A European comparison of innovation policies to trigger innovation in journalism and news media

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Content

Foreword

In the last decade, the Netherlands, like the rest of Europe, has witnessed a transformation in the news media landscape. New techniques, new approaches, new technologies, and new competitors have upset the old order and changed the rules of the game. Policies have been established and implemented by governments, institutions and companies to cope with the developments, the new demands and requirements. More and more countries have started to formulate and implement policies that support innovation. The Dutch government has also developed a policy to stimulate innovation in journalism and news media. Given the fact that these policies are new, their effects on innovations are generally still unknown. An evaluation of the innovation policies can increase insight into their efficacy and possibly reveal areas of improvement so that the policies can be adapted to become more effective. Comparing the formulation and implementation of policies in various countries is an established approach to identifying best policy practices. Although emulating the success stories and practices of other countries is not easy, such a comparison can help us determine what the best practices are to support innovation in a rapidly changing news media landscape[1].

The Dutch House of Representatives (Parliament in the Netherlands) requested this report. They called for an evaluation and comparison of the Dutch innovation policies with those of other countries in order to determine which practices best support innovation in Europe.

Het Stimuleringsfonds voor de Journalistiek -- the Innovation Fund for Journalism -- commissioned and funded this project. The Fund focuses on supporting innovative activities of news media firms, in particular for smaller firms and start-ups as these organizations generally do not have the required expertise and resources for innovation development. Its focus is also increasingly on giving advice and organising workshops and events that aim to inspire people and bring different experts together.

Special thanks go to Rene van Zanten (General Director of Innovation Fund for Journalism) and Rick van Dijk (Operational Director of Innovation Fund for Journalism) for this assignment. The assignment was to gain knowledge of the best practices concerning (cross) ownership and innovation policies on the success on innovations in journalism and news media. This research focussed on nine social democratic countries in Europe.

This report was prepared by a team of media scholars across Europe under the leadership of Hans van Kranenburg (Radboud University Nijmegen, the Netherlands). Contributors include Cinzia Dal Zotto (University of Neuchatel, Switzerland), Mercedes Medina, Francisco Javier Pérez-Latre, Alfonso Sánchez-Tabernero, Carolina Díaz-Espina (University of Navarra, Spain), Mike Friedrichsen (Stuttgart Media University, Germany), Mikko Grönlund (University of

[1] The World Bank (2010). Innovation Policy: A Guide for Developing Countries, Washington, D.C.

Turku, Finland), Paulo Faustino (Porto University and Centre of Investigation in Media & Journalism - CIMJ, Portugal), Robert Picard (University of Oxford, United Kingdom), Tom Björkroth (Finnish Competition and Consumer Authority) and Tom Evens (Ghent University, Belgium). I am very grateful for their participation and contributions.

This report benefited from the comments of several reviewers. I would also like to thank Angela Marberg for her excellent editing comments on an earlier version of this report. I am grateful for their input and remarks which improved the quality of the report.

The main focus of this explorative report is on the evolution of structures of news media markets, media (cross-) ownership and innovation policies and programs to promote innovation in journalism and news media in various European countries, with an emphasis on the Netherlands and neighboring countries, a group of Southern European countries, and Finland. Given the limited time available, we were not able to include more countries into this project or to give a complete overview of the efficacy of the innovation policies. Thus, the report presents an overview of innovation policies in which governments support the innovative ideas and activities of incumbent companies, entrepreneurs and initiators by providing financial and other support; by removing regulatory, institutional, or competitive obstacles to innovation; and by strengthening the knowledge base through investment in education and research.

A report on how innovation policies can stimulate breakthroughs, new technologies, and discovery in journalism and news media is important and timely. This research will promote discussion and foster critical thinking in business, government, society and, of course, the news media industry about what needs to be done to stimulate innovation in the field. We hope that this research will contribute to the successful transformation of the news media industry to one that is enduring and sustainable.

Prof. dr. Hans van Kranenburg **27th of January 2015**

Project leader

Radboud University Nijmegen, The Netherlands

Chapter 1

Introduction

1.1 Objective

Globalization, deregulation, technological innovation and the convergence of previously separated industries such as media, entertainment, information, and consumer electronics industries, have changed the media landscape into a turbulent environment. As a consequence of these developments, many media firms are experiencing severe challenges as content proliferates, audience behavior changes, advertising revenue declines, and new competitors emerge. Digital technology is eroding the benefits of scale to media companies, in particular traditional news media companies: as print circulation declines and cost savings generated from centralized production and distribution decline.

Today, innovation is the buzzword in the news media industry. Strategies and initiatives are formulated and implemented by institutions and companies to cope with the developments, the new demands and requirements in the news media industry. Governments are also developing policies to support innovation activities. In general, they are developing deregulation policies (such as removing cross ownership restrictions) and innovation policies. Although government policies to stimulate innovation in journalism and news media are not new, the policies and the different types of support offered to the news media are changing, particularly in the social-democratic countries in Europe (Plessing, 2014)[2]. Their innovation policies and support systems are going through a process of rethinking and transformation.

Given the fact that the present formulated and implemented innovation policies are relatively new, the effects of these policies on innovative activities are generally still unknown. An evaluation of these policies can increase the insights into the efficacy and possibly reveal areas of improvement so that the policies can be adapted to become more effective. A comparison between innovation policies formulated and implemented in various countries is an established approach to learn from identifying best policy practices.

The objective of this research is to gain knowledge of the best practices of innovation policies to trigger innovation in journalism and news media.

[2] Plessing, J. (2014). Developing Media Diversity: Baseline Study of State Support for Independent Print Media in West Africa, South America and Scandinavia, Association of Independent Publishers.

In order to understand the contemporary media mix and innovative activities in the different European countries, it is important to have insight into the structure of the news media markets, the different types of policies and the effects of these policies on the structure and innovative activities. Therefore, the main focus of this research report is on the evolution of structures of news media markets, and innovation policies and programs and their effect on innovation in journalism and news media in various European countries, with an emphasis on the neighboring countries of the Netherlands, a group of Southern European countries, Switzerland given its multi-linguistic (German, Italian and French) regions, and Finland. Switzerland is selected because it is linguistically connected to the group of Western-European and Southern European countries. While Finland falls outside the geographic scope of this study, it was also included because it is in the process of a societal shift from a 'social contract' towards a market-based economy (Nieminen, Nordenstreng, Harjuniemi, 2013; Plessing, 2014).[3]

Given the limited time available, we were not able to include more countries into this project or to give a complete overview of the efficacy of the innovation policies. This research is mainly based on a literature review and desk research, with a limited number of supplementing interviews, and does not claim to give a complete overview.

The media, in particular the news media, has a strong impact on public opinion and knowledge creation and diffusion. The news media presents and analyzes issues and sets the public agenda. Its ability to transfer issues of importance from its own agendas to the public agenda makes it powerful and thus essential in assessing news media influence on the business community and on opinion formation and knowledge diffusion. Sometimes entertainment and sports media also place issues, in particular local news content, on the public agenda, but this is not part of their main function. In this study, we therefore exclude entertainment and sports media.

The development of the news media landscape is not only exclusively based on economic principles but also on social, cultural, political and democratic principles. Many companies operating in the media industry provide news and information. However, 'news and information is not only a market-based good. It is also a public good and fundamental to ensuring that the information needs of communities are met in democratic societies' (Plessing, 2014: 9)[4]. Due to the unique character of news and information, it is generally a challenge to sell news and information as a profitable business activity. As Picard (2013: 49) pointed out, 'The fundamental problem for news providers is that news itself has never been financially viable as a market-based good. It has always been primarily financed by arrangements based on income derived

[3] Nieminen, H., Nordenstreng, K. Harjuniemi, T. (2013). Finland: The Rise and Fall of a Democratic Subsidy Scheme, in Murschetz, P. (ed.), State Aid for Newspapers: Theories, Cases, Actions. Springer. Plessing, J. (2014). Developing Media Diversity: Baseline Study of State Support for Independent Print Media in West Africa, South America and Scandinavia, Association of Independent Publishers.

[4] Plessing, J. (2014). Developing Media Diversity: Baseline Study of State Support for Independent Print Media in West Africa, South America and Scandinavia, Association of Independent Publishers.

from sources other than selling news to consumers'[5]. This explains why governments intervene in the news media industry to protect media diversity and societal access to news and information. In the past, the development of the news media markets and the interventions of the government in these markets have generally been based on normative motives such as failure of the market mechanism (perceived threats to media plurality and diversity), protection of culture or minority groups in the society. Due to changing habits, needs and expectations, digitalization, a further increase in the number of new alternative media sources, and the reduction of budget allocated to public organizations such as broadcasters, the role of the traditional news media has changed and will change further in the future.

1.2 What is an Innovation?

Over the past 50 years, and especially in the last decade, media firms have been influenced by and have struggled with technological innovations that changed and continue to change markets by introducing new types of media which alter audience and advertiser behaviours as well as internal organizational processes. Media rarely have in-house research and development (R&D) departments or include these functions in their budgets. On the contrary, they have traditionally relied upon suppliers of technology – such as press and studio equipment manufacturers, editing system suppliers, telecommunications firms – to conduct R&D, and come up with new ideas to stimulate the creation of adequate new media content. This behaviour partly results from the nature of media products (Dal Zotto and Kranenburg, 2008: xvi-ii)[6]. Due to innovations, the nature of media products is changing[7]. Not only is the nature of the products changing, but also the processes of media production, distribution, ownership and financing are changing as well. Even our ideas of media are changing. All these changes are related to innovation, because innovation is about change.

However, what people understand by the term innovation varies and is often confused with invention (Tidd, Bessant, and Pavitt, 2005)[8]. Formulating an innovation policy can therefore become problematic. What do we understand by innovation? In its broadest sense, the term comes from the Latin 'innovare', meaning 'to make something new'. According to Freeman (1982), innovation can be defined as a process of turning an opportunity into new ideas and of

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[5] Picard, R. (2013). State support for news. Why Subsidies? Why now? What kinds?, in Murschetz, P. (ed.) State aid for newspapers: Theories, Cases, Actions. Springer.

[6] Dal Zotto, C. and Kranenburg, van H. (2008). Introduction: Innovation and Innovation Management, in Dal Zotto, C. and Kranenburg, van H. (ed.). Management and Innovation in the Media Industry. Edward Elgar Publishing.

[7] Storsul, T. and Krumsvik, A.H. (2013). *Media innovations: A multidisciplinary study of change.* Publisher: Nordicomm.

[8] Tidd, J., Bessant, H. and Pavitt, K. (2005). Managing Innovation: Integrating Technological, Market and Organizational Change, 3rd edition, Chichester: John Wiley and Sons.

putting these into widely used practice[9]. Or as the famous economist Schumpeter (1950) pointed out, innovations emerge from a process of 'creative destruction' constituted by a constant search to create something new which simultaneously destroys the old rules and establishes new ones, all driven by the search for new sources of profits[10]. Innovation processes can therefore be distinguished in three phases: invention, innovation and imitation. An invention is the original discovery of technological or social improvements. Within the innovation phase an invention develops into an economically valuable product (Warnecke, 2003)[11]. If the innovation turns out to be successful during the diffusion phase, other firms will try to create and market different and/or improved versions of that innovation, which can then be referred to as imitations (Dal Zotto and Kranenburg, 2008: p. ix)[12].

Furthermore, different forms of innovation can be defined. We can identify five main forms: (a) product innovations; (b) market innovations; (c) process innovations; (d) structural innovations; and (e) social innovations (Wahren, 2004)[13]. The first two forms are externally oriented, while the other three primarily refer to the internal organization of a firm. Of course, these forms are all related to each other: product and market innovations cannot be realized without process innovations; process innovations on the other hand require the development of structural innovations, while social innovations – by improving working conditions – might have external effects such as an improved customer orientation or a higher flexibility. As innovations are generated within a social process driven by economic interests (Schumpeter, 1950)[14], this interdependence between different innovation forms is evident as it is the complexity of innovation as a phenomenon (Dal Zotto and Kranenburg, 2008) [15].

1.3 Innovation Policy

Innovation policy can be defined as a policy that comprises all combined actions that are undertaken by government and public organizations that influence innovation processes (Borrás

[9] Freeman, C. (1982). The Economics of Industrial Innovation, 2nd edition, London: Frances Pinter.

[10]Schumpeter, J.A. (1950), *Capitalism, Socialism, and Democracy*, 3rd ed., New York: Harper.

[11]Warnecke, H-J. (2003). Innovation in Technik und Gesellschaft, in: Warnecke H-J. und Bullinger, H-J. (eds), Künststück Innovation: Praxisbeispiele aus der Fraunhofer-Gesellschaft, Berlin und Heidelberg: Springer Verlag, pp. 1–10.

[12] Dal Zotto, C. and Kranenburg, van H. (2008). Introduction: Innovation and Innovation Management, in Dal Zotto, C. and Kranenburg, van H. (ed.). Management and Innovation in the Media Industry, Edward Elgar Publishing.

[13] Wahren, H-K. (2004), Erfolgsfaktor Innovation, Berlin und Heidelberg: Springer Verlag.

[14]Schumpeter, J.A. (1950), *Capitalism, Socialism, and Democracy*, 3rd ed., New York: Harper.

[15] Dal Zotto, C. and Kranenburg, van H. (2008). Introduction: Innovation and Innovation Management, in Dal Zotto, C. and Kranenburg, van H. (ed.). Management and Innovation in the Media Industry. Edward Elgar Publishing.

and Edquist, 2013)[16]. The formulation of an innovation policy includes specifying ultimate objectives, translated into direct objectives, These objectives are specified on the basis of the identified problems from a policy point of view that are not solved by companies. In general, determining innovation policy objectives involves a complex political process (Borrás and Edquist, 2013) [17]. The choice of policy instruments is also part of the formulation of the innovation policy. These instruments are used as tools to influence innovation processes and are not intended to influence the ultimate objectives in an immediate sense. The instruments are selected to achieve the direct innovation objectives which are derived from the ultimate objectives. In general, the instruments can be grouped into three categories (Bemelmans-Videc, Rist and Vedung, 2003)[18].

1. Regulatory instruments;
2. Economic and financial instruments;
3. Soft instruments.

Regulatory instruments use legal tools for the regulation of social and market transaction. These regulatory tools (laws, rules, directives etc.) are formal and obligatory in nature. In other words, they set boundaries of what is allowed and what is not allowed. Examples of regulatory instruments are the protection of intellectual property rights and the regulation of research and higher education organizations. Competition policy regulations such as cross-ownership constraints are also included in this category. For many years, cross-ownership was restricted in the news media industry in many European countries. Because many media markets are undergoing rapid technological and structural changes that are blurring boundaries, the cross-ownership restrictions are gradually diminishing or have already been abolished in European countries. However, the relationship between media cross-ownership and anti-competitive behavior of firms is not obvious. In the literature, we find no convincing evidence that group ownership confers market power (see e.g. Kranenburg, 2001)[19]. If increased concentration or group ownership have come about because of the superior efficiency of firms that have become large, then an anti-competitive policy courts the danger of reducing efficiency. The reduction in efficiency is caused either by discouraging innovative activities of firms or by shifting output to smaller, less efficient firms (Demzetz, 1973)[20]. Hence, the removal of cross-ownership constraints can foster innovative activities in the news media industry.

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[16] Borrás, S and Edquist, C. (2013). The Choice of Innovation Policy Instruments. Technological Forecasting and Social Change, 80(8), p.1513-1522.
[17] Borrás, S and Edquist, C. (2013). The Choice of Innovation Policy Instruments. Technological Forecasting and Social Change, 80(8), p.1513-1522.
[18] Bemelmans-Videc, M.L., Rist, R.C., and Vedung, E. (2003). Carrots, Sticks & Sermons: Policy Instruments & Their Evaluation, Transaction, London.
[19] Kranenburg, van H. (2001). Economic Effects of Consolidations of Publishers and Newspapers in the Netherlands. Journal of Media Economics, 14(2), p.61-76.
[20] Demsetz, H. (1973). Industry structure, market rivalry, and public policy. Journal of Law and Economics, 16, p.1–9.

The second group of policy instruments, economic and financial, provide specific incentives or disincentives and support specific social and economic activities. These instruments are used extensively in traditional innovation policies. Examples of economic incentive instruments are grants, subsidies, reduced interest loans and loan guarantees. Instruments that discourage and restrain activities include taxes, charges and fees.

The third category is soft instruments. These instruments are characterized by being voluntary and non-coercive. These instruments are diverse, but are generally based on persuasion, on the mutual exchange of information among actors, and on less hierarchical forms of cooperation between the public and the private actors (Borrás and Edquist, 2013: 1516) [21]. Examples of these instruments are codes of conduct, recommendations, and public and private partnerships.

In general, innovation policies contain a mixture of instruments from the three main categories. The choice of instruments used to achieve particular goals can vary, even when governments and public organizations define similar goals. When similar instruments are chosen to promote innovation, there will still be substantial differences in how the instruments are applied, due in part to the social, political, economic and organizational context in which the instruments are implemented.

1.4 Report Structure

The structure of this report is as follows: each chapter presents an overview of the evolution of structures of news media markets, the media (cross-) ownership policies and the formulated and implemented innovation policies and programs to trigger innovation activities in the news media industry. Each chapter concludes with a section about lessons learned. The final chapter of this report presents a summary and the overall best practices.

[21] Borrás, S and Edquist, C. (2013). The Choice of Innovation Policy Instruments. Technological Forecasting and Social Change, 80(8), p.1513-1522.

Chapter 2

Market Structure and Innovation Policies in Belgium

By

Tom Evens (Ghent University, Belgium)

2.1. Market structure and media ownership

This chapter focuses on media (cross-)ownership structures, media innovation policies and their impact on innovations in journalism and media products and services in Belgium. Thanks to constitutional reform, Belgium hosts three regional communities responsible for, among other things, media, culture and innovation. Being a federal state, media regulations and innovation policies were transferred to the Flemish, French and German-speaking Community. As a result of different languages and diverging media policies, both media landscapes are separated and marked by different media groups, ownership structures, competitive dynamics and innovation stimuli. Hence, it is difficult to speak about a single Belgian media market or a single government approach to media ownership and innovation policy.

Although media markets both in the Flemish and French Community are characterised by a relatively wide variety of different media products and services available to the public, control and ownership of these media is concentrated into the hands of just a limited number of media groups. Most media markets can be described as oligopolies, with only a small number of media groups controlling the majority of the market either in terms of market shares or revenues. Because media businesses are trying to diversify their revenue structure, they become increasingly involved in the value chain of other media sectors. Driven by a strategy to spread popular brands to media consumers via a multi-platform approach, Belgian media groups show an increasing tendency towards media (cross-)ownership with single businesses controlling activities in broadcast and cable television, radio, newspapers, magazines and/or online media. The following sections attempt to provide an overview of the most important media markets and an evolution of media (cross-)ownership in the Dutch-language and French-language media market.

2.1.1. Newspapers

Both the markets of the Dutch-language and French-language newspapers are highly concentrated. Over the years, independent newspapers were acquired by large publishers that have become profitable businesses in the Dutch-language and French-language media markets, not least thanks to their stakes in audiovisual media. Starting from the 1950s, this consolidation wave is still going on these days. In June 2013, Corelio and Concentra announced that they will bring their newspaper and digital activities together in a joint venture called Het Mediahuis, which will bring the Flemish newspaper industry into a duopoly situation. According to Table 2.1, Het Mediahuis is now the biggest player in the Flemish newspaper industry with a 58.7% market share. De Persgroep controls the rest of the Dutch-language newspaper market. In the French-language market, Rossel is the market leader with 52.3% market share before IPM (24.2%) and Vers l'Avenir (23.5%, recently sold by Corelio to cable operator Tecteo).

Table 2.1: Evolution market shares newspapers (source: http://www.cim.be)

	Newspapers	**2007**	**2013**
Flemish Community			
De Persgroep	Het Laatste Nieuws, De Morgen, De Tijd	40.3%	41.3%
Corelio	De Standaard, Het Nieuwsblad	38.1%	58.7%
Concentra	De Gazet van Antwerpen, Het Belang van Limburg	21.6%	
French Community			
Rossel	Le Soir, Sud Presse, L'Echo	50.9%	52.3%
IPM	La Libre Belgique, La Dernière Heure	28.4%	24.2%
Tecteo	Vers l'Avenir	20.8%	23.5%

Such duopolistic market structure makes it virtually impossible to launch new titles; all new ventures and initiatives failed since the 1950s, except for the success of financial newspaper De Tijd (°1968) and the free daily Metro (°2000). Table 2 shows the impact of media concentration on the newspaper markets in Belgium. Between 1950 and 2014, 27 newspapers ceased operations and disappeared as a separate title and the number of newspaper publishers shrunk from 34 to 5. The data tend to suggest that the enduring consolidation and corporate synergies have decreased the availability of titles and, hence, negatively affected pluralism and stifled entrepreneurship in the newspaper markets. The limited scale of the regional markets (6.5 million and 4.5 million Dutch and French speaker respectively) and the challenges posed by digitisation (e.g., digital editions, free online substitutes) is often used as an explanation for the on-going consolidation in the newspaper market. This may be true for the French-language market which faced a large decline in sales figures between 1999 and 2013 (minus 32%), but the Dutch-language market experienced a relative stagnation (minus 2.9%) in the same period.

Table 2.2: Evolution daily newspaper titles and groups

(based on De Bens & Raeymaeckers, 2010)

	Flanders		**Wallonia**		**Belgium**	
	Titles	*Groups*	*Titles*	*Groups*	*Titles*	*Groups*
1950	18	14	30	20	48	34
1980	12	7	22	10	34	17
2000	10	4	14	5	24	9
2014	9	2	12	3	21	5

2.1.2. Television

At both sides of the language border, TV broadcasting is tightly controlled by a small number of groups. The Dutch-language market is highly concentrated with the three biggest groups controlling more than 80% of the market (see Table 2.3). Over the years, their dominance has increased, even with the further fragmentation of the audience, thanks to the launch of digital spin-off channels. Public service broadcaster VRT takes the lead, followed by commercial broadcasters Medialaan (jointly owned by De Persgroep and Roularta) and SBS Belgium (jointly owned by Corelio and Sanoma). In contrast, the French-language market is dominated by commercial broadcasters RTL and TF1 – public service broadcaster RTBF is the second largest operator in the market. Similar to the Dutch-language market, the French-language market structure is overly complex characterised by a high level of industry concentration and media cross-ownership. Newspaper publishers are highly involved in audiovisual media activities (e.g., RTL-TVi shareholder Audiopresse represents IPM, Rossel and Corelio) as part of a diversification strategy. Furthermore, it is noteworthy to mention that the French-language audiovisual market is dominated by large, international media groups (e.g., Bertelsmann, TF1) whereas Dutch-language broadcasters are still controlled by domestic media groups.

With the on-going transition to digital TV services, TV distributors (cable, satellite, IPTV) have obtained a gatekeeping position in the audiovisual market. Due to economies of scale and high barriers to entry, the distribution infrastructure market is overly concentrated in Belgium. With a penetration of 98%, Belgium is one of the most widely cabled countries in the European Union. Cable operators Telenet and Tecteo control 70 to 80% of the TV distribution market in the Flemish and French Community respectively. Although their dominance is challenged by other operators, mainly telecom incumbent Belgacom, this does not prevent them to build considerable market power vis-à-vis broadcasters and independent producers. In June 2014, Telenet, a subsidiary of US cable giant Liberty Global, announced a 50% participation in De Vijver Media, which controls commercial broadcasters Vier and Vijf, and successful producer Woestijnvis. Hence, Telenet would control all activities in the audiovisual value chain, bringing a production company, commercial broadcaster, pay-TV operator and cable distributor under the same roof. If approved by the European antitrust regulators, this acquisition is likely to have far-reaching consequences for the Flemish audiovisual market.

Table 2.3: Evolution market shares TV (source: http://www.cim.be)

	Channels	**2000**	**2013**
Flemish Community			
VRT	één, Canvas, OP12	31.7%	40.4%
Medialaan	VTM, 2BE, Vitaya, Kanaal Z, VTM Kzoom	34.4%	28.7%
SBS Belgium	Vier, Vijf	7.9%	11.0%
Other		26.0%	19.9%
French Community			
RTL	RTL-TVi, Club RTL, Plug RTL	23.7%	25.8%
RTBF	La Une, La Deux, La Trois	21.1%	20.9%
TF1	TF1	16.9%	16.1%
France Télévisions	France 2, France 3, France 5	17.0%	13.1%
Other		21.3%	19.5%

2.1.3. Radio broadcasting

Mirroring the TV market, the Flemish radio market reflects the rivalry between public service broadcaster VRT and its commercial competitor Medialaan. Despite the liberalisation in 2001 and the arrival of three commercial channels Q-Music, 4FM (now Joe fm) and Nostalgie, VRT has retained its dominant position in the Dutch-language radio market accounting for more than 60% of the audience market. Radio 2 is the market leader with 28.8% market share. In contrast, the radio market in the French Community is far more fragmented and is characterised by a larger presence of commercial radio stations – Bel-RTL is the leading channel with 13.5% market share. In terms of audience share, RTBF commands a 36% market share and is far less dominant than its Flemish counterpart VRT. In analogy with the TV market, French radio stations such as Fun Radio, Nostalgie and NRJ play an important role in the market – in contrast to the Flemish market which is controlled by domestic media groups. Taken together at group level, Table 2.4 indicates that market concentration in the radio industry is higher in the Flemish Community than in the French Community.

Table 2.4: Evolution market shares radio (source: http://www.cim.be)

	Channels	**2007**	**2013**
Flemish Community			
VRT	Radio 1, Radio 2, Studio Brussel, MNM,Klara	63.4%	61.0%
Medialaan	Q-Music, JOE fm	23.3%	22.1%
Corelio /Concentra/NRJ	Nostalgie	2.3%	6.5%
Other		11%	10.5%
French Community			
RTBF	La Première, VivaCité, Classic 21, Pure FM	27.6%	36.3%
RTL	Bel-RTL, Contact, Fun Radio	37.8%	30.2%
Corelio/NRJ	Nostalgie, NRJ	15.5%	20.1%
Other		19.1%	13.4%

2.2. Media cross-ownership policy

In contrast to many other European countries, Belgium has hardly introduced media (cross-) ownership regulation in order to reduce the level of media concentration. Apart from a few minor ownership rules on the regional level, changes in ownership structures (e.g., mergers) are subject to federal competition law and need to be approved by the Belgian Competition Authority, which considers abuse of dominant position, market concentration, unfair trade agreements, price control, etc. Hence, the media sector is subject to the same notification rules as any other sector and is not marked for any special antitrust provisions. Concerning mergers and acquisitions in the media sector, the regional media regulators Vlaamse Regulator voor de Media (VRM) and the Conseil Supérieur de l'Audiovisuel (CSA) are asked to give (non-binding) advise on the proposed acquisition. It is fair to say that in the past the Competition Authority has approved all notified media mergers and acquisitions, including the acquisition of newspaper Het Volk by Corelio, newspapers De Tijd and l'Echo by Mediafin (jointly owned by De Persgroep and Rossel) and newspaper Vers l'Avenir by Tecteo. In October 2013, The Competition Authority approved the establishment of Het Mediahuis, under the condition that all newspaper titles are maintained for a period of five years.

Flemish media legislation is one of the sole West-European regulatory frameworks without sector-specific ownership rules other than the general competition law. In order to safeguard media pluralism in the radio broadcasting market, a single business was allowed to control only one national and/or regional radio station. In 2007, the government, however, relaxed radio ownership rules so as to allow the acquisition of financially distressed 4FM by De Persgroep (a single group can now control two national and/or regional radio stations). Moreover, both Dutch-language and French-language newspaper and magazine publishers became even obliged by decree to participate in national commercial television in the late 1980s. Whereas the French Community imposed publishers to participate in RTL-TVi for at least 31% via Audiopresse, the Flemish Community prescribed a participation of at least 51%. The ownership obligation was lifted in 1998 after being found in breach with the Television Without Frontiers Directive. Since 2008, the VRM has the responsibility to monitor media ownership and to provide a yearly overview of market concentration in the Flemish media market (see http://www.vlaamseregulatormedia.be/nl/mediaconcentratie.aspx), but this has not led to the introduction of media (cross-)ownership rules yet. This lack of media (cross-) ownership regulation is largely due to policymakers' wish to keep the Flemish media firms in local hands. In this context, strict ownership rules could stand in the way of creating synergies and in sustaining the competitiveness of the Flemish media ecosystem in an increasingly globalised industry.

In contrast to the Flemish Media Decree, policymakers in the French-speaking part of Belgium have regulated existing ownership structures. Article 7 of the Broadcasting Act prescribes that when a single business entity (or natural person) holds, directly or indirectly, more than 24% of the capital in two different radio and/or TV broadcasters, or where the cumulated audience share exceeds 20% in the French-language market, a significant market position is presumed on behalf of that business. Following the finding of such significant market position, the CSA then launches an investigation to the effect on pluralism in the radio and/or TV broadcasting market. Based on the findings of the investigation, the regulator is entitled to impose additional measures to enhance pluralism in the market, or apply sanctions including the suspension and withdrawal of the license. The Act further prescribes that media businesses submit all changes in the ownership structure to the CSA, which are then published on the regulator's website (see http://www.csa.be/pluralisme). These ownership rules have been enacted only recently, and must prevent certain (foreign) media groups from expanding dominance in the French-speaking media market. Government has also announced its plans to boost domestic TV productions in order to sustain the local content business.

2.3. Media innovation policies

As discussed, news media markets in Belgium show a relatively high degree of concentration since they are controlled by a small number of media groups that have spread their wings over multiple media product markets. Hence, most media groups are not limited to one specific media product, but focus on a portfolio of media products and services that allows them to spread financial risks and diversify revenues. In order to launch new media products and services, one common strategy is forming strategic alliances with other media groups (e.g., Medialaan as a joint venture between De Persgroep and Roularta). In 2012, publishers De Persgroep and Roularta, and mobile operator Base (KPN Belgium) announced to form the joint venture Mplus for launching personalised media services. The goal was to bundle news services with mobile data subscriptions, but the joint venture was lifted before the launch of the service. Often such partnerships are encouraged by the regional government. In 1998, for example, the newspaper and magazine publishers founded digital news archive Mediargus (recently rebranded Gopress), which was supported by the Flemish government as part of the press subsidy program.

