




Media Concentration Around the World

Columbia Institute for Tele-Information – CITI
COLUMBIA UNIVERSITY/NEW YORK/USA

MEDIA CONCENTRATION IN PORTUGAL - SITUATION & TRENDS -

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Presentation Structure

This presentation focuses on the Newspaper and Television Market. I have already finished the analysis on Book, Magazine, Radio, Cinema, Online Sector and Telco Except Online, all media are in high level concentration.

However, as the report is very long and we don't have much time to present all the information collected, I now prefer to focus on the two main relevant media business markets in Portugal.

So, in this context my presentation is divided as follow:

1. Introduction, Methodology and Sources Options
2. Market Structure and Concentration Measure
 - 2.1. Newspapers Market
 - 2.1.1. By Circulation Analysis
 - 2.1.2. By Audiences Analysis
 - 2.1.3. By Advertising Revenues Analysis
 - 2.2. Television Market Analysis
 - 2.2.1. By Audiences Analysis
 - 2.2.2. By Advertising Revenues Analysis
3. Preliminary Conclusions and Future Research

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1. Introduction, Methodology & Sources Options

Before describing the research, I think it is important to show you a general overview of some main Portuguese Indicators, namely:

- ✓ Local Population: circa 10 . 700.000 (2008 estimate)
- ✓ Emigrant Population: ca. 5.000.000 (main destination countries: U.S.A, France, Brazil, Germany, Venezuela and South Africa)
- ✓ Unemployment rate: 10,5% (March, 2010)
- ✓ Education level: 93,3% literacy rate (2003)
- ✓ Portuguese language Speakers: 240 million people
- ✓ Countries with special cultural relations: Brazil, Angola, Mozambique, Cape Verde, São Tomé e Príncipe, Guinea-Bissau and East Timor . And Spain in another respect, in political and economic terms.
- ✓ Inflation Rate : 0,8% (2010 forecast)
- ✓ Minimum Salary: 450 euros/month
- ✓ Advertising share by media segment: TV (70%), Press (18%), Outdoor (5%), Radio (4%) e outros (3%).
- ✓ As you can see, Portugal is a small country but has a considerable number of portuguese speakers in the world, namealy because of Brazil

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1. Introduction, Methodology & Sources Options

- ✓ The data has been collected by official statistics, company reports and yearbooks (for e.g APCT/Portuguese Circulation Control Association and Markttest/Portuguese company specialised in collecting information on the communication sector).
- ✓ **Different types of information were selected according to the media characteristics and market data available, in order to obtain three distinct concentration indicators based on validated data by the media institutions.**
- ✓ In this context, it was possible to find official data to measure the media concentration. According to the methodology guidelines provided by the research leaders, I used the following indexes:
 - (i) the **CR4** (Concentration Ratio of the four largest companies)
 - (ii) the **HHI** (Herfindhal-Hirschman index) and
 - (iii) the **Noam Index**.
- ✓ **However, we found some limitations, namely in terms of concentration measures by gross incomes from the media company segments...**
- ✓ **....Because in several situations the accounts reports present global data (consolidated results) and it is difficult to find the key performance indicators in each media segment.**

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2. Market Structure and Concentration Measure

2.1. Newspapers Market Analysis

✓ This section investigates the degree and the evolution of concentration in the Portuguese newspaper market.

✓ **The goals of this study correspond to national newspaper coverage, namely:**

- National daily general information;
- National daily sport;
- National daily economic.

✓ **To evaluate the degree and the evolution of concentration in the national daily newspaper segments, I considered three distinct variables:**

- Circulation;
- Audiences;
- Advertising revenues*

*The information about advertising revenues was collected from Portuguese statistic data companies because it is difficult to obtain information from company reports.

*The estimate is based on official table rates and don't consider the commercial discounts.

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2.1.1. Newspapers Market by Circulation Analysis

Circulation

✓ The empirical evidence on the average circulation of Portuguese daily national newspapers from 1995 till 2008 (vide table 1) reveals two interesting trends:

i) The average circulation of paid newspapers (e.g. Diário de Notícias or Jornal de Notícias) has stagnated or even declined.

ii) The total circulation (including both paid and free newspapers) has increased significantly in the last decades, illustrating the remarkably positive performance of free newspapers in recent times.

✓ However, it should be noted that in the last year (2008) the performance of free newspapers was less brilliant.

✓ Free newspapers have been facing a small reduction in average circulation following the crisis in advertising markets and the subsequent reduction of free newspapers' revenues.

