapers in the investigation scored close to half the possible maximum score. The reason these two newspapers scored 5.75 and not a score of 5.5, 6 or any other total scoring evenly dividable by half a point, is because of the combination of policies and available information

regarding introduction offers by their shared subscription service. This resulted in their subscription service being the only one to score an evaluation switching cost of 0.75. The average total switching cost of the Swedish morning newspapers is in this investigation 6.13, a value very close to half of the possible interval of 0-12. The standard deviation is 1.48.

0-3	3.5	4	4.5	5	5.5	5.75	6	6.5	7	7.5	8	8.5	9	9.5	10	10.5	11-12
0	2	2	7	8	13	2	10	8	7	4	4	1	1	0	0	3	0

**Table 3.** Number of newspapers scoring certain total sums of switching costs.

The number of newspapers scoring certain total sums has been listed in Table 3 and their distribution has been drawn in Graph 13.



**Graph 13.** Distribution of newspaper’s total sum of switching costs

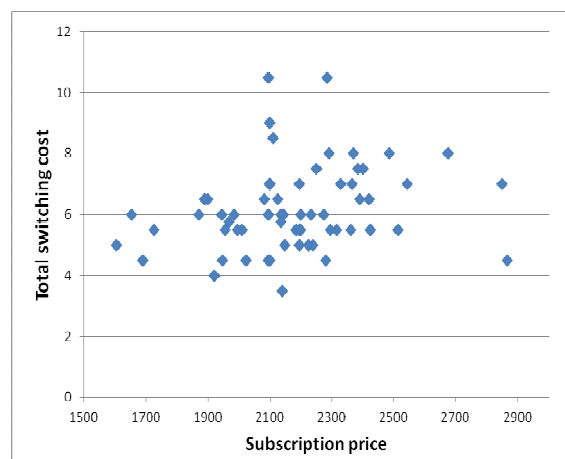
The distribution curve much resembles a Gaussian distribution, also called a normal distribution. In order to avoid a peculiar looking dip in the centre of the distribution curve, caused by the two newspapers with a total score of 5.75 due to their evaluation cost scores, they have in the plotting of the graph been given the values 5.5 and 6. This manipulation does not effect the average value and avoids the graph from giving an impression of a non-present irregularity. The only irregularity is the three newspapers which have a total score of 10.5.

The three newspapers which account for the irregularity of extremely high switching costs in Graph 13 have something in common. Kristianstadbladet, Trelleborgs Allehanda and Ystads Allehanda are all owned by SDS-koncernen, which in turn is owned by the Bonnier Group. The fourth newspaper owned by SDS-koncernen is Sydsvenskan which also has a high total switching cost, being 8. The Bonnier Group also owns Dagens Nyheter, which with a very high total switching cost score of 9 fits in well together with the other newspapers owned by Bonnier. It’s difficult to believe it to be coincidental that all the five newspapers in the investigation which belong to the Bonnier Group, Swedens largest media group, are among the nine newspapers with the highest total switching cost scores. Instead, it is highly probable that the well informed and experienced executives of this media conglomerate are very much aware of these switching costs and the bottom line advantages they add to their newspapers.

But being part of a large media group does not necessarily mean that a newspaper has high switching costs. The four newspapers Norrbottens-Kuriren, Norrländska Socialdemokraten, Jönköpingsposten and Smålandstidningen et al., which only reached total switching cost

scores of 3.5, 3.5, 4 and 4 respectively, all belong to larger media groups. Norrbottens-Kuriren and Norrländska Socialdemokraten both belong to NTM-koncernen with 1,300 employees and Jönköpingsposten and Smålandstidningen et al. belong to Herenco with over 1,600 employees.

The average switching cost score of the five newspapers owned by Bonnier is 9.3. This very high average value further strengthens the suspicion that switching costs are part of a group strategy when comparing to the average switching cost scores of other media group's newspapers. Stampen is the holding group with second highest average score of 7 across 12 newspapers and is thus also likely to employ switching costs as a group strategy, while NTM-koncernen's, Herenco's, NWT-koncernen's, Gota Media's and Mitt Media's average switching cost scores all lie between 5.22-5.96 across nine, six, five, five and 12 newspapers respectively. Apart from the average switching cost scores of Bonnier and Stampen, all other holding groups' average switching scores are below the average overall switching cost score of 6.13.



**Graph 14.** Total sum of switching costs as function of newspapers' subscription prices.

The correlation between newspaper's total switching cost and subscription price is 0.26 and thus weakly correlated. One should not on basis of these figures automatically assume that a newspaper with higher annual subscription price will have higher switching costs, but it will be slightly more probable.

In order to closer investigate if switching costs leads to higher prices, and if Klemperer's (1995) suspicion as discussed in 1.4.2 can be supported, the annual subscription price ( $P$ ) was regressed on switching cost ( $SC$ ) and issues published per week ( $I$ ). The issues published per week was a dummy variable, taking the value 1 if a newspaper is published seven days a week and 0 if less (five or six days a week). The regression had a Root-Mean-Squared Error (RMSE) of 193.65 and the coefficient of determination ( $R^2$ ) was 0.36.

$$P = 1876.89 + 41.99SC + 146.51I$$

**Formula 1.** Switching cost and issues published per week regressed on annual subscription price.

According to the regression, the switching cost does indeed have a significant effect on the annual subscription price, increasing it by almost 42 SEK for each point of switching cost a newspaper scored. This does, in part, support Klemperer's suspicion that switching costs raise



prices. But since the  $R^2$  value is as low as 0.36, the price is likely to have further explaining factors than considered.

The number of issues per week has a stronger effect on the price of newspapers than switching costs. Its effect on the price is easily understood since the customer receives  $1/6^{\text{th}}$  or even  $2/5^{\text{ths}}$  more of the product.