Apart from the subsidy programs for news publishers and TV broadcasters (ca. €350 million per year), the Flemish government attempts to stimulate innovation in the media and ICT sector through an ecosystem of institutes and funding instruments. Remark that all funding and innovation instruments cover the whole media and ICT sector and that no single instrument specifically targets innovation in journalism. The central institution in the Flemish innovation policy is the *Agency for Innovation by Science and Technology (IWT)*,which helps businesses in addressing demand-driven challenges by funding collaborative research projects. In 2012, for example, IWT awarded €1.4 million to the project 'Publisher of the Future' in which book publishers develop multimedia books and search for new business models. In 2004, the Flemish government founded *iMinds* (formerly IBBT), a digital research centre and business incubator. The centre connects research partners with ICT businesses to convert digital knowhow into real-life products and services that are instrumental in positioning Flanders as one of Europe's leading digital regions. It does so by starting up national and European research projects where researchers, ICT companies and organisations solve technological and societal challenges together (see http://www.iminds.be).

Under the umbrella of iMinds, the *Media Innovation Centre (MiX)* was founded in 2012 to specifically stimulate innovation in the media sector. Funded by the government, MiX has a yearly budget of around €4 million to develop sector-wide media innovation projects. MiX is the successor of the Programme Media Innovation of the Agency for Innovation by Science and Technology (IWT). MiX is a centre of expertise for innovation in the Flemish media sector and was established to tackle challenges faced as a result of the rapidly changing media landscape and international developments. By means of collaborative projects bringing together media businesses, technology providers and academic institutions, the goal of MiX is to launch shared innovation projects intended to increase the competitiveness of the Flemish media sector in a global ICT industry. Especially smaller online media initiatives have complained that MiX would only support established media businesses and leave little room for real innovation and entrepreneurship. Hence, MiX would become another subsidy mechanism for the large media companies, opponents say. However, MiX has expressed its intentions to focus more on innovation by start-ups, small and medium-sized businesses.

MiX focuses on 3 digital sectors (newspapers/magazines, audiovisual media and gaming) and centres on challenges regarding audience measurement, personalised media and monetisation of content. Since its inception in 2012, MiX has initiated 17 innovation projects that support new media ventures, develop innovative media services and address strategic challenges for media and technology businesses. One of the flagship projects is Media ID (http://www.media-id.be), which has established an authentication system for end-users across the entire Flemish media landscape based on which media businesses can develop new media services. Other running projects address interactive and behavioural advertising, both for newspapers and TV broadcasters, in order to target media consumers with more relevant advertisements. A new bunch of projects focus on data visualisation, data crunching and big data so as to better understand actual customer behaviour and interests. The Sunshine project is creating a virtual data-analyst that helps journalists in retrieving the relevant data, presents it in a visually appealing and understandable manner, and enables data-driven journalism (see for a complete overview of projects).

2.4. Summary and best practices

As the previous analysis of the market structure has illustrated, media cross-ownership is a common feature of the Belgian media landscape. In general, the level of concentration is higher in the Dutch-language media markets compared to the French-speaking markets. In Flanders, the newspaper market is organised as a duopoly whereas the public service broadcaster VRT dominates the radio market. In the TV market, competition between VRT and Medialaan is fierce, and both are challenged by SBS Belgium. If approved, the acquisition of SBS Belgium by cable operator Telenet, which has a quasi-monopoly as pay-TV operator and cable distributor, would, however, turn the market upside down and possibly distort competition in the TV market. This vertical merger would set an unseen precedent in European policymaking and kick off further concentration in related media markets, both national and international. Media markets in the French part of Belgium also show tendencies of concentration, but reflect higher levels of rivalry between the different media groups. Especially in radio and TV, the higher number of players and individual broadcast channels suggest a more equal playing field between the different media groups.

As a small country, Belgian media businesses face structural constraints in the market in terms of availability of resources (financial and personnel), economies of scale and scope (efficiency and advantageous cost structures) and sunk costs (regardless of consumption). Hence, smaller markets typically support less media businesses and account for higher concentration rates, which legitimate higher levels of regulatory intervention. Rather than such interventionist approach, however, regional communities in Belgium competent for media affairs have adopted a market-based approach to the media industries. Instead of introducing effective media cross-ownership rules in such small markets, the Flemish government has set up various innovation mechanisms that stimulate the innovativeness of domestic media groups which policymakers believe enhances media companies' competitiveness in an increasingly globalising industry. Hence, the Flemish government is betting on innovation instruments rather than media cross-ownership to ensure competition and diversity in media and journalism. Based on the contribution to entrepreneurship (between 2010 and 2012 twelve iMinds spinoffs in new media were established), the amount of innovative research projects and the positive impact on the Flemish media ecosystem iMinds and MiX prove best practices to ensure that media businesses engage in a continuous innovation rat race and adapt themselves to the changing business environment in terms of innovative media products and services, and business models. In that context, media innovation is thought to be an effective response to possible industry game changers like Apple, Netflix and Google.

Chapter 3

Market Structure and Innovation Policies in Finland

By

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3.1. Market structure and media ownership

Finland is a post-industrial, sparsely inhabited Nordic country with a population of approximately 5.5 million. It has two official languages: Finnish, spoken by the vast majority of the population, and Swedish, spoken by 5.4 per cent of Finnish citizens. The total value of the Finnish mass media market was about EUR 4.3 billion in 2012. During the 2000s, the growth of the mass media market hinged mostly on electronic media; the combined turnover of television, radio, and online has doubled since the Millennium. Despite these developments the share of printed media was still more than half (62 %) of the total mass media market in 2012. The strong position of print media has also reflected in the breakdown of the advertising expenditure by different media. The share of print media has since the Millennium (76 %) been clearly declining and in 2013 the share of print media was approximately half (49 %) of the total media advertising (Figure 3.1). Mass media's share of the Finnish gross domestic product (GDP) has since the Millennium declined from 2.5 per cent to approximately 2.2 per cent. According to Statistics Finland the number of enterprises totalled over 7 000 including those in closely connected sectors such as printing and advertising. Mass media enterprises and those operating in closely connected sectors employed a total of 44 000 people.

On the demand side, one main driver of innovation is the actual and potential use of mobile data. The mobile handset penetration is very high in Finland and in 2013 around 53 % of all handsets were smartphones.[22] According to Statistics Finland 61 per cent of population aged 16 to 74 used a smart phone. The policy goal to make mobile broadband available was achieved in 2012.[23]

[22] Smartphone is defined here as a handset with possibility to install native 3rd party applications.

[23] In fall 2012 3G-network was available in all 336 municipalities, with 200 of them reaching full coverage. From 2009 to 2012

Figure 3.1: Shares of media advertising by sector (Source: TNS Gallup Group)

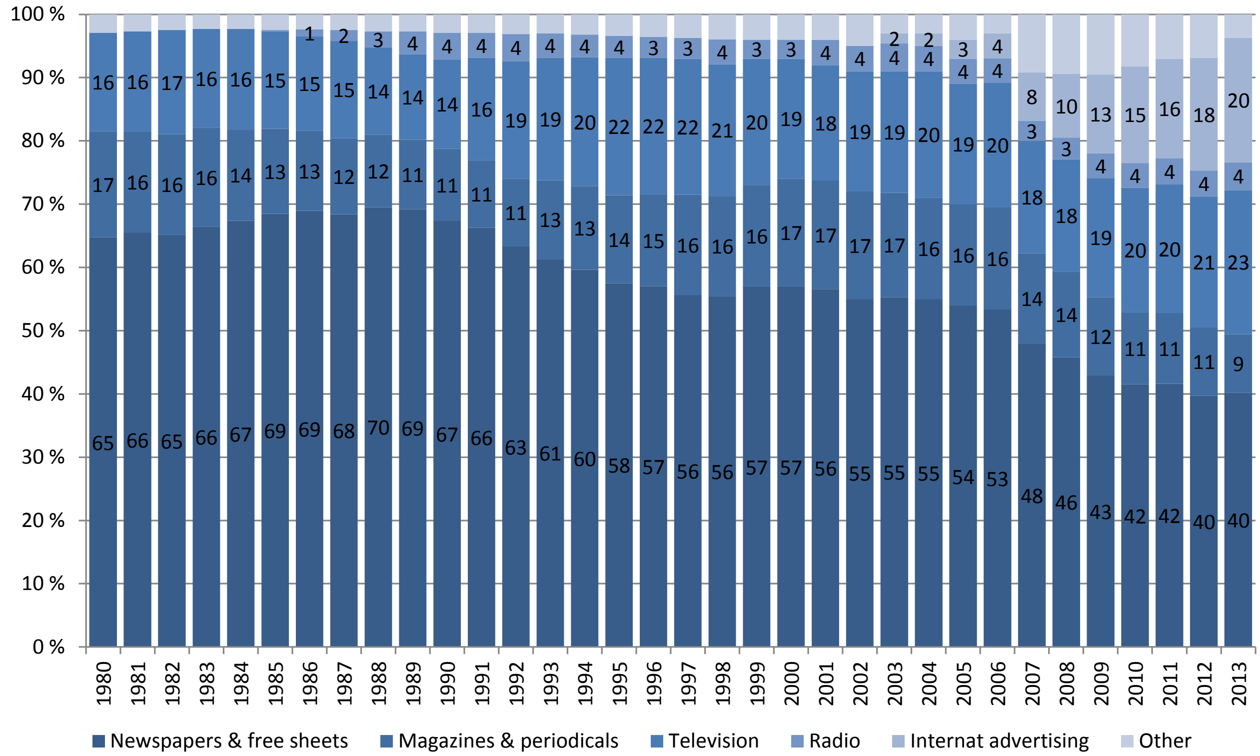
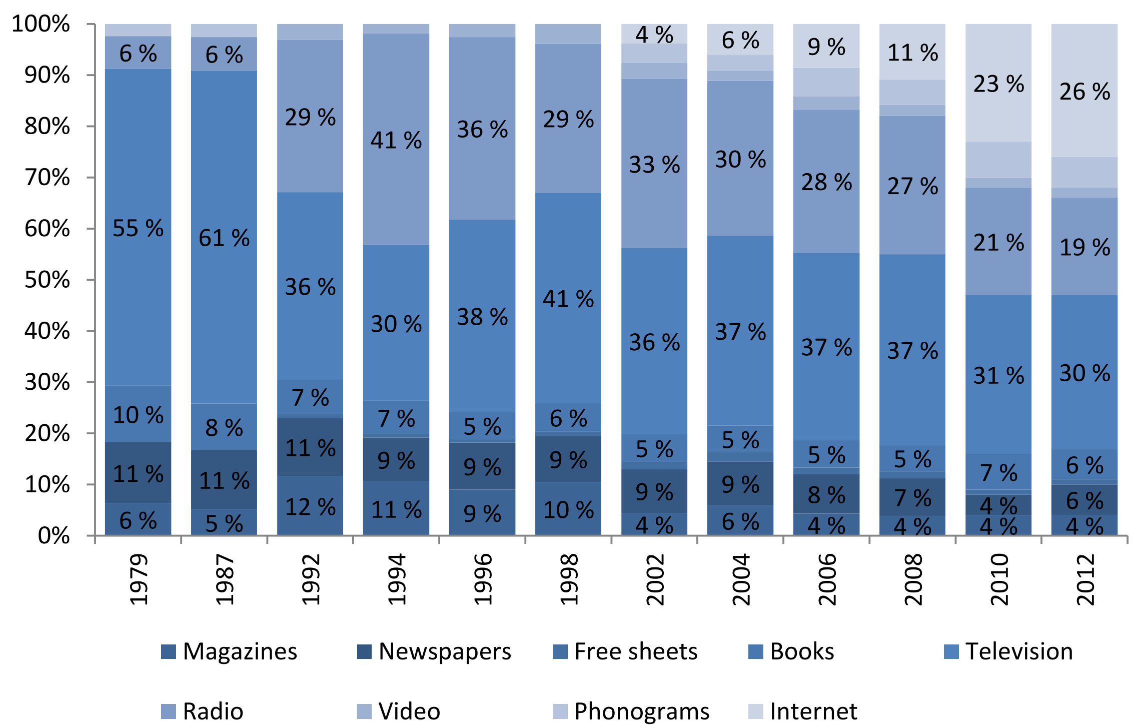


Figure 3.2: Shares of time use by media (Source:TNS Gallup Oy)



The coverage of 3,5G/4G networks has developed swiftly. In 2012 a total of 170 municipalities had full coverage of 3.5/4G Mobile networks in contrast to none in year 2009.[24] These developments have been reflected in an exponential increase in the volume of mobile data transmission. According to FICORA, in the second half of year 2009 about 10.000 terabytes of data were up- and downloaded in the mobile network. By the second half of year 2012 the amount of this data transmission had increased to more than tenfold, to 115.000 terabytes. The policy to enhance both broadband uptake and availability, and retain a competitive market, seems to have been quite successful.

3.1.1. Newspapers

Finland has been considered to have a model of a successful newspaper industry which is built upon a structure of strong national and provincial papers, supplemented by smaller, more local papers (Picard & Grönlund, 2003). The regional level is the core of the Finnish newspaper industry and even the largest daily newspaper, *Helsingin Sanomat*, is despite its national status primarily regional, as the majority of its circulation comes from the capital city region and the province of Uusimaa and the focus of the paper is mostly on the issues of the capital city region (Lehtisaari & al., 2012). The characteristics of the Finnish newspaper landscape include the strong subscription model, which was subsidized with a zero VAT rate until 2011[25]. The circulation decline is a fact acknowledged by the newspapers, and the advertisement market of newspapers is somewhat volatile and dependent on global economic situations. And at the same time, the revenues gathered from online functions – online advertising, digital subscriptions – remain modest.

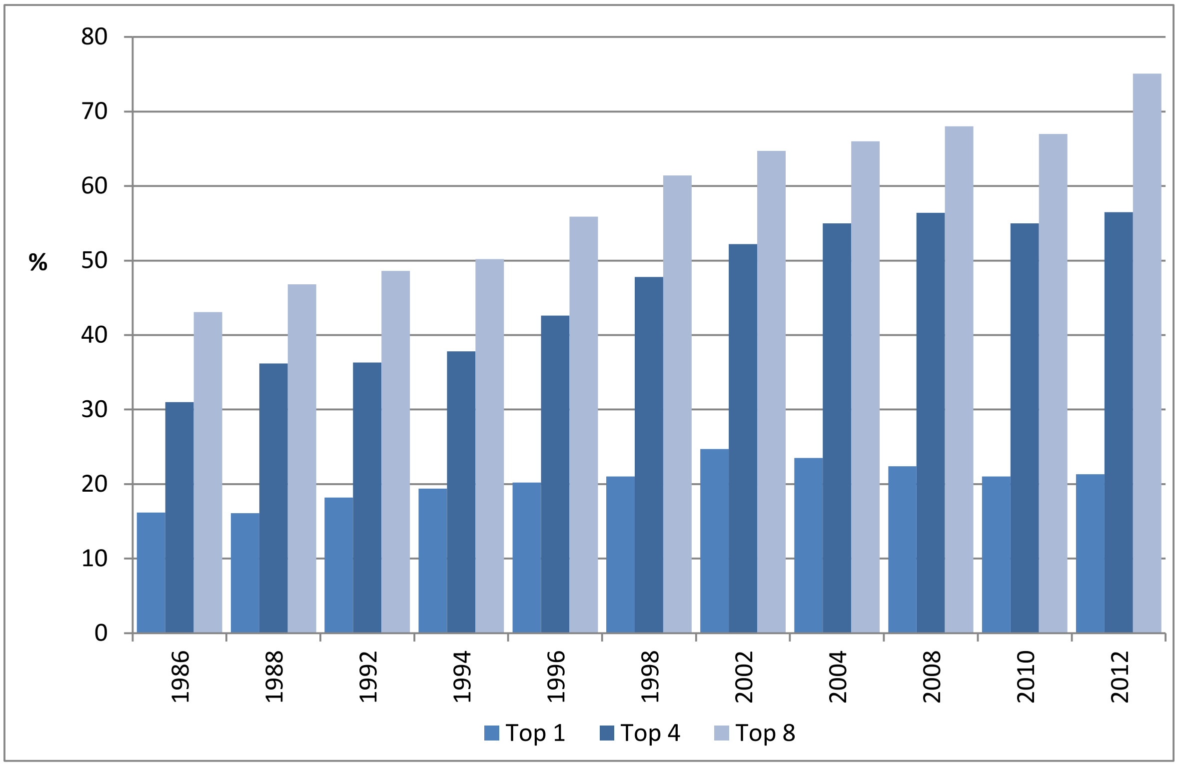
All major newspaper publishers in Finland have domestic owners and have their roots in the newspaper business and they have been in the business for a long time. Several newspaper publishers have chosen to meet the challenges of changes on the media market through expansion, either into other media or into new territory, so as to strengthen their market position and revenue base. Majority of expansion has been through mergers and acquisitions with other media companies. Consequently, the regional ownership concentration levels in newspaper circulation and especially in newspaper advertising are extremely high (Björkroth & Grönlund, 2014) (Figure 3.3). According to Lehtisaari et al., (2012) the strong development of media concentration into large media groups has ensured that regional newspapers face very little competition from other newspapers and leading regional papers have enjoyed strong regional monopolies and clear market-area distributions between neighbouring newspaper companies. There is also a clear trend towards closer editorial co-operation both within newspaper chains and even between independent newspapers and newspaper houses. This kind of co-operation is

[24] Ministry of Transport and Communications (2012). *The availability of telecommunications services important to households 2012*.

[25] In November 2011, the Finnish Parliament voted to increase the VAT rate on newspaper and magazine subscriptions from the zero VAT rate to the reduced VAT rate of 9 per cent. The new 9 per cent VAT rate came into effect on the 1st of January 2012. In the beginning of 2013 the reduced VAT rate was increased to 10 per cent

bound to lead to at least some convergence in terms of newspaper contents. The market leader is Sanoma Oyj, one of the largest media groups in the Nordics. The second biggest Finnish player, Alma Media Oyj focuses on newspaper publication and online content production (Table 3.1).

Figure 3.3: Major newspaper publishers' share of total newspaper circulation



(Source: Media Audit Finland, Finnish Newspapers Association, Statistics Finland).

Table 3.1: Top 10 newspaper publishers according to circulation 2012

Publisher	Titles	Dailies	Circulation (1000)	Market Share
Sanoma Oyj**	5	5	543	21,3
Alma Media Oyj	23	10	497	19,5
Keskisuomalainen Oyj	20	4	232	9,1
TS-Yhtymä Oy	10	2	168	6,6
Ilkka-Yhtymä Oyj	7	2	97	3,8
Viestilehdet Oy	1	-	82	3,2
Länsi-Savo Oy	11	2	78	3,1
Pohjois-Karjalan Kirjapaino Oyj	7	1	73	2,9
Kaleva Oy	1	1	72	2,8
Suomen Lehtiyhtymä Oy*	6	4	70	2,8
Top 10	91	31	1 912	75,1
All newspapers	183	47	2 547	100

* Keskisuomalainen Oyj acquired Suomen Lehtiyhtymä in 2012

** In 2014 Sanoma Oyj sold its three regional 7-days a week newspapers in South-East Finland to Länsi-Savo Oy. (Source: Media Audit Finland, Finnish Newspapers Association)

Table 3.2: Largest publishers of consumer magazine: mutual shares of yearly volume 2002-2012

Publisher	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Titles
Sanoma Magazines Finland	29,3	30,7	32,3	34,4	35,4	38,0	39,0	39,1	39,5	40,7	48
Otavamedia	28,9	27,4	27,5	25,9	26,5	27,2	27,3	26,8	27,3	26,3	31
A-lehdet	20,5	19,8	18,8	14,9	15,1	14,6	14,3	14,4	14,7	17,9	17
Aller Media	13,6	13,4	13,4	16,3	14,4	11,4	11,0	10,7	10,3	9,6	6
Bonnier Publications**	1,4	1,6	1,8	1,9	2,1	2,6	2,5	2,6	2,4	2,4	10
Forma Publishing* Group	2,7	2,6	2,5	2,9	2,6	2,4	2,3	2,5	2,5		
Valitut Palat – Reader’s Digest	2,0	2,0	2,0	2,0	2,1	2,1	2,0	2,0	2,0	1,8	2
Egmont Kustannus	1,6	2,6	1,7	1,8	1,7	1,7	1,5	1,9	1,2	1,1	37
Total	100	100	100	100	100	100	100	100	100	100	151

* A-Lehdet acquired Forma Publishing Group in 2012.

** Aller Media acquired Finnish magazine titles of Bonnier Publications in 2013. Bonnier Publications still published some international titles like National Geographic, in Finland.

Source: Media Audit Finland and Statistics Finland

In 2012, there was a total of 2 814 magazine titles[26], of which 38 were published weekly, 418 were published once or twice per month, and 2 358 were published four to 11 times a year[27]. In 2012 approximately 95 per cent of magazines were directly delivered to home or workplace (304 million issues) and only 5 per cent of magazines were sold as single copies (16.2 million issues). The circulations and readership of several magazines with large distributions have fallen since the Millennium. At the same time the share of magazine advertising has declined from almost 16 per cent to approximately 9 per cent in 2013. Sanoma Magazines Finland Oy (a subsidiary of Sanoma Oyj), Otavamedia Oy, and A-lehdet Oy are the three leading magazine publishers in Finland. They are followed by Aller Media Oy, Bonnier Publications Oy, and Forma Publishing Group Oy (Table 3.2). These three companies all have foreign ownership.

3.1.2. Television

Digital terrestrial television broadcasting started in 2001, and television broadcasting shifted completely to the digital era, when the analogue terrestrial broadcasting network was closed in August 2007. The digitalization of terrestrial television network increased channel offerings. Before that there had been only four channels, two public service channels (YLE TV1 and YLE TV2), and two commercial channels (MTV3 and Nelonen) (Table 3.3). All in all, a total of some 30 channels are distributed terrestrially, 13 of which are free-on-air. Cable and satellite networks obviously carry a significantly larger number of channels. In 2013 Finnish households had an average of 15 channels. The reach of television has fallen slightly during the 2000s. In 2013, 73 per cent of Finnish people watched television on an average day, down from 78 per cent in 2001. However, the reach statistics for the most popular channels have fallen much more clearly. The reason for this lies in the increased number of channels and the growth of competition with digitalisation.

There are three major operators in terrestrial and cable television broadcasting: YLE (Finnish Broadcasting Company, public service broadcaster), MTV Media (first commercial television company, owned by Bonnier Media) and Nelonen Media (a part of Sanoma Entertainment). Terrestrial television network will in 2017 switch to a greater extent to the new (DVB-T2) transmission technique, which enables the expansion of high-definition (HD) programming. At the same time the amount DVB-T programming decreases.

[26] According to the definition of the FPPA (Finnish Periodical Publishers Association), a magazine is a publication that is published regularly at least four times per calendar year, features several articles or editorial material in every issue, is publicly available for subscription or otherwise widely available, and does not primarily feature business bulletins, price lists, announcements, or advertising; it can be anything in terms of size or print paper or it can be exclusively an online publication. Magazines include consumer magazines, trade and organizational magazines, and customer magazines.
[27] The National Library of Finland, Bibliographical services

Table 3.3: Television channel shares in percentage

Company	2005	2006	2007	2008	2009	2010	2011	2012	2013
YLE	44,0	45,3	44,1	44,7	43,8	45,2	44,4	42,4	42,0
MTV/Bonnier	37,0	33,8	32,9	31,3	32,1	30,3	30,3	30,7	29,7
Nelonen Media /Sanoma	11,0	11,9	11,8	14,1	14,8	15,1	15,0	15,1	15,4
SBS							3,0	4,2	5,4
Fox (2012-)								2,2	3,3
Other channels	8,0	8,5	12,0	10,6	7,9	7,3	7,2	5,6	4,1
Total	100	100	100	100	100	100	100	100	100
Minutes per day	169	169	166	177	176	178	178	183	182

Source: Finnpanel and YLE

3.1.3. Radio Broadcasting

YLE is still Finland's national public broadcasting company, and its channels continue to dominate the radio market with market share of 51 per cent of radio listening. YLE has six nationwide channels, 26 regional windows and two digital (DVB) radio channels. Private radio broadcasting in Finland started in 1985 when the Council of State granted the first commercial and non-commercial licenses in addition to the existing channels of Yleisradio. The first national commercial radio, Radio Nova, was founded in 1997. It was accompanied by a group of semi-national network radio stations. As a consequence of changes in the structure of radio broadcasting, the investments started shifting from local radio stations to network radio stations. Correspondingly the emphasis of advertising has moved from local radio markets to nationwide markets controlled by chain radio stations. At the end of 2013, in addition to the YLE's public service channels, there were 80 private radio channels in the country. The competition is fiercest in the major cities, where in addition to public-service radio channels, there are 15 to 20 commercially financed radio stations.

Table 3.4: Market shares in radio advertising in percentage

Company	2005	2006	2007	2008	2009	2010	2011	2012	2013
MTV	33	32	33	29	24	26	26	25	21
SBS	28	30	27	25	27	27	27	24	26
Nelonen Media /Sanoma			7	8	10	11	12	22	23
Metroradio/Communicorp	5	4	5	7	8	9	9		
NRJ Finland	11	11	8	9	9	8	8	10	9
Other channels	23	23	22	22	22	20	19	18	21
Total	100	100	100	100	100	100	100	100	100
Total, €M	47,2	46,8	47,0	50,5	49,6	52,0	57,2	55,4	52,7

Source: RadioMedia

A handful of bigger commercial companies—SBS Discovery Media (Discovery Communications Inc.), MTV Oy (Bonnier AB), Nelonen Media (Sanoma Oyj), and NRJ Finland OY (NRJ Group)—along with several other smaller companies, account for the remaining 49 per cent market share. Oy Suomen Uutisradio Ab (MTV), the second largest company following YLE, has an 8 per cent market share of radio listening.

3.2. Media cross-ownership policy

In Finland, the Ministry of Transport and Communications is responsible for communications policy—including matters relating to information security and data protection, mass media, and postal services—while the Finnish Competition Authority monitors business deals and trade practices. Finnish media legislation includes a wide range of regulations and rights, from those embodied in the Constitution to the Communications Market Act of 2003, which in 2009 was amended to enshrine universal Internet access for all Finnish citizens.[28] The Finnish Communications Regulatory Authority (FICORA) monitors and promotes communications markets and services in the interests of the general public, business, and industry. Despite the existence of 23 separate media laws, however, there has been no special legislation on media competition, concentration, or ownership. Existing legislation is based on Finnish and EU legislation on general concentration and ownership matters in the economy.

From a brief international comparison, it is evident, that that regulation of media ownership and concentration is not particularly stringent in Finland. As for Germany and UK, foreign ownership is not a critical issue in Finland. Italy has no restrictions for owners from EU, but non-EU ownership is subject to reciprocal arrangements, while France has the most restrictive approach.

The Competition Law in Finland corresponds by large to the Competition Articles in the Treaty of the Functioning of the European Union. It does not contain sections limiting concentration of ownership or control in especially in media sectors. Nevertheless, the general competition law applies to the media sectors. In contrast to some other European Countries there are no specific provisions for the concentration on mergers in the media sector.[29] Consequently, the most relevant change with regard to (cross) media cross ownership policy is the amendment of Competition law in line with the Government bill 88/2010, i.e. especially the principles for assessing mergers, in 2011. The amendment meant that the old merger assessment based on the so called dominance test was replaced with the SIEC-test, which is considered to be in line with

[28] Communications Market Act. Ministry of Transport and Communications, 2011. 11 Jan. 2013. <http://www.finlex.fi/en/laki/kaannokset/2003/en20030393.pdf>.

[29] Germany too relies on general competition laws but has specific controls on press mergers, while France and Italy have strict percentage limits on how large part of circulation can be under single control. Moreover, the regional concentration is under strict control in Italy as in addition to the limits presented in Table 1, any merger challenging the limit of 50% of titles in any of 21 micro regions is to be declared void in court. These limits may, however, be exceeded as a result of organic growth. Cf. Björkroth, Tom & Grönlund, Mikko (2009) **"**Newspaper publishing in four major European markets – current status and trends". In accompanying CD of Albarran, A., Faustino, P. and R. Santos (eds.) ***The Media as a Driver of the Information Society***-*Economics, Management, Policies and Technologies.* ISBN MediaXXI: 978-989-8143-18-1 ISBN UCEditora: 978-972-54-0236-8, 673 pages.

assessment under EU Competition Law.[30] In the dominance test regime, the NCA could block a merger or require remedies only if the merger was to create or strengthen the dominant position of some of the firms involved or of the merged entity. The threshold for intervention when using the SIEC-test is considered to be somewhat lower. The assessment now focuses on the decrease of the competitive pressure in the affected market. For unilateral effects, the metrics in the evaluation is the pressure of price increases which are based on tests well anchored in economic theory.[31] The likelihood of coordinated effects to occur is another reason for the NCA to intervene in a proposed merger. The methodologies in the tests applied are recently extended to two two-sided markets as well, which implies that the merger control is rather well equipped to take on merger analysis in various platform industries.[32] With the new test in place it is fair to say that the threshold to intervene in the case of increasing market concentration as a result of mergers and acquisitions has been lowered. The effects-based analysis can be interpreted so as to reflect a more strict policy against media concentration, but on the other hand effects based analysis is not constrained by structural features in the market and can put reasonable weight on analysing the claimed efficiencies of each merger at hand.

Regulation of ownership and/or control across media is substantially stricter in the countries of comparison than in Finland. Cross media regulation targets mainly ownership of both radio and newspapers. There are restrictions on ownership across national, local and satellite television as well.[33]

In 2013 the EU Commission launched a public consultation on suggested improvements of the EU merger control. One of the aims was to extend the scope of EU Merger Regulation to the acquisition of non-controlling minority shareholdings.[34] Subsequently the EU Commission published a White Paper on the development of merger control, restating the need to address the question of minority shareholdings and exercise of control in competing undertakings.[35] These lines of development are likely to influence the national legislation or guidelines regarding assessment of cross-ownership, not least in the media sector (incl. newspapers, characterized by heavily concentrated regional markets).

In many industries, including the newspaper publishing, the turnover of parties in mergers or acquisitions may not at present exceed the threshold set by the merger control. Notwithstanding, these may affect competition to a relevant extent by transfer of control or by affecting the incentives to compete. The future amendments of Competition Act may address this issue. A probable solution could be to allow for discretion to merger control to scrutinize mergers or

[30] SIEC is an abbreviation of "significant impediment to effective competition".

[31] See for example, Shapiro, C. (1996). Mergers with Differentiated Products. *Antitrust*, Spring 1996 and Farrell, J., & Shapiro, C. (2010). Antitrust Evaluation of Horizontal Mergers: An Economic Alternative to Market Definition. *The B.E. Journal of Theoretical Economics* 10(1).