✓ **The evidence presented on the following table suggests that the Portuguese market of daily national newspapers is highly concentrated.**

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2.1.1. Newspapers Market by Circulation Analysis

- ✓ Table 1 aggregates the market shares of newspapers under the control of the two media groups: Controlinveste and Cofina. Together, they have circa 78% of market.

Table 1: Evolution of market shares for Portuguese newspaper companies (1995-2008)

	1995	1996	1997	1998	1999	2000	2001
Controlinveste	33.33%	39.89%	41.00%	47.03%	46.85%	46.10%	42.93%
Cofina	49.50%	44.53%	43.78%	39.78%	39.50%	40.70%	44.69%
Media Capital	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sonae	15.68%	13.65%	12.91%	10.62%	11.25%	10.72%	9.99%
IGD	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Megafin	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Económica SGPS	1.49%	1.94%	2.31%	2.57%	2.40%	2.49%	2.38%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	2002	2003	2004	2005	2006	2007	2008
Controlinveste	42.65%	42.91%	41.90%	30.98%	26.69%	30.55%	37.87%
Cofina	44.93%	45.21%	47.58%	44.33%	45.42%	39.78%	39.72%
Media Capital	0.00%	0.00%	0.00%	16.13%	19.23%	15.17%	15.14%
Sonae	10.46%	9.75%	8.49%	6.75%	5.54%	3.80%	3.73%
IGD	0.00%	0.00%	0.00%	0.00%	0.00%	7.55%	0.00%
Megafin	0.00%	0.00%	0.00%	0.00%	1.49%	1.97%	2.30%
Económica SGPS	1.96%	2.13%	2.02%	1.81%	1.63%	1.16%	1.24%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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2.1.1. Newspapers Market by Circulation Analysis

- ✓ In terms of average circulation, table 3 reveals the extent of concentration in the daily Portuguese newspapers and depicts the evolution of three concentration indicators (CR4, HHI and Noam index) for the period of 2004-2008.

Table 3: CR4, HHI and Noam indexes for National Newspaper Industry (2004-2008)

	2004	2005	2006	2007	2008
C4	100%	98.19%	96.88%	93.06%	96.47%
HHI	4096	3234	3180	2823	3262
NOAM	2048	1446	1298	1067	1332

Source: Elaborated by the author using data from APCT

- ✓ Considering that period, the concentration indexes depicted on table 3 reveal two important results:

(i) the market of Portuguese national dailies corresponds to a highly concentrated market; but...

(ii) the market has been evolving positively, with a decrease in concentration levels after 2004 (excluding 2008).

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2.1.1. Newspapers Market by Circulation Analysis

- ✓ Concerning the concentration degree of the Portuguese dailies (by circulation perspective), table 3 reveals that in the market of national daily newspapers concentration indexes are relatively high, with:
 - (i) the CR4 being higher than ninety percent (96, 5%) for the whole period
 - (ii) the HHI being higher than three thousand and two hundred sixty two (3262). Which illustrates that the market is highly concentrated.
 - (iii) the Noam Index being higher than one thousand and three hundred thirty two (1332) for the whole period.
- ✓ **The high degree of concentration exhibited by the Portuguese industry of daily national newspapers is not new and surprising given the dominance exerted by Controlinveste and Cofina, who have significant shares of the circulation market, namely circa 78%.**

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2.1.2. Newspapers Market by Audiences Analysis

Audiences

- ✓ **In the previous section, I used the circulation data. But this analysis should be completed with the perspective of audience concentration.**
- ✓ Furthermore, there exists data on the audiences of all the Portuguese national daily newspapers participating in the market (including the sport newspaper “a Bola”, which has been excluded from circulation analysis for lack of data).
- ✓ **Table 4 depicts the audience shares for the daily newspapers of national coverage for the period 2004-2007.**

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2.1.2. Newspapers Market by Audiences Analysis

Table 4: Audience shares for the daily newspaper of national coverage

	2004	2005	2006	2007
Controlinveste	39.33%	37.93%	34.92%	31.05%
24 Horas	5.04%	4.80%	4.46%	4.06%
Diário de Notícias	6.39%	5.88%	4.75%	4.82%
O Jogo	8.91%	8.67%	8.77%	7.10%
Jornal de Notícias	18.99%	18.58%	16.94%	15.08%
Cofina	34.45%	36.69%	35.36%	38.02%
Correio da Manhã	16.97%	15.79%	13.82%	15.21%
Jornal Destak	1.51%	5.42%	8.02%	9.76%
Jornal de Negócios	1.51%	1.70%	1.78%	1.90%
Record	14.45%	13.78%	11.74%	11.15%
Media Capital	0.00%	0.00%	8.32%	10.01%
Metro Portugal	0.00%	0.00%	8.32%	10.01%
Sonae	8.91%	7.89%	6.69%	5.96%
Público	8.91%	7.89%	6.69%	5.96%
Megafin	0.00%	0.00%	0.00%	0.63%
OJE	0.00%	0.00%	0.00%	0.63%
Económica SGPS	3.03%	3.10%	2.82%	2.53%
Diário Económico	3.03%	3.10%	2.82%	2.53%
Socied. Vicra Desportiva, Lda	14.29%	14.40%	11.89%	11.79%
A Bola	14.29%	14.40%	11.89%	11.79%
Total	100.00%	100.00%	100.00%	100.00%