To answer the question - which factors lead to high switching costs?, the switching cost (SC) was regressed on newspaper circulation (C), annual subscription price (P) and large group ownership (LGO). The large group ownership was a dummy variable, taking the value 1 if a newspaper is owned by a large media group 0 if not. As many as 55 of the 72 newspapers belong to a large news corporation such as Bonnier, Herenco, NWT-koncernen or other similar holding group with several thousand employees in total. Eskilstunakuriren-koncernen was not considered to be part of a large holding group even if it is organised as such since it 'only' has 400 employees and is significantly smaller than the other holding groups. The regression had a Root-Mean-Squared Error (RMSE) of 1.46 and the coefficient of determination ( $R^2$ ) was 0.07.

$$SC = 1.86 - 2.11 \times 10^{-6} C + 0.0019P + 0.35LGO$$

**Formula 2.** Newspaper circulation, annual subscription price and large group ownership regressed on switching cost.

Since the coefficient of circulation is next to nothing, a newspaper's circulation does not have any practical effect on switching costs. But even if the coefficient of the annual subscription price is very low, this still contributes significantly to the switching cost since the annual subscription prices are several thousand SEK and since the SC in our investigation has a maximum value of 12. Considering the cheapest annual subscription of 1605 SEK (Mariestads-Tidningen) and the most expensive annual subscription of 2866 SEK (Svenska Dagbladet), this price difference alone results in a higher switching cost scoring of 2.4 according to this regression - quite a lot considering a scale from 0-12. Being owned by a large media corporation will according to the regression increase the switching cost score with 0.35 on average. Unfortunately, also these regression results must be considered suggestive at best due to the  $R^2$  value being as low 0.08. This means that there must be several additional factors which determine the switching cost than was considered in the regression.

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### 4 Conclusion and discussion

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The Swedish morning newspaper market does indeed contain switching costs and the range of switching costs includes almost all elements as defined by Burnham et al. (2003). The most present switching costs are procedural switching costs, which include difficulties in finding information and policies regarding annual subscription renewal, discounts or free samples available to new subscribers and subscription cancellation. But most market players have also introduced significant financial switching costs in the shape of strict money refund policies for premature subscription cancellations, membership cards and offers with discounts for other products and services. Even if relationship switching costs are difficult to implement for products such as newspapers, almost 70% of Swedish morning newspapers try to create a relationship and affect the news consumption habits of young potential customers with heavily discounted subscriptions to students and/or young people.

The only switching costs, as defined by Burnham et al. (2003), which do not play a significant role among Swedish morning newspapers, are learning costs and brand relationship loss costs. As discussed, the learning costs of reading a different morning newspaper are insignificantly low and very few people, if any, identify themselves with the newspaper they read.

Economy risk costs are present through the policies and lack of information regarding annual subscription renewals. However, most newspapers offer also annual subscriptions for one year only and not only with automatic renewal, despite the fact that most of them do not inform their customers about this option. It is not entirely clear why economy risk costs are as low as they are, especially as it is suspected that customers may be partially naïve. Supposedly, it doesn't pay for newspapers to insist on automatic renewals of subscriptions and thus many newspapers are keen on offering both one year only subscriptions and subscriptions with automatic renewal. It may be in the newspapers' best interest to have a broad offer which appeals to as many customers as possible and not to introduce too many economy risk costs in the shape of stringent policies which may seem off-putting to potential subscribers. At the same time, refraining from informing their customers about the possibility to choose a subscription of one year only may be a good way for newspapers to draw advantage of the naïve customers without upsetting the customers which are not.

The correlations of significance between newspapers' switching costs and their subscription prices are mostly weak. The strongest correlation which has been calculated was 0.33 and was found between evaluation costs and newspapers' subscription prices. As briefly mentioned in 3.1.2, it is tempting to draw unproven conclusion from such results. Newspapers with higher subscription prices may be less willing to offer discounts or free newspapers because their product is more valuable. But a claim of the opposite nature may also be the case. Consumers of higher value products may not be as price sensitive as consumers of lower value products and thus seldom make use of such offers, thereby resulting in the providers of the higher value products not benefitting from free samples or discounts and thereby refrain from offering it. As a matter of fact, the correlation could be the result of a third, unknown, factor, which affects both factors. It is simply not possible to say if a behavior causes a certain characteristic, or the other way around, since correlation doesn't imply causality. It can only be associated with a probability of observing one, given the other. Whether newspapers inform about their introduction offers or not, it is clear that evaluation costs aren't very high since as many as 56 newspapers either offer new customers free samples or discounted

introduction offers while the remaining 18 newspapers have introduction offers during campaigns.

Setup costs are a very dominant switching cost in the Swedish morning news paper market and are represented by the difficulties of finding information about subscription cancellation and to cancel subscriptions online. With 51 newspapers not allowing for online subscription cancellation and 21 newspapers requiring the subscriber to login in order to cancel a subscription online, it is a strong contrast to the ease of which one may sign up for subscriptions online. The reason for the setup costs being so dominant is probably related to the ease of not supplying information about subscription cancellation. Simply not publishing relevant cancellation information is a very easy and cost efficient way of effectively making this a cumbersome task.

With 53 newspapers offering either membership cards or membership discounts, benefit loss costs are very present in the Swedish morning newspaper market. Explaining the popularity of membership cards and membership discounts is difficult since information about the agreements between newspapers and cooperating businesses is not available and also outside the scope of this paper. But since it is an easy way for cooperating businesses to gain access to, and communicate with, new potential customers through the newspapers' distribution channels, the newspapers are likely to be able to offer this switching cost at a very low cost. Instead, it could actually be an additional source of income to them since many businesses could potentially be willing to pay for this direct access to their readers.

As many as 45 of the 72 newspapers only offer money refunds if the subscriber moves from the local areas, falls ill or dies, making monetary loss costs very common among Swedish morning newspapers even if 21 always offer a money refund upon subscription cancellation. The presence of this switching cost is strengthened by the five newspapers which never offer money refunds even if the subscriber dies. Interestingly enough, only one single newspaper (Enköpingsposten) offers a money refund against a cancellation fee. Possibly, this policy is uncommon since it involves a cash transfer which may be considered unfair as mentioned in 1.4.1. It may be easier for consumers to accept to lose money through the harsh money refund policies in place since the cash transfer has already taken place and the money is already 'lost'. Invoking another cash transfer through a cancellation fee may psychologically upset more people about the loss of money than to accept a greater loss of money already considered spent.

With as many as 23 newspapers not offering any discounts to either students or young people, personal relationship loss costs aren't very high among Swedish morning newspapers. The fact that personal relationship loss cost aren't high may very well relate to the cost of offering free or heavily discounted products. While the cost of producing news and articles is fixed, each newspaper copy still has an individual cost of printing and distribution which needs to be covered. Therefore this is a very costly switching cost for the newspapers to introduce. This thesis is strengthened by the fact that about half of the newspapers which do offer students and/or young people discounts, either don't publish their offer on their homepage, or only publish parts of it.

It is evident that the Bonnier Group, and possibly also Stampen, use switching costs in their corporate strategies. The average of Stampen's newspaper's total switching costs is with a score 7 above the market average of 6.13 and well above other media group's total switching cost averages. But Bonnier's average total switching cost score of all its newspapers is with 9.3 more than 2.1 standard deviations higher than the market average and clearly not coincidental.