[32] Filistrucchi, L., Klein, T. J., & Michielsen, T. (2012). Assessing Unilateral Merger Effects in a Two-Sided Market: An Application to the Dutch Daily Newspaper Market. Journal of Competition Law & Economics*8 (2), pp. 297-329*.

[33] c.f. World Press Trends (2008), p. 396

[34] For details see http://ec.europa.eu/competition/consultations/2013_merger_control/

[35] European Commission (2014) WHITE PAPER-Towards more effective EU merger control. Brussels, 9.7.2014 COM(2014) 449 final.

acquisitions where the turnover of the parties do not exceed the thresholds set in the Competition Act for merger notification.

3.3. Media innovation policies

Until 2012 the funding of public broadcasting was based on a Television license fee, which was based on ownership of television apparatus and collected to a separate fund. Since 2013 the funding is based on a tax (Yle-tax) levied on individuals (0.68 percent of taxable income, but capped to 150 euro) and companies with a turnover exceeding 400.000 euro. The changes in the funding principles were reflected in the amendments of Act on the functioning of Yle. One main change was to extend the definition of public services to define that provision of services may occur through all general or common communication networks. This enables Yle to maintain and further develop its services in accordance with the uptake and diffusion of new communication technologies.

According to the Ministry of Transportations and Communications, the Finnish media has not benefited from state aid to the same extent as their counterparts in other Nordic countries. While the aid amounts in Sweden, Norway and Denmark are around EUR 50 million, annual state aid for media in Finland amounts to one per cent of this figure, or EUR 500,000[36]. The Finnish media landscape has experienced some major changes in the years 2010-2012. Long-standing policy according to which the newspapers were exempted from VAT (a 0-rate VAT) was cancelled[37] and the implementation of the EU Postal Directive, the Finnish Government decreed that the previous policy of cross-subsidising the newspaper delivery costs from other postal income was classified as illegal state aid according to the new EU regulation[38]

The current situation has warranted a need to investigate how and whether the press could be supported during the transition of media and how such a support would affect the media market. In a subsequent report by administrator Tuomas Harpf suggests that Finland adopt a similar model to the media support system that is in use in Denmark[39] in order to support production and innovation[40]. The total amount of support given was suggested to amount to 30 million euros,

[36] Ministry of Transports and Communications Press release 06.03.2014 12.45, Finnish original released on 05.03.2014 10.42.

[37] In November 2011, the Finnish Parliament voted to increase the VAT rate on newspaper and magazine subscriptions from the zero VAT rate to the reduced VAT rate of 9 per cent. The new 9 per cent VAT rate came into effect on the 1st of January 2012. In the beginning of 2013 the reduced VAT rate was increased to 10 per cent.

[38] See Pursiainen 2010

[39] In the beginning of 2014 the Danish subsidy system that was based on distribution support was replaced with a new subsidy model. The new subsidy system comprises of editorial production support, transitional support fund for publication which in the past were given distribution support, innovation support, innovation support which is divided into new products and solutions development aid as well as product development aid and adjustment assistance to ailing publications. The focus of the news system is to support editorial production changes and it is a practical aid to news media for the production of journalistic content. Online publications can also apply this support. Support, total amount of € 54 Million, is requested from the Ministry of Culture and it's distributed by group of experts (Media Board) appointed by the Ministry. The system is initially for three years, after which it shall be evaluated.

[40] Harpf, T. (2014) Media in transition. Rapporteur's action proposals. Publications of the Ministry of

of which production support (25 million euros) could be granted for example to cover up to 30 per cent of the production costs of journalistic content. However, this support should be granted on a fixed-term basis and it should be as neutral as possible in terms of competition.

According to the report, innovation support should amount to 5 million euros and could be granted to development projects in the media field, such as the production development of new products and solutions. For the efficient utilisation of this support it is very important that product development is carried out as joint projects.[41]

The Minister of Education and Communications has taken a positive view of the proposal on direct state aid for media. In the budgetary framework, based on decision on central government spending limits in April 2014, 30 Million euro was allocated for the innovation support during years 2014 to 2016. The support represents temporary transition assistance, the goal of which is that the media sector would be able to transition into the new digital age better than ever. The support will be administered by the Finnish Funding Agency for Innovation Tekes. Minister of Education and Communications Krista Kiuru has states that "Innovativeness will be the most important criterion for the granting of support. Of course innovativeness is something that can in itself be interpreted in numerous ways. However, the goal is not to set a strict framework, but rather to enable different kinds of creative media sector services and solutions"[42]. The goal is not to limit the use of the support to, for example, only certain types of media or a particular technological solution. The support is technologically neutral, but still such that the project must be implemented in a digital environment. The support can be granted to different kinds of development projects, such as the development of new products, services, solutions or production systems. The goal is to promote in particular the creation of media sector services and solutions aimed at the Finnish public. Accordingly, in its budget proposition in August 2014, the Ministry of Transport and Communications proposes an innovation support of 10 Million Euro for year 2015, while the aid for printed media remains at 500.000 euro.[43]

Next Media research programme[44] (planned for 2010-2013, ended 31.3.2014) aimed at innovations in media experience, in new business models, concepts and technology. The main objective of the programme was to renew the business environment of the media sector by breaking the limits of media content and changing the way it is created, configured, serviced and consumed. Strategic Research Agenda was made by companies and research institutes to form a common basis for planning of the programme and case projects. The programme was a part of the ICT cluster of the Finnish Strategic Centres for Science, Technology and Innovation (ICT SHOK) coordinated by DIGILE Ltd. Next Media programme was financed by TEKES – the Finnish Funding Agency for Technology and Innovation[45] (Table 3.5).

Transport and Communications, 7/2014.

[41] Administrator Harpf would give out media support and reduce the value-added tax for the press Press release 06.03.2014 12.34 , Finnish original released on 05.03.2014 10.36

[42] ”Media support for new digital services”. Press release 08.10.2014 15.09

[43] ”Liikenne- ja viestintäministeriön budjettiehdotus 2,9 miljardia euroa”. Press release 7.8.2014 17.36

[44] http://www.nextmedia.fi/

[45] Tekes is the most important publicly funded expert organisation for financing research, development and innovation in Finland. It boosts wide-ranging innovation activities in research communities, industry and service

Table 3.5: Key figures of the Next Media project

	2010	2011	2012	2013
Companies	44	57	54	49
Research organizations	8	8	8	6
Person years	58	82	84	76
Total costs	6,9 M€	9,0 M€	10 M€	8 M€
Tekes funding	3,8 M€	5,0 M€	5,5 M€	4,5 M€

3.4. Summary and best practices

Media consumption has changed over the last decades in Finland not least due to technological change. Newspaper publishers have chosen to meet the challenges of changes on the media market through expansion, either into other media or into new territory, so as to strengthen their market position and revenue base. As a result of both consolidation and organic growth, the regional ownership concentration levels in newspaper circulation and especially in newspaper advertising are extremely high. Such a development has been accompanied by a trend towards closer editorial co-operation both within newspaper chains and even between independent newspapers and newspaper houses.

Despite the existence of numerous separate media laws, media competition and concentration of ownership are scrutinized against general competition law, which has to a large extent been in line with EU Competition Law.

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sectors. Tekes promotes a broad-based view on innovation: besides funding technological breakthroughs, Tekes emphasises the significance of service-related, design, business, and social innovations. Tekes works with the top innovative companies and research units in Finland. Every year, Tekes finances some 1 500 business research and development projects, and almost 600 public research projects at universities, research institutes and universities of applied sciences. Research, development and innovation funding is targeted to projects that create in the long-term the greatest benefits for the economy and society. Tekes does not derive any financial profit from its activities, nor claim any intellectual proprietary rights.

Recent alterations in the Competition Act have strengthened this convergence, as the dominance standard was replaced by the SIEC test in merger control. Consequently it is fair to say that the threshold to intervene in the case of increasing market concentration as a result of mergers and acquisitions has been lowered. The effects-based analysis can be interpreted so as to reflect a more strict policy against media concentration, but effects based analysis is not constrained by structural features only and can put reasonable weight on analysing the claimed efficiencies of each merger at hand.

It remains to be seen to what extent the planned changes in EU Merger Regulation as to the acquisition of non-controlling minority shareholdings will be found in the national Competition Act. Hence the control of cross-ownership might become stricter.

Digitalisation and change in media consumption habits has put traditional media under pressure. Hence the political process has taken an initiative to enhance the possibilities of the media to adapt to the increasing degree of digitalisation

In the recent budgetary framework, based on decision on central government spending limits in April 2014, 30 Million euro was allocated for the innovation support during years 2014 to 2016. The support represents temporary transition assistance, which will be administered by the Finnish Funding Agency for Innovation Tekes. The support is technologically neutral, but still such that the project must be implemented in a digital environment. The goal is to promote in particular the creation of media sector services and solutions aimed at the Finnish public. However, at this moment much of the media innovation fund is going unclaimed because it requires investment by the media companies as well and few apparently want to.

Chapter 4

Market Structure and Innovation Policies in Germany

By

Mike Friedrichsen (Stuttgart Media University, Germany)

4.1. Market structure and media ownership

4.1.1. Newspapers

Germany is a newspaper country. In 2013 the number of "independent editorial units" (meaning full publishing entities that produce all parts of a newspaper) for daily newspapers in Germany was 135, and the number of newspapers 354. If local editions of all papers are included, there are 1,512 different newspapers. Only a few number of national newspapers still appears in Germany: BILD, Süddeutsche Zeitung (SZ), Frankfurter Allgemeine Zeitung (FAZ), Welt, Frankfurter Rundschau (FR), Tageszeitung (Taz). They claim to be independent and "above parties", but most cover a liberal and conservative spectrum. In terms of circulation figures, the national newspapers account for 1.65 million. Another 4.47 million papers are sold on the street. The top-selling German tabloid paper is BILD Zeitung, with a circulation of 2.8 million, it is also the best selling paper of Europe. The German newspaper market is therefore the biggest in Europe and the fifth-biggest world-wide in terms of circulation. What is of even greater importance, however, is that newspapers are not only bought but they are read as well. Just under three-fourths of the German population over the age of 14 (74.8 %) read a newspaper on a regular basis, representing 48.5 million men and women.

Newspapers in Germany have a total circulation of 24.8 million sold copies per publication day (German Audit Bureau of Circulations, 2013). This means there was an average decline in circulation of 527,661 copies (-2.1 percent) compared to the same quarter the previous year. This total circulation figure does not take into account the sales of 95,263 e-newspaper editions (+20.7 percent). Specific losses amounted to -2.2 percent for local/regional newspapers (western Germany -1.9 percent / eastern Germany -3.3 percent), -2.8 percent for national newspapers, -3.6 percent for newspapers sold at newsstands, and -1.4 percent for Sunday newspapers. Only the weekly newspapers registered a gain (1.7 percent).

The sold circulation of all categories of newspapers breaks down to 19.43 million copies for daily newspapers, 3.38 million copies for Sunday newspapers, and 1.94 million copies for weekly newspapers. Of the total figure for daily newspapers, 13.74 million copies are accounted for by local and regional subscription newspapers, just under 1.6 million copies by national newspapers, and over 1.4 million copies by newspapers sold at newsstands (BDZV 2013).

In 2009 revenues from newspaper sales in Germany were, for the first time, greater than revenues from classified ads and other forms of advertising. The old rule of thumb that two thirds of sales in the newspaper business stem from advertising and one third from distribution lost its validity at the time of the first business and advertising downturn in the current decade (from 2001 to 2003). The fact that this relationship is now being reversed is a clear reflection of the structural changes taking place in our industry. Like all other traditional media, newspapers are feeling the effects of the global and national economic situation which has had repercussions in the newspaper advertising market as well as with regard to the amount of money average households are able to spend on media products.

Nonetheless, the audience penetration levels recorded for German printed newspapers have continued to be quite high. The overall audience penetration level for 2013 was 69.6 percent. This means that more than 49 million Germans over the age of 14 pick up a newspaper every day. Daily newspapers traditionally have their highest levels of audience penetration among persons in the 40-69 age range, i.e. between well above 71 and just under 82 percent. Similarly, more than 82 percent of persons over the age of 70 regularly read a daily newspaper and over 63 percent of those between the ages of 30 and 39. But younger age groups are also newspaper readers; more than 42 percent of the 14-to-19-year-olds and well above 53 percent of the 20-to-29-year olds show an interest in reading printed daily newspapers.

Since the early 1990s, the number and circulation of newspapers in Germany have shown signs of decline. Newspapers also showed a significant decline in overall sales from advertising, supplements, and distribution, falling from the previous year's figure of 9.09 billion euros to 8.46 billion, a decrease of 7.04 percent. Out of the total sales figure, daily newspapers accounted for 7.96 billion euros, a decrease of 6.84 percent (BDZV 2013). The economic situation in 2013 was extremely unfavorable; gross domestic product (GDP) fell by price-adjusted 4.9 percent, in stark contrast to the increase of 1.3 percent seen in 2012. The inflation rate, on the other hand, was extraordinarily low. The percentage decline in business for the newspaper industry exceeded the percentage decline in GDP. Advertising revenues showed a loss of 15.9 percent, considerably greater than the loss seen in 2012 (4.1 percent); distribution sales, on the other hand, showed a gain of 2.3 percent (BDZV 2013).

With advertising sales of 3.19 billion euros in 2013 (despite the fact that this constitutes a decline of 15.5 percent) daily newspapers continue to be the most important advertising medium in Germany. Advertising sales by weekly and Sunday newspapers fell from 266 to 208 million euros (-21.6 percent). Newspaper supplements are no longer listed separately. Total advertising sales for all newspaper categories amounted to 3.9 billion euros (-15.9 percent). Advertising sector losses for Germany as a whole were considerable. The average decline in sales for all advertising media in 2009 was 9.8 percent. The share the newspaper industry had in overall advertising sales declined slightly to just under 22 percent. In the year 2000 it had been 29 percent (BDZV 2013).

Regional daily newspapers enjoy a great deal of popularity in Germany. The diversity is very large in comparison to other countries. The fact is that circulation figures are falling and daily newspapers are suffering most from the migration of advertising expenditure to the Internet. Above all, it is the market for classified and job advertisements that is shrinking. For this reason, regional newspapers will have to focus more on their regional competence in the future. They will have to see themselves as local service providers who offer their customers not only news but also service information – and who have reader loyalty as their utmost priority.

Hence, the press is characterized by a high but decreasing dependency on advertising income and a significant degree of economic concentration. The German market for daily newspapers is dominated by a small number of publishers. The largest market share is controlled by the Axel Springer Group with around 22.1 percent of the market (BILD, Welt, Hamburger Abendblatt, Berliner Morgenpost, etc.) The second position is taken by Verlagsgruppe Stuttgarter Zeitung, which is more a regional publisher with nearly 8.5 percent of the market. The third place is occupied by the WAZ Group (Westdeutsche Allgemeine Zeitung etc. - 6 percent) and DuMont Schauberg in Cologne (4.2 percent). The Ippen Gruppe takes the fifth place with 4 percent. The 10 largest publishers of dailies together control 44.8 percent of the market. The four largest magazine publishers Bauer, Springer, Burda, Gruner + Jahr (mainly Bertelsmann) cover about 60 percent of the market.

4.1.2. Television

Germans spend about 219 minutes per day on television, split about evenly between public and commercial programmers. All regional public broadcasters commonly founded the ARD (Arbeitsgemeinschaft der Rundfunkanstalten Deutschlands) regulatory body, and contribute according to their size to the nation-wide TV channel “Das Erste” (the first and oldest TV programme). In addition they each independently organize a regional programme (III Programme) that offers regional content and more culturally and educationally oriented programming.

The Second German Television ZDF (Zweites Deutsches Fernsehen) is based on an agreement of all Länder (ZDF-Staatsvertrag) and is located in Mainz. ARD and ZDF jointly offer a number of specialized programmes: Arte (together with France), 3Sat (together with Austria and Switzerland), Kika (for children), and Phoenix (events and documentation).

Today, German commercial television is controlled by two media groups calling themselves "Senderfamilien" (broadcaster families). One, formerly owned by Leo Kirch, is named ProSiebenSAT.1Media AG and consists of Sat 1, Pro 7, N24, Kabel 1 and 9live and others (market share 2008: 21.6 percent). In 2006 it was acquired by the Anglo-American investment funds Permira and Kohlberg, Kravis & Co. (KKR) and took over the SBS activities of these funds in ten other European countries.

The other family is controlled by the German giant Bertelsmann, the largest media company outside of the US and a global player (largest bookseller in the world): RTL Group S.A. owns TV channels in about a dozen European countries. In Germany the family includes RTL, RTL II, Super RTL, VOX, n-tv. Many more programmes were offered in the last years, some of them independently-owned special-interest channels, while others are subsidiaries of international conglomerates such as Viacom, Disney, or NBC Universal. In large cities such as Berlin, Hamburg etc. regional commercial TV has been established. Germany has an above-average percentage of cable households; 18.66 of 34.99 million households, another 14.93 receive their signal via satellite. leaving only a small share for terrestrial reception.

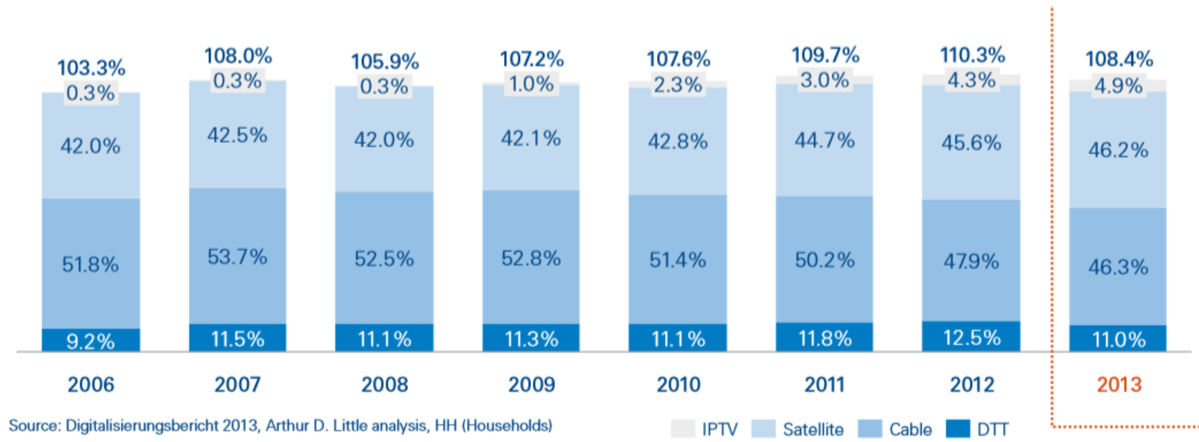
The market share of all public service broadcasters in television is at 43.6 percent, of which ARD has a market share of 13,4 percent, ZDF 13.1 percent, the third channels 13.2 percent. Among the private channels RTL (11.7 percent), SAT1 (10.3 percent) and ProSieben (6.6 percent) have the biggest audience shares. The television advertising market participates in the whole advertising market with a share of 43.7 percent; the radio advertising share is 6.2 percent. (print: 46 percent)

The only pay-TV company Premiere had been founded by Leo Kirch and went bankrupt. It was recently taken over by Rupert Murdoch and in 2009 it was renamed Sky and integrated into Murdoch´s European Sky empire. Compared to other European countries pay-TV is not very successful, due to the many freely accessible channels. In 2013 over 3 million viewers subscribed to Sky.

There are differences in the television structure on two levels, national and regional, and between general and special interest channels. Germany has some of the largest public broadcasters (ARD and ZDF), which are financed by license fees, and private, free stations (RTL, SAT.1, ProSieben) in Europe and the world, as well as the pay-TV channel Sky. From news, films, series, and shows, to sport the general channels offer the entire range of individual genres, whereas the special interest channels feature news (n-tv, N24), music (VIVA, MTV) or sport (DSF). Depending on the technical platform (terrestrial, satellite, cable, broadband, mobile), and on analogue or digital mode, hundreds of German-language and international channels such as CNN, BBC and TV5 and more than 20 different public TV channels can be received. These include the two national channels ARD and ZDF, as well as regionally produced stations broadcast nationwide, such as WDR, MDR, BR, and special-interest channels such as the primarily political docu-station Phoenix and kids' TV KIKA. Then there are three international broadcasters: Deutsche Welle, Franco-German arte, and Austro-German-Swiss cultural channel 3sat.

According to the latest market research, cable-TV, historically the leading platform, is continuously losing ground, as it is under pressure by satellite. Figure 4.1 presents the development of the TV platform penetration. The figures from 2013 also show a slight decrease of overall TV penetration. DTT (Digital Terrestrial Television) penetration decreased in comparison with 2012 while IPTV (Internet Protocol Television) increased, but still remains far behind other platforms with less than 5 percent market share.

Figure 4.1: TV platform penetration in Germany, 2006-2013, % of total TV households



The German TV landscape is undergoing important changes that are creating challenges for all stakeholders. These developments can be grouped into technological developments, changes in business models, and landscape evolutions resulting from regulatory changes.

The evolution towards HD (High Definition) broadcast enabled by the utilization of MPEG-4 encoding is an opportunity for the satellite platform to increase its penetration. Cable is still primarily analogue in Germany with only 56 percent of households accessing cable on a digital signal3. The introduction of interactive services for satellite and DTT represent a shift in the classical features of TV platforms. Today, HbbTV (Hybrid Broadcast Broadband TV) enabled DTT or Satellite TV offer VoD (Video on Demand) databases, interactive features and long tail content, but only if a separate broadband connection is purchased by the household.

There is an increasing move from the free TV model towards paid access. Although German households are only partly willing to pay for TV content, indicated by the Pay-TV penetration of 18 percent4, around half of all the households must pay a fee to access free TV content via cable and IPTV. Leading German broadcasters and platform operators are looking for further monetization opportunities from Pay-TV to HD fees (i.e. HD+ of Astra) for end-users and to the much-criticized carriage fees for TV channels. As a result, Sky Deutschland is going to make an annual profit this year for the second time since its launch in the early 1990s. Compared to its

Pay-TV peers, Sky Deutschland has historically struggled to reach critical mass and is still relatively small.

The broadcasting groups, RTL and ProSiebenSat.1, have begun to focus on paid access and other leading private broadcasters are increasingly providing only paid HD content. In the satellite TV market, we see Astra HD+ as the first step in this direction.

Policy and regulatory decisions might soon shape the future of the German TV distribution landscape. Several upcoming decisions, such as on a potential second digital dividend, the broadband strategy of the Bund and the convergence of telecommunication and broadcasting regulation, will be important landmarks determining the future of the German market. Bund and Laender are openly discussing the future usage of spectrum currently used by DVB-T, and the migration of viewers to Web-TV. Meanwhile, Web-TV is attracting a net neutrality discussion, as network operators see their networks filled with OTT (Over-the-top) data, without any resulting profit share. There are also considerable changes in the ownership structure of leading players in the German market. In August 2013, KKR and Permira reduced their stakes in ProSiebenSat.1 from 88 percent to 44 percent, and Bertelsmann has also indicated its interest in reducing its share in the RTL group. In addition, Vodafone has recently acquired Kabel Deutschland.

4.1.3. Radio broadcasting

Not only the television market, but also the radio market also reveal the richness of the media. Having begun in the 1920s (radio) and the 1950s (television) as public network institutions, since the 1980s the colorful spectrum of a dual system made up of public network channels and private stations has emerged. Nowadays some 430 radio stations, for the most part local and regional in character, compete with each other.

Radio is a popular medium in Germany, daily consumption is 176 minutes (2013), of which slightly more than a half comes from public service broadcasters. They usually offer a number – around six – of programmes on a regional basis, sometimes with local limitations, concentrating on general audiences as well as special target groups (culture, news, youth etc.) In addition there are two national radio programmes, based in Berlin (Deutschlandradio Kultur) and Cologne (Deutschlandfunk, mainly news) with public funding, based on another Länder-level agreement.

Commercial radio is licensed in all Länder-states, therefore it follows mostly a regional pattern. There are no national broadcasters, but some that are active in several Länder (NRJ for youth, Klassik Radio). In two Southern Länder local commercial radio is the rule. In North Rhine-Westphalia, the largest state, 46 local stations work commercially but with local, non-commercial windows. Non-commercial radio exists but is regulated differently in each state. Some states allow community stations, others prefer public access (also for television), educational stations, campus stations etc. One Land has no activities at all. All in all, the situation is extremely diverse.

In addition to their standard program the broadcasters also have considerable Internet activities. The public network broadcasters, however, are always threatened with a conflict with the private stations, who fear competition will be distorted by the strong influence in the market of the "subsidized" stations. Further pressure on the public network channels is emerging through the fact that more and more young people are taking advantage of their programs.

4.2. Media cross ownership policy

Due to its salience for open and democratic societies, the Federal Constitutional Court has declared that the expression and imparting of opinions and freedom of information are human rights enshrined in the Constitution and that the exercise of these rights requires constitutional protection. The German Basic Law, the interpretations of the Federal Constitutional Court and the law of the European Union provide the legal framework in which media policy develops. They describe and also confine the playing field of the actors involved in the formulation and implementation of media policy.

Germany has a "dual system" of both public and commercial broadcasting (in fact, if you include community media it is a trial system). In public broadcasting the Länder (states) have a strong role. The German Federal Constitution stipulates that the sole responsibility for broadcasting rests with the Länder of the Federal Republic as part of their "cultural sovereignty". Because of this, the public service broadcasters are a creation of the Länder that act individually or jointly (in agreements). The exception is the broadcaster Deutsche Welle, based on federal legislation, designed to provide services (radio, TV, online) to foreign countries only.

Hence, media legislation in Germany is following the general principle of federalism and is in the hand of the regions (Länder). This means, that all nationwide media laws have to be settled by an agreement between the different Länder. The organizational and legal structure of broadcasting corporations is defined in Länder laws and, if more than one state is involved, in agreements between several or all Länder. A basic agreement of all Länder (Rundfunkstaatsvertrag) defines the general broadcasting situation, as far as both, the public and the commercial sectors are concerned.

The recent Rundfunkstaatsvertrag reflects the compromise which had been dealt with the EU commission, concerning the complaints of commercial broadcasters with respect to Internet activities of the public broadcasters. The obligation to scrutinize new digital services and online offers to a so called Three Step Test – similar to the Public Value Test in the UK – is the core element of the 12th interstate treaty.

In Germany 14 media authorities are in charge of licensing and controlling as well as structuring and promoting commercial radio and television in Germany. The 14 media authorities cooperate in different decision-taking councils and commissions coordinating and aligning matters on a national level.

The overall arching influence on media legislation stems from the constitutional court (Bundesverfassungsgericht) which played a strong role in elaborating the pillars of the broadcasting system in Germany. While broadcasting legislation is oriented more to the common good and the needs of the public sphere – although it has to comply more and more to the EU requirements of competition laws – legislation for press and online media is orientated solely to the market model of competition. Special legislation is made to protect individual rights of privacy.

Press laws are made on the Länder-level as well. Although there had been several attempts to pass a framing law for all regional press laws, this had never happened.

4.3. Media innovation policies

In Germany, due to its federal political system, several policy levels act and interact closely with regard to economic and innovation promotion. The most important are the federal government, the federal states governments and the European Commission. One example in which these three levels work closely together is the "Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur" (common task for improving the regional economic structure). It is jointly funded by the European Commission within its European Fund for Regional Development, the federal and the federal states governments and promotes regional development in objective-1 regions (East Germany) and 5b regions (mainly regions in former West Germany closely located to the former border between West and East Germany). Its major instruments are infrastructural measures (involving transport, telecommunication and energy systems), regionally-differentiated investment grants and tax reductions which should stimulate intraregional or external economic potential and temporarily increase the mobility of production factors oriented towards the region. Quite recently, a share of funds has also been allocated to innovation promotion. The major objective is to reduce socio-economic disparities with reference to the national average and to create and secure employment opportunities. Table 4.1 presents only measures of the federal government directed towards the regional level.

The Länder offer different programmes for strengthening the innovation activities of companies. Most of the programmes are technology open, only few Länder also support specific technologies. The technology programmes of the Länder very much consider their economic and innovative potential. In some Länder technology programmes focus on the same technology as programmes offered by the federal government. This could imply a certain redundancy. However, technology-specific programmes are normally quite broad so that the Länder government can focus their own programmes further on the regional needs.
In all Länder technology-open programmes comprise the funding of single as well as joint projects. This is similar to the practice in federal programmes. However, there are also programmes complementary to the federal level. The so-called “innovation assistant”, a programme aimed at employing young graduates from university in companies, is implemented

in most of the Länder, whereas there is no comparable programme at the federal level. The supply of programmes of the Länder has increased in the years after 2007, not least because of the possibility of co-financing programmes by the European Regional Development Fund (ERDF) and the European Social Fund (ESF). In some East German
Länder, for example, the share of the volume of ERDF on the volume of funding is between 40 and 70%.

Table 4.1: Actors and implementation levels of technology and innovation policy in Germany

Implementation / Actors levels	Supranational (EU)	National (Federal Government)	Subnational (States)	Regional
	Technology Policy	→	Innovation Policy	
Supranational (EU)	Technology and innovation promotion (Actions, Programmes and projects under FP 5	Co-ordination with the member states, participation at EU programmes	RIS, RIS+, RITTS and TRIPS- projects	RIS, RIS+, RITTS and TRIPS- projects
National (Federal Government)	financial contributions to EU budget; involvement in formulation of FP 5	Instruments and measures of technology policy	Common tasks (Improvement of regional economic structure, university extension programme), institutional funding	BioRegio, EXIST, InnoRegio (for regions in the new federal states)
Subnational (Federal States)	Participation competencies via federal government	Common tasks (Improvement of regional economic structure, university extension programme)	state specific promotion policy, institutional funding, infrastructural development	regional priority settings in the promotion and development of innovative regional clusters
Regional	political influence on EU technology policy	political influence on federal government's technology policy	political influence on federal state's innovation policy	infrastructural development (e.g. technology centres), network promotion, information, consultancy/advice, qualification, marketing

4.4. Summary and best practices

The German media landscape is going through a period of unprecedented upheaval. The digital and new media are growing in importance and social networks are catching on across large sections of the population. Even though these developments, Germany still has one of the most diverse and multi-faceted traditional media landscapes.

In Germany, the newspaper publishing is suffering a strategic crisis while in overall there is no general media crisis although the economic crisis led to rapid fall of advertising revenues. The well-established publishing houses are an essential part of relatively stable print media market. However, the solid division of market can form a disadvantage in the long run since publishers that are used to high profits may not be sufficiently under the pressure to appreciate the need for future-oriented innovations. The newspaper readership in Germany has remained at a high level despite the leading position of television watching and growing importance of internet, dailies reaching over 70 per cent of population. Despite several attempts to pass a framing law for all regional press laws, press laws are still made on the Länder-level. The legislation for press and online media is orientated solely to the market model of competition.

