

# CONCENTRATION AND VOICES DIVERSITY: THE CASE OF ONLINE NEWS AND DIGITAL NEWSPAPERS IN PORTUGAL

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## ABSTRACT

*The main objective of this research is to measure the concentration in the Portuguese online news segment, and to evaluate the extension to which this situation may be compromising fundamental social values: diversity of voices, freedom of speech and right of access to information. The author will resort to market indicators, namely unique users, number of pages visited, time spent and advertising revenues. These indicators are found to be complementary: some of them evaluate the top ten group's position in the users' or readers' market, online and offline newspaper subscription, whereas others indicators evaluate the group's position in the advertising market in particular, providing a cross ownership concentration perspective. Additionally, we will measure the level of concentration in online newspapers and compare it with the correspondent offline newspaper version. Based on market's official data, namely companies' reports and sector statistics, among other sources of information, we will use quantitative*

*models (HHI, CR and Noam) to measure the online news and newspaper segment's concentration. In order to analyze the online news market concentration situation in Portugal, we will try to demonstrate that it is important to have a holistic perspective of the media market, considering the country context, to understand some local characteristics and the market structure, as well as the political, economic, social and technological dynamics.*

**KEYWORDS:**

online news, market, concentration, consolidation, pluralism, multimedia, technologies, change, advertising, users, diversity.

## INTRODUCTION

Media companies are exposed to a constant process of change, due to important observable modifications within its sphere of influence. For these companies, information is both the raw material and the final product; treatment of information is the process undergoing the most profound modifications: renovation and technological convergence towards digital supports, consumer taste and lifestyle alterations, emergence of new information supports and players and strategic alliance and merger processes between companies. Within an academic context, the concentration subject has traditionally been included within the scope of industrial economy. Nevertheless, the field of economics and management applied to the media sector has progressively demarcated its own grounds within the last few years, having gained some autonomy within this research area. It is in this context that several authors stand out, such as Tabernero (1993), Albarran *et al* (2005) and Picard (2002), amongst various others, who have delved into the concentration issue. Other media researchers, such as Mosco (1996), Garnham (1990) and McChesney (2000), have chosen to include concentration studies in the scope of media political economy.

Free and equal media access for all citizens is a modern society ideal. In a fully competitive market, no information access limits would exist and no media company would have sufficient power to display different and independent behavior from other players and consumers. Nevertheless, reality is different and media markets follow a seemingly irreversible trend towards concentration. This media concentration trend was long ago foreseen by some researchers. Toussaint (1979), for example, when referring to the case of the written press, considered that companies would increasingly tend towards concentration, for two fundamental reasons: i) to achieve high return on investment through mass sales (making it possible for advertisers to invest in publications with less issues); ii) to develop products, orientated to specific audiences, capable of attracting more advertising investments.

Effectively, we have been witnessing, in many cases, a trend towards vertical concentration, where the process is controlled from the beginning to the end of the production chain, and towards horizontal concentration,

aimed at controlling a maximum amount of similar products. These two kinds of concentration tend to be combined, originating large groups, sometimes multinational, controlling not only newspapers, but also radio and television stations, information, advertising, and distribution agencies, as well as non-core activities such as book, record and video publishing, etc. In all cases, an effort is made to attain greater dimension through costs and risk rationalization, with the purpose of wielding more power, either through innovation or sector control. The media activity develops between two poles representing commercial and cultural orientations. Therefore, economic competition within the media sector is always well received, when considering the benefits it brings to society. Concentration may represent a corporate defense mechanism, used by companies in order to be able to face strong competition scenarios. Within this scope, the subject of media concentration needs, in certain situations, to be analyzed in the absence of any dogmas relative to the importance of economic aspects, but from the standpoint where it enables the existence of a wider and more diverse media offer.

Some of the difficulties in discussing media concentration – especially concerning its current and potential effects – have been inaccurately used, which has originated some confusion in the discussion of this issue. Therefore, and according to Picard (1989), it is important to distinguish between two concentration-related concepts: property concentration and strictly economic concentration. Property concentration is assessed by considering the number of media units (or products) or the percentage of property held by dominant companies in a particular region or country, or on an international level.

For the second concentration concept – regarded in a strictly economic sense – a particular geographical market is clearly defined and the market share held by any company or group within that market is considered. There is a relationship between both concepts, although they are not synonyms. The first concept is used in property trend analysis and to understand the extent to which company operations may potentially influence discourse and public opinion. The second concept is important in the application of anti-trust legislation, based on economic measures, in order to fight negative effects of monopolies.

The phenomenon of media concentration and its impact on the pluralism of information constitutes one of the most important (and one

of the most lively discussed) trends of the Portuguese media industry. With the aim of quantifying and approaching objectively the issue of media concentration, this paper focuses on the major market segments of the Portuguese online news media industry, namely online media audiences from the main media groups and general information from offline and online newspapers, including a comparative analysis between both (online and offline supports). For this purpose, diverse information was gathered from accounting data and official statistics and yearbooks (e.g. *APCT* and *Marktest*) – among other sources that will be identified in due time – in order to obtain certain indicators. Broadly, the information was collected with the purpose of attaining three distinct concentration indicators, namely (i) the **C4** (Concentration Ratio of the four largest companies), (ii) the **HHI** (Herfindhal-Hirschman Index), and (iii) the Noam Index.

Therefore, in this paper we applied these three concentration indexes that will be used (both individually and jointly) to provide objective measures of online news media concentration and, in that sense, to contribute to enlighten the debate on the issue of concentration in Portuguese media markets, whose discussion, sometimes, is stripped of solid bases because it does not show rigid indicators and concrete data. This paper is divided in four main parts. The first one is a literature review regarding media concentration studies, including the identification of the concentration's advantages and disadvantages for companies, citizens and collaborators; this part also includes the methodologies adopted to measure the media concentration. The second part presents some general data and indicators on the media sector's structure, including the media groups' portfolio description and the advertising investment by media segment. The third part is based on statistic data about online news media, in order to measure the ownership concentration. The last point summarizes the main conclusions about the concentration situation and its impacts on media market competition and on the diversity of voices in these related segments: online news media, and offline and online general information newspapers.

Despite the increasing attention that has been paid to the media concentration in Portugal, there is a lack of concrete data that enable a more clarifying picture of the situation that enrich the debate and trace ways to follow. First, in order to treat this problem rigorously, we need to define the

theoretical assumptions and the conceptual tools that underpin the speech construction and quantify the information – including the positions of the respective groups – and analyze that information in a dynamic perspective (in particular taking into account the ICT impact and the market dynamics) rather than in a static one, as sometimes happens in some studies of this nature. Thus, it is important to answer fundamental questions such as: «Is there, in fact, a concentration trend in the media business in Portugal? If so, to what extent? Which are the analytical criteria that support this hypothesis? What are the types of concentration? What are the advantages and disadvantages of this phenomenon? Who are the companies or groups that benefit from concentration? In what media areas does concentration come more sharply? Many questions remain unanswered or need to be addressed in more detail when debating the media business concentration in Portugal. Generating information and seeking the basis for providing answers to these questions are the main challenges of this chapter.

## 1. LITERATURE REVIEW AND METHODOLOGY

As suggested by Picard (2002), in more recent years, concentration and the growth of media conglomerates have originated interesting discussion topics not only in schools, but also in public debate. What is surprising is not what has been happening, but the fact that not many people have noticed the changes occurred within the media sector. Recent events are not new, nor do they represent a rapid transformation associated to the end of the 20<sup>th</sup> century. If we – citizens – want to respond to these developments we will need, meanwhile, to attempt a better understanding of the nature of these problems. Within this scope, Compaine (2005: 98) states that ‘media companies have indeed grown over the past 15 years, but this growth should be understood in context. Developed economies have grown; therefore, expanding enterprises are often simply static, in relative terms, or their growth appears less weighty.’

Some experts (Noam, 2009; Faustino, 2010; Picard, 2002, Taberner, 1993) refer the economic gains as one of the main reasons for

the operations of acquisition and business concentration. Nevertheless, they generally ignore the existence of internal pressures. Despite that, there are other reasons that may induce a process of business concentration, namely the fact that the growth strategies of media companies and the concentration processes of the industry can generate the following advantages: a) Power and prestige for owners and managers; b) Synergies between several media from each company; c) Dominant market position; d) Sharing of knowledge between companies, e) Diversification of business risk; f) Increased possibilities for innovation; g) Career opportunities for employees; h) Increased bargaining power towards suppliers and authors; and i) Growing professionalization of the human resources. As stated by Nieto and Mora (1989: 43 - 44), it is possible for daily newspapers and magazines to keep various ideological orientations or have different specialized contents. Nevertheless, market structures for each publication may obey a previously defined structure. Diversity in ideological informative contents does not necessarily imply a market presence representing a response to a plural configuration. That is, different media concentration processes may originate situations where abuse of information power is detected. However, not all concentration processes necessarily lead to a reduction in information diversity.