While switching costs appear to have a significant effect on the price of a Swedish morning newspaper according to Formula 1, the rather low coefficient of determination of 0.36 means that there are other factors which are needed to explain the increase in price among newspapers with high switching costs. A similar result is obtained with Formula 2, which clearly shows that a higher price of a Swedish morning newspaper increases its switching cost. But since this equation's coefficient of determination is even lower with 0.07, there are even more additional factors needed to explain this increase in switching costs among newspapers with higher prices. The effect of large group ownership on switching costs is apparently not as significant as Formula 2 dictates since most newspapers belonging to a large group have a total switching cost above average. It is instead likely that Stampen's, and in particular Bonnier's, newspapers place too much significance on this factor.

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Appendix A - List of A-regions

Arvika	Halmstad	Kiruna+Gällivare	Mora	Trollhättan+Vänersborg
Avesta+Hedemora	Haparanda+Kalix	Kristianstad	Norrköping	Uddevalla
Bollnäs+Söderhamn	Helsingborg+Landskrona	Kristinehamn+Filipstad	Norrtälje	Umeå
Borlänge+Falun	Hudiksvall+Ljusdal	Köping	Nyköping	Uppsala
Borås	Hultsfred+Vimmerby	Lidköping+Skara	Oskarshamn	Visby
Eksjö+Nässjö+Vetlanda	Härnösand+Kramfors	Lindesberg	Piteå	Värnamo
Enköping	Hässleholm	Linköping	Sala	Västervik
Eskilstuna	Jönköping	Ljungby	Skellefteå	Västerås
Eslöv	Kalmar+Nybro	Ludvika	Skövde	Växjö
Fagersta	Karlshamn	Luleå+Boden	Sollefteå	Ystad+Simrishamn
Falkenberg+Varberg	Karlskoga	Lycksele	Stockholm+Södertälje	Ängelholm
Falköping	Karlskrona	Malmö+Lund+Trelleborg	Sundsvall	Örebro
Gävle+Sandviken	Karlstad	Mariestad	Säffle+Åmål	Örnsköldsvik
Göteborg+Alingsås	Katrineholm	Mjölby+Motala	Tranås	Östersund

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### Appendix B - List of selected newspapers

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Newspaper	Owner	Issues per week	Circulation
Arbetarbladet	Mitt Media	7	23900
Barometern Oskarshamns-Tidningen	Gota Media	6	43000
Blekinge Läns Tidning	Gota Media	6	35600
Bohusläningen	Mediabolaget Västkusten (Stampen)	6	31600
Borås Tidning	Gota Media	7	47000
Bärgslagsbladet Arboga Tidning	Tidningsbolaget Promedia (Stampen)	5	11200
Corren	NTM-koncernen	6	54500
Dagbladet	Mitt Media	6	12000
Dagens Nyheter	Bonnier	7	316200
Dalademokraten	Folkrörelsernas Mediastiftelse i Dalarna	6	15400
Dalarnas Tidning	Mitt Media	6	48300
Enköpingsposten	NWT-koncernen	6	10300
Eskilstunakuriren med Strengnes Tidning	Eskilstuna-Kuriren koncernen	6	30700
Falköpings Tidning	Herenco	6	8900
Folkbladet	NTM-koncernen	6	6900
Folket	Eskilstuna-Kuriren koncernen	6	4900
Gefle Dagblad	Mitt Media	7	26500
Gotlands Allehanda	NTM-koncernen	6	9600
Gotlands Tidningar	NTM-koncernen	6	12200
Göteborgsposten	Stampen	7	236400
Hallands Nyheter	Mediabolaget Västkusten (Stampen)	6	29600
Hallandsposten	Mediabolaget Västkusten (Stampen)	6	31000
Helsingborgs Dagblad	Pukslagaren i Helsingborg AB	7	76400
Hudiksvalls Tidning	Mitt Media	6	14200
Jönköpings-Posten	Herenco	6	37100
Karlskoga Tidning	NWT-koncernen	6	7500
Karskogakuriren	Tidningsbolaget Promedia (Stampen)	6	5100
Katrineholmskuriren	Eskilstuna-Kuriren koncernen	6	11800



## Switching Costs in the Swedish Morning Paper Market

<b>Newspaper</b>	<b>Owner</b>	<b>Issues per week</b>	<b>Circulation</b>
Kristianstadsbladet	SDS-koncernen (Bonnier)	6	27600
Laholms Tidning	Skånskan (Skånska Tidningsägareföreningen)	6	3600
Ljusdalsposten	Mitt Media	6	6600
Ljusnan	Mitt Media	6	12400
Länstidningen i Södertälje	Tidningsbolaget Promedia (Stampen)	6	14300
Länstidningen i Östersund	Mitt Media	6	13000
Mariestads-Tidningen	NWT-koncernen	5	13100
Motala & Vadstena Tidning	Tidningsbolaget Promedia (Stampen)	6	10300
Nerikes Allehanda	Tidningsbolaget Promedia (Stampen)	7	60700
Norra Skåne	Skånskan (Skånska Tidningsägareföreningen)	6	19200
Norra Västerbotten	Stiftelsen Skelleftepress	6	25700
Norrbottens-Kuriren	Norrbottens Media AB (NTM-koncernen)	6	21100
Norrköpings Tidningar	NTM-koncernen	6	42900
Norrländska Socialdemokraten	Norrbottens Media AB (NTM-koncernen)	6	34100
Norttelje Tidning	Tidningsbolaget Promedia (Stampen)	5	14500
Nya Wermlands-Tidningen	NWT-koncernen	6	47400
Nyheterna	Östra Småland Intressenter AB	6	4900
Piteå-Tidningen	Sveriges Socialdemokratiska Arbetareparti	6	15900
Skaraborgs Allehanda	NWT-koncernen	6	24300
Skaraborgs Läns Tidning	Herenco	6	7700
Skånskan	Skånska Tidningsägareföreningen	7	32900
Smålandsposten	Gota Media	6	37700
Smålands-Tidningen / Tranås Tidning / Vetlanda-Posten	SmT-gruppen (Herenco)	6	30700
Smälänningen	Herenco	5	12900
Sundsvalls Tidning	Mitt Media	7	30800
Svenska Dagbladet	Schibsted	7	196900
Sydsvenskan	SDS-koncernen (Bonnier)	7	121000
Sydöstran	Gota Media	6	11800
Söderhamnskuriren	Mitt Media	6	7800
Södermanlands Nyheter	Eskilstuna-Kuriren koncernen	6	25500
Tidningen Ångermanland / Örnsköldsviks Allehanda	Mitt Media	6	37800