The German TV and radio broadcasting market is well developed and intensely competitive. It is set to become even more dynamic as a result of current technological, market, and regulatory trends. Developments in the German broadcasting market have increased the interest of both domestic stakeholders and global players looking for parallels in their own markets. In public broadcasting the Länder (states) have a strong role. The German Federal Constitution stipulates that the sole responsibility for broadcasting rests with the Länder of the Federal Republic as part of their "cultural sovereignty". The commercial broadcasting ownership is highly concentrated in the Germany.

For many years, the innovation policy of Germany was mainly focused on regional development and infrastructure projects. This policy was established after the integration of former West and East Germany in the late eighties. Recently, a share of funds has also been allocated to innovation promotion. Next to the Federal government policy, all Länder offer also programmes for strengthening the innovation activities of companies and areas. Most of the programmes are technology open, only few Länder also support specific technologies. The technology programmes of the Länder very much consider their economic and innovative potential. In general, these programmes do not have a specific (multi-) media sector orientation.

A few large multimedia companies are operating in the German media landscape. Two well-known companies are Axel Springer Group (strategic focus on becoming the leading digital publisher), and the German giant Bertelsmann, the largest media company outside of the US and a global player (largest bookseller in the world). These companies are controlling part of the domestic media markets. These companies are also successful in the international markets. These companies play an important role in the integration of new technologies and new media into the traditional media activities and finding new opportunities to maintain of even improve their competitive position.

Chapter 5

Market Structure and Innovation Policies in Italy

By

Cinzia Dal Zotto (University of Neuchâtel, Switserland)

5.1. Market structure and media ownership

In these last years, the Italian media industry faced structural changes and an increasing fragmentation of the audience favored by technological developments. These changes have led the industry to suffer a steady decline in total revenues since 2009, which is forecasted to continue, albeit at a decelerated rate, between 2014 and 2018. During the last five years the industry underwent a contraction of two billion Euros, its value going down to 14.8 billion from 16.6 billion in 2009. Only in 2013 the total industry decline was 7%. The downwards trend has first reached the publishing market, which is in continuous recession since five years, and was then extended – since 2011 – to the broadcasting system (TV & radio). This trend does not affect digital media, which now represent the third source of information for more than 40% of the population. Digital media though contribute with only 10% to the total revenue sources of the industry. The shrinking traditional media not only still counts for 90% of the industry revenue sources, but further represent the main source of information for the population. In particular, television is the first information source for nearly 80% of the population, while only 43.7% inform themselves through newspapers.

The fact that such a large majority of Italians inform themselves via the television raises media pluralism concerns as ownership in the Italian television sector – both free and paid television – is highly concentrated, both in terms of revenue and audience shares. According to the value of the Herfindahl-Hirschman Index (HHI) the newspaper, magazine and radio sectors still represent healthy competitive marketplaces. However, the HHI does not take into account the fact that many media only serve regional or local market and do not compete on the national level. In order for measurements of competition levels in media markets to be more realistic, further indicators should be included in the analysis. Cross-media ownership is very much present in Italy as media firms, like in many other countries, are trying to diversify their revenue structure. Some firms follow brand extension strategies while others simply adopt a multi-platform approach. An overview of the main media markets as well as their evolution is presented below.

5.1.1. Newspapers

Even though daily newspapers show a rather limited rate of penetration among the population, they still represent the second source of information chosen by 43% of Italians. The gap with the television – more than 30 points – is drastically reduced if we compare local television to the local press. Furthermore, newspapers show a high level of customer loyalty. In fact, 68% of individuals who chose newspapers as a source of daily information say that they would not renounce to that source.

However, in the recent years the daily press has registered a considerable reduction in the number of readers. This is particularly due to the raising importance of Internet as significant source of national and international news. The most important elements emerging from this trend are a decrease in the number of available newspaper titles, a decrease in volume of copies sold, a further decline of the free press, as well as the disappearance of some newspapers, especially those which were funded through government subsidies.

Table 1 illustrates the entire range of newspapers, both national and local, distinguishing between topics (i.e. news, politic, sport, economy & finance and other specializations). The first national Italian newspaper is *Il Corriere della Sera* (with an average daily circulation of 682 000 copies). It is followed by *La Repubblica* (620 000), *La Stampa* (382 000), *Il Sole 24 ore* (402 000), *Il Messaggero* (255 000), *Il Resto del Carlino* (181 000), *Il Giornale* (214 000), *La Nazione* (146 000), *Gazzettino* (120 000), *Il Secolo XIX* (109 000), *Il Mattino* (94 000), *Il Tirreno* (87 000), etc.

With regard to the division of revenues between print and digital newspaper products, approximately 90% still stem from traditional products. In particular, while in terms of advertising the web is now a significant source, having exceeded 10% of the total advertising revenues in 2012, the direct sale of digital products still represents a marginal fraction (2% of revenues in 2012 and 4% in 2013). The composition of revenues from digital services is, therefore, largely biased in favor of the advertising components (85% vs. 15% of revenues from sales of digital copies). Conversely, in the case of printed newspapers the breakdown of revenues is more balanced, with a prevalence of revenues from sold copies (55%), partly because of the recent price increases for these products and the contemporary drastic drop in the price of advertising.

The competitive structure of the newspaper market appears in 2013 essentially unchanged from that of 2012 (see Table 5.1). First, it should be noted that this market does not appear concentrated, with a HHI below 1.000 points (.979) and stable over time. However, as many newspapers have local orientation, the diffusion of newspapers may appear more polarized in certain specific cases, thus determining a greater concentration level compared to the one suggested by the analysis conducted at the national level. Furthermore, the market appears stable over time also in terms of structure. The first two operators (Gruppo Editoriale L'Espresso and RCS Mediagroup) hold a leadership position, jointly reaching a market share of about 39%. The other operators follow with stable shares below 10%. Jointly the Top 4 players control slightly more than 50% of the newspaper market, i.e. the threshold above which an undesirable degree of concentration appears evident.

Table 5.1: Daily Publishers – Evolution of market shares (%)

Publishers	**Titles**	**2009**	**2010**	**2011**	**2012**	**2013**
Gruppo Editoriale L’Espresso	La Repubblica, 15 local newspapers	19.4	19.3	20.1	21.05	21.45
RCS Mediagroup	Corriere della Sera, Gazzetta dello Sport, local city editions	18.9	17.3	17.5	18.35	17.72
Caltagirone	Il Gazzettino, Il Mattino, Il Messaggero	8.0	7.9	7.5	7.29	7.21
Monrif	Il Resto del Carlino, La Nazione, Il Giorno	6.4	6.6	6.5	6.63	6.54
Il Sole 24 ore	Il Sole 24 Ore	6.3	5.9	6.3	6.12	5.81
Itedi	La Stampa	5.4	5.6	5.7	5.33	5.23
Amodei	Corriere dello Sport, TuttoSport	3.7	3.9	3.7	3.9	4.27
Others		31.9	33.5	32.7	31.32	31.77
Total		100	100	100	100	100
Concentration index (HHI)		.953	.892	.927	.989	.979

In terms of cross-media ownership the three following publishers are the most active:

The Gruppo Editoriale L'Espresso, founded in 1955 and based in Rome, owns the second largest daily *La Repubblica,* 15 local newspapers, and publishes numerous magazines (including the weekly *L'Espresso*). The group further owns three national radio stations, *Radio Deejay*, *Radio Capital* and *m2o* and the broadcasters *LaEFFE*, *Deejay Tv*, *Tv m2o*, *Radio Capital Tivù*, *Onda Latina*, and *MyDeejay*. The group operates in the new media segment and is present in the field of training and professional services.

RCS Media Group operates daily newspapers, magazines and books, radio broadcasting, digital and satellite television. The group has operations in Italy, Spain, Portugal, France, the US, and China. Besides the national *Corriere della Sera* and *La Gazzetta dello Sport*, RCS publishes *El Mundo*, the business daily *Expansion* and the sports publication *Marca* in Spain. The group further has a magazine segment.

Il Sole 24 ore is the media group which publishes the national daily business newspaper which holds the same name. The group is owned by Confindustria, the Italian employers' federation. The printed newspaper is presented as part of an integrated information system which includes: *Radio 24* (a news/talks fm/online radio channel), Il Sole 24 Ore Radiocor (a business and financial news agency), ilsole24ore.com (the online newspaper) and Italianews (a News Web syndication).

5.1.2. Television

Currently, 85% of Italians still access to television through a traditional TV set able to catch the digital terrestrial signal. Besides digital terrestrial television, the satellite network represents the second most important diffusion platform which reaches 35% of television viewers.

The sector is highly concentrated in terms of both audience and revenues. When considering the yearly audience on an average day, independently from the diffusion platform, the two main operators RAI and Mediaset catch 70% of the total audience. The third operator, 21st Century Fox/Sky Italia lags well behind with an average audience of 6%. In terms of revenues, the television sector continues to be characterized by a negative economic performance affecting both the free and paid compartments. This negative trend is almost entirely attributed to the advertising component. RAI, Mediaset and 21st Century/Sky Italia control 90% of the total market. The remaining 10% is dispersed among a variety of operators among which Cairo Communications and Discovery distinguish themselves with shares around 2%. Cairo Communications, previously active only on the advertising market, entered the content production and distribution market in 2013 by acquiring La7 from Telecom Italia Media. The latter completely dismissed its TV operations by selling also its share in MTV Italia and MTV Pubblicità to Viacom. Always in 2013, Discovery incremented its market share through the acquisition of Switchover Media.

When looking only at free TV the revenue distribution among the operators resembles the audience breakdown totalized through their channels. RAI is the first operator controlling nearly 50% of the market, while Mediaset follows with a 35% stake (see Table 5.2). Cairo Communication is the third operator. The structure of the market is thus characterized by a very high and durable level of concentration confirmed by a value of the HHI well above the threshold of 2,500.

About 30% of the population has access to pay TV in Italy. Satellite is the diffusion platform chosen by more than half of subscribers; the rest of them mainly use the digital terrestrial platform. This market is controlled by 21st Century Fox/Sky Italia with a share of nearly 80% (see Table 5.3). In July BSkyB announced the buyout of Sky Italia, the acquisition was approved by the EU in September. The second pay TV operator is Mediaset with a share of only 19% that has been though steadily increasing and nearly doubled since 2009. The structure of the market for pay-tv, clearly affected by the magnitude of the fixed and sunk (endogenous) costs related to the production and acquisition of premium content, is highly concentrated with a HHI that, stable well above the 6,000 points, exceeds also the value shown by free TV.

Table 5.2: Free TV – Evolution of market shares (%)

Free TV Broadcasters	**Channels**	**2009**	**2010**	**2011**	**2012**	**2013**
RAI	Rai 1, Rai 2, Rai 3, Rai 4, Rai 5, Rai Sport, Rai News, Rai Storia, Rai Movie	45.9	45.8	45.9	47.2	49.4
Mediaset	Canale 5, Italia 1, Rete 4, Iris, La5, Boing, Italia 2, TgCom24	41.1	42.3	41.2	37.8	35.1
Telecom Italia Media	La 7, La 7 d, MTV, MTV Music	2.6	2.6	2.9	2.9	-
Cairo Communication	La 7, La 7 d	0.4	0.4	0.7	0.7	2.9
Discovery	Real Time, DMAX, K2, Fresbee, Focus	-	-	0.4	1.0	2.4
Other TV broadcasters		10.0	8.9	8.8	10.4	10.2
Total		100	100	100	100	100
Concentration index (HHI)		3.809	3.903	3.819	3.669	3.682

Table 5.3: Pay TV – Evolution of market shares (%)

Pay TV Broadcasters	**2009**	**2010**	**2011**	**2012**	**2013**
21st Century Fox/ Sky Italia	81.5	79.2	76.5	79.1	77.8
Mediaset	10.6	15.1	17.0	17.8	19.1
Other TV broadcasters	7.9	5.7	6.6	3.3	3.2
Total	100	100	100	100	100
Concentration index (HHI)	6.761	6.542	6.140	6.563	6.415

5.1.3. Radio broadcasting

On an average day 35 million Italians listen to the radio. The Italian radio market offers about nine hundred radio stations and more than 1’100 radio channels which cover different national and local areas, it is thus characterized by a large fragmentation. The national offer comes predominantly from relatively big publishing groups – Gruppo Editoriale L'Espresso, RAI, Mondadori, Il Sole 24 Ore – which are vertically integrated, advertising included, and active on multiple media sectors. In addition to these commercial operators, there are some independent players such as *RTL*, *Radio Dimensione Suono*, *Radio Italia* and *Radio Kiss Kiss*, as well as some non-commercial broadcasters targeting a very particular segment of audience (e.g. *Radio Radicale* and *Associazione Radio Maria*).

Since 2009 the radio industry is experiencing an economic downturn reaching a decline in total revenues of 13.6%. The major contraction has been registered by the advertising revenues which represent nearly 77% of the total revenues of the industry. This is due partly to the negative economic cycle but mostly to the general progressive migration of investments from traditional advertising products to more innovative web-based solutions. A trend towards consolidation can be spotted when analyzing the market shares of the major players (see Table 5.4). In particular, Mondadori has nearly doubled its market share by taking on the mandate to sell advertising space for some other radio stations through its own advertising agency. The group now manages the advertising business for *Radio Italia*, an independent national player which reached an audience of 4.6 million Italians in 2013 (RTL 102.5 is the most listened Italian radio with an audience of 6.9 million people).

Table 5.4: Radio – Evolution of market shares (%)

Radio Broadcasters	**Radio Stations**	**2009**	**2010**	**2011**	**2012**	**2013**
RAI	Radio1, Radio 2, Radio 3, Gr Parlamento, Radio International	22.9	21.4	21.8	22.3	24.4
Finelco	Radio 105, RMC Radio Montecarlo, Virgin Radio	10.3	10.4	10.2	10.7	12.2
RTL	RTL 102.5	7.7	7.6	7.2	7.6	8.8
Gruppo Editorial L'Espresso	Radio Capital, Radio Deejay, M20	10.1	13	12.7	10.9	8.7
RDS	RDS	7.1	7	6.8	6.9	6.1
Mondadori	Radio 101	3.6	3.8	4	3	6
Il Sole 24 ore	Radio 24	2.1	2.2	2.4	2.5	2.6
Other radio broadcasters		36.3	34.6	34.9	36.1	31.4
Total		100	100	100	100	
Concentration index (HHI)		.895	.894	.896	.887	1.004

Despite the very large offer of different radio stations the radio industry appears concentrated. Looking at the position of the main operators in the radio market (see Table 4), RAI clearly dominates with a market share of 24.4% which has been increasing since 2010 and is far higher than the one of its competitors. Finelco holds the second position in the ranking with a market share of 12.2%, followed by RTL and Gruppo Editoriale L'Espresso with 8.8% and 8.7% respectively. If RTL has consolidated its position over the years, both Gruppo Editoriale L'Espresso and RDS have been contracting. In sharp increase, as we already mentioned, Mondadori owns 6% of the market and represents the sixth largest group. Finally, in a very slight increase, Il Sole 24 Ore could reach a share of 2.6% with its "all news and talks" radio station. The market share data reveal a significant increase in the HHI between 2012 and 2013, which implies an increase in the level of market concentration. The structure appears to be still substantially competitive and characterized by a discrete degree of competition between the various players. However, considering the weakness of the HHI when applied to media serving local markets, a Top 4 analysis seems to be necessary. Indeed, this analysis highlights that the top 4 operators control more than 50% of the market and thus an undesirable degree of concentration is present.

5.2. Media cross-ownership policy

Articles 21 and 41 of the Italian Constitution of 1947 protect the freedom of expression and the freedom of economic entrepreneurship respectively. The press received general (Law 47 of 8 February 1948) and antitrust (Law 67 of 25 February 1987) discipline before substantial concentrations could be established in the market. Law 67 regulated the abuse of dominant position, considering dominant the undertaker whose printed products reach a circulation that exceed 20% of the total national circulation – or 50% of the total regional circulation. The law stated further that when growing organically the undertaker exceeding the limit of one third of the total national circulation would lose all public subsidies.

On the contrary, in the broadcasting sector a duopoly emerged due to the absence of any system and competition law. Only in 1990 a national antitrust regulation as well as the first systematic regulation for the broadcasting sector was introduced. The latter, known as the *Mammì* law, regulated for the first time cross-ownership. It stated that (1) the owner of a national broadcasting license was not allowed to control a newspaper publishing company with a circulation exceeding 16% of the total national circulation, (2) a company controlling a newspaper publishing company realizing a circulation of more than 8% of the total national circulation was not allowed to own more than one national broadcasting license, (3) the owner of a newspaper publishing company was not allowed to own more than two national broadcasting licenses, (4) mergers or acquisitions resulting in a company with revenues exceeding 20% of the total revenues of the industry were considered void, and (5) the number of broadcasting licenses assigned to one company could not exceed 25% of the total licenses available. This last antitrust limit was considered as illegal because it violated the pluralism principle of art. 21 of the Constitution.

Thus, in 1997 the law *Maccanico* followed which lowered the limit of license ownership to 20% of the total licenses available. It was established that the networks exceeding that limit at that time would receive an exemption in order to move on cable or satellite. The *Maccanico* law further prohibited to the owners of national broadcasting licenses to diffuse more than 20% of the total programming and to achieve revenues exceeding 30% of the total revenues of the national broadcasting industry. Finally, in 2005 the *Gasparri* law implemented some parts of the European Directive and introduced the *Testo Unico della Radiotelevisione*. This law grouped all media sectors within one single integrated system of communications (SIC) – including newspapers, magazines, electronic publishing, radio, television, cinema and outdoor advertising – and in art. 43 it established that companies operating within the SIC could not realize revenues exceeding 20% of the total revenues of the system. Paradoxically this increased the limit defining the dominant position as the value of the SIC is obviously higher than the value of the sole broadcasting industry.

The same *Testo Unico* forbids national broadcasting operators with revenues above 8% of the total SIC value or electronic communications operators with a revenue market share higher than 40% to acquire shares of newspaper publishing companies or participate to the founding of a new newspaper publishing company, excluding online pure players. This prohibition was first set until the end of 2010 and was then prolonged till the end of 2014.

The Authority entrusted with the dual task of ensuring proper competition of operators in the market and to safeguard pluralism and fundamental freedoms of citizens in the field of telecommunications, publishing, mass media and postal services is the *Autorità per le Garanzie nelle Comunicazioni* (AGCOM), created with The Maccanico Law in 1997. If the authority thinks that there is an abuse of dominant position and competition is at risk, it can intervene with the necessary measures to eliminate or impede that abuse. The Authority refers annually to the Parliament but acts also upon notifications coming from other actors. It works closely together with the *Autorità Garante della Concorrenza e del Mercato* (AGCM), the Italian Antitrust Authority established in 1990. The two Authorities signed a cooperation agreement in 2013 to coordinate interventions within sectors of mutual interest, exchange notifications and advices, collaborate in investigations and interventions. Within this framework, between April 2013 and March 2014, the AGCOM has given three opinions concerning abuse of dominant position and concentration operations to the Antitrust Authority. All three were favorable. During the summer the AGCOM further approved the merger of multiplexes owned by Telecom Italia Media and Gruppo Editoriale L'Espresso into a joint venture called Persidera, which has become the first independent network operator in the digital terrestrial television market with five multiplexes and a national infrastructure. 70% of shares of Persidera are however being sold to a new investor.

The action of the AGCOM is characterized also by its investment in research and innovation, considered as fundamental to improve the quality of market regulation and to guarantee the monitoring of relevant innovations. Within this framework the Authority regularly conducts studies in the fields of electronic networks and communications services, communication infrastructures as well as media content. Aim of those studies is to collect information on the media and communications industry evolution focusing on the technological, economic and legal aspects. After detecting structural problems, a lack of transparency in economic transactions based on distorted mechanisms and altering allocation efficiency within the advertising sector, the Authority initiated a study on the sector of advertising collection. Results highlighted the concentration of the sector. Further studies for a deeper understanding thus followed in 2014, such as the study concerning the Internet services and online advertising, another study concerning web-based information media business models, consumption and professions in Italy, as well as an investigation on market competition within the sector of media access. Aim of these studies is to constantly monitor the rising and innovative online advertising market and ensure competition by thoroughly analyzing costs and benefits of eventual interventions.

5.3. Media innovation policies

Clearly media markets in Italy present a high degree of concentration being controlled by a reduced number of media groups that have diversified and spread their activities across sectors, thus becoming multimedia operators. If the newspaper sectors appears to be less concentrated thanks to the presence of a substantial number of titles at local and national level – 143 daily newspapers, i.e 2.6 newspapers per million inhabitants – the fact that the top four media groups hold more than 50% of the market share confirms an undesired level of concentration. The same holds true for the Radio broadcasting sector. There is on the contrary no doubt about the high level of concentration of the TV broadcasting sector. A further distortion that increases concerns about the TV sector concentration is the mismatch between the television and newspaper sector in terms of acquisition of resources. Indeed, the Italian TV broadcasting operators collect around 60% of the total advertising revenues compared to a 15% share collected by the newspaper publishing companies. This is not to be observed in other European countries where the amount of resources allocated in the two sectors is reversed – newspaper publishers collect more advertising revenues compared to TV broadcasters – and less unbalanced.

This is not an ideal situation for innovation to be enhanced. With regard to the newspapers publishing sector we can recall that the current policy of public subvention does not stimulate innovation but rather supports incumbent operators. In Italy the publishing sector receives both direct and indirect public subventions. More precisely, publishers – those belonging to journalists’ associations, foundations or representing linguistic minorities or political parties – that have been operating in the market for at least 5 years receive a fixed contribution equal to 30% of their annual costs, with a limit of one million Euros, and a variable contribution depending on the circulation of titles. Further, publishers have been enjoying reduced postal tariffs for delivering their printed products to households, a 50% discount on phone bills as well as an exemption from VAT on 80% of sales, the difference being reimbursed by the State to the respective operator. The reduction on postal tariffs has been suspended in 2012 – as the postal service announced it was missing 250 million Euros of reimbursement from the State.

Such subventions seem actually to support established publishers rather than stimulating starts ups to enter the market. In fact, new publishers are not entitled to receive direct public support for the first 5 years of their activity. On top of that, the fact that subventions are based on costs does not stimulate firms to keep expenses low and be efficient. Last but not least, no temporal limit was established for the subventions, so that with time publishers became dependent on that source of financing. The aim of granting reduced postal tariffs was to stimulate the sale of subscriptions, however this measure failed completely. Only about 10% of newspapers sales happen through subscriptions in Italy, publishers say this depends on the inefficiency of the Italian Postal service. For these reasons an attempt to improve the situation came in 2012 when a modification to the law introduced (a) new criteria to assign the direct contributions, such as a minimum percentage of sold copies and a minimum number of employees, as well as (b) support for newspapers going digital and for small web-based titles. At the same time the total amount of contributions was progressively reduced and in June 2014 a 120 million Euro fund was finally created to support innovation within established and new publishing firms, stimulate the hiring of qualified journalists within the new media sector and facilitate reorganization processes during the next three years. An agreement, greeted as a success by the Government, has been reached for a minimum of 20.8 euros as compensation for a 1600 characters long journalistic article.

Concerning the TV broadcasting sector, a controversial measure has been taken at the beginning of October 2014 by the AGCOM. The Authority decided to change the criteria to establish the fee that broadcasters are bound to pay to use the digital terrestrial television frequencies. Previously operators had to pay 1% of their annual revenues, with the new rule the fee will depend on the number and quality of frequencies used. This new rule favors the two major operators, RAI and Mediaset, which have high revenues compared to the other operators such as La7, Persidera and H3G that are younger, a lot smaller in terms of revenues but own the same number of frequencies. As a result RAI and Mediaset will probably enjoy a discount of 50% on the fee they paid until now while the new operators will have to face a 10 times higher fee. Concerns expressed by both the European Union and the Italian Government, and the protests of small operators did not prevent the AGCOM to introduce the new rule.

So far attempts to launch new media products or enhance innovation have come from the private sector directly. We can recall here a few newspaper start-ups that have been launched during the last decade: Il Post, L'Inkiesta and Lettera43 are digital only newspapers while Il Fatto Quotidiano, launched in 2009, has also a printed version and has become the third national newspaper in terms of digital readership. Inspired by the Global Investigative Journalism Network and the Organization Crime and Corruption reporting Project, some journalists founded the *Investigative Reporting Project Italy*: it is the first investigative journalism center in the country, fully focused on international collaborations and financed through grants and commissioned investigations. Established newspapers are starting to create internal Media Labs. La Stampa for instance conceived a studio that is now acting as incubator for experimenting innovative ways of digital storytelling, and further introduced an open-house strategy for social media management: well-known social media editors, recognized by online communities, are invited in rotation to bring in innovative approaches. Repubblica lanched *Repubblica delle Idee*, a series of events organized by the newspaper with the aim of meeting the audience, discover its needs and ideas. Another initiative worth mentioning is the *International Journalism Festival* (IJF) of Perugia, launched in 2007 and gathering journalists, publishers, media professionals and scholars from all over the world. The event was financed through sponsorships and public contributions until last year, when public funding was cut and a crowdsourcing action, sustained by global brands such as Amazon and Google, saved the 2013 edition. The IJF has become a real annual think tank where media professionals and passionate exchange knowledge and ideas that stimulate innovation.

5.4. Summary and best practices

Besides a lack of specific innovation policies, until now the Italian media industry faced an environment that was rather hampering more than stimulating innovation. If on one hand law prohibits growth through acquisitions above certain limits, and organic growth is discouraged by the subsequent loss of public subventions, on the other hand public contributions to the publishing industry proved to be ineffective in stimulating new market entries and thus in promoting pluralism and innovation. A revision of the public subvention policy has been recently initiated. Even if it is more the result of a general public spending review, the direction has changed channeling public contributions towards specific support actions for media firms going digital and restructuring their business as well as for new web-based media.

Among the signs of change we can also recall the *Italian Digital Agenda*, which follows the European directives with regard to digital growth and the development of digital infrastructures. In particular, we can mention the support to web start-ups, the ICT vouchers to enhance the introduction of new technologies within companies, and the public-private collaborations to stimulate research and create innovation labs that have been set as priorities and could be relevant for the digital media industry in the next future. Last but not least in 2012 the Government passed the law 179, *Decreto Crescita 2.0*, to enhance the creation of innovative start-ups. A register for the innovative start-ups was created and is kept constantly updated. Registered start-ups enjoy reduction of start-up expenses, tax reductions, relaxation of regulation in case of eventual losses, exemption from employment law, tax credits for employment of skilled employees, disposal of equity crowdfunding platforms, tax incentives for investors, and access to a fund that serves as guarantee for 80% of start-up loans. The *Italia Start-up Visa* is a further program introduced in 2014 to make the release of a visa for foreigners that want to start-up an innovative firm in Italy. Again, these are not media specific measures but media start-ups could well profit from them.

Chapter 6

Market Structure and Innovation Policies in Portugal

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6.1 Market structure and media ownership

6.1.1. Newspapers

The media market in Portugal consists of companies with (i) exclusive activity in the traditional media, (ii) with activities in new media, and (iii) with activities in the telecommunications business. In addition, a new trend, especially in the last three years, the Angolan capital came to change the profile of the media partners or shareholders and, in some cases, with some repercussion in the news flow, paying more attention to economics, politics and African Portuguese-speaking society. In general, the owners of these companies are domestic groups and investors, except in the case of Media Capital, which in 2005 was acquired by the Prisa Group (Spain) and the Bertelsmann Group (Germany). Given the market shares of these large diversified media companies, it is clear that these companies are dominated the media markets. In total, the two largest media companies in the newspaper market have a market share of almost 84 percent. Table 6.1 presents an overview of the market shares and concentration measures of publishers in the daily newspaper market in Portugal. The two largest companies Contrilinveste and Cofina have a market share of 18.44 and 65.47 percent respectively in 2013. Cofina focuses mainly on the newspaper (Correio da Manha, Journal Destak, Journal de Negócios, Record, Metro Portugal) and maginzine activities. The activities of Controlinveste are mainly focused on the daily press (24 Horas, Diário de Noticias, Global Noticias, O Jogo, and Journal de Noticias) and it has a relevant stake in pay TV, especially sport channels. The concentration measure (C4) and HHI show a value of 96 percent and 4.710. These measures indicate that the market of newspaper publishers is highly concentrated. The four largest newspaper publishers have together a market share of almost 100 percent in Portugal.

In the last decade, the circulation of national daily newspapers reveals that the average circulation of paid newspapers has stagnated or declined, as well as the total circulation (including paid and free newspapers). Although free newspapers had a remarkably positive performance in the last decade, it should be noted that in 2009 the free newspapers have also experienced a reduction in circulation following the crisis in the advertising markets.

In Portugal, there also exists an established cultural tradition of reading local and regional weekly newspapers (e.g. Expresso and SOL) and magazines (e.g. Visão and Sábado). These newspapers compete with national daily newspapers for readers and advertisements. Therefore, it can be concluded that the newspaper market is still competitive in Portugal. in the Portuguese Newspaper market due to the competitive pressure in the national Daily Press market.

Table 6.1: Circulation (x1000), Market shares and concentration measures of publishers in the daily newspaper market

	2010		**2011**		**2012**		**2013**	
	Circ.	**%**	**Circ.**	**%**	**Circ.**	**%**	**Circ.**	**%**
Controlinvest	147	22.3	122	20.6	104	20.2	89	18.4
Cofina	427	64.8	391	66.0	343	66.4	318	65.5
Sonaecom	35	5.3	34	5.7	32	6.2	30	6.2
Megafin	23	3.5	21	3.5	16	3.2	30	6.2
Económico SGPS	16	2.4	16	2.6	15	2.8	13	2,7
I Informação	10	1.6	9	1.5	6	1.2	5	1.1
Indices								
CR4	96.00		95.87		95.97		96.22	
HHI	4,745.1		4,832.07		4,876.72		4,710.73	

Source: Elaborated by the author using data from APCT.