The analysis of the impact of new technologies, namely the Internet, in media ownership concentration has been discussed by several authors as, for example, Edwin Baker (2007). In his work *Media Concentration and Democracy*, namely in the chapter "Not a Real Problem: The Market or the Internet Will Provide", he suggests that the Internet does not contribute to reduce media concentration, as some specialists support. However, other specialists consider that, although it can be observed some perpetuity of the power of labels or journalistic offline products in online platforms, the Internet has been contributing to a wider offer and information diversity. Nevertheless, this confrontation of analysis perspectives needs to be better studied, by including the use of empirical research. In this sense, this paper intends to analyze to what extent the Internet contributes to reduce ownership concentration and to make the information market become more plural. For this purpose, it is important to briefly identify some aspects that mark the controversy on this topic.

Some experts consider the Internet as a platform that allows “escaping” contents’ control. In this perspective, this platform has thus strengthened the role of democracy by allowing individuals to seek for a varied number of information, in several fields and perspectives. Proponents of deregulation invoke the existence of the Internet as a way of proving that the existence of very strict rules doesn’t make sense anymore. In fact, when pushed to the limit, anyone can create an online newspaper, radio or TV. However, Barker (2007) considers that this point of view (that there is more diversity of information) is wrong, given that the changes that the Internet has brought don’t erase the concerns about media concentration. However, following some of Baker’s reflections (2007), it is important to critically examine some aspects of the impact of the Internet in the concentration of media ownership:

*i) Changes provided to the public.* The impact on the public sphere, either demographic or political, is already being felt. The blogosphere is one example, where users can discuss different ideas and communicate more closely among themselves. This makes the Internet an important tool of democracy. However, Baker (2007) believes that these communicational gains (when they can be considered) are totally different (and sometimes dependent) from the performances of traditional media. According to this author, these developments have no effect in reducing the concentration of media ownership.

*ii) Impact on the availability of media.* The contents of other media – television, radio and press – can be transmitted on the Internet. These technological changes have a relevant weight in certain concentration situations, as they provide more possibilities in accessing contents. Before the advent of cinema, people could only see a drama in a live performance. In the same vein, before the advent of television, movies could only be seen in public spaces, often theaters where they were showed, which allowed their owner to choose and monopolize what movies consumers would see. Nowadays, movies are on DVD and can be viewed on the Internet, sometimes even before the premiere. In this context, we can say that the concentration of ownership in the traditional media does not necessarily mean a



concentration in the distribution of content. Therefore, we cannot say that the diversity enhanced by the internet dispels every concern about media concentration, although it may contribute to a greater diversity and accessibility to content.

*iii) Impact on the industry and the media economy.* Another aspect that the Internet is changing is the cost of content distribution, which is more affordable; in fact, the digital media are reducing, by far, the distribution costs. Despite these contributions, the internet works as a great content distribution system. “The Internet allows easier pull (like search engines), easier push (like spam) and a greater routine use (such as daily consultation of blogs or sending daily e-mails). Therefore the power of the internet does not create products, but communicative content. The Internet can be considered as a way of convergence of various media, where a person can get various online media, as opposed to the traditional situation where each media has to be purchased individually. However, for critics such as Baker (2007), as for a big store that sells winter coats and t-shirts, where a person goes to buy both, we cannot say that there is an increase in quality, since neither competes with each other. These examples suggest that the diversity of online media, by itself, will not contribute to reduce the democratic implications of a possible media concentration, particularly in the cases where only a few businesses produce informational content.

*iv) Consequences on media concentration and diversity.* In a first approach we might suggest that cost reduction enhanced by the Internet leads to (1) an abundance effect, where more contents will be produced and the costs paid by the customer will also be reduced, and (2) the increased facilitation in distributing copies of products, which will encourage the creation of new content, will also increase the price of the first copies, as they have an ability to capture larger audiences. However, for critics like Baker (2007), the increase in expenses in the first copy tends to focus the audience on this new product, and the fact that the first copy is very expensive – and also noting the reduction of distribution costs – can simultaneously cause

a reduction on the existing diversity<sup>1</sup>. As the author says, despite the benefits of having several perspectives, e.g., in the Internet, the possibility of this leading to media concentration is greater than in the old offline universe. To explain this concentration, Baker (2007) presents several information on blogs and a study that shows the influx of users to these media. He concludes that, despite the large amount of assiduous readers, most of them limit themselves to a small number of blogs, leading to a concentration on the readings.

*v) Strengthening off the offline brand through online extension.*

One of the situations commonly found in several markets (including Portugal) reveals that the digital newspapers with larger audiences correspond to the success of their printed versions: i.e., brands with more notoriety and audiences, with few exceptions, result from the extension of the digital versions of printed newspapers. In this perspective, according to some critics (Baker, 2007), the online world tends to concentrate the audiences. This is accentuated by the migration of individuals from paper to online, because, as the author demonstrates, we are assisting a decline in paid circulations of titles, while online visits are increasing, although the online editions of the more known titles are the most visited<sup>2</sup>. However, while it is true that online newspapers of reference correspond, in most cases, to their

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<sup>1</sup> C. Edwin Baker has created a mathematical expression based on variables such as the cost spent on the first copy, profits, audience size, price, among others, to prove that the trend to lower distribution costs may lead to concentration. Hence, the author concludes that if the price remains constant but there is a greater investment in product creation, more people will buy. For the author, this is what leads to monopolies of daily newspapers in some cities. Consequently, and also by the same process, C. Edwin Baker argues that by reducing distribution costs, companies will invest more in the first copy, which will create an increase in audiences and thus lead to the concentration of the audience. This is dubbed by the author of Hollywood Effect, since this entity has a huge investment power which allows their domination of film production.

<sup>2</sup> Therefore, for the critics, the internet does not end media concentration, since, for example, it does not create, in a substantially way, new informational websites. For instance, according to the PEJ study, 17 of the 25 most viewed sites are associated with traditional news companies. Eight belong to one of the 10 largest media groups and 14 are associated with one of 20 major news organizations.

paper versions, it cannot be ignored that the Internet has increased the appearance of independent journalism projects which, together, are presented as alternatives to access information and dissemination of opinion, making the system more plural. We can see, for example, the Huffington Post case (with considerable U.S. audience), which appeared only as an online paper. On the other hand, the Internet has been allowing, even in lesser-known newspapers or blogs, the publishing of information on, for example, cases of corruption, which are often ignored by traditional media.

Therefore, the idea that the Internet is contributing to the concentration of media ownership in the industry does not seem clear. Moreover, although one can accept some critics' arguments (exposed in the preceding paragraphs), we have also observed some evidence that the Internet has been helping to increase the information offer, including the democratization of access and production of information, also by the fact that it is allowing the creation of journalism products with more affordable investments. And it can also be said that when there is disruption in an industry – as it is happening in the media industry – new players tend to appear. For example, the Internet is also generating positive externalities for the smaller media companies – i.e.: by making a large-scale and a very low cost distribution platform available, it provides opportunities for other emerging media companies, including at regional and local levels.

Consequently, the problem and the debate about the effect of digital journalism in the pluralism of information is recurrent and this work aims to give a further contribution to this analysis, also by using empirical data to confer objectivity to the approach. Therefore, we are presenting a brief literature review on the subject of ownership concentration, including the impact of the Internet. The following two points show some quantified information about the level of concentration in online news media, as well as a comparative analysis of the audience of offline and online newspapers of general information, including market positions by each media group.

As suggested before, the main research questions which underpin the elaboration of this paper are: **RQ.1-** What is the ownership concentration level of online news media and of online and offline general newspapers in Portugal?;

and **RQ.2** -To what extent is Internet contributing to the media ownership concentration? With this aim, the research methodology was largely based on documentary research, namely scientific articles, press articles, books on the sector, industry reports, etc. To address the issue of business concentration, and beyond the analysis and description of the objectives normally associated with these strategies, the author also made use of quantitative methodologies, in order to identify objectively the Portuguese situation in terms of concentration in the publishing industry. For this purpose, different information was gathered, allowing the constitution of some indicators, using economical and financial data, official statistics and yearbooks on the publishing markets. The information was collected in order to sustain the creation of three different types of concentration indicators, namely: (i) CR4 (Concentration ratio of the four largest companies), (ii) HHI (Herfindahl-Hirshman Index), and (iii) Noam Index. The first (CR4) focuses on the weight of the dominant players, gathering the percentage of market share of the four largest companies in an industry. The second index (HHI) is the sum of the squares of the market shares of all the participants in the market. This index has been used worldwide by antitrust authorities considering all the participants in the market, counting nevertheless to the level of asymmetry between participants.