## Switching Costs in the Swedish Morning Paper Market

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<b>Newspaper</b>	<b>Owner</b>	<b>Issues per week</b>	<b>Circulation</b>
Trelleborgs Allehanda	SDS-koncernen (Bonnier)	6	9200
TTELA	Mediabolaget Västkusten (Stampen)	6	28200
Upsala Nya Tidning	NTM-koncernen	7	52300
Vestmanlands Läns Tidning	Tidningsbolaget Promedia (Stampen)	6	40100
Vimmerby Tidning / Kindaposten / Linköpings Tidning	Mediagruppen Swepress	6	12000
Värmlands Folkblad	Sveriges Socialdemokratiska Arbetareparti	6	17600
Västerbottens Folkblad	Västerbottens-Kuriren (Stiftelsen VK-Press)	6	13000
Västerbottens-Kuriren	Stiftelsen VK-Press	6	35800
Västerviks-Tidningen	NTM-koncernen	6	11800
Västgöta-Bladet	Herenco	6	3500
Ystads Allehanda	SDS-koncernen (Bonnier)	6	22300
Östersundsposten	Mitt Media	6	26900
Östran	Sveriges Socialdemokratiska Arbetareparti	6	9300

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**Appendix C - Newspapers' subscription services**


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<b>Newspapers</b>	<b>Subscription cancellation possible via homepage?</b>	<b>Clicks on homepage for contact details to subscription services</b>	<b>Number of seconds required to be connected to the subscription services</b>	<b>Money refund policy</b>
Bohusläningen	No	1	36	Only due to illness or death
Borås Tidning / Barometern Oskarshamns-Tidningen / Smålandsposten / Blekinge Läns Tidning / Sydöstran	Requires login	2	255	When paying annually, not when paying monthly
Corren / Norrköpings Tidningar / Gotlands Tidningar / Västerviks- Tidningen / Gotlands Allehanda / Folkbladet	No	1	268	Only when moving or due to illness or death
Dagens Nyheter	No	2	95	Always
Dagbladet	No	1	40	Always
Dalademokraten	No	1	47	Only when moving or due to illness or death
Dalarnas Tidning / Gefle Dagblad / Arbetarbladet	No	2	160	Only when moving or due to illness or death
Enköpingsposten	Requires login	1	33	For a fee of 50 kr
Eskilstunakuriren med Strengnes Tidning	No	1	62	Always
Folket	Requires login	1	39	Only due to illness or death
Göteborgsposten	Requires login	1	71	When paying monthly, for a fee of 50 kr, not when paying annually
Hallands Nyheter	Yes - use same tool as when subscribing (not on webpage)	1	57	Only when moving or due to illness or death

## Switching Costs in the Swedish Morning Paper Market

Newspapers	Subscription cancellation possible via homepage?	Clicks on homepage for contact details to subscription services	Number of seconds required to be connected to the subscription services	Money refund policy
Hallandsposten	Requires login	1	83	Always
Helsingborgs Dagblad	Requires login	1	42	Only when moving or due to illness or death
Hudiksvalls Tidning / Ljusnan / Söderhamnskuriren / Ljusdalsposten	No	1	105	Only when moving or due to illness or death
Jönköpings-Posten / Smålands-Tidningen / Tranås Tidning / Vetlanda-Posten	No	2	37	Always
Katrineholmskuriren	Requires login	2	23	Always
Länstidningen i Södertälje	Requires login	3	40	Only when moving or due to illness or death
Mariestads-Tidningen	Requires login	1	21	Only when moving or due to illness or death
Nerikes Allehanda / Vestmanlands Läns Tidning / Norrtälje Tidning / Bärgslagsbladet Arboga Tidning / Motala & Vadstena Tidning / Karlskoga kuriren	No	2	21	Only when moving or due to illness or death
Norra Västerbotten	No	1	73	Only due to illness or death
Norrländska Socialdemokraten / Norrbottenskuriren	Requires login	1	21	Always
Nya Wermlands-Tidningen / Karlskoga Tidning	No	2	38	Always
Piteå-Tidningen	No	1	100	Only when moving or due to illness or death

## Switching Costs in the Swedish Morning Paper Market

<b>Newspapers</b>	<b>Subscription cancellation possible via homepage?</b>	<b>Clicks on homepage for contact details to subscription services</b>	<b>Number of seconds required to be connected to the subscription services</b>	<b>Money refund policy</b>
Skaraborgs Allehanda	No	1	20	Only when moving or due to illness or death
Skånskan / Norra Skåne / Laholms Tidning	No	1	42	Only due to illness or death
Smålänningen / Falköpings Tidning / Skaraborgs Läns Tidning / Västgöta-Bladet	No	1	31	Never
Sundsvalls Tidning	No	1	29	Always
Svenska Dagbladet	No	2	173	Always
Sydsvenskan / Kristianstadbladet / Ystad Allehanda / Trelleborgs Allehanda	No	2	168	Only when moving or due to illness or death
Södermanlands Nyheter	No	1	16	Always
Tidningen Ångermanland / Örnsköldsviks Allehanda	Requires login	1	72	Only when moving or due to illness or death
TTELA	No	1	36	Only due to illness or death
Uppsala Nya Tidning	No	2	53	Only when moving or due to illness or death
Vimmerby Tidning / Kindaposten / Linköpings Tidning	No	1	65	Only due to illness or death
Värmlands Folkblad	No	1	9	Only due to illness or death
Västerbottenskuriren / Västerbottens Folkblad	No	2	72	Only when moving or due to illness or death
Östersundsposten / Länstidningen i Östersund	Requires login	1	88	Always
Östran / Nyheterna	Yes - use same tool as when subscribing (not on webpage)	1	18	Only due to illness or death

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**Appendix D - Newspapers' subscription prices and discounts**