Recently, the publishers are also expanding abroad, although the international growth of media operations of Portuguese media companies has been very slow and cautious, representing one of the most passive economic sectors. In the last two years, due to several factors, including the global economic crisis' pressure, these companies have started to be more proactive. The market for Portuguese communities abroad begins to regain more attention as a potential market for the internationalization of Portuguese media companies and products. The companies have been seeking business opportunities in African Portuguese-speaking countries (including Angola, Mozambique and Cape Verde), and Brazil. For instance, Ongoing Group specialized in economic news entered the Brazilian market. It launched the newspaper Brasil Econômico, bought the newspapers Dia and Correio do Povo, and has been showing public interest in joining the television market. This group has also created some partnerships in Angola. Cofina launched the free daily newspaper Destak in Brazil about four years ago, and recently launched an operation in Angola related to Correio da Manhã TV.

6.1.2. Television

The TV broadcasting market also is highly concentrated. It shows a high concentration in media ownership. Only one public and two commercial media companies are operating on the traditional free to air TV broadcasting market. Table 6.2 presents an overview of the free to air market shares of the public and commercial media companies (excluding pay-TV companies) on the TV broadcasting market.

Table 6.2: Distribution of free to air market shares of TV broadcasters

	2009	**2010**	**2011**	**2012**	**2013**
RTP Group	36	37	35	31	29
Impresa	29	29	30	31	32
Media Capital	35	34	34	38	39
Indices					
C3	100	100	100	100	100
HHI	3,362	3,366	3,346	3,365	3,390

Source: Elaborated by the author based on data obtained from Marktest.

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The largest broadcaster is the Rádio e Televisão of Portugal, SGPS (RTP). This is the only national public broadcaster in Portugal. The RTP group was established in 1957 and it runs two free to air television channels RTP1 and RTP2 and two paid channels RTP Memória and RTPN. Since the beginning of the 1990s, Portugal adopted the dual system of public and commercial broadcasters for its television market. Due to the increase in competition, the public broadcaster has lost substantial market share on the audience market as well as on the advertisement market. As a consequent, RTP has structural financial problems for many years. Recently, the broadcaster was reorganized with the aim to reduce the costs and to reduce the number of products and services. RTP mainly competes with two large commercial broadcasters for the audience in Portugal and less on commercial activities. This latter can be explained by the fact that the public broadcaster is pre-dominately state-funded. The largest commercial broadcaster is Media Capital with a market share of 39 percent in 2013[46]. This commercial broadcaster is also an important player in the daily newspaper market. It runs two channels TVI and TVI24. The second largest commercial broadcaster is Impresa which runs operations on one free to air television channel SIC and four paid channels SIC Noticias, SIC Mulher, SIC Comédia and SIC

[46] Media Capital (2013), Annual Report.

Radical[47]. It has a market share of 32 percent in 2013. This diversified media company has activities in television and radio broadcasting, newspapers, magazines markets. A group of financial companies from Portuagal has a majority share in this company.

Table 6.3: Distribution of Advertising Revenues (x1000) and market shares in the TV broadcasting market

GROUPS	2010		2011		2012		2013	
	€	**%**	**€**	**%**	**€**	**%**	**€**	**%**
Media Capital	1,862	49.2	1,869	50.1	1,712	50.4	1,884	48.0
Impresa	1,043	27.6	1,028	27.5	882	26.0	1,245	31.7
RTP	647	17.1	582	15.6	511	15.0	465	11.9
Others (paid TV)	232	6.1	253	6.8	291	8.6	329	8.4
Indices								
CR3	93.87		93.20		91.43		91.61	
HHI	3510.36		3555.52		3515.45		3524.58	

Source: Elaborated by the author based on data obtained from Marktest.

Another emerging development is the digital terrestrial television (DTT) in Portugal. The digital developement attracted companies from the cable and telecommunications industry. The Portugal Telecom and Sonaecom have demonstrated interest in the content industries, mainly through the development of Web platforms for paid content distribution. The development of the pay TV provided Portugal Telecom with a new opportunity to invest in this business after the mandatory divestment of its cable activities due to antitrust issues. Portugal Telecom invested in pay TV through the creation of the MEO cable TV system in 2008. MEO holds a significant position in the pay TV market. The cable company Zon has a market share of 50 percent in the pay TV market.

Table 6.3 presents an overview of the revenues and market share of broadcasters in the advertising market. It shows the dominance of traditional TV broadcasters in the advertiing market. The total market share of the pay-TV was always lower than 9 percent, athough it shows

[47] Impresa (2013), Annual Report.

a positive trend.

6.1.3. *Radio broadcasting*

The radio broadcasting market also shows a very high concentration level. Table 6.4 presents an overview of the market shares of the broadcasters and concentration indices of the Portugese radio broadcasting market. The National Radio broadcasting is dominated by one state-owned media company and two private companies: RDP, Renascença, and Media Capital. In total, these broadcasters have a market share of 94.2 percent in 2013. The state-owned broadcaster has the smallest market share of 12.9 percent. The largest broadcaster Renascença is owned by the Catholic Church. This broadcaster runs three radio stations. The forth radio broadcaster is TSF, which is part of the diversified media company Controlinveste. It has a relatively stable market share of around 5.8 percent.

Table 6.4: Market shares and concentration indices for the radio broadcasting market

	2009	**2010**	**2011**	**2012**	**2013**
RR Group (Church-owned)	53.3	49.2	48.5	46.4	42.2
Media Capital Group	26.9	32.1	33.5	37.5	39.1
RDP Group (Public)	13.9	13.0	12.1	11.0	12.9
TSF	5.9	5.7	5.9	5.1	5.8
Indices					
CR4	100	100	100	100	100
HHI	3,796	3,653	3,656	3,704	3,506

Source: Elaborated by the author based on data obtained from Marktest.

6.2. Media cross-ownership policy

In Portugal, one of the fields not covered by specific sector regulation relates to media ownership. As stated by Costa e Silva *et al* (2011: 85), restrictions on media ownership in Portugal were gradually eliminated, “without any reflection, study or discussion on their possible implications”. On the other hand, the concentration limits lie only in terms of the same sector of activity and not in respect to ownership of various media. Thus, in the case of the press, measures to combat monopolies in the sector that were patent in the legislation were replaced “by the requirement of transparency of ownership and the submission of changes in ownership of the publications to the general competition regime, upon binding opinion of the regulator, when the free expression and confrontation of differing points of view is demonstrably concerned”.

This absence of stricter barriers shows that there was a path towards liberalization of media ownership in Portugal. Ensuring transparency of ownership has become the most important factor and is considered one way of guaranteeing pluralism and preventing concentration. Therefore, the State, through its governments, has not considered the issue of media ownership concentration as crucial; however, there have been some legislative proposals to limit the concentration, which were rejected. In fact, the issue of the media concentration has been frequently debated by the Portuguese government over the past few years. In 2008, the Socialist Party presented the Law of Pluralism and Non-Concentration of the Media. According to the daily newspaper Público, the law intended to "prevent the Government, the regional governments and the autarchies from owning media organs, with the exception of radio and television public service" (Público, 23/01/2009). It was proposed by the government, but rejected by the Portuguese Parliament in October 2008.

The proposal law presented by Socialist Party intended to respond to the constitutional provision that it is the State's responsibility to assure the independence of the media towards political and economic powers, and to prevent the concentration of media companies as well as to disclose media companies' ownership and means of financing[48]. The opposition Social Democratic Party stood against this bill and argued that it did not provide a clear, broad, and strong response to the needs of pluralism in an emerging participatory and deliberative democracy. They criticized this statute for being obsolete since the European Commission was already promoting the establishment of reliable criteria and objective indicators about pluralism. The national President raised this point to justify his veto of the law. Despite the rejection of the Law of Pluralism and Non-Concentration of the Media, the media concentration debate continues.

Regarding ownership concentration, the Communication Regulatory Authority may comment on it, but the Competition Authority has the decision-making power and acts the same way for all businesses and industries in the national scene. Not being specific to the media industry, this economic regulation rests, then, to the Competition Authority.

Some authors (Cádima, 2007: 69)[49] argue that media concentration requires specific regulation in Portugal and that is why a sector regulation is necessary, considering that the media "are not a sector subject to the pure and simple logic of markets" and, therefore, should not be ruled by the economic regulator (Competition Authority), but rather by a specific regulator for this sector. "In terms of concentration, the sector regulator would give priority, from the author's point of view, not only to economic issues, but also to the identity and ethical dimensions, pluralism and editorial freedom of the media. ERC should "undertake the framework for economic regulation of the media sector".

[48] According Article 38, paragraphs 3 and 4, and Article 39, paragraph 1, b) and c) of the Portuguese Republic Constitution.

[49] Cádima, Francisco Rui. (2007) "Bloqueios e desafios da regulação do audiovisual em Portugal" In Comunicação e Sociedade, 11, 65-83.

Hence, the regulatory entities involved in the media markets stand out: the Authority for Competition (AdC) focuses on economic market regulation, the National Authority for Communications (Anacom) focuses on the technical regulation of communications, and the Portuguese Regulatory Authority for the Media (ERC) focuses on media content regulation. ERC is administrative and financial independent from the State, though protected by the Constitution. Its executive is formed by five members, chosen by the Parliament, for a non-renewable mandate of five years. Its functions are divided into several domains, namely the registration and licensing of broadcasting operators, the classification of contents, surveillance and supervision over the performance and contents presented, the response to complaints and queries, and the application of recommendations or sanctions (Sousa *et al*, 2012)[50]. Additionally, the "Media Companies Ownership Transparency Initiative", promoted by the ERC, forces the markets to provide transparent and detailed information about its finances and shareholder structures, also avoiding situations of monopoly or media manipulation that can prejudice the citizen's rights to a plural and imparcial information system.

It is increasingly important to recognize the regulatory focus on the challenges resulting from convergence, especially between free-to-air and pay TV and the transition from an analog to a DTT model in January of 2012. It may be appropriate to rethink the regulation model by examining the close relation between the audiovisual materials' content regulation (ERC) and technical regulation (Anacom). However, the proximity and cooperation of these entities may lead to the materialization of a model that promotes the creation of a third regulatory mechanism, which permits the integration of efforts and an intrinsic to the goal of focusing on the technical and content regulation at the same time. These two aspects are not distinct and they need an integrated response from the regulatory framework[51].

6.3. Media innovation policies

In the last decades, the government has not been sufficiently proactive in designing public policies and strategic programs to stimulate innovation in the media sector in Portugal. However,

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[50] Sousa, H.; Pinto, M.; Lopes, F.; Fidalgo, J.; Jedrzejewski, S.; Silva, E. C.; Melo, A. & Lameiras, M. (2012), Cronologia da Acttividade da ERC (2005-2011). Universidade do Minho.

[51] Additional sources for this section:

Cádima, Francisco Rui. (2007) "Bloqueios e desafios da regulação do audiovisual em Portugal" In Comunicação e Sociedade, 11, 65-83.

Costa e Silva, E., Fidalgo, J. e Sousa, H. (2011) "Regular para a liberdade: o caso português". Derecho a Comunicar, 1, 80-97.

Feintuck, M. e Varney, M.(2006) "Media Regulation, Public Interest and the Law". Edinburgh University Press

Faustino, Paulo (2013). "Media Governance, State Subsidies and Impacts on Regional Press and Radio". Volume 3, Number 4, December, Serial Number, 17.

it is still possible to identify some initiatives or programs created by the state that stimulate innovation, particularly in regional and local media, through direct subsidies in various fields (education, market research, innovation and technological modernization, among other possible policy areas) and indirect subsidies (support for postal costs in newspapers delivery). In any case, these supports have been progressively reduced and rethought in recent years, not only because their impact fell short of expectations (Faustino, 2013)[52], but also due to the economic pressures brought the adverse situation that the country has gone through since 2010, culminating in the intervention – rescue – from Troika. This circumstance has pushed the government to rationalize the use of financial resources in several areas, including public supports. In this context, also the state-owned media companies (RTP, and RDP) have been negatively affected in their development ability, namely (i) because they have fewer resources to invest in innovation, (ii) a certain degree of uncertainty about the media service model and (iii) concern in recovering the accumulated debt of the public television broadcaster. Despite of the progressive reduction of the assigned amount, the State, through the Government's Office for the Media (GMCS), has been creating support models (direct and indirect), which have potentiated innovation and dynamism of the local and regional media markets. Direct support is given to Newspapers and local Radio or to specific media projects, in the form of a loan to purchase new equipment or to innovate and develop a journalism project. The subsidies of direct selection aim to encourage new entries (companies) in the market, in order to reduce the barriers to the market access, or to enhance the markets' competition and structure. In exceptional cases, this assistance may also have opposite effects, helping to make adjustments of market consolidation, promoting the companies cooperation (even between competitors – *coopetition* – cooperation between competitors), in such way that it helps the strengthening of the market as a whole, since the excessive number of players operating in it, ultimately, can lead to a rejection of the companies without the minimum critical elements to develop its business (Carvalho *et al*, 2010)[53].

In the case of private media companies of national coverage, the State intervention to stimulate innovation has been weak or even non-existent, especially with regard to the creation of specific programs for these news organizations. However, there has been some dialogue in the last three years, particularly between the Portuguese Media Confederation and the Government members responsible for the media area, in order to create specific programs within Portugal 2020 (national application of funds from Horizon 2020) for the media industry, whose goal of the program, approved by the government in September 2014, is to support the transition to digital, new business models and internationalization of the domestic media industry.

In the past, media companies did not have direct access to economic support programs, unlike other industries, which in many cases succeeded, innovated and developed with the help of

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[52] Faustino, P. (2013), Media Governance, state Subsidies and Impacts on Regional Press and Radio, *Journalism and Mass Communication*, 3 (12), 768-785.

[53] Carvalho, A.; Faustino, P. & Martins, M. (2010), *Estudo de Impacto dos Incentivos Directos Concedidos pelo Estado aos Órgãos de Comunicação Social*. MediaXXI, Portugal.

public supports. There is no rational clear thinking about the reason of frequent exclusion of the media from State support to the economy, but this can be explained partly by the fact that politicians and governors have never perceived the media as an industry, and by the idea that the government should have economic responsibilities only towards the public television service. For its part, the media associative movement has been relatively fragmented – divided – and poorly skilled in technical and structural terms (there are radio associations, press associations, associations for regional newspapers, associations for private media, etc.), a circumstance that has not favored the existence of a consistent, organized and strongly legitimated lobby, that induces the creation of structured policies and encourages the development of this industry.

Obviously, the no existence of a public policy to support the development of the media industry does not mean at all that this industry has not been able to innovate and evolve over the decades. Actually, considering some structural and economic constraints of the domestic market (small market size, low consumption power, weak economic growth, for example), the media industry has made an effort over the decades to reinvent and innovate practices and business models. In this context, it can be said that domestically the Portuguese media market structure is part of a relatively dynamic and competitive market, although there are some structural weaknesses – lack of dimension and financial capacity – to internationalize; at this level, there have been few initiatives, although some are individual cases of success as, for example, some operations of Portuguese companies (Cofina, Ongoing and Impresa) in Brazil and Angola. Therefore, the development and innovation of private media companies have mainly resulted from the entrepreneurial skills of its founders and employees, and have been leveraged by the revenue generated by the business, as well as the investments of shareholders and other investors and lenders, including Banks, which in some cases have minority stakes in media companies.

Another aspect that should be highlighted is the absence, in the media industry, of venture capital firms, including companies that are directly affiliated or financed by State funds, which could help stimulate innovation and creation of new business models. There are several possible explanations for this, which have to do with (i) the low economic and financial profitability of the media in Portugal, (ii) the policy guidelines for channeling funds for technology-based companies, (iii) the idea that the media are a cultural industry without economic value; and (iv) short-term and conservative logic of venture capital firms. However, this situation may change in the coming years, especially as the relationship – and dependence – of media with technology-based companies, via convergence (business models, production models and distribution models), particularly in telecommunications, is growing. And the economic value of this industry is becoming more valued (in this relationship between technology-media-telecommunications), because it is not only a cultural asset, but a "commodity" that meets or satisfies certain needs of the market. So, in this context, public policies – and also venture capital firms supported by the state – are expected to pay more attention to new business models for the media industry, facing it as a creative industry capable of generating financial returns to investors.

Finally, it should be noted that, despite the media innovation policy in Portugal does not reflect an explicit and proactive attitude from the State, its presence can be indirectly seen, particularly through research and education. The State, through the funding for universities, professional training and research, eventually makes an important contribution; however, at this level, it is necessary to rethink the funding models in order to encourage more cooperation between universities and companies, so the impacts on the economy will be more visible, particularly in media companies. More concretely, three main types of indirect state interventions in the media industry can be identified, through teaching and research system, for example:

i) The State, through the Institute of Employment and Vocational Training, has funded the Professional Training Center for Journalists, an institution that has played an important role in the preparation of human resources for media companies, especially in the area of content production and journalism. One of the aspects that have to be improved is the lack of offer in the area of corporate media management.

ii) The Science and Technology Foundation – State foundation to encourage research – it has supported some projects, like the creation of research centers in the field of communication sciences that help to think about the role of media in society and to generate information on journalistic practices and market. However, the research centers should be encouraged to cooperate with the industry to do more relevant research to the industry, especially with empirical nature.

iii) The universities and institutes, particularly the public ones (because they receive more State resources and have greater presence in the country), have played a key role in the training of professionals to support the value chain of media companies, from editorial, content production and multimedia technologies areas, to their management and marketing. It will also be important to strengthen cooperation with the media industry.

6.4. Summary and best practices

As the analysis of the market structure has illustrated, media cross-ownership is a common feature of the media landscape in Portugal. In general, the level of concentration is high in all media markets. Only a few diversified media companies are dominating the market. The concentration movements of media companies in Portugal can be explained by the need of companies to consolidate in the domestic market (which is very small), and to gain economies of scale to grow in overseas markets. No particular cross ownership policy exists in Portugal. Regarding ownership concentration, the Communication Regulatory Authority may comment on it, but the Competition Authority has the decision-making power and acts the same way for all businesses and industries in the national scene.

Similar to what is happening in other countries and media markets, the main challenge of the media companies in Portugal is to innovate their business models, either through the improvement of processes and products (incremental innovation) or through the introduction of new products and new methods for the content distribution (radical innovation). Most innovative strategies and best practices are related not only to the need to gather resources to streamline processes, but also to invest in creating new products and to enhance internationalization. The media industry in Portugal is hit by an economic recession and a structural crisis due to emerging of new media and technologies. A circumstance which has limited resources to invest in innovation and development, which is a strategic key for the competitiveness of companies and pluralism of the media system. It is for this reason that the State should also have an active role on public policies that foster media innovation. In the Portuguese case, as stated above, the initiatives have been timid and restricted to local regional media and public service media. It is therefore necessary to design a new generation of cross-over policies, extended to the private media, which have an accelerating effect of media innovation policies in Portugal.

In conclusion, we may even consider that the future of media companies in Portugal is dependent on the acceleration of international growth, because of the external market's stagnation, a circumstance that increasingly requires the adoption of good management practices and innovation in contents' formats, management and marketing. In this context, the Portuguese regulatory system may have an important role to promote healthy competition in the information market, and to stimulate innovation in media companies. On the other hand, as described by Faustino (in Albornoz & García Leiva, 2013)[54], the migration from analog to Digital Terrestrial Television (DTT) enabled a more efficient use of radio-electric spectrum, releasing significant resources – the digital dividend – which have been used for the development of mobile broadband.

With the increasing evolution of media and social values, the regulation must be dynamic, attentive, and adaptable to each new issue that comes out. It is necessary to get a balance between healthy competition the foment of diversity and pluralism, competition and regulation, in order to protect and guarantee the future of the public interest and the fundamental rights of freedom of expression and freedom of information.

[54] Albornoz, L. A. & García Leiva, M. T. (2013), *A Internet e o Futuro da TV*. MediaXXI, Portugal.

Chapter 7

Market Structure and Innovation Policies in Spain

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7.1. Market structure and media ownership

7.1.1. Newspapers

Table 7.1 shows how concentration in the newspaper market has increased from 1984 to 2012, when C4 almost doubled and Herfindahl-Hirschman index tripled. Such trend can be explained by two factors: firstly, the crisis in the industry that affected both readership and advertising income and fostered mergers and acquisitions on newspapers; and secondly the lack of regulatory obstacles.

Concentration in the magazine industry decreased slightly during the last decade. As Table 7.2 shows, indexes were down and the level of concentration is low. The main reason behind those two facts is a lack of strong entry barriers: the magazine industry is not a very capital-intensive business and the readers are not extremely attached to a particular title, in contrast with the daily newspaper industry.

Table 7.1: Newspaper Publishers (Market Share by Circulation)

Company	1984	1988	1992	1996	2000	2004	2008	2012
Prisa	11.3	18.6	18.6	14.1	15.8	17.7	17.5	17.6
Godó	7.7	8.6	12.2	7.3	7.1	7.6	8.2	8.5
Prensa Española	6.9	9.3	10.9	7.7	7.1			
Vocento	5.8	7.1	13.5	14	13.2	18.7	18.3	18.3
Zeta	5.8	7.6	8.7	9.9	8.9	8.6	7.5	7.0
Diario 16	4.3	4.6	3.5					
Recoletos	3.1	7	11.7	13.5	11.4	10.4		
Unedisa	0	0	6.2	6.6	7.1	7.5	16.8	15.8
Prensa Ibérica				7.2	7.4	7.6	7.3	7.3
Planeta					1.7	3.5	3.9	3.1
Voz				3.1	3.0	2.9	2.6	2.7
Joly				1.4	2.4	2.3	2.0	2.0
C4	*32.0*	*44.0*	*55.0*	*51.5*	*49.3*	*55*	*59*	*60.2*
HHI	*330.9*	*687.01*	*1,057.9*	*765*	*804*	*1,028*	*1,069*	*1,089.7*

Source: OJD/Introl

Table 7.2: Magazine Publishers (Market Share by Advertising Revenue)

Company	2000	2004	2008	2012
RBA	15.2	14.83	13.6	15.4
Hearst (formerly Hachette Filipacchi)	14.4	13.99	12.3	17.94
Conde Nast	3.23	6.08	8.69	13.54
Motorpress	4.20	6.52	8.01	9.56
Zeta	10.03	8.17	7.06	10.9
G+J	8.57	6.84	6.20	7.74
Unedisa	4.20	4.43	4.72	7.08
Hola	5.50	4.69	4.34	5.68
Prisa	2.10	2.80	3.25	
Axel Springer	2.39	2.23	2.79	2.80
Heres	2.58	2.87	2.29	
C4	*48.21*	*43.83*	*42.6*	*57.78*
HHI	*692.28*	*617.05*	*522.64*	*1,102.75*

Source: Infoadex

7.1.2. Television

Spanish television industry follows the general path of the European market: there is one public broadcaster (RTVE) that gets –through its two national channels- around one third of the audience; three main commercial firms: Mediaset-Telecinco, Planeta-Antena 3 and Prisa Television; one small national player: La Sexta, which recently has reached an agreement to be part of Planeta; and a big variety of regional, local and niche channels. Table 7.3 shows that the market has evolved from a public monopoly in the mid-eighties towards the present oligopoly.

2010 was a key year in the industry: it took place the analogue switch-off and new digital channels were launched; the Government decided that the state-owned company RTVE would not be financed by advertising (so far, it had 25 percent of the advertising television market); and Gestevisión-Telecinco merged with the national channel Cuatro, which had 7 percent of the audience. One year later, Antena 3 acquired La Sexta.

The strategy of Telecinco and Antena 3 is quite similar: they try to protect their market share in spite of the fragmentation of the market; to do that, they look for internal or external growth. During the late nineties they got between 20 to 25 percent of the market each with one channel; now they need to accumulate several channels to keep such rates. Telecinco group, owned by the Italian firm Mediaset, operates with brands like Telecinco, Cuatro, La Siete, FDF, Boing and Divinity, among others. In 2012 reached 44 percent of the advertising television market. Atresmedia, owned by the Spanish group Planeta, operates Antena 3, La Sexta, Nova, Neox and Nitro, among others. In 2012 it got 41 percent of the advertising television market.

Table 7.3: Television Broadcasters (Market Share by Audience)

Company	**1984**	**1988**	**1992**	**1996**	**2000**	**2004**	**2008**	**2012**
TVE (RTVE)	95.0	85.0	45.5	27.9	32.4	28.2	22.0	18.9
FORTA	5.0	15.0	16.5	15.4	16.9	17.7	15.6	9.8
Antena 3 (Planeta)			14.7	25.0	21.5	20.8	17.1	25.8
Canal Plus/Cuatro (PRISA)			1.7	2.2	2.1	2.1	7.8	2.1
Telecinco			20.8	20.2	22.3	22.1	19.0	28.1
La Sexta							5.1	
C4	100	100	97.5	96.5	93.1	88.8	71.5	82.6
HHI	9,050	7,450	2,994	2,054	2,299	2,034	1,467	1,995

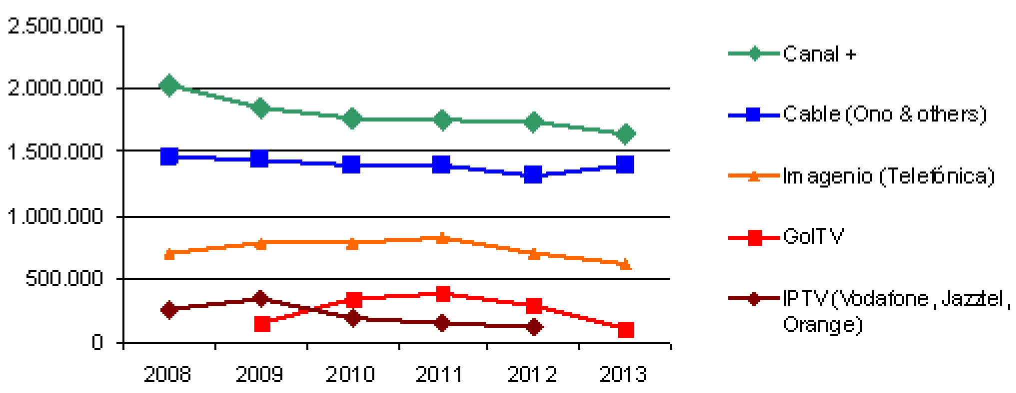
Source: Ecotel and Taylor Nelson Sofres

Regarding digital satellite offering, there is only one provider in the market, Canal Plus. The multiplatform satellite provider started in 1997, merged in 2002 with its competitor, and became the only player since then. In September 2013, the number of subscribers was 1.723.530, 5% less than one year before. In October 2011, Canal Plus launched a service called Yomvi, to spread its offer to Internet, allowing subscribers to access contents anytime from everywhere. Yomvi is also available for Smart TV, being the only offer of digital pay services available for Smart TV and other mobile devices.

In the case of cable television, the decrease is even higher as indicated in the Figure 7.1. There are a total number of 1.176.382 subscribers in September 2013, 11% less than the year before. Although there are more providers in the market, they do not compete among them. There are three regional providers in specific regions and ONO, the market leader that operates in many regions within Spain. ONO offers Tivo as an experience of smart TV, allowing subscribers to enjoy apps and Internet contents from the television set thanks to a special fiber optic cable for the service

IPTV services enjoy the smaller piece of the cake, and their decrease is steep. From September 2012 to September 2013, the number of subscribers decreased 24%, and now totals 673.482. The main provider is Telefónica, since Vodafone left the provision of audiovisual services in December 2012. The service is called Movistar TV, and in July 2013 Movistar TV GO was launched for all Movistar TV subscribers (previously known as "Imagenio"). Movistar TV GO follows the same idea than Yomvi, allowing subscribers to access contents from different devices and at any time.

Figure 7.1: Number of Pay tv subscribers



Source: CMT

7.1.3. Radio Broadcasting

The Spanish radio broadcasting market is quite unique within the European context. The dominant firm is a private company, Unión Radio –owned by PRISA group- with more than 50 percent of the audience market jointly with all their channels, such as Cadena Ser and Cadena 40, both leading the talk and music radio segments (see Table 7.4). Such figures represent the biggest concentration of a national radio broadcasting market in private hands in Europe.

The level of concentration in the radio broadcasting market is stable. C4 is similar in 2012 and 1988, and the Herfindahl-Hirschman index has barely changed. The high level of concentration in the market is due to a lack of legal restrictions: the main private operators –Ser, Onda Cero (owned by Planeta-Antena 3 group) and Cope (owned by the Spanish Catholic Church)- can use their networks of local radio stations to provide national programs.

In such context, one of the main competitive advantages comes from distribution. Prisa uses its more than 440 owned or affiliated local radio stations to offer six national programs: one "news talk" format and five music formats. Cope and Onda Cero have over 200 owned or affiliated local radio stations, and both of them have one news-talk and one music format. Next private competitor –Kiss FM- only has 70 local stations. The public radio Radio Nacional (RNE) has 7.6 percent of the news-talk format audience but does not compete in the advertising market.

Table 7.4: Radio Broadcasters (Market Share by Audience)

Company	**1988**	**1992**	**1996**	**2000**	**2004**	**2008**	**2012**
Unión Radio (PRISA)	36.8	43	50.1	51.8	49.1	51.7	39.6
Cope	15	14.9	21.2	16.7	12.6	13.9	10.5
RNE (RTVE)	23	19.3	15.6	16.8	0	8.7	7.6
Antena 3 (Godó)	10.7	13.1					
Onda Cero (Planeta)		11.6	12	11.1	10.8	12.9	13.7
Kiss FM					6.2	5.6	3.6
Punto Radio (Vocento)						2.2	
C4	*85.5*	*90.3*	*98.9*	*96.4*	*78.7*	*87.2*	*71.4*
HHI	*2,222.3*	*2,749.67*	*3,346.81*	*3,367.58*	*2,686.1*	*3,113.4*	*1,936.9*

Source: EGM

Table 7.5 shows the level of concentration in the online news media market. This industry has weak entry barriers: as a consequence, C4 and HHI indexes show a moderate level of concentration. However, during the last years concentration has increased. In part, this trend can be explained by strategies of external growth launched by the three main players of the market

(Prisa, Unedisa and Planeta), that have acquired offline media –mainly newspapers and TV networks- which have popular online versions.

Table 7.5: Online News Media

Company	2008	2012
Prisa	17.5	26.1
Unedisa	7.8	18.1
Planeta	3.6	14.6
Mediaset	3.5	5.2
Zeta	3.4	5.4
Godó	3.4	5.7
RTVE	1.8	5.3
Yell	4.6	3.2
Schibsted	1.8	3.3
Vocento	4.3	4.7
C4	*34.2*	*64.5*
HHI	*461.3*	*1,381.6*

Source: EGM

The strength of Google in the Spanish search engine market (see Table 7.6) comes from its "first mover advantage" and remarkable brand recognition: it is perceived by most users as the only way to find what they look for. The virtuous circle for the dominant player is completed by the lack of marketing investments of its rivals that do not know how to counter Google's monopoly.