The comparison between these two indexes reveals that both have advantages and disadvantages in relation to one another. On the other hand, it shows that the HHI verifies a set of consistency requirements that we would like to be checked by a “good” concentration index and it also derives from an axiomatic form as a proportional measure of the market power, which does not happen with the concentration index CR4. In spite of that, the latter concentration index is frequently used because it is relatively easy to calculate as it requires only the information on the largest companies. In addition, there is in reality a high correlation between these two indexes, which suggests that the loss of information in the CR4 index in relation to the HHI is not very significant. However, in case of doubt it is safer to use the HHI. The concentration index CR4, which compares the sum of the results of the four largest companies in the sector with the total of the industry, considers that if the sum CR4 is equal or superior to 50%, then the market is significantly concentrated, which can be translated in the following formula:

$$CR4 = \sum_j S_{ij}$$

Where  $S_i$  = share of companies  $i$  within industry  $j$ , with companies sorted by their individual size in the industry.

- CR4 greater than or equal to 50%: high concentration
- CR4 between 40% and 50%: moderate concentration
- CR4 between 35% and 40%: low concentration
- CR4 of 20% to 35%: lack of concentration
- CR4 less than 20%: atomistic

Conversely, the Herfindahl-Hirschman Index (HHI) is another instrument which measures the concentration levels of a market. More elaborate than the previous one and more widely used, this index is calculated adding the squares of the market shares of the companies in a given industry. The index ranges between 0 and 1, and the closer it is to 1, the higher is the level of concentration (Albarran and Mierzejewska, 2004).

$$HHI = \sum_{i=1}^f (s_i)^2$$

Where  $f$  = number of participant companies in the industry  
 $S_i$  = share of each company within the industry

The antitrust guidelines of the United States Department of Justice classify the levels of market concentration as follows:

- HHI less than 1000: low concentration
- HHI between 1000 and 1800: moderate concentration
- HHI greater than 1800: high concentration

The two concentration indexes referred are used (both individually and together) to allow the quantification of the concentration levels and,

thus, contribute to clarify the debate on the issue of media concentration in the Portuguese market, which sometimes lacks solid foundations because there are missing rigorous indicators and hard data. Finally, the third concentration index (Noam Index) was specifically developed for the case of the media industries, normalizing the HHI in order to take into account the number of voices available. Thus, the application of the referred indexes corresponds to the most common approaches in the study of the levels of media concentration.

## 2. GENERAL APPROACH OF PORTUGUESE MEDIA SYSTEM AND MARKET STRUCTURE

As it happens all over the so-called developed world, the media sector in Portugal has been marked in recent years by major mergers and business partnerships. These moves resulted in a small number of large economic groups (as we will see below) that control a significant part of the media in the country. In this context, discussions about the concentration of media in Portugal are increasingly urgent. In the different social spheres – political, legal, and academic – as well as in the public space in general, there are different opinions about this phenomenon. However, we can say that the general positions suggest two hypotheses that admit, in advance, a scenario of business concentration. This discussion is not new and resembles other past and ongoing debates all over the world. Rather than starting a polarized debate on “media between commerce and culture”, it is important to analyze this problem without dogmas, which implies to understand – and to believe – that media companies can grow based on a free-market economy, as long as certain rules that safeguard the public interest are respected.

The media concentration issue has been debated quite frequently in Portugal during the last years, including legislative proposals. In 2009, the Socialist Party presented the Law of the Pluralism and Non-Concentration of Media, proposed by the Government but rejected by the Parliament in October 2008. This Law intended to respond to the constitutional provision

that it is State's responsibility to assure media's independence regarding the political and economic powers, and to prevent media companies' concentration, as well as to disclosure media companies' ownership and means of financing<sup>3</sup>. One of the main reasons pointed out by the opposition (Social Democratic Party) against this legislative initiative was that the law does not provide a clear, broad and strong response to the notion of pluralism that meets the emerging participatory and deliberative democracy. This statute was mainly criticized for being untimely, given that, at that moment, the European Commission was promoting the definition of reliable criteria and objective indicators about the media pluralism – this was the reason pointed out by the President of the Republic to justify the law's rejection.

However, and despite the rejection of the *Law of the Pluralism and Non-Concentration of Media*, the media concentration issue has been repeatedly discussed, and there were situations that led to the intervention of the regulatory entities involved in the sector, such as Competition Authority (Autoridade da Concorrência) – AdC (market regulation – economic); National Authority of Communications (Autoridade Nacional das Comunicações) – Anacom (technical regulation of communications); and Social Communication Regulatory Entity (Entidade Reguladora da Comunicação Social) – ERC (media contents regulation). For example, the Ongoing Group (a Portuguese company) was forbidden from holding simultaneously positions above 20% in two private free-to-air TV channels. Noteworthy is the initiative *Media Companies Ownership Transparency*, promoted by ERC, whose purpose is to force the industry to provide detailed information about its financial and its shareholder structure. This is an initiative to promote the accountability of media companies. From the market's perspective, Portugal (with a population of 10 million inhabitants) can be considered a relatively small market in terms of media and advertising investment.

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<sup>3</sup> According Article 38, paragraphs 3 and 4, and Article 39, paragraph 1, b) and c) of the Portuguese Republic Constitution

**Table 1**  
ADVERTISING SPENDING BY MEDIA – M€

Media	2003		2006		2009		2010		2011		Var. 03/11
	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	
TV	1.672.856	66,42%	2.840.635	70,13%	3.517.230	73,44%	3.797.464	75,39%	3.735.207	75,16%	8,74%
Press	592.549	18,76%	733.912	18,12%	741.717	15,49%	721.939	14,33%	673.561	13,55%	-5,21%
Outdoor	200.154	7,66%	276.730	6,83%	311.407	6,50%	294.186	5,84%	312.483	6,29%	-1,37%
Radio	172.080	6,72%	184.883	4,56%	196.229	4,10%	200.128	3,97%	219.055	4,41%	-2,31%
Cinema	9.902	0,39%	14.491	0,35%	22.864	0,48%	23.485	0,47%	29.200	0,59%	0,20%
<b>TOTAL</b>	<b>2.647.541</b>	<b>100%</b>	<b>4.050.651</b>	<b>100%</b>	<b>4.789.447</b>	<b>100%</b>	<b>5.037.203</b>	<b>100%</b>	<b>4.969.505</b>	<b>100%</b>	

Source: Media Monitor/Markttest

In general, the main media groups in Portugal are owned by national groups and investors, except in the case of Media Capital, that in 2005 got controlled by Prisa Group and Bertelsmann group (which would get out in 2006). Next, we identify the media companies/groups with greater turnover and whose assets are described throughout the report and the market share analysis:

- 1) *ZON Multimédia* – group of predominantly national capital (from bank companies like CGD, BES, BPI among other investors), which is the leading distributor of cable TV;
- 2) *Impresa* – group of predominantly national capital, whose main activity areas are television, magazines, newspapers and distribution;
- 3) *Media Capital* – dominated by Prisa Group (Spain), its main activities are television and radio;
- 4) *Cofina* – group of national capital, which focuses on the press segment, particularly newspapers and magazines;
- 5) *Controlinveste* – group of national capital whose main assets rely on daily press and on relevant stakes in sport channels of pay TV;
- 6) *Renascença* – this group is owned by the Catholic Church



and its main assets are three radio channels whose audiences stand out in Portugal;

7) *Rádio e Televisão de Portugal, SGPS* – group owned by the State and whose main asset is television, in addition to a news agency and radio stations;

8) *SonaeCom* – this sub-holding of national capital (that belongs to a group whose basis is distribution), operates in the mobile telecommunications and in the daily press;

9) *Ongoing* – this group of national capital, present in the economic press, including a TV channel, has been investing also in the Brazilian market;

10) *Portugal Telecom/MEO* – incumbent and main telecommunications company with the greater capital of national stakeholders, which has focused on pay TV.

As it happens in other places, in Portugal there have been some market dynamics that increasingly put in danger the historic operators' market position. In the last decade, some new players (such as Cofina, Controlinveste and Ongoing) are consolidating their market positions. On the other hand, there's a new trend regarding the increasing presence – and importance – of telecommunication operators, which are increasingly active in the media sector, in the context of media convergence (through content distribution platforms), particularly in terms of pay TV contents distribution.