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<b>Newspaper</b>	<b>Annual subscription price</b>	<b>Monthly subscription price when paying by Autogiro (monthly automatic payment)</b>	<b>Introductory discounts (announced on their homepage?)</b>	<b>Student discounts (announced on their homepage?)</b>
Arbetarbladet	2400 SEK	200 SEK	50% for first time period – 4-6 months. (not on homepage)	None
Barometern Oskarshamns-Tidningen	2196 SEK	183 SEK	Sometimes (not on homepage)	None. But 25% for young people under 27. (on homepage)
Blekinge Läns Tidning	2196 SEK	183 SEK	Sometimes (not on homepage)	None. But 25% for young people under 27. (on homepage)
Bohusläningen	2100 SEK	184 SEK	Sometimes (not on homepage)	25% for students up to 28 years of age. (not on homepage)
Borås Tidning	2196 SEK	183 SEK	Sometimes (not on homepage)	None. But 25% for young people under 27. (on homepage)
Bärgslagsbladet Arboga Tidning	2370 SEK	219 SEK	1 month free. (not on homepage)	25% on monthly subscription. (not on homepage) Also 25% for young people up to 28 years of age. (on homepage)
Corren	2315 SEK	193 SEK	50% for 2 months. (on homepage)	25% discount. (on homepage)
Dagbladet	1725 SEK	145 SEK	1 month for 89 SEK. 2 months for 250 SEK. (not on homepage)	None

## Switching Costs in the Swedish Morning Paper Market

<b>Newspaper</b>	<b>Annual subscription price</b>	<b>Monthly subscription price when paying by Autogiro (monthly automatic payment)</b>	<b>Introductory discounts (announced on their homepage?)</b>	<b>Student discounts (announced on their homepage?)</b>
Dagens Nyheter	Depends on distance from Stockholm. 2849 SEK in Stockholm, 3950 SEK in Skåne or Kiruna.	229 in Stockholm, 329 SEK in Skåne or Kiruna.	25% for first time period – 3-6 months. (not on homepage)	52% and 51% for monthly and annual subscription Stockholm respectively. 61% and 56% in Skåne and Kiruna. (on homepage)
Dalademokraten	2234 SEK	194 SEK	1 month free. (not on homepage)	25% discount. (not on homepage)
Dalarnas Tidning	2290 SEK	199 SEK	50% for 3 months. (on homepage)	25% for students and 25% for young people between 18-25. (both on homepage)
Enköpingsposten	1946 SEK	177 SEK	Sometimes (not on homepage)	None
Eskilstunakuriren med Strengnes Tidning	2199 SEK	183 SEK	30% discount for 2 months, 35% for 4 months or 40% for 6 months. (on homepage)	25% discount. (not on homepage) Also 25% for young people up to 27 years of age. (on homepage)
Falköpings Tidning	1890 SEK	166 SEK	Free for 14 days (on homepage)	None
Folkbladet	2095 SEK	169 SEK	Sometimes (not on homepage)	None
Folket	2144 SEK	188 SEK	50% for first time period – 3-6 months. (not on homepage)	None
Gefle Dagblad	2400 SEK	200 SEK	50% for first time period – 4-6 months. (not on homepage)	None
Gotlands Allehanda	1645 SEK	169 SEK	Sometimes (not on homepage)	25% discount. (on homepage)
Gotlands Tidningar	1945 SEK	169 SEK	Sometimes (not on homepage)	25% discount. (on homepage)

## Switching Costs in the Swedish Morning Paper Market

Newspaper	Annual subscription price	Monthly subscription price when paying by Autogiro (monthly automatic payment)	Introductory discounts (announced on their homepage?)	Student discounts (announced on their homepage?)
Göteborgsposten	2486 in V. Götaland and Halland, 3252 in rest of Sweden.	215 in V. Götaland and Halland, 283 in rest of Sweden.	Sometimes (not on homepage)	65% and 72% for monthly and annual subscription respectively in V. Götaland and Halland, 25% for rest of Sweden. Also 25% for young people between 18-25. (both on homepage)
Hallands Nyheter	2010 SEK	176 SEK	3 months free (not on homepage)	None
Hallandsposten	2100 SEK	184 SEK	3 months free (not on homepage)	None
Helsingborgs Dagblad	2420 SEK	199 SEK	1 month free (not on homepage)	50% discount. (on homepage)
Hudiksvalls Tidning	2513 SEK	223 SEK	Sometimes (not on homepage)	None
Jönköpings-Posten	1920 SEK	182 SEK	Free for 14 days (on homepage)	None
Karslkoga Tidning	1956 SEK	164 SEK	Sometimes (not on homepage)	25% discount. (not on homepage)
Karlskogakuriren	2110 SEK	180 SEK	1 month free. (not on homepage)	25% on monthly subscription. (on homepage)
Katrineholmskuriren	2199 SEK	183 SEK	Sometimes (not on homepage)	25% discount. (not on homepage) Also 25% for young people up to 27 years of age. (on homepage)
Kristianstadbladet	2285 SEK	229 SEK	15% on annual subscription. (not on homepage)	50% for students and 25% for young people under 25 (both on homepage)



## Switching Costs in the Swedish Morning Paper Market

<b>Newspaper</b>	<b>Annual subscription price</b>	<b>Monthly subscription price when paying by Autogiro (monthly automatic payment)</b>	<b>Introductory discounts (announced on their homepage?)</b>	<b>Student discounts (announced on their homepage?)</b>
Laholms Tidning	2136 SEK	178 SEK	50% for 2 months. (on homepage)	25% discount. (not on homepage)
Ljusdalsposten	2295 SEK	211 SEK	Sometimes (not on homepage)	None
Ljusnan	2424 SEK	217 SEK	Sometimes (not on homepage)	None
Länstidningen i Södertälje	2240 SEK	187 SEK	Sometimes (not on homepage)	25% on monthly subscription (not on homepage) Also 25% for young people up to 28 years of age. (on homepage)
Länstidningen i Östersund	2225 SEK	185 SEK	25% for first time period – 3-12 months. (not on homepage)	None
Mariestads-Tidningen	1605 SEK	139 SEK	10 days free. (not on homepage)	None
Motala & Vadstena Tidning	2100 SEK	180 SEK	1 month free. (not on homepage)	25% on monthly subscription. (on homepage)
Nerikes Allehanda	2385 SEK	215 SEK	1 month free. (not on homepage)	25% on monthly subscription. (on homepage)
Norra Skåne	2328 SEK	194 SEK	50% for 2 months. (on homepage)	25% discount. (not on homepage)
Norra Västerbotten	2095 SEK	175 SEK	43% for 6 months. (not on homepage)	25% discount (on homepage)
Norrbottnenskuriren	2140 SEK	235 SEK	50% for 3 months. (on homepage)	25% discount. (not on homepage)
Norrköpings Tidningar	2185 SEK	182 SEK	3 weeks free. (not on homepage)	None. But 40% on monthly subscription for young people up to 29 years of age. (not on homepage)