Table 7.6: Search Engines (Market Share by Traffic)

Company	**2004**	**2008**	**2012**
Google	92.10	95.70	96.20
Microsoft	2.40	2.10	0.90
Yahoo	1.60	1.70	1.70
Bing			0.50
Ask			0.50
C4	*96.10*	*99.50*	*99.30*
HHI	*8,490.73*	*9.165.79*	*9,258.3*

Source: StatCounter and Netsuus

Spanish government has showed concerns about concentration in the search engine market but it will not interfere unless it can identify an abuse of dominant position. However, during the last months traditional media companies are worried about Google's ability to control the online advertising market and they are asking for government intervention.

7.2. Media cross-ownership policy

In dealing with concentration issues in media, entertainment and telecommunication industries regulators deal with two main challenges (Llorens-Maluquer, 2001)[55]: on one hand, technology changes the "rules of the game" very quickly and legal frameworks seem always outdated. Secondly, they need to balance excessive levels of concentration (that will lead to less market offerings, high prices for consumers, and lack of incentives for innovation) and excessive fragmentation of the industry (that will produce small companies, unable to compete in international markets).

Both concerns exist in Spanish media markets. The level of concentration is high in several industries; but, at the same time, Spanish media groups achieve less synergy, economies of scale and brand recognition than their US, German, British, French, Italian or Japanese counterparts. As a matter of fact, in the last decade there has been a strong unbalance in the flows of capital towards media and entertainment industries between Spain and the largest economies in the world.

Large companies enjoy positions of greater independence and strength to criticize decisions made by political institutions (Albarran, 2002; Baker, 2007)[56]. But in Spain the weakening of national firms has produced a bargaining power's shift: national and regional governments exert a decisive influence in the content provided by Spanish news media groups.

Governments make decisions about tax and advertising budgets (Fernández & Blasco, 2014)[57]. They allocate new broadcasting licenses and can impose fines for companies that disobey laws.

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[55] Llorens-Maluquer, Carles (2001), Concentración de empresas de comunicación y el pluralismo: la acción de la Unión Europea, Doctoral Thesis. Universitat Autònoma de Barcelona. http://www.tesisenred.net/handle/10803/4095.

[56] Albarran, Alan (2002), *Media Economics: Understanding Markets, Industries and Concepts*, Iowa State Press.

Baker, C. Edwin (2007), *Media Concentration and Democracy. Why Ownership Matters*, Cambridge University Press.

[57] Fernández, Isabel; Blasco GIL, José Joaquín (2014), "Press Subsidy Policies in Spain in the Context of Financial Crisis (2008-12). An Analysis of the Catalan Case", *European Journal of Communication*, Londres, vol. 29, nº 2, pp. 171-187.

Because of such power, governments' action may be critical for the survival of some small and medium size media companies[58].

Among the owners of media companies are banks, finance entities, investment funds and international media moguls such as Bertelsmann, Mediaset or Rizzoli Corriere della Sera. European companies see Spain as an opportunity to enter Latin American markets. Since 2000, most of the media companies participate in the stock market. Being listed in the stock markets has improved transparency in the management of media companies. But the possibility that economic pressures could eclipse the media companies' broad social functions and responsibilities could be a potential drawback.

Media and entertainment companies need to manage scarce resources, assess supply and demand, apply new technologies and improve the quality of their services. Media firms' growth, vertical and horizontal integration, internationalization and diversification strategies, specialization and segmentation of products targeted to different publics are appropriate tools for enhancing innovation and profitability and help their survival in highly dynamic and competitive markets.

Spanish media concentration regulation evolved since the late nineties from an "ownership model" to a "market share model" or "total audience model". During the age of scarcity of media outlets, policy-makers settled limits for ownership of radio and television broadcasting. But the launching of a variety of new audiovisual products made such legal framework old-fashioned. The relevant issue was not to have a given percentage of a media company but to reach a given market share, adding the audience of the different media products owned by the same firms.

The audiovisual sector has been one of the most regulated. However, following the trend of other European countries, liberalization started at the end of the eighties. Private television came to Spain in 1988, thanks to the Law 10/1988[59]. The Government allowed the creation of three new national television channels. In 2005 the Government granted new licenses for television channels, allowing the entrance of new media groups in the television sector, such as Vocento and Unidad Editorial.

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[58] Summary of the regulatory framework

Law 10/2005, June 14, of Urgent Measures to Foster Digital Terrestrial Television, Cable Television Liberalization and Promotion of Pluralism.

Law 30/2005, December 29, of General Spanish State Budget for 2006.

Law 8/2009, August 28, of Funding for the Spanish Corporation of Radio and Television.

Law 7/2010, March 31, of Audiovisual Communication (LGCA).

[59] Law 10/1988, May 3, of Commercial Television.

Cross-media ownership rules were also liberalized in 2006. The law allowed participation in more than one television channel, although establishing some limits: a shareholder may not participate in more than two television licenses in the field of dissemination, and a company cannot hold a significant stake (more than 5%) in more than one operator of equal coverage. Four years later the law became more flexible, as the LGCA 7/2010 recognized the right to participate in the ownership of television channels, provided they do not earn more than 27 % of the audience share. This opened the door to new mergers: Mediaset and Sogecable and Antena 3 and La Sexta. However, a single company may not have significant interests in providers that accumulate more than two multiplexes, and in any case at least three state private operators must be guaranteed. In addition, owners from countries that are not members of the European Union may not own more than 25 percent.

In 2010, the new Audiovisual Law extended the licensing period from ten to fifteen years. Renewal is automatic by meeting certain requirements. The ability to lease or license any of the channels that are part of a recognized DTT multiplexes was also granted. It is possible to rent two, three or a full multiplex, provided they have passed at least two years from the award of the license. The payment of conditional access is also a right for licensees, limiting it to 50% of the channels allocated to each license to ensure that there is an extensive range of free TV offerings.
In summary, the Spanish market is now experiencing a second evolution. The government tries to make compatible growth of national companies with protection of pluralism and free competition. More transparency is now requested; more attention is paid to external growth (M&A operations) than to launching of new offers in the market; vertical integrations carefully watched, in order to prevent bottlenecks that may lead to abuse of dominant positions; practices against free competition like blocking sales of products or pricing agreements between competitors in oligopolistic markets are screened.

7.3. Media innovation practices

Innovation in the media in Spain has not been led by regulation. To some extent, the need to innovate has been spurred for the unprecedented industry crisis. Even Digital Terrestrial Television with the analogue switch off and the accompanying increase in the number of channels available for free, has arguably failed to give opportunities to new entrants (Fernández & Díaz, 2010)[60].

The wave that swept the media in Spain has taken managers, firms and even entire markets by surprise. Internet's development and free consumption have diminished content value. There is an abundance of substitutes. Consumers find news and entertainment without any cost and started "fleeing" some media outlets. Then, the industry was hit by the September 2008 financial

[60] Fernández, Isabel; María-Jesús Díaz-González (2010), "Digital Terrestrial Television Rollout Policies in Spain and the Changing Scene of Television in the Context of Analogue Switch-off", *International Journal of Digital Television*, Oxford, vol. 3, nº 3, pp. 289-307.

crisis that eroded growth, and advertising with it. It was the "crisis inside the crisis". The need for daring solutions was all the more pressing in a context with fewer resources to cope with change.

However, most Spanish media companies, trapped by the conventional wisdom of their markets, still offer a "menu" that seems a mere imitation and repetition of "glories" of the past. According to the Reuters Digital News Report, the print media industry in Spain kept declining in 2013, both in terms of market share and advertising income. One consequence was the replacement of the editors at three big newspapers *El País, El Mundo,* and *La Vanguardi*a. Nevertheless, the print market enjoyed the launch of lifestyle magazines such as Forbes and Icon, as well as some politically focused monthly periodicals. Mergers left the television market with just two commercial operators that as of September 2014 account for an audience share of 57.8 (Mediaset and Atresmedia). Closures affected media companies of all kinds, including a multimedia group (Intereconomía), a commercial radio network (ABC Punto Radio) and a regional public service broadcaster (Radiotelevisió Valenciana). Online-only news media continue growing (El Confidencial.com, Eldiario.es, for example).

Technological improvements are beneficial: new products and services are developed from them, and growth occurs. But some of the old players cannot cope with market transformations. Companies need to increase their capabilities for innovation and creativity, find the best management options available, and foster culture and leadership "revolutions" to get ready for change. The digital transition has updated company learning. Traditional ways of production are changed, and the workforce needs to be trained again. Some old and established players are threatened, and only learning companies make progress. Best brands are able to innovate, have initiative and accept risks. The more capable media companies "swim against the stream". They seem to have a capacity to nurture the best possible content to sustain their competitive advantage. They resist temptations to be "lighter", "cheaper" or look for the lowest common denominator, and often defy conventional wisdom. Sometimes, they are old companies that have been consistent with well-established identities.

Decisions to charge for online news content in Spain are adversely affected by memories of the audience decline caused by the hard pay-wall erected by El País in November 2002 – withdrawn three years later. Since 2010, most of them have adopted a strategy of open and free-to-read websites, alongside e-replicas of print editions sold through digital newsstands. But inspired by the example of foreign newspapers, El Mundo introduced a soft paywall in November 2013, along with an evening app edition and a daily gossip tablet app. Some regional sites like Lavanguardia.com now offer premium content via their websites while online-only sites such as ElConfidencial.com, Eldiario.es and Infolibre (published from Madrid) and Vilaweb (a Catalan online pioneer) have voluntary paid membership schemes, with previews and benefits for subscribers.

A decade ago, online audiences started to engage with news in political blogs and forums, later in comment threads on news sites, and that tradition has made its way to social networks (in Spain, 40% share a news story via email o social media). Although TV current affairs shows promote hash-tags relentlessly, Twitter comes third to more personal networks. Some media sites are enabling direct WhatsApp sharing.

Innovation has also arrived to Spanish television companies. Traditional free to air television channels started offering online premium contents for any device. The three main television companies have created apps for their channels, smartphones and tablets (atresplayer and atresmediaconecta for Antena 3; mitele for Mediaset content; and +24, rtve.es, clan and +tve for TVE). In terms of business model innovation, Atresmedia seems to be more active, differentiating users, registered users and subscribers, thus trying to maximize information for advertisers. It is exploiting different revenue streams: advertising, premium and PPV. In this context, it is relevant to take into consideration that the cost of online delivery is very low. In the case of RTVE, its offering is rooted in its foundations as public service, and is available for free. Probably, Mediaset Spain has not been as active as Atresmedia because of its leadership in the traditional business.

In terms of Smart TV distribution, Atresmedia and RTVE are also the more active players. Nubeox, an online video store owned by Atresmedia, can be accessed directly through Smart TV, and the offering of Atresplayer in Smart TV sets is likely to be working very soon. RTVE has also launched its Smart TV offering, called Botón Rojo [red point], which allows people with connected television sets to enjoy all the contents available on the Internet.

In Spain the regulation and public policies to promote and foster innovation in the media industry have focused in fostering DTT, increase competition in the audiovisual sector, foster entrepreneurship and establishing intellectual property laws.

The Spanish Ministry of Industry coordinated the works of AETIC (Association of Spanish Electronics, Information and Telephone Technology Companies) and the DTT IMPULSA plan with the goals of favouring the digital transition. IMPULSA was the association that represented national and regional broadcasters and the operator of the national broadcasting network. An agreement was signed between the three parties in 2007 to facilitate the digital transition and steer its development. Both AETIC and IMPULSA committed to develop actions to foster the transition until the "analogue switch off" (2010). Campaigns of consumer information about DTT were launched, DTT advanced services were developed and infrastructures of reception and transmission were set in place.

AETIC represented around 1.000 members; 300 were individual firms and the rest entities and business associations with activities related to Electronics, Information Technologies and Telecommunications. The Spanish Government funds actions that can facilitate technological innovations in media companies. Learning initiatives related to creation, production, distribution or sales of digital content are also fostered, as it is the participation in seminars and events or the work to elaborate industry reports. There is also funding for the production and distribution of digital contents.

Red.es is a public entity that works on the development of Internet's and new technologies' potential. Its goal is to increase employment by supporting the companies that aspire to be part of the new digital frontier, creating programs of learning and consulting for medium and small-size companies and entrepreneurs. It also has the duty to improve savings and efficiency by implementing new information and communication technologies in the public sector.

The Ministry of Industry, Energy and Tourism spends 500.000 € in public funds to access learning programs about Digital Economy (October 2014). Public funding follows two goals that are contemplated in the "Spanish Digital Agenda". Among the lines of action some initiatives to help digital capabilities and professional training stand out. One of them is specifically designed to "foster an improvement of the university offerings geared to the formation of professionals in the Technologies of Information and Communication". It funds master programs that offer technical and digital training.

The National Observatory of Telecommunications and Information Society (ONTSI) works as a public initiative inside Red.es to research and analyse the telecommunications sector. It has recently published the report "Technologies oriented to mobility: trends and evaluation".

The Law of urgent measures for the development of DTT, liberalization of Cable Television and promotion of pluralism was signed to help the growth of the broadcasting sector. It allowed a merger of television channels as long as their audience wasn't higher than 27%. A Law was also approved for the funding of RTVE Corporation. It suppressed advertising in the public television channels, leading a huge migration of advertising expenditures to the commercial channels (around 500 million euro). In order to compensate their economic loss, commercial operators were required to allot a 35% of their income to finance RTVE (the national public broadcaster). Besides, pay TV channels and telecommunications companies were forced to use part of their income to fund the public corporation.

In 2013 it was established that the National Commission for Markets and Competition (CNMC) would also have a say in matters related to the media and it was created a General Direction for Telecommunications and the Broadcasting Sector that replaced the State Commission for Broadcasting Media (CEMA), created by the Law 17/2010. The General Direction deals with matters such as evaluations of abuse of dominant market position, complaints about non-compliance of the Self-Regulation Code about children TV content, or compliance with legal limits for advertising in television.

The General Law of Audiovisual Communication was signed to adopt the EU Directive 89/552. It repeals all the previous laws related to broadcasting and promotes European and independent production. A 51% of broadcasting time should be allotted to European film and broadcasting works and at least a 10% of total broadcasting time should be dedicated to independent production (half of them produced in the last 5 years). The Law also regulates subsides for the film industry: broadcasting companies should devote a 5% of their previous year income to fund films and TV series.

The recent Law 14/2013 (September 27) supports entrepreneurs and their internationalization. Following the law, public and private entities have put in place initiatives to create and finance new businesses. The Ministry of Industry, Energy and Tourism created CIRCE (Centre of Information and Network for Business Creation). Its goal is to help with information activities of innovation and entrepreneurship. A fund to help young entrepreneurs was also created.

Another key public initiative is the “Avanza” (Spanish for “move forward”) Plan for the development of the Knowledge and Information Society. Between 2005 and 2008 the Plan has received 5.000 million euros to fund projects to develop products, processes, applications, contents and services related to ICT. Its basic priorities were promoting the use of Internet and the creation of digital content.

The Ministry of Economy and Competitiveness also created CDTI, a fund to finance technological innovation that helps innovation projects in large companies. Some city and regional authorities have also fostered the creation of technology clusters around those lines. Relevant examples are Barcelona Activa, Madrid Emprende, Tetuan Valley (Madrid), Moderna (Navarra) and Crecer+ (Basque Country).

The measures to protect intellectual property are assigned to the Ministry of Education, Culture and Sports. The online platform Filmotech, created under the initiative of Spanish producers by EGEDA (Entity for the Management of Rights of Film and Broadcasting Producers) was approved by the Spanish Government to fight piracy. Filmotech distributes legally Spanish, European and American films. It has also fostered a number of information media campaigns and police actions against piracy.

In the last months there is a debate about whether a “Google tax” should be approved as a part of the controversial project of the Law of Intellectual Property. With this law, the Government seems to be yielding to the pressure of AEDE (Association of Spanish Daily Newspaper Publishers). However, according to a spokesperson of the Government in the Senate, “it is a very controversial law, but it tries to avoid piracy and favour creative processes in the Net, so that the efforts that are done in creative processes and elaboration of news receive their economic compensation.”

As a conclusion, the Spanish Government regulatory and policy actions are favouring more innovation in the Telecommunications sector than in the Media. Public action has been oriented more to technologies than to contents. A confusing web of public initiatives and institutions make the promotion of innovation and entrepreneurship less dynamic and efficient for the media industry.

7.4. Summary of best practices

An improvement in marketing and advertising could also be an answer to the crisis. Some initiatives might include easier access and consumer transactions; better effectiveness for clients; more personalization and emotional implication; loyalty rewards. New media experiences should be created to increase levels of engagement. Contemporary audiences are fickle. But strong brands create powerful experiences in which the point of sale plays a role: some brand extensions could actually work for media brands that have solid relationships with its publics. Advertisers will demand better target audience knowledge and ask for precise intelligence about advertising and marketing campaign effectiveness; they will also want to use digital strategies and offers for several media platforms. Selling aggressively “media spaces” will no longer be enough: there will be a need to build sophisticated marketing machines to serve clients.

A related field for improvement in Spanish Media is consumer understanding. Markets will be better served by listening more. Some companies still consider audience and clients reactions as a curse. In reality, they are a blessing. The capacity for analysis of consumer feedback allows companies to respond relevant questions such as: Who is the consumer? What is he or she buying? How often? What kind of event does trigger a consumer response? Which product version sells best? At which price? What is the most attractive package? What is the best seller for every audience? What is the best performing postal code? Are consumers satisfied?

Spanish companies might also need to differentiate from one another not only by their content, but also by its distribution. Content distribution improvement is related to access, multiple distribution channels and easier transactions. As the music industry taught, added value is related to content distribution. Content should be distributed in multiple platforms: visual, text, podcasting, blogs, and so on. Consumers expect brands to be close to them: in this supply market brands are actively looking for users and not the other way around. Downloads create new brand relations: the amount of time people spend with media is increased and “word of mouth” and recommendations are fostered.

The digital transition allows for increased levels of participation and interactivity, creating some opportunities. Social media like Facebook or Twitter teach old media to be relevant and flexible, engage consumers, listen to them, and use a conversational tone. Collaboration and a sense of community are fostered. Media companies should think like consumers. Sometimes there is a tendency to paralysis that comes from a lack of ability to stand back and understand new conditions and choices for consumers, or to consider why the competition is growing.

Some lessons from the digital and mobile transition in Spanish media are related to management. The digital transition brings with it flatter management structures, more flexibility, less intermediaries, easier operations and the end of some physical distribution networks. Structures are in need of restructuring. Second-generation Internet companies have organized their management around openness and flat, horizontal structures. They have shown that the more experienced managers are not necessarily the best innovators.

Spanish media outlets need to broadcast content that can reach audiences wherever they are. Many people don’t have the time to read comfortably a piece of news at home, but could listen to an in-depth report in their commutes, while preparing dinner, or cleaning up the garden. iPads and tablets will bring new casualties with them. But the digital transition is good for consumers and will be a force for the industry’s improvement. Initiative, innovation and risk are differential factors for leading companies that look for solutions, avoiding the creative paralysis caused by bureaucratic forces and the “status quo” in the media market. The Spanish regulatory environment should be a better help to create the environment where those changes take place[61].

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Chapter 8

Market Structure and Innovation Policies in Switzerland

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8.1. Market structure and media ownership

Switzerland is a small country that has enjoyed a remarkably long and continuous tradition of independence and political neutrality. The federal structure grants considerable autonomy to the different cantons. With a population of about 8 million, Switzerland's ethnic and linguistic diversity reflects its location relative to three major neighboring countries: Germany, France, and Italy, respectively. Ethnically, the Swiss German-speaking population is in the majority (approximately 65 percent), followed by the French-speaking (22 percent) and Italian-speaking (8 percent) populations. This diversity, coupled with affluence, nearly universal literacy, and direct civic engagement has been fertile ground for a highly competitive and largely independent press. However, during the past two decades, the media industry has been experiencing an increasing trend towards concentration of ownership mostly due to competition for decreasing advertising revenues. In addition to mergers, cooperative ventures and the increasing use of shared editorial, feature, and supplement sections effectively standardize the editorial image in national and international news reporting.

8.1.1. Newspapers

At newspaper level the Swiss market is highly concentrated. In terms of advertising revenues, the three major media players – Tamedia AG, Ringier AG and NZZ Group, all based in Zurich – are controlling about 80% of the market. Tamedia alone collects 50% of the advertising revenues in the German and French speaking part of the country. Based on circulation we can identify the same situation as Tamedia AG, Ringier AG and NZZ Group control 78% of pre press market and 53% of what is offered online across Switzerland. Since 2001 these three dominant companies have increased their market share by nearly 40% with a growth of 20% only in the online sector that shows an even higher degree of concentration. Apparently only the biggest players in the market are in a position to operate news sites with a significant reach and thus barriers to entry are very high.

In the German speaking Switzerland the three main publishing houses control 83% of the press and 57% of the online market. During the last 10 years about a dozen publishing houses lost their status of news media outlets with wide circulation while the major media companies have been increasing their market share considerably. The market share of Tamedia grew from 19% to 36%, the one of Ringier from 21% to 27% and NZZ Group reached 19%. In line with a regional monopoly seeking strategy, in 2013 Tamedia AG has acquired Ziegler Druck und Verlags-AG, the publisher of Der Landbote in Winthertur (Table 8.1). The dominance of Tamedia is evident also when looking at the market share in terms of advertising revenues in the press market. Despite a general fall in advertising revenues for the Swiss daily and Sunday press by 18% during 2003 and 2011, Tamedia AG reached a 50% slice of the advertising pie in 2012, with Ringier and NZZ controlling each a 16% share and the rest of companies sharing the remaining 18% of the pie.

Table 8.1: Newspaper Publishers – Evolution of market shares (%)

Publishers	**Titles**	**2001**	**2012**
German-speaking part			
Tamedia	20 Minutes, Tages Anzeiger, Berner Zeitung, Sonntags Zeitung.	19%	36%
Ringier	Blick, Blick am Abend, SonntagsBlick.	21%	27%
NZZ Gruppe	Neue Zürcher Zeitung (NZZ), NZZ am Sontag, Neue Luzerner Zeitung, St-Galler Tagblatt.	7%	19%
AZ Medien	Argauer Zeitung, BZ Basel, Der Limmattaler, Schweiz am Sonntag.	4%	8%
Others		49%	10%

In the French speaking part of Switzerland, this year Ringier AG has been consolidating his position with the purchase of Le Temps, the reference newspaper of the region, 92.5% of which was previously owned by Ringier and Tamedia in equal parts (Table 8.2). Tamedia dominates by controlling 68% of the press market – and 46% of the digital market. Between 2001 and 2012 six publishing houses closed down or were taken over by other media companies contributing to a shift of the ownership profile in favor of Hersant, who controls 11% of the market, and Tamedia.

In terms of advertising revenues Tamedia collected 57% of them in 2012, compared with the 6% share of Ringier and the 19% share of Hersant.

Table 8.2: Newspaper Publishers – Evolution of market shares in French speaking Switzerland (%)

Publishers	**Titles**	**2001**	**2012**
French-speaking part			
Edipresse		56%	0%[62]
Tamedia	Le Matin, le Matin dimanche, La Tribune de Genève, 24 Heures, La Broye, le Journal de Morges, Le Régional.	0%	68%
Editions Suisses Holding Ringier	 Le Temps	2% 5%	11% 4%
Other		39%	28%

The three dominant publishing groups – Tamedia, Ringier and NZZ – are highly profitable, however an increasing majority of profit comes from non-journalistic offerings. Ringier owns dailies, weeklies and magazines but has progressively extended its business to digital and mobile e-commerce platforms such as ticket selling, as well as job, housing and car classifieds. Further, Ringier is a vertically integrated company and owns the largest printing plant of Switzerland as well as a part of the group "Swiss Printers", a joint venture in the graphics business which shares are divided between Ringier (58.8%), NZZ (25.2%) and Edipresse (16%). Tamedia is a multimedia group that owns newspapers and magazines but also local television networks as well as e-commerce platforms. The group is pursuing a strategy of vertical integration, too. As mentioned above, it jointly owns the Swiss Printers group as well as its own distribution and logistic service.

Like its main competitor Ringier, Tamedia is also present in the ticketing business with the platform "starticket.ch". Revenues from the digital business, mainly internet-based and mobile e-commerce-services, now account for about a quarter of the sales for both Tamedia and Ringier.

[62] In 2011, Tamedia acquired the Swiss activities of Edipresse, a Swiss media group based in the French speaking Switzerland that is still active in Eastern Europe and in Asia.

The NZZ Group holds several daily newspapers in its portfolio as well as a dozen of magazines. The group is also present at multimedia level with three radios and two local TV channels. AZ Medien was born from the merger of "Der Aargauer Tagblatt AG" and "Badener Tagblatt AG" in 1996. The Group owns several dailies and a weekly newspaper, its own printing plant, and has a diversified portfolio including a dozen of specialty magazines as well as four regional televisions. Although mainly active in the regional press, the publishing group Editions Suisses Holding further expanded its business with e-commerce services.

8.1.2. Television

The Swiss Television sector is highly concentrated, too. The main operator in the market is the national public service broadcaster SRG SSR. The group is a non-profit organization, mainly funded through radio and television license fees (70%) and making the remaining income from advertising and sponsorship. The holders of the broadcasting licenses that enable SRG SSR to operate are four regional associations: SRG idée Suisse Deutschschweiz (SRG.D), SRG idée Suisse Romande (RTSR), Società cooperative per la radio televisione nella svizzera italiana (CORSI), and SRG SSR idée Suisse Svizra Rumantscha (SRG.R). The group represents the largest audiovisual media organization in Switzerland with an average market share of 30% for the television market, 60% for the radio market and 11% for the online market (Table 8.3).

Apart from SRG SSR the Swiss media landscape includes various regional and local TV network operators, which are far smaller in size and face a fierce competitive pressure. The total number of operators in the TV sector declined from 27 in 1998 to 13 in 2012. Operators featuring news services not only compete with SSR SRG but also with other smaller Swiss operators focused on entertainment offerings as well as with the very powerful television networks from the neighboring countries speaking the same language. AZ Medien dominates among the operators featuring information-based journalism in the German speaking Switzerland.

Table 8.3: TV Broadcasters – Evolution of market shares in German speaking Switzerland (%)

TV Broadcasters	Channels	2000	2013
German-speaking part			
SRF (SRG SSR)	SRF1, SRF2, SRF info	33%	31%
Private TV		6%	7%
German TV	RTL, ARD	n/a	11.1%
Other		58%	50.9%

However, revenue levels for commercial broadcasters is very low and their survival depends on an ongoing support from license fees. In 2012 only the advertising slots of foreign TV operators managed to grow their revenues significantly. Further, among the commercial broadcasters, providers with focus on entertainment are benefiting the most from advertising revenues. In the German speaking Switzerland local and regional Swiss TV networks are able to reach the considerable market share of 7%. In the other parts of the country the market share of these small private operators is stable around 1% (Table 8.4).

Table 8.4: TV Broadcasters – Evolution of market shares in French and Italian speaking Switzerland (%)

TV Broadcasters	Channels	2000	2013
French-speaking part			
RTS (SRG SSR)	RTS1, RTS2	35%	30%
Private TV		0%	1%
French TV	TF1, M6	n/a	26%
Other		65%	43%
Italian-speaking part			
RSI (SRG SSR)	RSI LA 1, RSI LA 2	34%	38%
Private TV		1%	1%
Italian TV	Canale 5, Rai Uno	n/a	13.6%
Other		65%	47.4%

Also the public operator SRG SSR is seeing a slight decline in advertising revenues and market share. In the German speaking Switzerland the decline is due to and partly compensated by the growth of local private TV networks. In the French part the loss of share has been catched by the foreign operators, while in the Italian market SRG SSR has been maintaining if not reinforcing its position over the last 25 years.

8.1.3. Radio Broadcasting

The Swiss Radio market is even more concentrated than the TV market and shows the importance of public radio in comparison with private radios in the different linguistic regions. In the German speaking Switzerland two thirds of the market are controlled by SRG SSR with its different channels. Swiss local private radios control another 30% of the market, while foreign radios have lost half of their market since 2001 and now only reach a share of 5% (Table 8.5).

SRG SSR dominates also in the French speaking Switzerland, where it controls 66% of the market, a share that increased since 2001 but that showed a slight but steady decline since 2009 when the group controlled a maximum of 68% of the market. Private radios maintained a more of less constant share of 24% since 2001, while foreign radios have seen their share diminish of 6 points during the same period.

Table 8.5: TV Broadcasters – Evolution of market shares (%)

Radio Broadcasters	**Radio Stations**	**2001**	**2013**
German-speaking part			
SRF (SRG SSR)	SRF1, SRF2 Kultur, SRF3, SRF 4 News, SRF Musikwelle, SRF Virus	63%	65%
Private radios		27%	30%
Foreign radios		10%	5%
French-speaking part			
RTS (SRG SSR)	La Première, Espace 2, Couleur 3, Option musique	59%	66%
Private radios		25%	24%
Foreign radios		16%	10%
Italian-speaking part			
RSI (SRG SSR)	Rete Uno, Rete Due, Rete Tre	80%	80%
Private radios		6%	12%
Foreign radios		14%	8%

In the Italian part of Switzerland the Swiss public broadcaster is even more dominant controlling 80% of the market. Local private radios are less important than in the rest of the country, they however gained market share along the years compensating for the loss of market showed by foreign radios.

8.2. Media cross-ownership policy

It should first be noted that, unlike some countries, there are no laws in Switzerland governing cross-ownership policy of media companies. The rules on competition and concentration are defined in a general law called The Cartel Act. Unlike the print sector, the audiovisual sector additionally has a specific law. Indeed, it is the Federal Act on Radio and Television (RTVA) and the Ordinance on Radio and Television (made under this act) which regulates the activities of the audiovisual media. According to section 1, "This Act regulates the broadcasting, processing, transmission and reception of radio and television program services". This law includes also measures against media concentration. According to section 74 – *Risks to diversity of opinion and offerings* – a risk to diversity of opinion and offerings exists if a TV or Radio broadcaster abuses its dominant position in the relevant market. The Department consults the Competition Commission (COMCO) to assess the dominant position as defined in Article 4 paragraph 2 of the Cartel Act of 6 October 1995. The latter, which is an independent authority, may publish its comments. According to section 75 of the RTVA – the one concerning the measures – if, after obtaining the Competition Commission's report, the Department ascertains that a broadcaster or another undertaking active in the radio and television market has jeopardized diversity of opinion and offerings as a result of its abuse of its dominant position, it may take measures. As a rule, a decision is taken within three months from the receipt of the report. Measures may require that the concerned broadcaster takes actions to ensure diversity, issues editorial statutes to ensure editorial freedom, or even adapts the business and its organizational structure in order to eliminate the abuse of dominant position.