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Source: Elaborated by the author using data from Markttest

2.1.2. Newspapers Market by Audiences Analysis

- ✓ The results reveal that the dominance of Controlinveste and Cofina Group is relatively small in terms of audience shares compared to circulation.
- ✓ The reason for this seems to lie on the inclusion of the sports daily “a Bola”, which was excluded from the previous analysis (for lack of data) from its relevant market share.
- ✓ Regarding the indexes (CR4, HHI and Noam index), Table 5 confirms that all concentration indexes in terms of audience shares are lower compared with average circulation analysis. For example, the CR4 is almost 91%.

Table 5: Concentration indexes for the Newspapers Portuguese Market

	2004	2005	2006	2007
C4	96.97%	96.90%	90.48%	90.87%
HHI	3026.31	3063.48	2733.1	2691.5
Noam	1353.41	1370.03	1115.8	1017.2

Source: Elaborated by the author using data from Markttest

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2.1.3. Newspapers Market by Advertising Revenues Analysis

Revenues

- ✓ The data on newspapers' advertising revenues (based on newspapers' official ad-rates) was obtained from Markttest annual report on media and advertising for the year 2007.
- ✓ **Considering the advertising revenues, the market share by newspaper and by media groups are represented by percentages in the next table (7) and the results described confirm that the advertising market is highly concentrated.**
- ✓ However, it should be stressed that in the case of advertising market, Portuguese national dailies face more direct competition from weekly dailies with a long tradition and readership in Portugal (e.g. *Expresso*, the most influent quality paper).
- ✓ Accordingly, the actual levels of concentration in the advertising market (when this is considered from a broader but more realistic perspective) should be smaller as a result of the competitive pressure exerted by other players like *Expresso* that have a very important position in the newspaper advertising market.

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2.1.3. Newspapers Market by Advertising Revenues Analysis

Table 7: Newspapers' market shares in the advertising market (%)

	2007
Controlinveste	37.8%
24 Horas	3.8%
Diário de Notícias	11.1%
O Jogo	2.0%
Jornal de Notícias	19.9%
Global Notícias	0.9%
Cofina	34.2%
Correio da Manhã	18.2%
Jornal Destakô	9.3%
Jornal de Negócios	2.4%
Record	4.3%
Sonae	9.9%
Público	9.9%
Media Capital	8.2%
Metro Portugalô	8.2%
Económica SGPS	5.6%
Diário Económico	5.6%
Socied. Viera Desportiva, Lda	2.7%
A Bola	2.7%
Semanário Económico	1.6%
Semanário Económico	1.6%
Total	100%

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Source: Elaborated by the author based on data from Markttest.

2.1.3. Newspapers Market by Advertising Revenues Analysis

- ✓ **The concentration indexes (CR4, HHI and Noam index) presented in table 8 reveal that advertising revenues in the market of Portuguese national dailies are highly concentrated. For example, CR4 is circa 90%.**

Table 8: Concentration indexes for the Newspapers Portuguese Market

	2007
C4	90.1%
HHI	2803.40
Noam	1059.59

Source: Elaborated by the author using data from Markttest

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2.2.1. Television Market by Audiences Shares Analysis

Audience shares

- ✓ In the case of audience shares, concentration measures were obtained separately for free to air and paid television.
- ✓ This division turned out to be necessary given the methodological differences on the data available on the audiences of free to air channels and paid TV.
- ✓ In the case of free to air TV, audience shares correspond to the ratio of the consumers' time spent watching a specific channel and the total time spent by consumers watching TV.
- ✓ The case of paid TV is different, with audience shares corresponding to the number of subscriptions obtained by each group as a fraction of total subscriptions of paid TV.

Free to air TV

- ✓ **As we can see in the next slide, the free to air TV market in Portugal is composed of four TV channels: two public channels (RTP 1 and RTP 2) and two private channels (SIC and TVI).**
- ✓ The private channels are included in powerful media groups - Impresa and Media Capital/Prisa Group, respectively.