As mentioned, for the concentration levels measurement, several variables were analyzed for each segment of media, although we have chosen, for reasons of economy of space, only a few variables. Anyway, whatever the variable used, the results suggest that the media sector has considerable concentration levels, although, as suggested in the conclusions, these levels of concentration must be treated with caution and contextualized within the media system in Portugal. On the other hand, the concentration levels, when analyzed in a cross media perspective through the obtained advertising revenue, confirm, as suggested by Table 2, that the sector is divided – there are two groups (those with television) that capture advertisement investment of about 300 million Euros, while the advertisement raised by the other players ranges from 70 to 20 million.

According to Robert Picard (2009<sup>4</sup>), countries with less than 10 million inhabitants tend to be concentrated in two or three large groups. In Portugal, the market lays in the hands of four major media groups, which hold 84% of advertisement investment, as shown in the table 2. It also shows that the market positions of both groups have remained relatively stable, as shown by the application of concentration indexes presented in the end of the table. From the standpoint of representativeness, the sample is robust in that it represents more than 70% of media advertising market in Portugal. There are no precise numbers about the advertising market in Portugal (the existing statistics do not consider the local and regional media neither other means outside the realm of the leading media groups or major newspaper companies) but it is estimated that, as a whole, it may vary between 600 and 800 million Euros. Therefore, if we point to an intermediate value (700 million), this sample represents about 70%.

Indeed, the issue of corporate concentration of media in Portugal has been an integral part of the political agenda and has been a target of analysis – and intervention – for the regulators. However, the debate has been more focused on a monomedia perspective over a multimedia approach that would allow the measurement of a media group's – and its segments – real potential in the advertising market, as the table 2 suggests. One of the most relevant – and controversial – situations, that was target of an in-depth review by regulators, occurred when Controlinveste purchased Lusomundo Media from Portugal Telecom, in 2005. At that time, this operation was problematic because it was potentially able to lead to a dominant position in the relevant market of the daily newspapers of general information. After several studies carried on, including one by this paper's author, it was proven that the operation would not increase the concentration nor lead to predatory market practices. On the other hand, it was also demonstrated that initially the market had not been properly defined (it didn't include free papers or daily regional and local journals, for instance). Ten months

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<sup>4</sup> At a presentation performed in March 2009, in Portugal, in a conference organized by the Portuguese Media Confederation.

after, the operation was approved<sup>5</sup>. In a more recent situation, regulators are examining the “complaint” filed by Controlinveste on Cofina’s dominant position in the free daily newspapers segment, after it acquired Metro, which joined Destak, the two major dailies in this segment. Specifically, Controlinveste accuses Cofina of having a market position that may lead to predatory practices in the relevant market of free daily advertising.

**Table 2**  
 ADVERTISING INCOMES BY MEDIA GROUP SEGMENT  
 BETWEEN 2006-2010

Main Media Companies	2006		2007		2008		2009		2010	
	value	% segment income	value	% segment income	value	% segment income	value	% segment income	value	% segment income
<b>Media Capital</b>	<b>179,2</b>	-	<b>167,9</b>	-	<b>174,4</b>	-	<b>150,9</b>	-	<b>151</b>	-
Television	143	79,8	146	86,96	153,1	87,79	135,2	89,6	134,9	89,34
Radio	12,8	7,14	12,9	7,68	13,3	7,63	12,5	8,28	12,7	8,41
Others (Internet/press)	6,5	3,63	9	5,36	6,7	3,84	3,2	2,12	3,3	2,19
Productions	0	0	0	0	1,3	0,75	0	0	0	0
Outdoors	16,9	9,43	0	0	0	0	0	0	0	0
<b>Impresa</b>	<b>168</b>	-	<b>170,8</b>	-	<b>166,9</b>	-	<b>143,9</b>	-	<b>157,1</b>	-
Television	115,8	68,93	115,8	67,8	109,2	65,43	92,7	64,42	105,9	67,41
Newspapers and Magazines	52,2	45,08	53,5	31,32	55,5	33,25	44,8	31,13	44,4	28,26
Digital	0	0	1,5	0,88	2,2	1,32	6,4	4,45	6,8	4,33
<b>Controlinveste</b>	<b>70,8</b>	-	<b>68,8</b>	-	<b>65,7</b>	-	<b>57,3</b>	-	<b>59,5</b>	-
Newspapers and Magazines	61,2	86,44	60,1	87,35	57,5	87,52	50,2	87,61	52,1	87,56
Radio	9,6	13,56	8,7	12,65	8,2	12,48	7,2	12,57	7,4	14,2
<b>Cofina</b>	<b>55,1</b>	-	<b>61,9</b>	-	<b>60,2</b>	-	<b>52,7</b>	-	<b>54,9</b>	-
Newspapers	40,1	72,78	44	71,08	44,8	74,42	40,1	76,09	41	74,68

<sup>5</sup> On this matter, see the book “Concentração, Pluralismo e Regulação dos Media”, Faustino, Paulo, 2010. Media XXI Collection.

Magazines	15	27,22	17,9	28,92	15,4	25,58	12,6	23,91	13,9	25,32
<b>RTP</b>	<b>48,1</b>	-	<b>51,5</b>	-	<b>54,2</b>	-	<b>48,6</b>	-	<b>49,9</b>	-
Radio and Television	48,1	100	51,5	100	54,2	100	48,6	100	49,9	100
<b>Renascença</b>	<b>20,3</b>	-	<b>18,4</b>	-	<b>17,6</b>	-	<b>15,4</b>	-	<b>15,9</b>	-
Radio	20,3	100	18,4	100	17,6	100	15,4	100	15,9	100
<b>Sonaecom</b>	<b>15,6</b>	-	<b>14,3</b>	-	<b>13,5</b>	-	<b>13,2</b>	-	<b>12,2</b>	-
Newspapers	15,6	100	14,3	100	13,5	100	13,2	100	12,2	100
<b>Total</b>	<b>557,1</b>	-	<b>553,6</b>	-	<b>552,5</b>	-	<b>481,9</b>	-	<b>500,6</b>	-
<b>Indexes</b>										
<b>C4</b>	85%		85%		85%		84%		84%	
<b>HHI</b>	2.299		2.255		2.281		2.252		2.272	
<b>Noam Index</b>	869		852		862		851		859	

Sources: Annual accounts of all companies; Renascença and Controlinveste for 2009 and 2010 obtained by extrapolations, applying market's average to previous year of each company. The data about Controlinveste from 2006, 2007 and 2008 were provided directly from the board company because there are no officially data.

Note: Media Capital has sold the press and outdoors assets on 2007 to focus on audiovisual business

### 3. ANALYSIS OF ONLINE AND OFFLINE PRESS, ONLINE MEDIA AUDIENCES AND MEDIA

To assess the degree and the evolution of concentration in the national daily newspaper market, we considered the variable *Circulation*. This variable provides valuable information on the concentration trends in circulation markets. Accordingly, this section examines the degree and the evolution of concentration in the Portuguese newspapers market, which, for the purposes of this study, corresponds to the market of Portuguese newspapers with national coverage, including: national daily general information newspapers; national daily sport newspapers; national daily economy newspapers. Drawn on this market definition, the list of companies that partake in the Portuguese market and their respective daily circulation average are presented in the following table.