As already mentioned, for the print media sector there is no specific law concerning concentration and/or competition of companies active in the print media sector. As for any other industry, also for print media it is the Swiss Federal Act on Cartels that sets the rules on that matter. According to article 9 of the Act, all planned concentrations of undertakings must be notified to the Competition Commission (COMCO) before their implementation if in the financial year preceding the concentration (1) the concerned undertakings reported a turnover of at least 2 billion Swiss francs, or a turnover in Switzerland of at least 500 million Swiss francs, and (2) at least two of the concerned undertakings each reported a turnover in Switzerland of at least 100 million Swiss francs. When receiving the notification of a planned concentration, on the base of "clues that could lead to dominance" the Competition Commission decides if there are sufficient reasons for conducting an investigation.

In 2013, the Infrastructure Division of the COMCO rendered various decisions involving company mergers in the media sector. In line with the structural transformation of the industry towards digital supports and distribution platforms, most decisions concerned mergers, takeovers, transfers and joint ventures of web-based platforms. Swiss media companies appear to have a growing interest in this expanding market. Indeed, Tamedia and Ringier planned to take joint control of *Jobsuchmaschine AG*, an Internet portal for employment related classified advertising. Tamedia and Schibsted classified Media NV, a Norwegian media group with operations in 29 countries, planned to jointly own the company division *piazza.ch* and the *car4you Switzerland AG*. The first is a small advertising website and the second is a portal for used cars classifieds. Futhermore, Tamedia gave notice of its intention to take sole control of *Starticket AG*. At present, the group based in Zurich owns a 75% share of the ticketing service. The founder of *Starticket AG*, Peter Hürlimann, holds the balance. Following an assessment for a provisional examination, all these mergers were given the green light by the Competition Commission.

The most recent decision made by the Infrastructure Division of the COMCO concerns the acquisition of the daily *Le Temps* by the group Ringier. *Le Temps* was jointly controlled by the two main Swiss media groups, Tamedia and Ringier, that owned an equal share of 46.25%. The newspaper was put up for sale in October 2013. Tamedia renounced to the acquisition fearing a denial from the Competition Commission due to the already dominant position of the company in the French speaking Swiss media market. Thus, despite the existence of other acquisition offers, the two main owners agreed on the group Ringier acquiring the stake of Tamedia and becoming the majority shareholder with 92.5% of shares. On 9 September of this year, the Competition Commission cleared the acquisition by announcing to have abandoned the opening of a full investigation.

8.3. Media innovation policies

According to OECD, "Switzerland is a small, prosperous, open economy, with outstanding strengths in innovation. It is therefore not surprising to find the country at the top of the major rankings on innovation and competitiveness. Indeed, Switzerland is the most competitive country in the world (Global Competitiveness Index 2013-2014). Switzerland remains also the leader for the fourth consecutive year of the Global Innovation Index 2014. However, apparently most of the innovation activity comes from incumbent firms and not from start-ups. If Switzerland is competitive in terms of offer of incubation and infrastructure facilities, as well as in terms of education offering, the country is far less well off in terms of financial support offered to new firms such as direct subventions, fiscal easing or risk capital enhancement. Politicians are quite active in trying to change the situation and grant the possibility also for new firms to enter the market. With reference to the media sector some measures have already been taken in order to improve the situation of smaller companies and strengthen competition on the market. In 2007, as a result of the revision of the broadcasting law (RTVA, art. 40), new criteria for the distribution of the license fee have been established. A fixed amount is being distributed each year to private broadcasters; since the revision of the law the amount went from 9 million Swiss francs to 18.5 million for radio broadcasters and from 6.5 to 31.4 million for TV broadcasters. Thus, the financial support that those private operators receive has increased quite substantially. We must also say that that sum is now distributed also among fewer operators as, following merger operations, the number of private TV companies diminished from 27 stations until 2008 to 21 in 2013. The revision of the law also introduced some more conditions for the public broadcaster SRG SSR such as the obligation to diffuse regularly a certain amount of educational programs as well as to notify the authority when engaging in activities other that their usual programming (in particular concerning the online sector) that could damage other media firms. Furthermore, local TV and radio stations can now advertise light alcohol drinks.

Print media are not receiving any direct contribution coming from the state. However, as in many other countries, their are granted a reduced price of postal services for the distribution of print newspapers. The difference is paid to the Post by the state. Considering the structural crisis that the media industry is undergoing and the fact that print circulation is constantly diminishing, the Governement took action and in 2012 constituted an independent Federal Commission for Media (COFEM) giving it the task to analyse the situation and propose alternative ways to support the media sector and thus ensure media pluralism. The commission submitted a report in September this year which suggests several measures to support in particular the journalism sector, considered as essential to the democratic debate. The proposition is based on the conversion of the present indirect financial support in terms of reduced postal price for the newspaper delivery into financial support for other actions. First of all, the COFEM proposed to support the national press agency ATS, considered as an infrastructure for the whole industry. Then, financial support should go to the training of journalists and to the development of innovative media projects, ideally in collaboration with the programs of the Federal Commission for Innovation and Technology. The latter finances applied research but does not have a dedicated media program yet. Furthermore, the creation of media start-ups should be facilitated, while exceptional journalistic achievements as well as media research should be awarded and further sustained. The COFEM considers essential for granting independency to journalistic work that a foundation is created to manage the financial support made available from the state. The same Commission is now working also on alternative ways for the deployment of the broadcasting license fees. As to now, the private media sector does not agree on this proposal and does not want to lose the indirect support to the print media distribution.

8.4. Summary and best practices

All in all we can say that the media sector in Switzerland is particularly concentrated. A high level of concentration is normal and accepted in smaller countries. However, if before the economic downturn started in 2008 the market could ensure sufficient resources to the big players and thus grant existence to many small local and regional newspapers and private broadcasters, now the situation has worsened. Both the number of newspaper titles and of commercial broadcasting media outlets have been diminishing. Big media operators are in particular investing more and more in the digital sector but not directly in the online media sector, thus slowly changing the nature of their core business. The online advertising market presents a certain level of competition, however this is due to the fact that online free news are provided not only by national but also by international players and other players coming from outside the sector (search engines, social media, telecommunications and software providers). This global and extended competition is taking place in Switzerland as in most of other countries. However, in a small country such as Switzerland the effects are more important compared to a bigger country. Media companies with less power than the big three (Tamedia, Ringier and NZZ) have little opportunity in the German and French speaking parts of the country to gain a foothold within the online sector and thus to establish relevant news websites. A need for high level investment, insufficient returns and strong competition from outside the sector are restricting the news website offerings available on the market and reinforcing the position of the big players. Indeed, most recently Tamedia and Ringier could increase their share in the national market and more substantially within the German speaking market (Table 8.6).

In French speaking Switzerland Tamedia's online market share reached 31%, followed by Microsoft Advertising Schweiz with 26% and Swisscom with 21%. As we can see the main competition in the online media sector does not mainly come from the public broadcaster SRG SSR but mostly from players operating outside of the sector. The positive news is that the Government is aware of the situation and is taking measures in order to change the situation. And not only with reference to the print media sector but also to the broadcasting sector. The work that the COFEM is doing right now and the suggestions that it will come up with concerning the broadcasting media sector and the distribution of the license fee will be influencing a lot the evolution of the whole media industry in Switzerland.

Table 8.6: Media players in the online advertising market – Evolution of market shares (%)

Media players in the online advertising marketperators	**2011**	**2012**
German-speaking part		
Tamedia	19.3%	22.2%
Swisscom	20.8%	19.5%
Ringier AG	14.4%	18.5%
Microsoft Advertising Schweiz	19.3%	14.1%
SRG SSR	12.2%	11.3%
United Internet	7.7%	7.3%
NZZ	4.8%	5.8%
Basler Zeitung Medien	1.4%	1.4%

Chapter 9

Market Structure and Innovation Policies in the Netherlands

By

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9.1. Market structure and media ownership

The news media in the Netherlands have a long tradition. Concerning media freedom, the Netherlands ranked in the top 10 in the 2012 Reporters sans Frontiéres ranking. In 1848, the Netherlands was among the first nations to guarantee fundamental rights and liberties such as freedom of the press, freedom of opinion, and freedom of information. The country's media profile is one of an economically advanced, mature and stable democracy where traditional news media is still relatively strong. Newspapers, television, magazines, and radio, respectively, reach more than 70, 95, 93, and 70 percent of the population in any given week (Zenith Media, 2011)[63]. All of these news media sources also have their own publicly accessible websites. Reading online dailies and magazines, listening to Web radio, watching Web television, and participating in activities related to obtaining and sharing audiovisual content are popular activities among Dutch citizens (MediaMonitor, 2011, 2014)[64]. Additionally, the Netherlands has one of the highest percentages in the world of regular Internet users. More than 96 percent of households in the Netherlands are connected to the internet (CBS Statline, 2014)[65].

9.1.1. Newspapers

Print media is currently highly concentrated in the Netherlands. The number of daily newspaper titles has declined from 55 to 25 in the last twenty years. Recently, the two freesheet newspapers merged into one newspaper. Newspaper circulation declined from 1460 million in 2004 to 1080 million in 2013[66]. Given the substantial population growth in these years, the ratio of newspaper sales to total population shows an even more substantial decline. Both subscription and single-

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[63] Zenith Media (2011). *Western European Market and Media Fact*. ZenithOptimedia: London

[64] MediaMonitor (2011). *The Dutch Media in 2010*. The Dutch Media Authority: Hilversum, Netherlands; Media Monitor (2014). http://www.mediamonitor.nl/ retrieved on 6 Januray 2015.

[65] CBS statline (2014) data about internet users http://statline.cbs.nl/Statweb/ retrieved on 15 October 2014

[66] Media Monitor (2014). http://www.mediamonitor.nl/ retrieved on 6 Januray 2015.

copy sales have dropped in the last two decades. Today, the daily newspapers are published by nine publishing companies, of which the largest three have an aggregate market share of 83 percent (Table 9.1). The market share of the Telegraaf Media Group (TMG), Mecom Group (Wegener), and De Persgroep is 35.7, 23.9, and 23.8 percent respectively.

Table 9.1: An overview of the market share of the main newspaper publishers in the Netherlands.

	Market share in percentage		
Publishing company	**2011**	**2012**	**2013**
Telegraaf Media Groep	37.0	36.9	35.7
Mecom Group	22.4	23.5	23.9
De Persgroep	20.9	22.8	23.8
Others	20.7	16.8	16.6

Sources: HOI online and Media Monitor (2014)[67].

TMG publishes the largest and most popular daily newspaper, De Telegraaf, with a market share of around 15 percent. It is the only publisher with a free daily newspaper, Metro, which markets mainly young professionals commuting by public transport to and from work. With its regional newspapers, TMG has a relatively strong position in the provinces of North and South Holland[68]. It is one of the most innovative and diversified traditional Dutch news media companies. The company also owns a majority share in the Sky Radio Group. It is also active in the new media and on the internet with websites and apps, and digital music stations. TMG's main business activities are concentrated on the markets in the Netherlands.

With the acquisition of Koninklijke Wegener N.V., The British Mecom Group became active in the Dutch newspaper market. Today it is the largest publisher of regional daily newspapers and free weekly door-to-door newspapers in the Netherlands. It has a dominant market position with its mainly paid-for daily newspapers (e.g. De Gelderlander, De Twentsche Courant Tubantia, Eindhovens Dagblad and PZC) in the east and south of the Netherlands, each daily with an average of eight local editions (website Mecom). Daily circulation ranges from 45,000 to 120,000[69]. The company also publishes content in online, mobile and e-paper form such as the real estate website Funda. Mecom Group has approximately 2 million unique monthly online users in the Netherlands. Furthermore, the Mecom Group operates two printing plants in the

[67] *Commissariaat voor de Media* (2014) Mediamonitor (2013), http://www.mediamonitor.nl/

[68] Telegraaf Media Group (2014), company information retrieved from website, http://www.tmg.nl/, retrieved 1 November 2014

[69] Mecom group (2014) company information retrieved from website http://www.mecom.com/ retrieved 1 November 2014

Netherlands, one in the city of Apeldoorn and one in Best, with capacity largely used to print the Mecom Group's own daily and weekly publications. Despite their strong market position, however, the Mecom Group has sustained losses in the last few years. The Mecom Group intends to sell its Dutch operations to De Persgroep. However, based on a preliminary investigation about the consequences of the acquisition for customers and competition, the Dutch antitrust authority - 'Autoriteit Consument & Markt' (ACM) – has decided that it needs to further investigate the ramifications of the acquisition. The publishers applied for the permission on 8th October 2014, so that ACM could continue their investigation[70].

The third largest publisher, De Persgroep Nederland, is part of the diversified media company De Persgroep, headquartered in Belgium. It is active in the newspaper market and new media in the Netherlands. Its largest paid-for daily newspapers are AD, De Volkskrant, Trouw and Het Parool. The company owns Q-music radio station, and the parent company also has broadcasting companies in its product portfolio[71].

9.1.2. Television

The television landscape in the Netherlands has also changed significantly in the last decades. Since the beginning of the 1990s, the Netherlands adopted the dual system of public and commercial broadcasters for its television market. The national public broadcasters mainly compete with two large national commercial broadcasters for the audience in the Netherlands and less on commercial activities. This latter can be explained by the fact that the public broadcasters in the Netherlands are predominately state-funded although the grant funding is declining. The largest commercial broadcaster is RTL Netherlands which runs operations on four television channels, RTL4, RTL5, RTL7 and RTL8. It is a subsidiary of the Luxembourg-based RTL Group. The parent company is the leading European media and entertainment company, Bertelsmann. The second largest commercial broadcaster SBS Nederland which operates the channels SBS6, Net5 and Veronica, is also owned by a foreign company, Finland's Sanoma Group. In 2011, Sanoma Group became the owner of SBS Broadcasting. Talpa Media Group also is a shareholder in SBS Nederland. At the national level, the three largest broadcasters together hold on average three-quarters of the Dutch television market share. The Dutch public broadcast associations organized in the *Nederlandse Publieke Omroep* (NPO) has about one-third of the audience share, RTL Netherlands one-quarter and SBS Nederland with somewhat less than 20 percent. Regional television has a relatively small market share of around two percent. In total, in 2011 there were 13 public broadcasters at the regional level and around 340

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[70] ACM (2014), decision ACM about intended acquisition of Wegener, https://www.acm.nl/nl/publicaties/publicatie/13321/Nader-onderzoek-nodig-naar-overname-Mecom-door-De-Persgroep/.

[71] De Persgroup (2014), company information retrieved from website, http://www.persgroep.be/, retrieved 2 November 2014

at local level (Dutch Media Authority, 2011; OLON, 2015)[72]. Table 9.2 presents an overview of the market share of the main broadcasters in the Netherlands.

Table 9.2: Market shares in the Dutch television market

	Market share in percentage		
TV Broadcasters	**2011**	**2012**	**2013**
Nederlandse Publieke Omroep (NPO)	32.0	34.6	31.9
Bertelsmann (RTL Netherlands)	26.2	24.4	24.6
Sanoma Group-Talpa Media Group (SBS Nederland)	15.9	14.0	14.0
Others	25.9	27	29.5

Data sources: Stichting KijkOnderzoek (Dutch Audience Research Foundation) & Mediamonitor (2014)

The total viewing time of the Dutch population has shown a clear upward trend since 1989. For instance, it increased from 167 minutes per day in 2001 to 191 minutes per day in 2011. The viewers predominantly tune in to the national public broadcasters or to the commercial broadcasters RTL or SBS.

Many people are connected to cable to watch television. The Netherlands has the highest density of cable connections and the highest percentage of households that use cable for their television reception in Europe (Mediamonitor, 2014). A fast-growing development in the market is digital television. The three largest TV cable and digital operators have an aggregated market share of 79 percent. The market share of Ziggo, KPN, and UPC is 33.8, 28.6, and 16.6 percent respectively. A further consolidation is expected in the cable and digital market. Liberty Global announced in January 2014 its intention to acquire Ziggo. Liberty Global is the US parent company of UPC. After an in-depth investigation, the European Commission approved the proposed acquisition of Dutch cable TV operator Ziggo by Liberty Global, under the EU Merger Regulation. The approval is conditional upon the implementation of a commitments package[73].

The development of pay television is still in its infancy. It is likely that the development of pay television will be stimulated by the entrance of Rupert Murdoch's News Corporation to the television broadcasters market in the Netherlands on 8th of August 2012. Fox International Channels, a subsidiary of News Corporation, acquired a majority share of 51 percent in the pay

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[72] OLON (2015). Omroepen, http://www.olon.nl/pagina/1505727734, retrieved on 16 January 2015.

[73] European Commission (2014), Mergers: Commission clears acquisition of Dutch cable TV operator Ziggo by Liberty Global, subject to conditions. Press release retrieved 18 November 2014 http://europa.eu/rapid/press-release_IP-14-1123_en.htm.

television channel *EredivisieLive* for more than 1 billion Euros for 12 years (NRC Handelsblad, 2012)[74].

9.1.3. Radio Broadcasting

Many broadcasters also fully or partially own radio stations. The radio market also shows a high concentration in media ownership. The majority of national radio stations are owned by the public broadcasters or other Dutch media companies. Overall, public broadcasters, including regional broadcasters, have a market share of 42.8 percent; commercial broadcasters have an aggregate market share of 51.5 percent; and the rest category has a market share of 5.7 percent. Broadcasters owned by foreign companies have less than 10 percent of the market of which De Persgroep is the largest, with a share of 8.1 percent. Only a few companies dominate the market of radio stations. The three largest companies have a combined market share of 65 percent. The market share of national public broadcasters, Telegraaf Media Group (TMG), and Talpa Media Group is 31.7, 17.2, and 15.4 percent respectively (Table 9.3). Talpa Media Group is the holding firm that incorporates John de Mol's media activities, and the company has a minority share in SBS Nederland. Radio stations Radio 538 and Slam FM are fully owned by Talpa Media Group. In addition, Talpa, holds a minority share in the radio corporation 100% NL.

Table 9.3: An overview of the market share of the main suppliers of radio stations in the Netherlands.

	Market share in percentage		
Radio Broadcasters	**2011**	**2012**	**2013**
Nederlandse Publieke Omroep (NPO)	33.2	32.3	31.7
Telegraaf Media Groep (TMG)	15.2	16.9	17.2
Talpa Media Group	16.6	16.0	15.4
Others	35.0	34.8	35.7

Data sources: RAB/NLO/Infomart Gfk) & Mediamonitor (2014)

9.2. Media cross-ownership policy

For many years, the Netherlands had different rules to constrain media cross ownership in the news media market. It also posed restrictions in granting broadcasting licenses. These constraints

[74] NRC Handelsblad (2012), Entree Murdock op Nederlandse tv-markt kan grote gevolgen hebben, jaargang 42 (263), p.1.

were initially laid down in the various Media Acts. From January 2011, specific legislation on media concentration (such as media cross ownership) no longer exists in the Netherlands (Mediamonitor, 2011). The ongoing increase of alternative news sources provide sufficient counterweight against the larger media companies and provide enough opportunities to maintain or even increase quality and diversity of information provision to the society. As for the prevention of dominant positions of media companies, general competition law also applies to the news media markets.

Nowadays, the Dutch Media Authority called *Commissariaat voor de Media* enforces the rules formulated in the Dutch Media Act as well as in the regulations based on this act. Although the Media Authority operates and takes decisions independently, it is accountable for its decisions and actions to the Ministry of Education, Culture and Science. It is responsible for audiovisual content and distribution matters. It grants licenses to broadcasters, registers VOD services and systematically monitors compliance with the rules on quotas, advertising and protection of minors. Furthermore, it can issue warnings, impose fines, reduce broadcasting time and suspend or revoke a license. Penalties and corrective actions takes place after a breach of the regulations has occurred; the broadcasting organizations are themselves responsible for the form and content of their programs. Money from fines is transferred to the state budget but has to be used for purposes of media policy (in the widest sense).

In the Dutch television system, there is no limitation on the number of national broadcasting licenses a broadcaster may hold for commercial broadcasting, as long as a company complies with the general competition law. However, a broadcaster can only hold one public national broadcasting license which is granted by the Ministry of Education, Culture and Science. The dominant position of the national public broadcasters has been phased out. Recently, a consolidation has taken place among the public broadcasters due to pressure from the Dutch government.

There are limitations on the number of licenses for regional and local public television broadcasting. Only one person or legal entity can be licensed for local public television broadcasting within the same geographical area (i.e. municipality). Similarly, only one person or legal entity can be licensed for regional television broadcasting within the same geographical area (i.e. counties). More than 50% of their broadcasting time should be focused on information, cultural, and educational programs.

9.3. Media innovation policies

To save pluralism of daily newspapers, the Dutch government intervened in the Dutch daily newspaper market on several occasions. In 1962, the Dutch government imposed a rigid price policy for daily newspapers through a tight link between subscription prices and advertising tariffs. The newspapers had been required to annually increase subscription prices and advertising tariffs by a minimum percentage agreed on by all publishers to guarantee the plurality in the daily newspaper market. This price policy for the daily newspaper market disappeared.

In reaction to the concentration tendency, in 1971 the Dutch government decided to install a press relief fund to financially support newspapers that struggled for survival. This fund, known as *Het Bedrijfsfonds voor de Pers*, became a foundation in 1974, and still exists today. It seems that the exit barrier enhancing policies to maintain multiformity may have delayed the concentration process in the newspaper market, but could not stop it (Kranenburg, 2002)[75].

In the last decade, the Dutch support system to the news media has gone through a continual process of rethinking and transformation. The choice of policy instruments has changed. The policy now focuses more on stimulating publishers and editors to deliver news across diverse media platforms (Lichtenberg and d'Haenens, 2013)[76]. The fund works at a distance from the Dutch government and experiences no political interference. In 2008, a temporary innovation commission *Tijdelijke Commissie Innovatie en Toekomst Pers*, also known as Commission *Brinkman*, was established. This commission was assigned the task of discussing the future of state support to the press and providing recommendations on innovation policies[77]. One important recommendation was the establishment of a temporary fund to stimulate innovation of the press and journalism – the *Persinnovatieregeling*. The *Bedrijfsfonds voor de Pers* (changed its name to the *Stimuleringsfonds voor de Pers* in 2007) became responsible for the implementation of the temporarily innovation fund.

As a result of these developments, the Dutch support fund recently changed its name to the *Stimuleringsfonds voor de Journalistiek*, or innovation fund for journalism. The fund focuses on supporting innovative activities of news media, in particular activities of smaller firms and start-ups, because they do have generally not the required expertise and resources for the development of the activities. Its focus is also increasingly on giving advice and organising workshops and events that aim to inspire people and bring different experts together.

Despite the relatively high number of successful projects[78], the fund is endowed with relatively little money. The fund works on the principle of matching funds, with projects having to match at most 50 percent of the grant. The budget has significantly declined over the last 4 years. Initially, the fund received once-off cash injection from the state of € 8 million for innovation in 2010. Nowadays, the fund works with a budget of around € 2 million. More than half of the

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[75] Kranenburg, van H., Palm, F.C. and Pfann, G.A. (2002). Exit and Survival in a Concentrating Industry: The Case of Daily Newspapers in the Netherlands, *Review of Industrial Organisation*, 2002, 21(3), p.283-303.

[76] Lichtenberg, L. d'Haenens, L. (2013). The Netherlands: Initiative to Subsidise Press Innovation in Murchetz, P. (ed.), State Aid for Newspapers: Theories, Cases, Actions. Springer.

[77] Regeling van het Stimuleringsfonds voor de Pers, 10 March 2014, 23952; Vaststelling van een tijdelijke Subsidieregeling Persinnovatie 2014. https://zoek.officielebekendmakingen.nl/stcrt-2014-7350.html.

[78] Wolfert, C. (2014). Evaluatie Persinnovatieregeling 2010-2014, Stimuleringsfonds voor de journalistiek.

budget is allocated to support innovative activities and the rest is allocated to research and workshops and events.

In the same period, €4 million was temporarily earmarked to rejuvenate journalists' workforce. In particular, newsrooms could apply for funds to hire young journalist. After the end of the funding period, more than half of the young journalists were still employed by the newspapers[79].

Also the policy to support the public broadcasters is changing. Recently, the government in the Netherlands decided to impose serious cuts on the budgets for culture and media for the forthcoming years. This means that public broadcasters are being confronted with serious budget cuts spread over the next few years. These reductions also influence the innovation activities of organizations given the fact that they can invest less in research and development. No alternative instrument has been designed to replace the budget cuts and promote the innovative activities of broadcasters.

The formulation of the innovation policy in the Netherlands also includes ultimate objectives. The government defined the creative industries as one of the leading industries for the Dutch economy and society. In particular, the selected industries receive support from the government and public organizations. The creative industries among the publishing, advertising, entertainment, music, broadcasting, visual arts, new media and gaming industry contribute substantially to the economic development of the Netherlands. The annual turnover of creative industries in the Netherlands adds up to €7.1 billion in 2012[80]. Government, knowledge institutions and companies are collaborating to facilitate research and to develop R&D facilities, new businesses and education. These collaborations are strong in particular regions in the Netherlands. For instance, the High Tech campus in Eindhoven and Hilversum and the Amsterdam Metropolitan Area are hotspots for broadcasting and the general creative industry respectively. Among the many collaborative initiatives to strengthen the creative industries is iMMovator Cross Media Network in Hilversum. It is a network organization that connects government, knowledge institutions and business to share knowledge and encourage collaborations to stimulate innovation in the media. Also the informal network organization Federation Dutch Creative Industries (FDCI) aims to strengthen the creative industries in the Netherlands.

The government has also developed various funding instruments and regulations for the creative industries. These instruments and regulations are primarily aimed at Dutch knowledge institutions and the Dutch creative small and medium sized enterprises (SMEs). For instance, the government has developed tax related instruments for research and development to foster the innovative power of SMEs. The goal of this innovation policy is to help the creative industries to gain an international top position. In the government's attempt to achieve this goal, the creative

[79] Plessing, J. (2014). Developing Media Diversity: Baseline Study of State Support for Independent Print Media in West Africa, South America and Scandinavia, Association of Independent Publishers.

[80] Federation Dutch Creative Industries (2012). Topsector Creatieve Industrie lanceert CLICKNL. Retrieved on 6 December 2014.

industries knowledge and innovation network (CLICKNL) has been established[81]. Members of CLICKNL are among others TNO (independent organization regulated by public law to enable business and government to apply knowledge) and Dutch Science Foundation (NWO). Their task is to develop and implement particular instruments and regulations for the creative industries. For instance, the Dutch government and Dutch Science Foundation (NWO) have established the creative industries program to facilitate research, to make knowledge accessible, and to encourage collaboration among scientists and entrepreneurs in the creative industry. Researchers can submit embedded or strategic research projects on behalf of consortia of companies and researchers[82]. Also a similar program -Raak- has been established for the Applied Universities in the Netherlands.

Although the government defined the ultimate objectives for the creative industries, the translation into direct innovation objectives for the news media industry are not well-defined. These innovation objectives cannot be derived because the identification of problems in the news media industry from a policy point of view that are not solved by the industry itself has not yet been completed.

9.4. Summary and best practices

The evidence shows a tendency towards concentration in the traditional news media markets. It is expected that the concentration will further increase in the next period. The long term increase in concentration has been caused by changing commuting, advertising and reading habits, but also the trigger for such concentration was the information and communication technology developments. In the Netherlands, the newspaper market has reached a point in which opportunities to successfully establish a new newspaper is very low. The Dutch government has intervened several times in the newspaper market, yet these interventions could not stop the concentration tendency. The level of concentration is even higher when we look at the owners of the newspapers. The majority of newspapers are owned by three large diversified media companies of which two are foreign owners. The few dominant media companies are active in various domestic and/or international media markets. Media cross-ownership is allowed in the Netherlands. It seems that the ongoing increase of alternative news sources provides sufficient counterweight to the larger media companies and provides enough opportunities to maintain or even increase quality and diversity of information provision to the society. As for the prevention of dominant positions of media companies, general competition law also applies to the media markets. The general competition law applies only in the case of abuse of market power or intended mergers or acquisitions, but not for organic growth of the firms.

[81] http://www.clicknl.nl/about-clicknl-the-creative-industries-knowledge-and-innovation-network/?lang=en information retrieved on 16 January 2015.
[82] NWO (2014). Creative Industry; information retrieved on 14 November 2014; http://www.nwo.nl/en/research-and-results/programmes/creative+industry.

Also the policy to support the public broadcasters is changing. The government continues to support public broadcasting although it is implementing severe budget cuts for the public broadcasters. This development influences the innovation activities of organizations given the fact that they can invest less in research and development. No alternative instrument has been designed to replace the budget cuts and promote the innovative activities of broadcasters.

In the last decade, the Netherlands has moved to more flexible temporary support (Plessing, 2014: 21)[83]. These models not only focus on traditional news media but also include new media development initiatives such as digital media. Furthermore, the government decided that the creative industry is one of the hotspots. It should be or become one of the leading industries in the Netherlands. The news media industry is part of the general creative industry, although underlying problems from a policy point of view and the innovation objectives of the news media industry have not yet been well-defined. As a consequence, the formulation and implementation of an effective innovation policy for the news media industry is difficult at this point in time.

The new policies are open to a greater range of media initiatives than the previous policies. Although the Netherlands invested much thought in revising its subsidy system, the main question that arises is how effective and efficient are the new innovative policies, given the relatively small financial commitment, the temporary character and unclear objectives of these policies?

[83] Plessing, J. (2014). Developing Media Diversity: Baseline Study of State Support for Independent Print Media in West Africa, South America and Scandinavia, Association of Independent Publishers.

Chapter 10
Market Structure and Innovation Policies in the United Kingdom

By

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10.1. Market structure and media ownership

Media innovation in the UK is taking place as part of its broader industrial development innovation and innovation policies. These policies have been developed within the context of a country that relies strongly on markets for development and growth and has instituted significant deregulation and reductions in government intervention in business in recent decades. Consequently, innovation policies tend to rely heavily on creating an environment that supports innovation and entrepreneurship, promoting commercial research and development, and the production of government-industry innovation networks.

The political context is one of a United Kingdom made of four “nations”: England, Scotland Wales, and Northern Ireland with significant devolution of governing authority to Scotland, Wales and Northern Ireland—each of which have their own parliaments or national assemblies and governing agencies. There is a division of responsibility for different governmental functions between the UK government and the three devolved national governments. This has an effect on where different innovation policies originate and are funded.