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2. 2.1. Television Market by Audiences Shares Analysis

Table 9: Free to air television channels shares (audience)

Channels	2003	2004	2005	2006	2007
RTP1	27%	28%	28%	28%	30%
RTP2	6%	5%	6%	6%	6%
SIC	35%	34%	32%	30%	30%
TVI	33%	33%	35%	35%	34%
Total	100%	100%	100%	100%	100%

Source: Elaborated by the author based on data obtained from Markttest

- ✓ As we can see in the table, the private channel TVI is the audience leader and RTP 1 (public) and SIC (private) have the same audience share, circa 30%.
- ✓ The public operator has been improving his market position since 2003 and SIC has been declining.
- ✓ The rigorous assessment of the degree of concentration in the Portuguese free to air TV market requires the computation of concentration indexes, whose values are presented in the table below.

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2.2. 1. Television Market by Audiences Shares Analysis

Table 10 : Concentration Indexes for Portuguese “free to air” TV segment

Indexes	2003	2004	2005	2006	2007
HHI	3335,76	3333,44	3338,66	3345,99	3355,02
Noam	1925,90	1924,56	1927,58	1931,81	1937,02

Source: Elaborated by the author based on data obtained from Markttest

- ✓ The concentration indexes described in table 10 (HHI and Noam index) confirm that the Portuguese market of free to air TV is highly concentrated
- ✓ This high level of concentration can be confirmed also through the index of concentration CR3; in this case it is 100% in the whole period.
- ✓ Nevertheless, it should be noticed that audiences are more or less evenly distributed among the three media groups, which creates competitive pressures despite the small number of firms participating in this market.
- ✓ Furthermore, the free to air TV market is nowadays substantially more competitive and pluralistic than it was two decades ago, after SIC and TVI entered the market in 1991 and 1992, respectively.

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2.2 .1. Television Market by Audiences Shares Analysis

PayTV

- ✓ PayTV is a relatively recent segment in the Portuguese TV market (appeared in 1994) and despite the growing weight of payTV channels, free to air TV continues to attract the largest fraction of consumers' time.
- ✓ As we can see in the next table(11), which concerns consumers' subscription choices, the firm "ZON" (former "TV Cabo") is the absolute leader of the market.
- ✓ This leadership is the result of the first operator advantage of ZON, who was the first firm to enter this market.
- ✓ The other participants in this market are Cabovisão, PCT and TVTEL. Table 11 provides information on the subscription shares of the participants in this market (averaging the second and the third quarters of 2008).

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2.2.1. Television Market Audiences Shares Analysis

Table 11: Subscription Shares of PayTV

	2008
Groups	
Zon	73%
Zon Multimédia	64%
Zon Açores	4%
Zon Madeira	4%
Cabovisão	14%
PTC	7%
TVTEL	3%
Others♦	3%
Total	100%

Source: Elaborated by the author based on data obtained from Anacom

♦ARTelecom, Clix SmarTV

To assess the degree of concentration exhibited by the Portuguese pay TV segment (in terms of audiences), the concentration indexes CR4, HHÍ and Noam index were computed in the next slide.

Table 12 shows the high degree of concentration in the pay TV subscription industry. For example, CR4 is 97%.

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2.2.1. Television Market by Audiences Shares Analysis

Table 12: Concentration Indexes for Portuguese “pay TV” segment

2008	
C4	97%
HHI	5540.78
Noam	2477.91

Source: Elaborated by the author based on data obtained from Anacom

- ✓ We can affirm that the level of concentration for paid TV is superior to the level of concentration for free-to-air TV, considering 2008 for example.
- ✓ This situation has been similar during the last 16 years.
- ✓ This is a result of ZON’s dominant position in the market as well as of the technical characteristics of this business, where entry is very costly (due to the significant fixed/sunk costs).

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2.2.2. Television Market by Advertising Revenues Analysis

Advertising revenues

- ✓ To evaluate the extent of concentration in the Portuguese TV market, the previous analysis must be complemented with an analysis of concentration based on advertising revenues.
- ✓ The table in the next slide provides an overview of the situation of the Portuguese TV market in terms of advertising (in 2006 and 2007).
- ✓ Considering all TV business by operator, Table 13 displays evidence of the concentration of advertising revenues in a limited number of media groups (RTP, Impresa and Media Capital).
- ✓ The remaining channels (included in the category “others”, which gathers almost all pay TV channels) do not capture a significant share of advertising revenues, obtaining market shares lower than 5% in both years (2006 and 2007).
- ✓ However, it is worth stressing the positive evolution of this segment, whose weight increased almost a whole percentage point in one year (corresponding to a relative variation of 25%).