**Table 3**  
DAILY AVERAGE CIRCULATION FOR PORTUGUESE NEWSPAPERS 2003-2010<sup>6</sup>

Newspapers Media Groups	Ano 2003		Ano 2004		Ano 2005		Ano 2006		Ano 2007		Ano 2008		Ano 2009		Ano 2010		Ano 2011	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
Controlinvest	247537	42,91	261395	41,90	232688	30,98	219326	26,69	355149	30,55	432736	37,87	289240	35,62	147126	22,32	150812	24,53
24 Horas	50824	8,81	52927	8,48	51181	6,82	42490	5,17	36923	3,18	39267	3,44	29262	3,60	-	-	-	-
Diário de Notícias	50794	20,52	42699	6,84	37992	5,06	37904	4,61	37759	3,25	45270	3,96	34063	4,19	30670	4,65	35294	5,74
Global Notícias	-	-	-	0,00	-	0,00	-	0,00	-	150575	12,95	203480	17,81	104955	12,92	-	-	-
O Jogo	40677	16,43	49899	7,98	44878	5,98	41473	5,05	35976	3,09	34817	3,05	30068	3,70	29945	4,54	28396	4,62
Jornal de Notícias	105242	42,52	115960	18,59	98637	13,13	97459	11,86	93916	8,08	109902	9,62	90892	11,19	86511	13,13	87122	14,17
Cofina	260830	45,21	296850	47,58	332911	44,33	373259	45,42	462459	39,78	453843	39,72	433343	53,36	427036	64,79	384432	62,54
Correio da Manhã	114643	19,87	120438	19,31	118254	15,75	115462	14,05	118859	10,23	120688	10,56	122284	15,06	129800	19,58	129099	21,00
Jornal Destak	53867	9,29	71479	11,46	118803	15,82	169223	20,68	172261	14,82	173100	15,15	98585	12,14	111643	16,94	94670	15,40
Jornal de Negócios	7731	1,34	10468	1,68	8890	1,18	8106	0,99	8261	0,71	8840	0,77	10668	1,31	10530	1,60	9722	1,58
Record	84889	14,71	94465	15,14	86964	11,58	79768	9,71	76582	6,59	76322	6,68	72570	8,94	70721	10,73	57295	9,32
Meia Hora	-	-	-	0,00	-	0,00	-	0,00	86496	7,44	74893	6,55	23301	2,87	-	-	-	-
Metro Portugal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Média Capital	0	0,00	0	0,00	121134	16,13	158037	19,23	176357	15,17	172982	15,14	0	0,00	0	0,00	0	0,00
Metro Portugal	-	-	-	0,00	121134	16,13	158037	19,23	176357	15,17	172982	15,14	-	-	-	-	-	-
Sonae	56239	9,75	52976	8,49	50701	6,75	45538	5,54	44169	3,80	42657	3,73	38229	4,71	35119	5,33	33952	5,52
Público	56239	9,75	52976	8,49	50701	6,75	45538	5,54	44169	3,80	42657	3,73	38229	4,71	35119	5,33	33952	5,52
IGD	0	0,00	0	0,00	0	0,00	0	0,00	87818	7,55	-	0,00	0	0,00	0	0,00	0	0,00
Diário Desportivo	-	-	-	0,00	-	0,00	-	-	87818	7,55	-	-	-	-	-	-	-	-
Megafin	0	0,00	0	0,00	0	0,00	12266	1,49	22935	1,97	26251	2,30	27103	3,34	23217	3,52	21020	3,42
OJE	-	-	-	0,00	-	0,00	12266	1,49	22935	1,97	26251	2,30	27103	3,34	23217	3,52	21020	3,42
Económico SGPS	12299	2,13	12631	2,02	13557	1,81	13392	1,63	13534	1,16	14131	1,24	15222	1,87	16088	2,44	15587	2,54
Diário Económico	12299	2,13	12631	2,02	13557	1,81	13392	1,63	13534	1,16	14131	1,24	15222	1,87	16088	2,44	15587	2,54
I Informação	0	0,00	0	0,00	0	0,00	0	0,00	0	0,00	0	0,00	8959	1,10	10539	1,60	8943	1,45
<b>Total</b>	<b>576905</b>	<b>100</b>	<b>623852</b>	<b>100</b>	<b>750991</b>	<b>100</b>	<b>821818</b>	<b>100</b>	<b>1162421</b>	<b>100</b>	<b>1142600</b>	<b>100</b>	<b>812096</b>	<b>100</b>	<b>659125</b>	<b>100</b>	<b>614744</b>	<b>100</b>

Source: Elaborated by the author using data from APCT

<sup>6</sup> For lack of data, the newspaper “a Bola” has been excluded from the concentration analysis in terms of average circulation. Despite the recognized importance of this newspaper, data on its circulation is not available as this newspaper is not audited by APCT – “Associação Portuguesa Controlado de Tiragem” (www.apct.pt).

Newspaper segments: 1 = General Information, 2 = Free Distribution, 3 = Sports, 4 = Economics

Up to 2005, the newspapers “24 Horas”, “Jornal de Notícias” and “Diário de Notícias”.

The empirical evidence on the circulation average of Portuguese daily national newspapers from 2003 till 2010 (see Table 3) reveals two interesting trends: on one hand, the average circulation of paid newspapers (e.g. “Diário de Notícias” or “Jornal de Notícias”) has stagnated or even declined. On the other hand, 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 the last decade. However, it should be noticed that in 2009 the performance of free newspapers was less brilliant, with free newspapers experiencing a small reduction in circulation following the crisis in advertising markets and the subsequent reduction of free newspapers’ revenues. However, in 2010, the free newspapers recovered their performance, increasing their market share.

**Table 4**  
**MARKET SHARE OF DAILY AVERAGE CIRCULATION**  
**FOR PORTUGUESE NEWSPAPERS**

Newspapers/ Media Groups	Ano 2003	Ano 2004	Ano 2005	Ano 2006	Ano 2007	Ano 2008	Ano 2009	Ano 2010	Ano 2011
<b>Controlinvest</b>	42,91	41,90	30,98	26,69	30,55	37,87	35,62	22,32	24,53
24 Horas	8,81	8,48	6,82	5,17	3,18	3,44	3,60	-	-
Diário de Notícias	20,52	6,84	5,06	4,61	3,25	3,96	4,19	4,65	5,74
Global Notícias	-	0,00	0,00	0,00	12,95	17,81	12,92	-	-
O Jogo	16,43	7,98	5,98	5,05	3,09	3,05	3,70	4,54	4,62
Jornal de Notícias	42,52	18,59	13,13	11,86	8,08	9,62	11,19	13,13	14,17
<b>Cofina</b>	45,21	47,58	44,33	45,42	39,78	39,72	53,36	64,79	62,54
Correio da Manhã	19,87	19,31	15,75	14,05	10,23	10,56	15,06	19,58	21,00
Jornal Destak	9,29	11,46	15,82	20,68	14,82	15,15	12,14	16,94	15,40
Jornal de Negócios	1,34	1,68	1,18	0,99	0,71	0,77	1,31	1,60	1,58
Record	14,71	15,14	11,58	9,71	6,59	6,68	8,94	10,73	9,32
Meia Hora	-	0,00	0,00	0,00	7,44	6,55	2,87	-	-
Metro Portugal							13,05	15,94	15,23
<b>Média Capital</b>	0,00	0,00	16,13	19,23	15,17	15,14	0,00	0,00	0,00
Metro Portugal	-	0,00	16,13	19,23	15,17	15,14	-	-	-
<b>Sonae</b>	9,75	8,49	6,75	5,54	3,80	3,73	4,71	5,33	5,52
Público	9,75	8,49	6,75	5,54	3,80	3,73	4,71	5,33	5,52
<b>IGD</b>	0,00	0,00	0,00	0,00	7,55	0,00	0,00	0,00	0,00
Diário Desportivo	-	0,00	0,00	-	7,55	-	-	-	-
<b>Megafin</b>	0,00	0,00	0,00	1,49	1,97	2,30	3,34	3,52	3,42
OJE	-	0,00	0,00	1,49	1,97	2,30	3,34	3,52	3,42
<b>Económico SGPS</b>	2,13	2,02	1,81	1,63	1,16	1,24	1,87	2,44	2,54
Diário Económico	2,13	2,02	1,81	1,63	1,16	1,24	1,87	2,44	2,54
I Informação	0,00	0,00	0,00	0,00	0,00	0,00	1,10	1,60	1,45
<b>Total</b>	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00
<b>Indexes</b>									
CR4	100,00%	100,00%	98,19%	96,88%	93,06%	96,47%	97,02%	95,96%	96,01%
IHH	3.984,77	4.096,01	3.234,14	3.180,49	2.823,17	3.262,00	4.153,51	4.751,79	4.568,29
Índice de Noam	1992,39	2048,01	1446,35	1298,43	1067,06	1331,70	1569,88	1796,01	1726,65

Source: Elaborated by the author using data from APCT

Rearranging the data on circulation average, Table 4 aggregates the market shares of newspapers under the control of the same media group, stressing the relative importance of each media group that participates in the Portuguese newspapers market. In this context, Table 4 also reveals the extent of concentration in the industry of national daily Portuguese newspapers (in terms of circulation average), depicting the evolution of the three concentration indicators (C4, HHI and Noam Index) for the period of 2003-2010. The concentration indexes described on Table 4 expose two important results: (i) the market of Portuguese national dailies corresponds to a highly concentrated market; (ii) but the market has been evolving positively, with a decrease in concentration levels (excluding 2008) until 2010.

Nevertheless, the situation of the advertising market seems to mimic the outcomes of the circulation market, which is not all a surprise, given the interrelations between circulation and advertising markets: advertisers are seeking for “eyeballs” and, consequently, the larger the newspaper circulation/audiences, the more attractive this newspaper becomes to advertisers. Given the high degree of concentration of the circulation market, it is expectable to observe a highly concentrated newspaper industry in terms of advertising revenues – for example, two groups, (Cofina and Controlinveste) having about 77% of the Market. To confirm the validity of this hypothesis, the concentration indexes (C4, HHI and Noam index) have been computed and reproduced in Table 2.