The media environment of the UK is highly commercialized, with large strong enterprises with the resources and capacity to engage in innovation. Nevertheless, Europe’s best-funded public broadcaster (the BBC) plays a significant role in radio and television and it is specifically mandated to play central innovation and industrial development roles for broadcasting. Media in many countries follow the lead of UK broadcasters, newspapers, magazines, and digital enterprises that are noted for early innovation.

UK consumers have access to and use leading digital media technologies. 97% homes have digital television service, 48% of homes have DAB radio receivers (99% have analogue/digital radio receivers), 82% of homes use internet, and 93% of adults have mobile phones (with 73% penetration of 4G services).[84]

[84] Ofcom, *The Communications Market Report 2014*. London: Ofcom.

The United Kingdom has a strongly centralized market structure, with the majority of media operating from the capital in London, augmented by regional media (including newspapers and broadcasting specifically for the three non-English nations and local newspaper and radio provision spread across the country).

10.1.1. Newspapers

Table 10.1. Paid national daily newspaper circulation by owner

Owner	Newspaper	Circulation	% of national circulation	Total % national circulation by owner
Trinity Mirror				
	Daily Mirror	958,674	13.2%	13.2%
Daily Mail and General Trust				
	Daily Mail	1,673,579	23.0%	23.0%
Express Newspapers				
	Daily Express	479,704	6.6%	13.0%
	Daily Star	466,935	6.4%	
Telegraph Media Group				
	Daily Telegraph	514,592	7.1%	7.1%
News UK				
	The Sun	2,033,606	27.9%	33.4%
	The Times	393,530	5.4%	
Pearson PLC				
	Financial Times	220,532	3.0%	3.0%
Guardian Media Group				
	The Guardian	185,313	2.5%	2.5%
Independent Print Ltd.				
	The Independent	63,505	0.9%	4.8%
	I	286,356	3.9%	

11 major national newspapers, owned by 8 companies, share 7.3 million nationwide paid daily circulation.[85] News UK accounts for one-third of the total circulation, the Daily Mail and General Trust for 23 percent, ad Trinity Mirror and Express Newspapers for about 13% each (see Table 10.1).

Leading innovators in the digital environment have been *The Guardian*, *The Mail*, and *The Times* and these are owed by three different owners serving different market segments. Both *The Guardian* and *The Times* serve educated and affluent audiences, but *The Guardian* has a left-of-center perspective and *The Times* a right-of-center perspective. *The Mail* is a tabloid paper with a right-of-center perspective. These three papers have been recognized for leadership in development of web-, tablet-, and smartphone-based news provision by the newspaper industry worldwide. *The Guardian* and *The Mail* are also for their expansion to offer global expansion and *The Times* for its implementation of paid digital services.

About 1,100 regional/local newspapers exist, most being small by comparison to national papers. Ownership of the local press is diffused by large group owners include Newsquest (300 titles), Johnson Press (248 titles), and Trinity Mirror (155 titles). Nevertheless, these papers have been active in digital innovation and now operate more than 1,700 local news websites.

10.1.2. Television

There are four main public service free-to-air broadcasters operating in the television market. The main public service broadcasters are the BBC, Independent Television (ITV), Channel 4 and 5. The latter three carry advertising. The BBC is the public broadcaster and it is funded through the collection of a universal license fee. The BBC has a total TV audience market share of around 33.3 percent. It attracts about a third of the total TV audience. The main free-to-air commercial public service broadcaster, ITV, has about a market share of 25 percent, and the rest is shared across many channels[86].

More than 90 percent of UK households have multi-channel television, mainly subscription based.. Nearly 500 channels are available. BSkyB, controlled by NewsCorp, is the major satellite provider. Sky operates 26 channels of its own, including nine movie channels and five sports channels.

The UK television market produced £12.9 billion (€10 billion) in 2013, 45% of which was accumulated as subscriptions by platform operators, 21% by public service broadcasters, 18% by commercial public service channels, and 16% by commercial multichannel broadcasters.[87]

[85] Audit Bureau of Circulation, June 2014.
[86] http://ejc.net/media_landscapes/united-kingdom, retrieved on 6th of January 2015.
[87] Ofcom, *The Communications Market Report 2014*. London: Ofcom.

Significant public involvement accompanied the rollout of digital TV, with the BBC heavily involved in developing technology and systems in cooperation with commercial firms. The cooperation has also extended to the development and provision of catch-up television and other streaming services for PCs, tablets, and smartphones. Consequently, the UK is one of most advanced nations in Europe in terms of contemporary television and connected television services.

The BBC also received a specific mandate and special funding to development its online operations, bbc.co.uk, which has grown into one of the most successful news and information sites online.

Television broadcasting produced £3.7 billion in net advertising revenues in 2013.[88] With the largest amount 74.8 going to advertising funded public service operators) and 26.2% to private commercial channels (see Table 10.2).

Table 10.2. Percentage of net advertising revenue by broadcaster

Channel	% of advertising revenue
ITV	33%
Commercial channels	26.2%
PSB portfolio channels	18.1%
Channel 4	13.8%
Channel 5	8.2%
ITV Breakfast	1.3%
S4C	0.05%

10.1.3. Radio broadcasting

Radio remains an important media in the UK, producing £1.2 billion in revenue in 2013. Two thirds of the revenues are for BBC radio operations and the remainder for commercial radio broadcasters.[89] There are 25 national radio stations, 345 local radio stations, and 215 community radio stations. Radio is the strongest local medium in many communities.

[88] Ofcom, *The Communications Market Report 2014*. London: Ofcom.
[89] Ofcom, *The Communications Market Report 2014*. London: Ofcom.

The BBC operates ten national radio stations; the World Service; regional stations in Scotland, Wales and Northern Ireland (including stations broadcasting in Welsh and Scots), and 30 local stations. In mid-2009, the BBC's overall share of the radio audience was 54.6 percent: commercial radio had 42.7 percent. However, the reach of local commercial radio is greater than that of local BBC services. The largest commercial radio group, Global Radio, with 33 stations, claims about 40 percent of all commercial radio listening (19m listeners)[90].

The UK has been a technical and provision leader in digital audio broadcasting (DAB), in great part due to the BBC development and operation of DAB services. Today, 48% of radio listeners do so with a DAB radio in their household 48%.

10.2. Media cross-ownership policy

Ownership and cross-media ownership of media are regulated by competition and media law, including the Communications Act and The Media Ownership Order. These effectively limit newspaper ownership about one-third of the newspaper market and limit each private TV owner to no more than 15 percent of total television audience share. Private radio ownership is not limited per se. Cross-media ownership provide additional restrictions. Newspapers with more than 20 percent of national circulation cannot own TV licenses and local radio ownership is not permitted where the owner also has a local newspaper with 20% audience coverage of the broadcast area.

These restrictions have not prohibited the development of large commercial operators, but induce them to make choices about the mix of media in which they will engage and to carefully consider effects of acquisitions and mergers. Many of the commercial media firms affected by these regulations are in the forefront of innovation, however, so the regulation alone cannot be seen as a significant impediment in the UK.

10.3. Media innovation policies

The UK has made significant effort to develop and implement comprehensive innovation policies in the past decade,[91] emphasizing creation of a supportive environment for innovation and increasing the capacity and support for innovation through innovation networks, skills

[90] http://ejc.net/media_landscapes/united-kingdom, retrieved on 6th of January 2015.

[91] These are laid out and documented in publications such as: Department for Trade and Industry and Department for Education and Skills, *Science and innovation investment framework 2004–14* (HM Treasury, 2004); National Endowment for Science, Technology and the Arts, “The Innovation Gap: Why policy needs to reflect the reality of innovation in the UK” (2006), p. 1, available at www.nesta.org.uk/assets/Uploads/pdf/Policy-Briefing/innovation_gap_policy_brief.pdf; Lord Sainsbury of Turville, *The Race to the Top: A Review of Government's Science and Innovation Policies* (London: The Stationary Office, 2007); Department for Innovation, Universities and Skills, *Innovation Nation* (2008).

training, access to private financing and an innovation investment fund, incentives for research and development, public support through research councils and regional development agencies, improvements to the intellectual property regime, and academic funding to improve innovation and knowledge transfer.

Specific activities supporting innovation are diffused through various relevant ministerial departments and agencies at both the UK and nations levels. A UK government-supported National Endowment for Science, Technology and the Arts (NESTA) is a leading player in encouraging and shaping innovation through public-private partnerships and addressing issues affecting innovation.[92]

The greatest support has been given to areas including science, technology, and engineering. Innovation policy has been specifically coordinated with national economic and employment policies to support areas where greatest growth is perceived possible.

The number of media-specific innovation policies are limited, but media are regularly included within information economy, digital, and creative industries policies.[93] The most enduring media policy is that the British Broadcasting Corp. (BBC) has been directed to research and advance broadcast technology since it was established nearly a century ago. In recent years, regional development agencies have promoted media innovation and development by establishing a number of important media-related clusters, most notably in London, Salford (Manchester) and Glasgow.

UK industrial, trade, and innovation policies recognize the economic importance of the UK television programming and films industries (separate from their cultural roles) for their contributions to the domestic economy and exports and the policies encourage growth in those areas. Digital media and advertising industries are also seen as significant and given attention in such policies. These policies provide a range of advantages to media firms in pursuing new initiatives in terms of production and distribution innovation.

The country has also established and funded initiatives to make high capacity broadband available throughout the country and implement policies that assisted the transformation from analogue to digital broadcasting. These supported specific media innovations in products and services.

Government agencies have invested significant support in skills training in digital media systems and production, entrepreneurship for small media, support for media innovation networks, special funding for public service media, supporting cultural industries (dance, theatre, etc.)

[92] www.nesta.org.uk

[93] Department for Business, Innovation and Skills. Information economy strategy, BIS/13/901, 2013; Department for Culture Media & Sport, Making it easier for the media and creative industries to grow, while protecting the interests of citizens, 2013, https://www.gov.uk/government/policies/making-it-easier-for-the-media-and-creative-industries-to-grow-while-protecting-the-interests-of-citizens

beginning media production and distribution, and providing export support for audiovisual products.

Academic research and education related to media innovation has been funded by the arts and humanities and economic and social research councils at leading universities. Most of the grants have been related to digital transformation and improving knowledge and development of systems, products, and strategies, and understanding consumption of digital media.

Direct support for commercial media innovation projects has tended to be limited to R&D incentives and support for exporting successful innovations.

10.4. Summary and best practices

Developments in the UK experience also reveal the value of systemic thinking about innovation and the underlying conditions and needs for achieving it, such as developing the capabilities for innovation by improving training and education, addressing financial costs of innovation, and developing long-term technological expertise in public firms. In the case of UK, it is difficult to separate out the money coming from media innovation funds or general innovation funds in the budgets of the various departments and agencies.

The performance of the UK in media innovation indicates that innovation policies do not necessary conflict with media ownership policies, as long as there is an impetus for innovation, incentives are in place for public and private owners to engage in innovation, and both public and private firms have sufficient scale and resources to engage in innovation.

The UK experience indicates that public/private partnerships in developing and implementing innovation can be effective for both types of media operators and that cooperation reduces resources and risk required of both.

Chapter 11

Summary and Best Practices

The European news media landscape is in transition. As a result of globalization, deregulation, innovations and digitalization, new media sources are developing, and content is becoming more and more mobile. The development of new media have even sped up the blurring of boundaries and the convergence of different traditional media industries into one (Kranenburg and Ziggers, 2013)[94]. Most technologies described as "new media" are digital and are often networkable, dense, compressible, and interactive. Various kinds of websites are examples of new media.

Considering the importance of innovations, in general and for the news media industry in particular, the main objective of the report is to promote discussions on how innovation policies are currently supporting innovative activities, the levels at which they are doing so, and how innovation policies can help the news media industry to meet development needs in the future. These innovation policies are structural conditions for media innovations. In general, these policies contain a mixture of regulatory, economic and financial, and soft instruments. These instruments are tools to influence innovation processes and are used to achieve innovation objectives.

Although innovation policies to stimulate innovation in journalism and news media are not new, the policies and the different types of support offered to the news media are changing, particularly in social-democratic countries in Europe. Given the fact that the present innovation policies (including cross-ownership) are relatively new, the effects of these policies on innovative activities are generally still unknown. A comparison of these policies can increase our insight into their efficacy and possibly reveal areas of improvement so that the policies can be adapted to become more effective. Therefore,

the objective of this research is to gain knowledge of best practices of innovation policies to trigger innovation in journalism and news media.

[94] Kranenburg, H. van, and Ziggers, G. (2013). How Media Companies Should Create Value: Innovation Centered Business Models and Dynamic Capabilities, p. 239-252, chapter in *Media Management and Social Media Business: Value Chain and Business Models in Changing Media Markets*, editors M. Friedrichsen, W. Mühl-Benninghaus, R. Picard and E. Vartanova, in the book series Media Management and Media Economics, Springer,.

According to its objective, the report explores the importance and the types of media innovation policies formulated and implemented in nine social-democratic countries in Europe and helps identify and evaluate how they are stimulating innovation in journalism and news media. Each country analysis presented an overview of the evolution of structure of news media markets in the recent years, the formulated and implemented innovation policies to promote innovative activities in journalism and news media. Each chapter concluded with lessons learned.

In this explorative study, we investigated the structure of the news media markets (newspaper, television and radio broadcasting) and the policies in the following European countries: Belgium, Finland, Germany, Italy, the Netherlands, Portugal, Spain, Switzerland, United Kingdom. These countries are neighbors of the Netherlands, or formed the Southern European group of countries. Switzerland was selected because it is linguistically connected to both groups. While Finland falls outside the geographic scope of this study, it was included because it is in the process of a societal shift from a ‘social contract’ towards a market-based economy. Given limited time available, we were not able to include more countries in this explorative study.

The comparison approach is a well-known approach to learn from the experiences and good policy practices. Although emulating the success stories and practices of various countries is not easy, the evidence shows that the type of policies and their (direct and indirect) effects on innovation do not exclusively depend on economic principles but also on social, cultural, and political principles. An overview of these policies can help us to determine what the best practices are to support innovation in a rapidly changing news media industry.

In most news media markets, it is now recognized that the current changes have to be seen as part of a larger structural change. For instance, many traditional news media companies are trying to combat a massive migration of advertising expenditure to the Internet. For this reason, newspapers and magazines need a high-quality Internet and new media presence in order to compensate at least partly for falling advertising and subscription revenues in the print markets. The news media companies will have to command a multiplatform strategy – accessible to users wherever they are and presenting the contents in such a way that they can be called up with any device[95]. This represents real added-value. Nevertheless, the news media markets are still in the middle of an experimental phase. Companies need to react fast now, but may have to make adjustments to their course at a later date. Hence, media companies, governments, regulators, network operators and investors are facing important decisions now and in the near future. The related uncertainty in the news media market makes economic and social forecasts for companies, governments, policy makers and investors difficult.

Concentration

[95] Friedrichsen, and Mühl-Benninghaus (2013). Handbook of Social Media Management: Value Chain and Business Models in Changing Media Markets, Springer.

We continue to see increasing digitalization and media convergence as the main developments in the media market in the nine European countries: Belgium, Finland, Germany, Italy, the Netherlands, Portugal, Spain, Switzerland, United Kingdom. The strict separation of different media products and services have started to disappear. Furthermore, firms from other related and unrelated industries and unknown new entrants are coming up with drastic innovations that can (potentially) cause the collapse of demand for traditional news media companies' products to collapse. Hence, new techniques, new approaches, new technologies, new competitors are changing the rules of the game. Consequently, all news media markets in the nine countries are subject to radical innovations, new requirements and demands, new competitors, and increasing complexity. To deal with these developments and opportunities, media companies have responded to these developments. Their ability to adapt and respond depends on the competitive situation of the firm, the commitment and leadership within the company, and the ability to develop essential capabilities, but also on the institutional environment.

We see a clear trend of consolidation of media firms in all traditional news media markets. These markets have experienced mergers, acquisitions and business partnerships in recent years. Traditional media companies are trying to diversify their revenue structure, spread financial risks but also to increase their opportunities and innovative activities and become increasingly involved in the value chain of other media markets. This has led to a major command of the industry by a small group of diversified media companies. We even see a few large news media companies operating in different European countries. Table 11.1 presents an overview of the concentration ratio of the three largest companies in the newspaper, television, and radio broadcasting markets in the nine European countries.

Table 11.1: Overview of concentration ratios C3 for newspaper publishers, television and Radio broadcasters in 2013a

Country	Newspaper publishers	Television	Radio broadcasters
Belgium			
-Flanders	100	80.1	89.5
-Wallonia	100	62.8	86.6
Finland	49.9	87.1	70.0
Germany	36.6b	38.2	n.a.
Italy	46.4	87.4	45.4
Portugal	90.1	100	94.2
Spain	51.7	72.8	63.8
Switzerland			
-German part	82.0	49.1	65.0c
-French part	83.0	57.0	66.0
-Italian part	n.a.	52.6	80.0
The Netherlands	83.4	70.5	64.3
United Kingdom	69.6	58.3d	73.2

Notes:

a. See appendix for the definition of concentration measures.
b. Source: http://ejc.net/media_landscapes/germany retrieved on 6th of January 2015
c. The radio broadcasting market is dominated by the public radio broadcasters in the different linguistic regions.
d. The UK concentration ratios for the television and radio broadcasting are based on C2.

Our findings show a high level of concentration in the traditional news media industry. Most newspapers, magazines, TV and radio broadcasting, cable markets are characterized by a relatively wide variety of different media products and services available to the public; control and ownership of these media is limited to a handful of companies. Most traditional news media markets can be described as oligopolies, with only a small number of media companies controlling the majority of the market either in terms of market share or revenue.

We see a gradual decline in the number of newspapers in all European countries. The newspapers are owned by private (commercial) companies, while we see a dual ownership structure in the TV and radio broadcasting markets. Each country has public and private (commercial) broadcasters. These broadcasters operate on a national and/or regional level. We see a difference between the broadcasting markets between countries. For instance, many TV and radio broadcasters operate on the regional level (Länders) in Germany, while in the Netherlands and Belgium the broadcasters mainly operate on the national level. In Germany, the broadcasting market is primarily controlled at the regional level, while in other countries the broadcasting market is more controlled at the national level.

Furthermore, these broadcasters need a license. The license is granted by the national or regional government or a media authority. In general, restrictions in granting licenses are still dictated by specific legislation in the countries.

A recent upcoming development in all nine countries is digital television and pay TV, although the speed of development differs. For instance, pay TV is still in its infancy in the Netherlands, while the penetration ratio is much higher in Italy.

Regulation Policies

For many years, all European countries had different rules to limit cross media ownership and to control concentration and competition. However, specific legislation about cross-ownership and concentration and competition has gradually disappeared and no longer exists in most countries. As for the prevention of dominant positions of media companies, the general competition law also currently applies to the media markets. We also see another trend: the existence of internationally diversified media companies. These companies are operating in different countries and, in general, the European competition law will apply to these companies when they are involved in issues related to concentration and competition in Europe.

Another recent development is the internationalization of Portuguese media companies. As a result of several factors, including economic crisis, they are looking for new market and business opportunities in African Portuguese-speaking countries and Brazil.

Considering the internationalization tendency, a debate on media concentration and competition in all countries is more welcome than ever. In the political, legal and academic social spheres, as well as among the general public, there are different opinions about the phenomenon of concentration. Rather than entering a polarized debate on the financial and societal impacts of the concentration in the media, it is important to analyze this question without prejudices, so that it is possible to understand the relation between the concentration processes and its impacts on the media market in the spectrum of a free competition based economy and, at the same time, in a way that protects the interests of the public.

Today, the Internet and new media allow new market models and pose challenges to media policy. To manage the partly antagonistic interests and forces in the media market, media policy must produce effective regulatory tools. The main tasks of media policy are to balance the various interests involved, create a functioning free and independent public sphere and to ensure viable and sustainable markets.

All countries agree on the fact that free and independent news media are intrinsic to a democratic society. This intrinsic character applies to traditional forms of press and broadcasting as well as electronic and new media. All countries require a state with a free, comprehensive and an objective news media system, in which no single group predominates and free and independent public discourse can take place. In many cases a legal control for the industry will continue to be necessary, so it is important to keep in mind the balance between competition and regulatory control for news media.

Innovation Policies

The role of the government in developing policies that directly or indirectly stimulate innovation has become increasingly important, since the news markets in all countries are going through a time of great uncertainty and disruption of business models, and this requires more investment in innovation. However, the changes in the news media industry– which are deep in terms of production, distribution, consumption and commercialization of content – coincide with a global economic recession. The economic and structural crises have weakened the financial position of many media companies and states. Consequently, this development has limited the investment capacity of media companies and government expenditures in the countries, in particular in the southern European group of countries.

In the past decades, different intervention policies existed and support was offered to the news media. In general, the form and implementation of these policies and the selected instruments depended on the economic, political and social context of the countries. In general, we can categorize the economic and financial instruments into direct support (e.g. grant and loans) and indirect support (tax reductions or mandatory price increases) and general (applying to the whole market) and specific support (to support a specific media entity). These policy instruments help to slow down the consolidation process in the different media markets and also to maintain media diversity and accessibility to information and news, although it is difficult to show how effective these policies and support have been in changing markets.

Furthermore, in all countries, the state still controls at least one public TV and radio broadcaster. It is also difficult to obtain information whether the public broadcasting companies are more innovative than their commercial counterparts. One exception is the BBC in the United Kingdom. Significant public involvement accompanied the rollout of digital TV, with the BBC heavily involved in developing technology and systems in cooperation with commercial firms. They also extended this cooperation to the development and provision of catch-up television and other streaming services for PCs, tablets, and smartphones. Furthermore, the BBC received a specific mandate and special funding to develop its online operations, bbc.co.uk, which has grown into one of the most successful news and information sites online.

The intensity of competition for both audience and advertisements in the broadcasting markets has increased substantially in recent years. It is expected that the competition will further increase as a result of digitalization and pay TV. We also see a trend that governments are reducing the budgets of public broadcasters. As a consequence, the activities of these public broadcasters are more focused on restructuring their organizations than on innovative activities in a fast-changing environment. It can thus be concluded that policies and support were not made on the basis of effectiveness, but rather as a response to changing markets and for social and political reasons. Today, many of the existing policies and support mechanisms are considered to be outdated and less effective in the current media landscape and have to be reformed or even discontinued. In the last few years, decisions have already made to terminate various support programs, primarily the permanent and large-scale ones in all nine countries.

Our findings show that the governments in all countries are struggling with the question as to what degree the government can and should aid the news media industry and trigger innovation.

Evidence shows that countries differ in their innovation policies. Table 11.2 presents an overview of the main innovation policies in the nine countries. For instance, media innovation in the United Kingdom is taking place as part of its broader industrial development of innovation and innovation policies. The innovation policies tend to rely heavily on creating an environment that supports innovation and entrepreneurship, promoting commercial research and development, and the production of government-industry innovation networks. In addition to the subsidy programs for news publishers and TV broadcasters (ca. €350 million per year), the Belgian government, in particular the Flemish government, is attempting to stimulate innovation in the media and ICT sector through an ecosystem of institutes and funding instruments. All funding and innovation policy instruments cover the entire media and ICT sector and no single instrument specifically targets innovation in journalism or news media. However, the innovation policies in Germany have mainly been focused on regional development and infrastructure projects. These policies were established after the integration of former West and East Germany in the late eighties. Recently, a share of funds has also been allocated to promoting innovation. In addition to the Federal government policy, all Länders are also offering programs to strengthen the innovation activities of companies and areas. In general, these programs do not have a specific media orientation. Hence, the objectives were well-defined in Germany in the past. However, the objectives for the new policy are less clear. For many years, the media industry in Italy faced an environment that hampered rather than stimulated innovation. Recently, a revision of the public subvention policy has been initiated. Even if it is more the result of a general public spending review, the direction has changed channeling public contributions towards specific support actions for media firms going digital and restructuring their business as well as for new web-based media. Italy also adopted the Italian Digital Agenda, which follows the European directives with regard to digital growth and the development of digital infrastructures. Media companies in Portugal did not have direct access to economic support programs, unlike other industries, which in many cases succeeded, innovated and developed with the help of public support. Although direct media innovation policy does not reflect an explicit and proactive attitude from the state, its presence can be indirectly seen, particularly through research and education. The Spanish government policies favor more innovation in the telecommunications sector than in the media. Public support and policy has been oriented more toward technologies than content. Furthermore, a confusing web of public initiatives and institutions make the promotion of innovation and entrepreneurship less dynamic and efficient for the media industry. Switzerland is a small open economy with outstanding strengths in innovation. It offers excellent incubation and infrastructure facilities as well as educational support, however it is less supportive of firms and industries in terms of financial support to new firms in the form of direct subventions, fiscal easing or risk capital enhancement. Politicians are quite active in trying to change the situation. Some measures have already been taken for the media industry. Recently, a commission suggested several measures to support the journalism sector in particular. Finland is already in the process of transforming its innovation policy. Recently, the Finnish government introduced a temporary support scheme for temporary transition assistance. The support is technologically neutral, although the project must be implemented in a digital environment. In the last decade, the Netherlands has adopted instruments with a more flexible temporary support focus. The support no longer only focuses on traditional news media but also includes new media development initiatives. In particular, the government continues to support public broadcasting although it is implementing severe budget cuts. In the last decade, the government decided that the creative industry, including the news media industry, should be or become one of the leading industries for the Dutch economy and society. Actually, the ultimate objective is that the Dutch creative industry should become one of the leading industries in the world. Hence, the formulation of the innovation policy for the creative industry includes ultimate objectives. The innovation policy contains a mixture of instruments from regulatory, financial and economic and soft instruments. In general, the financial and economic instruments have a temporary character. Consequently, the actual availability of funding, and the temporary character of the funding may put the overall effectiveness of the support into question. Furthermore, although the government defined the ultimate objectives for the creative industry, the ultimate objectives for the news media industry and the translation into direct innovation objectives are not well-defined. However, the Netherlands is the only country that has established a fund for journalism, *Stimuleringsfonds voor de Journalistiek*, to stimulate innovation in the news media industry. This fund not only focuses on supporting innovative activities of news media, in particular activities of smaller firms and start-ups, but also on giving advice and organising workshops and events that aim to inspire people and bring different experts together.

Table 11.2: Overview of the main innovation policies

Country	**Levels of Government in charge of policies**	**Type of innovation policy**	**remarks**
Belgium	National and Regional	• General innovation policy • Industrial policy	• Focus on the entire media and ICT sector; • Promotion of ecosystem of institutes and funding instruments.
Finland	National	• General innovation policy • Industrial policy	• The support is technologically neutral, although the projects must be implemented in a digital environment; • A temporary support scheme for temporary transition assistance.
Germany	National and Regional	• General innovation policy • Industrial policy	• Programs to strengthen the innovation activities of companies and areas; • Specific focus on regional development and infrastructure projects.
Italy	National	• General innovation policy • Industrial policy	• Focus on digital growth and the development of digital infrastructures; • Specific support for media firms going digital and

			restructuring their business as well as for new web-based media.
Portugal	National	• General innovation policy	• Media industry does not have economic support programs, unlike other industries; • No explicit and proactive attitude of the state.
Spain	National	• General innovation policy • Industrial policy	• Focus more on technologies than content; • Focus more on innovation in the telecommunications sector than in the media.
Switzerland	National and Regional	• General innovation policy	• Focus on incubation and infrastructure facilities; • Less supportive of firms and industries in terms of financial support to new firms in the form of direct subventions, fiscal easing or risk capital enhancement; • Consider to develop some measures to support the news media.
the Netherlands	National	• General innovation policy • Industrial policy	• The creative industry is defined as one of the leading industries; • Various instruments to stimulate innovation in the creative industry; • Focus on traditional news media and new media initiatives; • Specific fund to stimulate innovation in the news media industry.
United Kingdom	National	• General innovation	• Focus on creating an environment that supports

		policy	innovation and entrepreneurship, and promoting commercial research and development; • Focus on production of government-industry innovation networks.

This study has shown that there are no one-size-fits-all solutions. Our findings are in line with the findings of other studies, for instance, Borrás and Edquist (2013) and Plessing (2014). Policies are formulated and implemented at different levels of government and public organizations. The division of powers across different levels of government and public organizations influences the extent to which the levels are in charge of specific policy instruments. The development and implementation of innovation policies depend on political will, commitment, conditions and on the entrepreneurial attitude of companies. Another interesting finding is that many innovation policy instruments are largely based on a continuation of previous schemes, or on lobby activity of specific interest groups, rather than on the well-defined ultimate objective or a critical assessment of the actual problems that need action. For instance, the innovation policies, including the Dutch policy, are mainly based on supply-side instruments. It would be interesting to explore the possibility to design and implement instruments by which a government or public organization place an order for a product or system that does not exist. The demand-side innovation policy instruments can be used to stimulate innovation. Examples of demand-side innovation policy instruments are public procurement, consumer policies and ‘lead market’ initiatives to address market and system failures in areas in which social needs are pressing[96]. The nine countries have recently started to rethink and transform their policies and support systems. Adapted or new innovation policy instruments and practices have just been implemented or are still in the design phase. At this moment, it is therefore too early to recognize the best policy instruments and practices to promote innovation.

[96] OECD (2011). Demand-side Innovation Policies, OECD Publishing.

Appendix
Concentration Measures

Market structure is generally measured by concentration. The most commonly used concentration measures are Concentration ratio (CR) en Herfindahl-Hirschman index (HHI).

The concentration ratio (CR) - calculated as the percentage of output accounted for by a small number, generally 4 or 5, of the largest firms in an industry (CR_4 or CR_5).

Concentration ratios range from 0 to 100 percent. The levels reach from *no, low* or *medium* to *high* to "total" concentration.

No concentration
    0% means perfect competition or at the very least monopolistic competition.
Low concentration
    0% to 50%. This category ranges from perfect competition to oligopoly.
Medium concentration
    50% to 80%. An industry in this range is likely an oligopoly.
High concentration
    80% to 100%. This category ranges from oligopoly to monopoly.

The Herfindahl-Hischmann index (HHI) is a function of the number of firms and their market shares respectively.

No concentration
    HHI below 100 indicates very low concentration.
Low concentration
    HHI below 1,500 indicates low concentration.
Medium concentration
    A HHI between 1,500 to 2,500 indicates moderate concentration.
High concentration
    A HHI above 2,500 indicates high concentration

In general, the Herfindahl index emerged as a better tool to measure market concentration than the concentration ratios (CR) because it takes all the market players into consideration and not just a few large ones.

About the author / editor

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