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2.2.2. Television Market by Advertising Revenues Analysis

Table 13: Advertising revenues by media groups (Thousand € - Table prices)

Groups	2006	2007
Media Capital	1258581	1379080
Impresa	1065025	1095441
SIC (free to air)	934427	970078
SIC Notícias (paid)	90053	90298
SIC Mulher (paid)	16686	18786
SIC Comédia (paid)	9832	-
SIC Radical (paid)	14027	16279
RTP	419811	460314
RTP 1 (free to air)	386732	420515
:2 (free to air)	2197	2127
RTP Memória (paid)	6180	8972
RTPN (paid)	24702	28700
Others (Paid Television)	96789	130788
AXN (Sony Pictures)	28689	52845
Panda (Chello)	25988	26855
TV Record (Rede Record)	14576	16279
MTV PT (MTV Networks)	10267	13482
GNT (Globosat)	8013	-
Fox (Fox Entertainment Group)	6103	17224
História (Chello)	1797	816
Hollywood (Chello)	1356	2667
People+Arts (BBC)	-	620

Source: Markttest

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2.2.2. Television Market by Advertising Revenues Analysis

- ✓ The table below confirms advertising revenue concentration for Free-to-air TV (represent circa 90%). In contrast, Pay TV segment obtained only circa 9,5%.

Table 15: Advertising revenues shares by TV Segment

Segment	2004	2005	2006	2007
Free to air	91.92%	92.67%	90.91%	90.42%
Subscription	8.08%	7.29%	8.81%	9.58%

Source: Markttest, and "Paid Television: Market dynamics in Portugal and Europe" by Ribeiro (2007)

- ✓ To objectively assess the degree of concentration in the Portuguese TV industry in terms of advertising revenues, the concentration indexes (CR4, HHI and Noam index) are presented in the next slide.
- ✓ As we can observe, all indexes present a high level of concentration. For example, CR4 is 100%.

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2.2.2. Television Market by Advertising Revenues Analysis

Table 16: CR4, HHI and Noam indexes for the Free-to-air Television by Advertising Revenues

	2006	2007
C4	100.00%	100.00%
HHI	3599.85	3544.19
Noam	1799.92	1772.09

Notes:

1. I didn't analyse the television industry based on gross incomes because there are two very different revenue models: private and public.
2. In the case of the public channel RTP, most of the revenues come from the State; advertising only represents circa 17%, in 2008.
3. For private channels, advertising represents between 70% - 80%, depending on the year considered.

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Preliminary Conclusions

- ✓ As a preliminary deduction, it is possible to conclude that all sectors analyzed, excluding the Online Publication, have very high concentration levels.
- ✓ Analyzing the newspaper industry in terms of circulation, audiences and advertising revenues, it has been verified that this is a highly concentrated sector. However, it has slightly declined since 2005.
- ✓ Moreover, for a more complete analysis, we should consider the newspaper market characteristics (e.g. where the weeklies have played an important role) when defining the relevant market of newspapers.

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Preliminary Conclusions

- ✓ Portugal has only about 10 million inhabitants and, furthermore, the population's purchasing power is relatively limited.
- ✓ Portugal is below the European average for a large number of social and economic indicators.
- ✓ So, it is important to analyze the media concentration process in economic and social terms for each country.
- ✓ Some markets can't support many big media operators. This economic crisis put in evidence the economic and financial fragility of media companies, namely newspaper business.
- ✓ The concentration levels in daily newspaper segments can be analysed as an imperative management practice used to explore economies of scale and economies of scope.
- ✓ And the big questions are:
 - If the pluralism is related to the number of voices available, how can small countries sustain many voices if the market has economic limitations?
 - In our case (Portugal - as small countries), was the media concentration important to consolidate the business and to preserve some voices?

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Preliminary Conclusion

- ✓ Concerning the TV market structure, we concluded that it is also a segment where the concentration is very high.
- ✓ However, the media should be carefully monitored by the competent authorities, namely to limit the possibility of growth in the concentration level.
- ✓ I think it is a very good exercise to analyse media concentration using the measure indexes, but using the CR4 and HHI is not enough to understand the whole reality, namely the economic and social limitations in each market.
- ✓ In that perspective, the Noam Index is a very good contribution to understanding the characteristics of this market, namely recognising the larger concept of relevant market.
- ✓ Maybe in the future we can identify other variables to include in the index, namely related to population size or other local market indicators from each country/market, for example.
- ✓ To finish, the next steps in developing this research will be to include data from 2008 and 2009 in the report and interpret the results in terms of the impact of media pluralism according to the market characteristics and local dynamics.

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THE END

**Thanks very much for
your patience and
attention.**

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