Due to the considerable dynamics – the evolution and the relevance – of online publications, it is important to analyze, first, the weight of each group in this segment and, second, to what extent online publications could contribute to decrease the concentration levels of the communication market. The data presented is related to the audience indicators regarding sole users (%) for website of the news and information group. The general goal here is to analyze the groups’ capability to create internet audiences, regardless the segment in which the publications are included. From this point of view, the relevant market is the one able to generate audiences by means of digital publications. On the other hand, and due to the lack of solid and isolated information about audiences of each publication in the last years, it was not possible to analyze the concentration levels considering the relevant market of each publishing segment. This analysis will be prepared in further studies, since, from 2009, some detached information from each publication has began to be produced.



**Table 5**  
ONLINE NEWS USERS BY SITE MEDIA GROUP

	2002		2003		2004		2005		2006		2007		2008		2009		2010		2011	
	value	%	value	%	value	%	value	%	value	%	value	%	value	%	value	%	value	%	value	%
A Bola	302	6.85	409	8.05	457	8.33	520	8.49	1072	8.24	1030	7.42	1028	7.79	1320	7.48	1882	7.34	1998	7.78
Cofina	616	13.97	745	14.66	806	14.68	902	14.72	1771	13.61	1859	13.40	1720	13.03	2182	12.36	2960	11.54	3024	11.78
Controlinvest		0.00		0.00		0.00		0.00		0.00	1943	14.00	1858	14.08	2419	13.70	3119	12.16	2985	11.63
Economica	104	2.36	98	1.93	123	2.24	150	2.45	395	3.04	509	3.67	507	3.84	799	4.53	1345	5.24	1538	5.99
Impala		0.00		0.00		0.00		0.00	115	0.88	108	0.78	100	0.76	176	1.00	176	0.69	379	1.48
Impresa	901	20.44	922	18.14	966	17.60	1029	16.79	1991	15.30	2039	14.70	1842	13.96	2508	14.21	3240	12.63	3105	12.09
Lusomundo	679	15.40	736	14.48	793	14.45	866	14.13	1744	13.41		0.00		0.00		0.00		0.00		0.00
Media Capital	767	17.40	753	14.82	784	14.28	817	13.23	1874	14.41	1921	13.85	1690	12.80	2345	13.28	2984	11.64	2966	11.55
Motopress	66	1.50	108	2.13	141	2.57	183	2.99	497	3.82	690	4.97	984	7.46	1264	7.16	1654	6.45	1185	4.62
RDP/RTP	326	7.40	464	9.13	469	8.54	556	9.07	1240	9.53	1505	10.85	1469	11.13	1842	10.43	2337	9.11	2148	8.37
Remarcença	190	4.31	252	4.96	290	5.28	339	5.53	810	6.23	802	5.78	749	5.67	980	5.55	1301	5.07	1545	6.02
Somae.com	457	10.37	595	11.71	660	12.02	765	12.49	1500	11.53	1468	10.58	1252	9.49	162	0.92	2051	8.00	1937	7.54
IOOnline		0.00		0.00		0.00		0.00		0.00		0.00		0.00	444	2.51	1252	4.88	1184	4.61
Sol		0.00		0.00		0.00		0.00		0.00		0.00		0.00	1214	6.88	1344	5.24	1680	6.54
<b>Total Media Groups</b>	<b>4408</b>	<b>100</b>	<b>5082</b>	<b>100</b>	<b>5489</b>	<b>100</b>	<b>6127</b>	<b>100</b>	<b>13009</b>	<b>100</b>	<b>13874</b>	<b>100</b>	<b>13199</b>	<b>100</b>	<b>17655</b>	<b>100</b>	<b>25645</b>	<b>100</b>	<b>25674</b>	<b>100</b>
<b>INDEXES</b>																				
C4	67.22%		62.10%		61.01%		58.98%		56.73%		55.95%		53.87%		53.55%		47.97%		47.05%	
HHI	1388.64		1291.37		1264.50		1232.16		1161.89		1140.33		1104.29		1041.45		923.63		900.78	
Noam	459.13		408.37		399.87		389.64		350.32		343.82		332.96		288.85		256.17		249.83	

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

Note: Top Media groups, according to this variable, are highlighted

Actually, the data presented in Table 5 allow concluding that, in a general sense, the main media groups with presence in the offline press are, simultaneously, those that exhibit more audiences in digital publications. In fact, using the information in Table 5, the concentration indexes were applied, and the C4 is, in 2010, circa 50%, that is, four of the media groups create approximately 50% of the audiences, measured by the number of users. Taking into account these results, it is possible to state that the concentration level is moderate. The same conclusion can be drawn with the use of the other indexes, such as the HHI and the Noam. There is also a decreasing trend of the concentration levels between 2002 and 2011. Taking into account the quantification of the concentration levels, it is possible to observe that regardless the variable used (sole users), Media Capital and Impresa groups are always present in the top four of the media groups. In this context, the conclusions are similar to the previous analysis, where it is possible to verify moderate degrees of concentration of the communication groups.

We have been presenting an analysis of the online news media segment, so the next paragraphs will focus on the general press segment, including a comparative analysis between the audiences of offline and online publications. In addition, other comparative data will be presented, namely the evolution of online subscriptions.

Table 6, which includes the daily time spent (in hours) by the users on the webpages of national daily newspapers (Público, Jornal de Notícias, Diário de Notícias, Informação, Correio da Manhã) and weekly publications (Sol, Expresso – newspapers – and Sábado, Visão – magazines) of general information, shows that the market is less concentrated when compared to the offline versions of these publications. That is, considering the national titles of daily and weekly general information press, the audience's performance changes depending on whether the support is paper or digital. Moreover, this information segment (general and national circulation) becomes extended because the digital versions don't allow distinguishing daily from weekly information; in practice all the titles present daily information. Therefore, in this perspective, it can be said that the online publications are making the information market less concentrated and, therefore, more competitive, as can be seen by examining the indexes applied.

**Table 6**  
TIME SPENT IN SITES FROM DAILY AND WEEKLY PRESS

Daily and Weekly General Information Press		2008		2009		2010		2011	
		valor	%	valor	%	valor	%	valor	%
Controinvest	Diário de Notícias	245.568	8,57	439.359	9,86	604.786	9,88	550.629	9,28
Sonaecom	Público	662.492	23,13	811.005	18,21	946.196	15,46	1.056.398	17,81
Controinvest	Jornal de Notícias	333.035	11,63	648.387	14,56	1.246.436	20,37	942.796	15,90
Sogapal	Ionline			86.674	1,95	212.567	3,47	225.908	3,81
Sol	Sol			439.546	9,87	321.924	5,26	526.531	8,88
Impresa	Expresso	621.742	21,71	593.353	13,32	684.965	11,19	649.126	10,94
Cofina	Correio da Manhã	963.760	33,65	1.293.550	29,04	1.852.165	30,26	1.741.032	29,36
Impresa	Visão	36.044	1,26	128.335	2,88	202.943	3,32	157.219	2,65
Cofina	Sabado	1.232	0,04	14.040	0,32	48.222	0,79	81.312	1,37
	<b>TOTAL</b>	<b>2.863.873</b>	<b>100</b>	<b>4.454.249</b>	<b>100</b>	<b>6.120.204</b>	<b>100</b>	<b>5.930.951</b>	<b>100</b>
C4		90,12%		75,13%		77,28%		74,01%	
HHI		2.349		1.771		1.844		1.740	
Noam		887,94		590,36		614,63		579,96	

Source: Elaborated by the author using data from Marktest

As suggested by the data presented in Table 7 for the measurement of the concentration of sites from daily and weekly general press, based on the daily time spent by users to consult these sites, it can be said that concentration levels have been significantly reduced, a fact which shows that the market has become more dynamic and competitive.