## Switching Costs in the Swedish Morning Paper Market

<b>Newspaper</b>	<b>Annual subscription price</b>	<b>Monthly subscription price when paying by Autogiro (monthly automatic payment)</b>	<b>Introductory discounts (announced on their homepage?)</b>	<b>Student discounts (announced on their homepage?)</b>
Norrländska Socialdemokraten	2140 SEK	235 SEK	50% for 3 months. (on homepage)	25% discount. (not on homepage)
Norrtelje Tidning	2080 SEK	178 SEK	1 month free. (not on homepage)	25% on monthly subscription. (not on homepage)
Nya Wermlands-Tidningen	1899 SEK	164 SEK	3 weeks free. (not on homepage)	25% discount. (not on homepage)
Nyheterna	2148 SEK	179 SEK	50% for 1 month. (on homepage) 50% for 6 months (not on homepage)	25% discount. (not on homepage)
Piteå-Tidningen	2273 SEK	199 SEK	25% for 4 months. (on homepage)	25% discount. (not on homepage)
Skaraborgs Allehanda	1870 SEK	162 SEK	1 week free. (not on homepage)	None
Skaraborgs Läns Tidning	1890 SEK	166 SEK	Free for 14 days (on homepage)	None
Skånskan	2544 SEK	212 SEK	50% for 2 months. (on homepage)	25% discount. (not on homepage)
Smålandsposten	2196 SEK	183 SEK	Sometimes (not on homepage)	None. But 25% for young people under 27. (on homepage)
Smålands-Tidningen/Tranås Tidning/Vetlanda-Posten	1920 SEK	182 SEK	Free for 1 month (on homepage)	None
Smälänningen	1690 SEK	147 SEK	Free for 1 month (on homepage)	None
Sundsvalls Tidning	2390 SEK	209 SEK	Sometimes (not on homepage)	25% discount (on homepage)

## Switching Costs in the Swedish Morning Paper Market

<b>Newspaper</b>	<b>Annual subscription price</b>	<b>Monthly subscription price when paying by Autogiro (monthly automatic payment)</b>	<b>Introductory discounts (announced on their homepage?)</b>	<b>Student discounts (announced on their homepage?)</b>
Svenska Dagbladet	Depends on distance from Stockholm. 2866 SEK in Stockholm, 4440 SEK in Skåne and 4087 in Kiruna.	254 in Stockholm, 379 SEK in Skåne and 349 in Kiruna.	3 months for 349 SEK. (not on homepage)	34% for annual subscription in Stockholm and Skåne, 28% in Kiruna. (on homepage)
Sydsvenskan	2675 SEK	229 SEK	15% on annual subscription. (not on homepage)	61% on monthly subscription. (on homepage)
Sydöstran	2196 SEK	183 SEK	Sometimes (not on homepage)	None. But 25% for young people under 27. (on homepage)
Söderhamnskuriren	2360 SEK	211 SEK	Sometimes (not on homepage)	None
Södermanlands Nyheter	2124 SEK	190 SEK	25% discount for 1 month. (on homepage)	None. But 27% for young people up to 27 years of age. (on homepage)
Tidningen Ångermanland/ Örnsköldsviks Allehanda	2280 SEK	190 SEK	Free for 1 month (not on homepage)	50% until 26 years of age, thereafter 25%. (on homepage)
Trelleborgs Allehanda	2095 SEK	188 SEK	15% on annual subscription. (not on homepage)	50% for students and 25% for young people under 25. (both on homepage)
TTELA	2100 SEK	184 SEK	Sometimes (not on homepage)	25% for students up to 28 years of age. (not on homepage)
Uppsala Nya Tidning	2365 SEK	200 SEK	2 weeks free. (on homepage)	35% discount. (not on homepage)
Vestmanlands Läns Tidning	2250 SEK	203 SEK	1 month free. (not on homepage)	25% discount. (on homepage)
Vimmerby Tidning / Kindaposten / Linköpings Tidning	2024 SEK	179 SEK	2 months for 215 SEK (50%). (on homepage)	25% discount. (not on homepage)

## Switching Costs in the Swedish Morning Paper Market

Newspaper	Annual subscription price	Monthly subscription price when paying by Autogiro (monthly automatic payment)	Introductory discounts (announced on their homepage?)	Student discounts (announced on their homepage?)
Värmlands Folkblad	1985 SEK	164 SEK	Sometimes (not on homepage)	25% discount. (not on homepage)
Västerbottens Folkblad	1968 SEK	164 SEK	2 weeks free. (not on homepage) 40% discount for 3 or 6 months. (on homepage)	25% discount. Also 25% for young people between 18-27 years of age. (both on homepage)
Västerbottenskuriren	2136 SEK	178 SEK	2 weeks free. (not on homepage) 40% discount for 3 or 6 months. (on homepage)	25% discount. Also 25% for young people between 18-27 years of age. (both on homepage)
Västerviks-Tidningen	1995 SEK	171 SEK	Sometimes (not on homepage)	None
Västgöta-Bladet	1890 SEK	166 SEK	Free for 14 days (on homepage)	None
Ystad Allehanda	2285 SEK	199 SEK	15% on annual subscription. (not on homepage)	50% for students and 25% for young people under 25 (both on homepage)
Östersundsposten	2225 SEK	185 SEK	25% for first time period – 3-12 months. (not on homepage)	None
Östran	2148 SEK	179 SEK	50% for 1 month. (on homepage) 50% for 6 months (not on homepage)	25% discount. (not on homepage)

## Appendix E - Newspapers' annual subscription policies and membership cards

Newspaper	Annual subscription policy/policies	Does non-payment count as cancellation of automatic renewal?	Policy/policies stated on homepage?	Membership card?
Arbetsbladet	One year only or with automatic renewal	No	No	Yes. Tidningskortet
Barometern Oskarshamns-Tidningen	Only with automatic renewal	No	No	Yes. Plus-kortet
Blekinge Läns Tidning	One year only or with automatic renewal	No	Yes	Yes. Plus-kortet
Bohusläningen	One year only or with automatic renewal	No	No	Yes. Förmånskortet
Borås Tidning	One year only or with automatic renewal	No	No	Yes. BT-kortet
Bärgslagsbladet Arboga Tidning	One year only or with automatic renewal	No	No	Yes. Bbl/At-kortet
Corren	One year only or with automatic renewal	No	Yes	No. But has "customer club", Kundklubb Corren mera
Dagbladet	One year only or with automatic renewal	No	No	Yes. Trofast ST-kortet
Dagens Nyheter	One year only or with automatic renewal	No	Yes	Yes. DN-kortet
Dalademokraten	One year only or with automatic renewal	No	No	No. But has "membership offers"
Dalarnas Tidning	One year only or with automatic renewal	No	No	Yes. Tidningskortet
Enköpingsposten	Only with automatic renewal	No	No	No