**Table 7**  
**CONCENTRATION BY MEDIA GROUP IN SITES**  
**FROM DAILY AND WEEKLY PRESS**

Daily and Weekly General Information Press	2008		2009		2010		2011	
	valor	%	valor	%	valor	%	valor	%
<b>Cofina</b>	964.992	33,70	1.307.590	29,36	1.900.387	31,05	1.822.344	30,73
<b>Controinvest</b>	578.603	20,20	1.087.746	24,42	1.851.222	30,25	1.493.425	25,18
<b>Impresa</b>	657.786	22,97	721.688	16,20	887.908	14,51	806.345	13,60
<b>Sol</b>			439.546	9,87	321.924	5,26	526.531	8,88
<b>Sogapal</b>			86.674	1,95	212.567	3,47	225.908	3,81
<b>Sogapal</b>	662.492	23,13	811.005	18,21	946.196	15,46	1.056.398	17,81
<b>TOTAL</b>	<b>2.863.873</b>	<b>100</b>	<b>4.454.249</b>	<b>100</b>	<b>6.120.204</b>	<b>100</b>	<b>5.930.951</b>	<b>100</b>
<b>C4</b>	100,00%		88,19%		91,27%		87,31%	
<b>HHI</b>	2.606		2.153		2.368		2.174	
<b>Noam</b>	1303,11		879,09		966,86		887,35	

Source: Elaborated by the author using data from Markttest

Concerning the market position of the daily and weekly general publications, measured by the daily average circulation, Table 8 shows that in both cases the market is considerably concentrated. For example, in the case of the newspapers, about 85% of the market is concentrated in four newspapers (corresponding to three groups) and, in the case of the weekly information, three publications (corresponding to two groups) control around 87% of the market.

**Table 8**  
**CONCENTRATION LEVELS OF DAILY**  
**AND WEEKLY GENERAL PUBLICATIONS**

Publications	2008		2009		2010		2011		Average Circulation (2008/2011)	
	value	%	value	%	value	%	value	%	value	%
<b>Daily</b>	<b>310439</b>	<b>100</b>	<b>294612</b>	<b>100</b>	<b>291919</b>	<b>100</b>	<b>294409</b>	<b>100</b>	<b>297920</b>	<b>100</b>
Correio da Manhã	122206	39.4	122222	41.5	129080	44.2	129099	43.9	125683	42.2
Diário de Notícias	41368	13.3	34181	11.6	30670	10.5	35294	12.0	35387	11.9
I Informação	0	0.0	8959	3.0	10539	3.6	8943	3.0	7112	2.4
Jornal de Notícias	103177	33.2	90964	30.9	86511	29.6	87122	29.6	91967	30.9
Público	43689	14.1	38285	13.0	35119	12.0	33952	11.5	37771	12.7
<b>C4</b>	86,67%		85,36%		85,88%		85,43%		85,73%	
<b>HHI</b>	3.080		2.987		3.102		3.084		3.040	
<b>Noam</b>	1.514,94		1.335,88		1.387,07		1.379,41		1.359,61	
<b>Weekly</b>	<b>349000</b>	<b>100</b>	<b>340908</b>	<b>100</b>	<b>336200</b>	<b>100</b>	<b>300346</b>	<b>100</b>	<b>331688</b>	<b>100</b>
Expresso	121004	34.7	112971	33.1	110480	32.9	95532	31.8	110022	33.2
Sol	47984	13.7	45440	13.3	45661	13.6	32195	10.7	42830	12.9
Sábado	77317	22.2	80049	23.5	76917	22.9	74336	24.7	77172	23.3
Visão	102695	29.4	102448	30.1	103141	30.7	98284	32.7	101665	30.7
<b>C3</b>	86,25%		86,67%		86,42%		89,28%		87,09%	
<b>HHI</b>	2.748		2.730		2.729		2.810		2.748	
<b>Noam</b>	1.373,91		1.365,13		1.364,47		1.405,00		1.373,90	
<b>Total</b>	<b>659439</b>	<b>200</b>	<b>635520</b>	<b>200</b>	<b>628119</b>	<b>200</b>	<b>594755</b>	<b>200</b>	<b>629608</b>	<b>200</b>

Source: Elaborated by the author using data from APCT

Table 9 presents a comparative analysis between the daily and the weekly general publications of national circulation. The analysis exposes each title's performance based on the way of acquisition, namely: Stand Sale, Block Sale, Paper Subscription and Digital Subscription. This analysis intends to verify, for instance, whether the newspapers that lead the paper subscriptions also lead the digital subscriptions. In this context, data do not allow us to draw solid conclusions; however, some titles with a low performance on the paper subscriptions show a better performance on the digital subscriptions, as in the case of Ionline.



Indeed, data presented in the tables above suggest that the online editions, as well as digital subscriptions, may have a positive impact on boosting competition in the market of national general publications and, therefore, contribute to increase the information pluralism and the diversity of voices in the market. In this sense, any analysis aiming at measuring the level of concentration of publications cannot ignore the online publications as part of the relevant market. Therefore, the calculations, including the application of concentration indices, suggest that the media market should be analyzed in a dynamic – not static – perspective, considering the impact of new technologies (in particular their effect on the creation of digital media supports).

#### 4. CONCLUSIONS AND RECOMMENDATIONS ON FURTHER RESEARCH

The media activity is developed between two poles, representing commercial and cultural orientations. Therefore, economic competition within the media sector is always well received, when considering the benefits it brings to society. Concentration may represent a corporate defence mechanism, used by companies in order to be able to face strong competition scenarios. Within this scope, the subject of media concentration needs, in certain situations, to be analyzed in the absence of any dogmas relative to the importance of economic aspects, but from the standpoint that considers it to enable a wider and more diverse media offer. Notwithstanding the different possible perspectives of media concentration studies, our research focuses mainly on two types of media segments: online news media and offline and online general press, including comparative analyses. Despite the existing limitations of a single media perspective, this was considered a good starting point, by allowing us to establish more concrete and objective ideas regarding the real power of information market groups, in order to develop a more in-depth research on the subject of multimedia concentration, including online media market power, measured by audiences. The kind of segment

(support) under analysis is an important aspect that should be taken into account in the beginning of any study on the concentration of online news media and general press. In this sense, it is possible to conclude that the concentration concept is not as general as it might have been considered, given that most differences observed between the various media types occur between audiovisual media and the press, including the online support.

Media companies are exposed to a constant process of change, due to important observable modifications within its sphere of influence. For these companies, information is both the raw material and the final product; treatment of information is the process undergoing the most profound modifications: renovation and technological convergence towards digital supports, consumer taste and lifestyle alterations, emergence of new information supports and players, strategic alliances and merger processes between companies. In this context, the main research questions in the present study are: 1- *What is the ownership concentration level of online news media and of online and offline general newspapers in Portugal?*; and 2. *To what extent is Internet contributing to the media ownership concentration?* So, this research permitted to point out preliminary answers to these questions. Furthermore, despite the considerable degree of market power of these media groups and their presence in *online news media* and offline and online general information press, it should be stressed that these groups can hardly abuse from their dominant position in the market of Portuguese online news media and offline and online general press, since:

☞ Barriers to entry in online media are relatively limited, particularly considering the contrast with the case of radio or TV (in the case of press there is freedom of entry).

☞ In the case of the Portuguese market of online news media and offline and online press, the entry mechanism seems to be working quite well (the boom of freely distributed newspapers constitutes a good example of it). Besides that, the weekly newspaper *Sol*, today with a relevant online edition, was launch in 2006.

☞ There exists an important tradition of national weekly newspaper like *Expresso* (average circulation per edition: 124.143 copies), *Sol* (62.586 copies), and also weekly magazines like *Visão* (116183 copies)



or *Sábado* (77.639 copies). These outlets end up having a central role on the market of Portuguese newspapers, exerting a competitive pressure in the market of national dailies<sup>7</sup>.

⇒ There is also an important tradition of reading weekly newspapers of regional and local coverage, like for example: *Mirante* (24.877 copies), *Região de Leiria* (13.091 copies) or *Jornal do Fundão* (15.986 copies). Again, these newspapers, despite not being included in the market of Portuguese national daily newspapers, end up exerting a competitive pressure over this market.

⇒ In the last ten years the supply of general information via digital media has been growing, not only due to a greater supply offered by the existing groups, but also because of the emergence of new companies and media groups that are investing in the development of journalistic products based on a multimedia approach and broadcasting.

⇒ The dynamics of the information market, since 2000 until nowadays, show that the extent of journalistic products to online media, from major media groups, did not increase the concentration of ownership or audiences, but instead it brought a greater balance regarding the market and the competition between new and old operators.