## Switching Costs in the Swedish Morning Paper Market

Newspaper	Annual subscription policy/policies	Does non-payment count as cancellation of automatic renewal?	Policy/policies stated on homepage?	Membership card?
Eskilstunakuriren med Strengnes Tidning	One year only or with automatic renewal	No	Yes	Yes
Falköpings Tidning	One year only or with automatic renewal	No	No	Yes. FT-kortet
Folkbladet	One year only or with automatic renewal	No	No	No
Folket	One year only or with automatic renewal	No	No	Yes
Gefle Dagblad	One year only or with automatic renewal	No	No	Yes. Tidningskortet
Gotlands Allehanda	One year only or with automatic renewal	No	Yes	No. But has "customer club", Kundklubb mera
Gotlands Tidningar	One year only or with automatic renewal	No	Yes	No. But has "customer club" Kundklubb mera
Göteborgsposten	One year only or with automatic renewal	No	Yes	Yes. Läsvärdet
Hallands Nyheter	One year only or with automatic renewal	No	No	Yes. HN-kortet
Hallandsposten	One year only or with automatic renewal	No	No	Yes. HP-kortet
Helsingborgs Dagblad	One year only or with automatic renewal	No	No	Yes. HD-passet
Hudiksvalls Tidning	Only with automatic renewal	No	No. But homepage will be updated to include	No
Jönköpings-Posten	One year only or with automatic renewal	No	Yes	Yes. JP-kortet
Karlskoga Tidning	Only with automatic renewal	No	No	No
Karlskogakuriren	Only with automatic renewal	No	No. But homepage will be updated to include	Yes Kurrekortet

## Switching Costs in the Swedish Morning Paper Market

<b>Newspaper</b>	<b>Annual subscription policy/policies</b>	<b>Does non-payment count as cancellation of automatic renewal?</b>	<b>Policy/policies stated on homepage?</b>	<b>Membership card?</b>
Katrineholmskuriren	One year only or with automatic renewal	No	Yes	Yes
Kristianstadbladet	Only with automatic renewal	No	No. But homepage will be updated to include	Yes. Lustkortet
Laholms Tidning	Only with automatic renewal	No	Yes	Yes. Panterkortet
Ljusdalsposten	Only with automatic renewal	No	No. But homepage will be updated to include	No
Ljusnan	Only with automatic renewal	No	No. But homepage will be updated to include	No
Länstidningen i Södertälje	One year only or with automatic renewal	No	No	No
Länstidningen i Östersund	One year only or with automatic renewal	No	No	Yes. ÖP-kortet
Mariestads-Tidningen	Only with automatic renewal	No	No	No
Motala & Vadstena Tidning	One year only or with automatic renewal	No	No	Yes. MVA-kortet
Nerikes Allehanda	One year only or with automatic renewal	No	No	Yes. NA-kortet
Norra Skåne	Only with automatic renewal	No	Yes	Yes. Panterkortet
Norra Västerbotten	One year only or with automatic renewal	No	Yes	No
Norrbottenskuriren	One year only or with automatic renewal	No	No	No. But has "membership offers"
Norrköpings Tidningar	One year only or with automatic renewal	No	Yes	No. But has "customer club", Kundklubb NT mera
Norrländska Socialdemokraten	One year only or with automatic renewal	No	No	No. But has "membership offers"

## Switching Costs in the Swedish Morning Paper Market

<b>Newspaper</b>	<b>Annual subscription policy/policies</b>	<b>Does non-payment count as cancellation of automatic renewal?</b>	<b>Policy/policies stated on homepage?</b>	<b>Membership card?</b>
Norrtelje Tidning	One year only or with automatic renewal	No	Yes	Yes. JP-kortet
Nya Wermlands-Tidningen	Only with automatic renewal	No	Yes	Yes. NT-kortet
Nyheterna	Only with automatic renewal	No	No	No
Piteå-Tidningen	One year only or with automatic renewal	No	No	No. But has "membership offers"
Skaraborgs Allehanda	Only with automatic renewal	No	No	No
Skaraborgs Läns Tidning	One year only or with automatic renewal	No	No	Yes. SKLT-kortet
Skånskan	Only with automatic renewal	No	Yes	Yes. Panterkortet
Smålandsposten	One year only or with automatic renewal	No	No	Yes. Mediamax-kortet
Smålands-Tidningen/Tranås Tidning/Vetlanda-Posten	One year only or with automatic renewal	No	Yes	Yes. Förmånskortet
Smälänningen	One year only or with automatic renewal	No	No	No
Sundsvalls Tidning	One year only or with automatic renewal	No	No	Yes. Trofast ST-kortet
Svenska Dagbladet	One year only or with automatic renewal	No	Yes	No
Sydsvenskan	One year only or with automatic renewal	No	Yes	Yes. Stjärnkortet
Sydöstran	One year only or with automatic renewal	No	Yes	Yes. Plus-kortet
Söderhamnskuriren	Only with automatic renewal	No	No. But homepage will be updated to include	No



## Switching Costs in the Swedish Morning Paper Market

<b>Newspaper</b>	<b>Annual subscription policy/policies</b>	<b>Does non-payment count as cancellation of automatic renewal?</b>	<b>Policy/policies stated on homepage?</b>	<b>Membership card?</b>
Södermanlands Nyheter	Only with automatic renewal	No	No	No. But has "membership offers"
Tidningen Ångermanland/ Örnsköldsviks Allehanda	One year only or with automatic renewal	No	No	No
Trelleborgs Allehanda	Only with automatic renewal	No	No. But homepage will be updated to include	Yes. Lustkortet
TTELA	One year only or with automatic renewal	No	No	Yes. Förmånskortet
Uppsala Nya Tidning	Only with automatic renewal	No	No. But homepage will be updated to include	Yes. UNT-kortet
Vestmanlands Läns Tidning	One year only or with automatic renewal	No	No	Yes. VLT-kortet
Vimmerby Tidning / Kindaposten / Linköpings Tidning	One year only or with automatic renewal	No	No	No
Värmlands Folkblad	One year only or with automatic renewal	No	No	No. But has "membership offers"
Västerbottens Folkblad	One year only or with automatic renewal	No	Yes	No
Västerbottenskuriren	One year only or with automatic renewal	No	Yes	No
Västerviks-Tidningen	One year only or with automatic renewal	No	Yes	No. But has "customer club", Kundklubb mera
Västgöta-Bladet	One year only or with automatic renewal	No	No	Yes. VB-kortet
Ystad Allehanda	Only with automatic renewal	No	No. But homepage will be updated to include	Yes. Lustkortet
Östersundsposten	One year only or with automatic renewal	No	No	Yes. ÖP-kortet
Östran	Only with automatic renewal	No	No	No