Despite not being the main objective of this research, it should be mentioned that one of the central issues related to concentration is not whether this reality should be prevented – since it is unavoidable and may, in certain aspects, be considered as a positive element – but to determine its limits and boundaries. These boundaries depend on many factors, such as

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<sup>7</sup> At this purpose, investigating this question with an econometric perspective, Joel Waldfogel of University of Pennsylvania, in a study for the FCC, looked at consumer substitution between several media. He found that substitution effect exists between internet and broadcasting TV; between daily and weekly newspapers; between daily newspaper and broadcast TV news; between cable and daily newspapers; between radio and broadcast and TV for news; and between Internet and daily newspaper for news. He did not find such substitution between weekly newspaper and broadcast TV, or between radio and either Internet or cable, (*in* Noam, Media Ownership and Concentration in America, 2009).

dimension, consumer ability and economic situation of a particular country or region. For example, in smaller countries, such as Portugal, higher levels of concentration tend to exist naturally, since reduced market dimensions do not favour distribution of media products by several companies. The concentration issue should not solely be analyzed from a property concentration perspective; information access opportunities should also be considered. If we consider that information diversity relates to media offer and diversity, it is possible to conclude that, simultaneously with the trend for property concentration – unavoidable in a small country such as Portugal – observed in the last ten years (and especially in the last four years), media offer and diversity have undergone an exponential growth, in the various media segments.

The occurrence of new mergers does not necessarily mean a reduction in information diversity. Media concentration may have positive or negative impacts, depending on the country's size, and social and economic situation. Allowed concentration limits should consider the market as a whole – that is to say, a coherent definition of the *relevant market*. In small countries, such as Portugal, this limit may be – in order for certain projects to be economically viable – slightly superior to those agreed for larger markets or countries<sup>8</sup>. Media concentration in general and offline and online press in Portugal should be analyzed from a broader perspective and not only from a dogmatic perspective. Sector analysis should be included in a multimedia context instead of focusing on a particular press segment. As stated by Faustino (2010: 50), "... property concentration may lead to new market development possibilities, by increasing employee career opportunities and financial resources, as well as the ability to conceive and launch new means of communication, on a scale and with a frequency that would have been beyond imagination a few years ago".

Given the high level of investment needed, some media products can only be developed by large groups (not necessarily media groups). For example, in the general news press sector, news magazines (such as *Sábado*,

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<sup>8</sup> Concerning this subject, Paulo Fernandes considers that: '... the entire world is witnessing increasing media concentration... in order to ensure business profitability, it is necessary to gain dimension and market share', *Meios* magazine, page 3, April of 2002.

*Visão* and *Focus*) require high investments, which are why they are included in media groups, the same occurring with national daily newspapers<sup>9</sup>. The idea that an economic group operating mainly in the media business (thus entirely dependent on advertising investment) has an increased competitive advantage (due to the synergies it may develop between different media supports) over groups operating in several sectors (not only the *media* sector) is highly questionable. Media business growth is increasingly based on the financial capacity to face adverse economic cycles and on the ability to take advantage of other promotion and distribution channels. Given this, competition analysis should also consider this group's potential businesses in other fields. When considering the positive effects of concentration, three aspects should be mentioned:

- i) Access to new resources and information technology sources, as well as the possibility of developing new products in new supports. In this perspective, concentration decreases difficulties in implementing new technologies within the press sector, since the company in question may use these new technologies for other sectors;
- ii) Avoidance of a potential State Monopoly within the information field. This is the reason behind the concept of *functional concentration*, expressed in Vedel's report (1970): 'functional concentration, based on cooperation instead of domination, may be a necessary condition for survival of information diversity and the press itself, in a more or less distant future';
- iii) Potential to improve the information quality, especially within certain areas. Is it important to give attention to the relative value of these effects, which are never isolated, often entailing negative consequences? So, the concentration can represent business consolidation, including in terms of creating new products or introduce better quality.

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<sup>9</sup> Newspaper *Public* constitutes a paradigm of the need to be integrated into a group with sufficient financial capacity: for many years, this newspaper presented no profits, having only reached break-even in 2002. If not for the financial capacity of the owner group, this newspaper would have disappeared a long time ago.

Analysis on the various indicators developed in order to quantify some variables relative to the concentration levels of Portuguese media groups, especially within the *of online news media* and offline and online general information press, allow us to conclude that the evaluation of group ability to influence the press market should take into account its presence in the total general information products and not only the daily general information segment. Even if analysis of the Tables presented in section 3 allows us to conclude that a significant concentration level exists in the Portuguese press sector (this having now been the case for a few years), it does not allow us to conclude that this level of concentration in online news media and offline and online general press information is compromising the pluralism and diversity of voices or market competitiveness levels. On the contrary, Portuguese media sector dynamics in the past ten years may have contributed to an increase in information diversity, attributable to an increased information offer, including in digital supports. This does not rule out the possibility that at given points in time, but not structurally, information pluralism may be questioned. As such, it is important to identify and monitorize those moments and the role played by the regulatory entities, such as the Media Regulatory Entity (content regulation) and the Competition Authority (regulating the market). Notwithstanding, it should be said that the application of competition rule by itself does not guarantee pluralism or freedom of speech.

As final conclusion, it is possible consider that in the case of the Portuguese *online news media* and offline and online general information press, the term concentration should be replaced by consolidation. Certain management movements executed by means of mergers and acquisitions can generate consolidation but not always concentration situations. In what concerns the case analyzed in this paper, it cannot be concluded that the observed consolidation movements are obstructing the free competition in the sector. Notwithstanding, the financial situation of media companies, and of newspapers in particular, has been degrading, reaching almost unbearable situations from 2008 until today, in a context of international economic

crisis, more intensive in Europe<sup>10</sup>. This circumstance is, sometimes, a pressure factor for resources optimization and for the adoption of strategies that lead to concentration and consolidation processes that signify the survival of organizations. In this context, Noam (2009), suggest eventually, some competitors fail, others consolidate, and the industries re-concentrate; this has been happen in Portuguese market in the last twenty years. Prices rise again and higher profits return – this attracts new entrants and a new cycle begins. It can even be that a certain concentration level benefits the market and the information consumers.

The question is to define boundaries, which differ according to each operation context. Market dimension is a fundamental factor to take into account in media concentration studies. Notwithstanding the data here analyzed about media concentration in Portugal namely *of online news media* and offline and online general information press, suggest some concentration – inevitable in such a small country – but does not allow to conclude that the current concentration scenario is jeopardizing pluralism and freedom of speech. It is however clear that it is necessary to find a new model to measure concentration and pluralism in the media sector, as traditional models (like HHI and CR4, for example) are not adequate. The problem with the HHI and the C4 is that although market power is considered they do not address pluralism, which is also essential. In fact, those indicators only look at actual choices rather than options, neglecting diversity. And in this context, the Noam Index model is a good contribution to improve the media concentration measurement and pluralism analyses, as the Media Ownership and Diversity Concentration Index (MOCDI, or Noam index) normalizes the HHI by taking into account the number of voices available in the market, namely the alternative voices that sometimes have small audiences but achieve important and specific targets.

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<sup>10</sup> Regarding this subject, in a 2009 report made by Media XXI, coordinated by Paulo Faustino, for the Portuguese Regulatory Communication Entity (*The Economic and Financial Situation of the Press*), after analyzing seven newspapers publishers, the poor financial performance of the Portuguese press was translated by operational margins over revenues between 6,3% and 7,3%. These results compare with J.P. Morgan findings that referred peers' EBITDA margins between 21% and 29%.

Surely, there is no such thing as perfect models and sometimes market power can arise from an easy access to the advertising market enabled by the integration in economic groups (conglomerates) that are simultaneously the most important advertisers (e.g. telecommunications, banking and retail players). Existing indexes and models do not allow the verification of crossed interests and respective competitive advantages. This is particularly important, as the overall media market still shows a considerable weight or dependency on advertising in total revenues<sup>11</sup>. As such, it is important to analyze how the connection between newspapers publishers and big advertising investors can be reflected into a dominant market power, or, using a pluralism approach, how such connections influence contents.

Crossed shareholdings (or other relations showed in the part 4) will surely be focused and advanced in future research studies and analysis models. Media companies, with the traditional business models being very dependent on advertising, have opened their share capital to shareholders from other economic sectors to finance activities and increase competitiveness. Now, they are exposed to economic and social forces which, directly or indirectly, can pressure the corporation decisions. Media products are in their majority the result of privately owned companies and it is possible that business partners (on which the companies depend) attempt to influence contents. Notwithstanding, such analysis should be done avoiding a dogmatic approach, which can also signify, from an economic point of view, to understand the leading reasons for consolidation and concentration strategies, and the new market dynamics', namely the impacts of technologies in the media sector and new products offer. Concentration analysis should not be reduced to the choice of a good market share measurement index, and it might be interesting to cross measurement indexes with the analysis of editorial content.

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<sup>11</sup> According to Faustino (2010) in Portugal, advertising represents more than 50% of total revenues in newspaper companies. See also at this purpose Anderson, S. e Gabszewicz, J. (2006), *The media and advertising: a tale of two-sided markets*, in Ginsburgh, V. e Throsby, D., 2006, *Handbook of the Economics of Art and Culture*, volume 1, Amsterdam: North-Holland

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