**Appendix F – Newspapers’ switching costs**

<b>Newspaper</b>	<b>Economy risk cost</b>	<b>Evaluation cost</b>	<b>Setup cost</b>	<b>Benefit loss cost</b>	<b>Monetary loss cost</b>	<b>Personal relationship loss cost</b>	<b>Sum of switching costs</b>
Arbetarbladet	0.5	2	2	2	1	0	7.5
Barometern Oskarshamns-Tidningen	2	1	1	2	0	1	7
Blekinge Läns Tidning	0	1	1	2	0	1	5
Bohusläningen	0.5	1	2	2	1	0.5	7
Borås Tidning	0.5	1	1	2	0	1	5.5
Bärgslagsbladet Arboga Tidning	0.5	1	2	2	1	1.5	8
Corren	0	0.5	2	1	1	1	5.5
Dagbladet	0	1.5	2	2	0	0	5.5
Dagens Nyheter	0.5	1.5	2	2	0	1	7
Dalademokraten	0.5	1	2	1	1	0.5	6
Dalarnas Tidning	0.5	0.5	2	2	1	2	8
Enköpingsposten	2	1	1	0	0.5	0	4.5
Eskilstunakuriren med Strengnes Tidning	0	0.5	2	2	0	1.5	6
Falköpings Tidning	0.5	0	2	2	2	0	6.5
Folkbladet	0.5	1	2	0	1	0	4.5
Folket	0.5	1.5	1	2	1	0	6
Gefle Dagblad	0.5	2	2	2	1	0	7.5
Gotlands Allehanda	0	1	2	1	1	1	6
Gotlands Tidningar	0	1	2	1	1	1	6
Göteborgsposten	0	1	1	2	2	2	8
Hallands Nyheter	0.5	1	1	2	1	0	5.5
Hallandsposten	0.5	1	1	2	0	0	4.5
Helsingborgs Dagblad	0.5	1	1	2	1	1	6.5
Hudiksvalls Tidning	1.5	1	2	0	1	0	5.5

## Switching Costs in the Swedish Morning Paper Market

Newspaper	Economy risk cost	Evaluation cost	Setup cost	Benefit loss cost	Monetary loss cost	Personal relationship loss cost	Sum of switching costs
Jönköpings-Posten	0	0	2	2	0	0	4
Karlskoga Tidning	2	1	2	0	0	0.5	5.5
Karlskogakuriren	1.5	1	2	2	1	1	8.5
Katrineholmskuriren	0	1	1	2	0	1.5	5.5
Kristianstadsbladet	1.5	2	2	2	1	2	10.5
Laholms Tidning	0	0.5	2	2	1	0.5	6
Ljusdalsposten	1.5	1	2	0	1	0	5.5
Ljusnan	1.5	1	2	0	1	0	5.5
Länstidningen i Södertälje	0.5	1	1	0	1	1.5	5
Länstidningen i Östersund	0.5	1.5	1	2	0	0	5
Mariestads-Tidningen	2	1	1	0	1	0	5
Motala & Vadstena Tidning	2	1	2	2	1	1	9
Nerikes Allehanda	0.5	1	2	2	1	1	7.5
Norra Skåne	1	0.5	2	2	1	0.5	7
Norra Västerbotten	0	2	2	0	1	1	6
Norrbottenskuriren	0.5	0.5	1	1	0	0.5	3.5
Norrköpings Tidningar	0	1	2	1	1	0.5	5.5
Norrländska Socialdemokraten	0.5	0.5	1	1	0	0.5	3.5
Norrtejlje Tidning	0	1	2	2	1	0.5	6.5
Nya Wermlands-Tidningen	1	1	2	2	0	0.5	6.5
Nyheterna	2	0.5	1	0	1	0.5	5
Piteå-Tidningen	0.5	1	2	1	1	0.5	6
Skaraborgs Allehanda	2	1	2	0	1	0	6
Skaraborgs Läns Tidning	0.5	0	2	2	2	0	6.5
Skånskan	1	0.5	2	2	1	0.5	7
Smålandsposten	0.5	1	1	2	0	1	5.5

## Switching Costs in the Swedish Morning Paper Market

Newspaper	Economy risk cost	Evaluation cost	Setup cost	Benefit loss cost	Monetary loss cost	Personal relationship loss cost	Sum of switching costs
Smålands-Tidningen/Tranås Tidning/Vetlanda-Posten	0	0	2	2	0	0	4
Smålänningen	0.5	0	2	0	2	0	4.5
Sundsvalls Tidning	0.5	1	2	2	0	1	6.5
Svenska Dagbladet	0	1.5	2	0	0	1	4.5
Sydsvenskan	0	2	2	2	1	1	8
Sydöstran	0	1	1	2	0	1	5
Söderhamnskuriren	1.5	1	2	0	1	0	5.5
Södermanlands Nyheter	2	0.5	2	1	0	1	6.5
Tidningen Ångermanland/Örnsköldsviks Allehanda	0.5	1	1	0	1	1	4.5
Trelleborgs Allehanda	1.5	2	2	2	1	2	10.5
TTELA	0.5	1	2	2	1	0.5	7
Upsala Nya Tidning	1.5	0	2	2	1	0.5	7
Vestmanlands Läns Tidning	0.5	1	2	2	1	1	7.5
Vimmerby Tidning / Kindaposten / Linköpings Tidning	0.5	0.5	2	0	1	0.5	4.5
Värmlands Folkblad	0.5	1	2	1	1	0.5	6
Västerbottens Folkblad	0	0.75	2	0	1	2	5.5
Västerbottenskuriren	0	0.75	2	0	1	2	5.5
Västerviks-Tidningen	0	1.5	2	1	1	0	5.5
Västgöta-Bladet	0.5	0	2	2	2	0	6.5
Ystad Allehanda	1.5	2	2	2	1	2	10.5
Östersundsposten	0.5	1.5	1	2	0	0	5
Östran	2	0.5	1	0	1	0.5	5