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Institutional Competitiveness in Media Markets

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Introduction

This inaugural address is a welcome opportunity to call your attention to a new area of research that the International Center for Business and Politics has chosen as one of five areas of special interest. By referring to this area of focus as "institutional competition in the media market" we also signal an approach that will be free of much of the traditional dogma in Danish media research:

First of all, we will consider the media as a market for opinion, goods and services – not primarily as a cultural discourse with a singular focus on public service. Secondly, we consider media activity from a social science / leadership perspective – not from the perspective of a journalist or from the ideologically critical perspective of the license payer. Thirdly, we consider competition in the media market as an institutional phenomenon that is not solely conditioned by economic considerations.

We aim to find a third way between economic determinism and the optimism of political regulation. The media enterprise as institutionalized practice is, from our perspective, placed at the intersection of the marketplace and politics.

We recognize that the daily press, radio and television in Denmark have emerged from a tradition based upon ideals of freedom of expression, democracy and the enlightenment of the general public. At the same time we stress the fact that the media *worldwide* is *Big Business* – and that this reality has an increasing effect on Danish competitiveness and business development in general. Not only as a channel for opinion, but as a political actor and a potential business locomotive in the so-called culture- and experience-economy.

Globalizing National Media

Unlike the companies that are primarily interested in the national market, the relatively few Danish media companies that operate internationally have not grown out of a public service tradition. Magazine publishers such as Aller or Egmont, the film industry (with Zentropa in the lead) and commercial Internet service providers are not politically encumbered with expectations to deliver *public service for private money*. Instead these players enter the fray of global competition with little respect for international borders, language barriers or their roll as public service organ for representative democracy.

This segment of the Danish media market has been dreadfully ignored in media research, which up to now has only cast a cursory glance at the international role of these national players. In the few cases that *globalization* does appear in Danish media research, it is presented as a threat to national culture and regional diversity.

At the International Center for Business and Politics we consider globalization as an institutionalized condition for international competition in regional markets. Various forms of national regulation can prove beneficial or detrimental to the individual media enterprise's competitiveness. Certainly the protectionism of the past is not necessarily the most desirable or effective tool for the emerging network society.

Nevertheless, the past hundred years interplay of politics and the media industry have created an institutional framework that has to a great degree limited the Danish market for *news and views* to a provincial and closed environment that can be regarded as a journalistic food chain. This factor, among others has therefore made it difficult and risky for foreign players to penetrate the Danish media market. The possible rewards of success were also limited.

Language barriers and government regulations provide the home market protection against foreign competition. The establishment of well-run compulsory license financed radio and TV channels delayed the introduction of commercial advertising in the electronic media. Ad buyers were directed to the print media with the regional daily papers in the lead garnering the lion's share of advertising revenues. All things being equal, political regulations define the institutional conditions for both the print and electronic media.

It is unlikely these conditions will or can continue to reign in the marketplace. The crucial question is: Do provincial-thinking media enterprises possess the characteristics required to survive the conditions of the international marketplace in the battle for media-users time and money.

The International Center for Business and Politics intends to shed light upon this process. The goal is to conduct basic research of a high international standard, and at the same time deliver useful results to the benefit and satisfaction of the media on a local, national, as well as regional level. This will be done through a comparative approach. That is to say, the research we undertake will always place conditions in Denmark as a central reference point - but never as the sole area of focus.

Regardless of what we do, there must be comparisons with other countries, other industries, or alternative institutional forms for government regulation. We are seeking close contact with media enterprises here in Denmark, and internationally. The ambition to create basic research that is practically applicable requires resources that exceed those that can be made available by Copenhagen Business School. We will need sponsors here in Denmark and out in the world at large. We expect to deliver results and valuable insights that will deliver bottom line benefits for our research sponsors.

The Danish Media Market

Our starting point is research-based knowledge of conditions in the Danish media. A detailed review of the situation in Denmark is beyond the scope of this paper. Let it suffice to say that, simply put, developments confirm the adage "think globally – act locally".

The phenomenon of a "national media" is being shot to pieces. If we exclude colorful Royal Weddings and Olympic Handball then there are few occasions when family Denmark is tuned into the same event. It is true that DR and TV2 have contact with 90% of the audience in the course of a week. But this is achieved by cutting the market into niches – resulting in alternative channels such as DR2, Zulu and TV-Charlie – all conscious attempts to fragment and segment the market.

Only two free daily papers, *MetroXpress* and *Urban*, can brag of national market penetration. And even these claims of national penetration ignore small gaps on the map of Denmark. Most publishers have therefore shifted to a niche strategy. *Børsen* and *Kristeligt Dagblad* are well known examples of the successful implementation of this approach. Trade journals also play a meaningful, yet underestimated, roll as provider of niche-influenced media content. Other parts of the journalistic food chain use this material with or without obvious reference to these sources.

The regional media include newspapers, radio and television. In some regions, such as North Jutland, the regional publishing house has succeeded in dominating a broad array of media and created a local media convergence based on business practice. In most areas the local papers continue to publish in spite of continued losses. On the other hand profits are derived from free weekly papers - the so-called district papers - that are distributed to practically every household.

Now we come to the central premise for the future possibilities of Danish media enterprise: The printed daily shall undoubtedly survive as a niche media but it is far from certain that it will be founded on the present configuration of geographic niches - let alone on the basis of full price subscription.

That these conditions have not led to an epidemic of closures is due to the fact that is the market winners that stand behind the mastheads. Their capital underpinnings are relatively solid. Only a few must distribute profits to their shareholders. The survivors can endure many years of market retrenchment. Besides - publishers can rejoice over sales tax exemption and other forms of political favor.

The democratic tradition

We can regard the Danish media market as relatively immature with many small players in national competition. In that context, established antagonisms and shortsighted special interests stand in the way of effective product development.

Generally, leaders in the media industry belong to those who are dissatisfied with the status quo but are first seriously offended when one introduces something new. On the other hand, leaders in the media industry are faithful to democratic ideals concerning public relevance and freedom of speech. This tradition makes Denmark well suited as a laboratory for media experiments, e.g. provides the foundation for the export of a democratic tradition in a time when all agree that the EU nations have a need for an inner market for the creation of opinion – and not just goods and services; and where an assortment of nations, especially in Eastern Europe, are prospecting for alternatives to totalitarian media systems of the past.

To shed light upon the effect and penetration of editorial and commercial media messages we must create a better basis for comparison.

Competition for the attention of the audience is tough. But Danish research has not created the basis for comparative market documentation. As a rule the private media bureaus decide which media shall enjoy the deployment of advertising budgets.

In the television market media planners have access to continuously updated measurements with enticing ratings. This is far from the case in the print market. Therefore it is impossible to undertake systematic comparisons between media types based upon the data presently available. We intend to provide useful research that would make these conditions more transparent.

This sort of research project is both methodically challenging and of great practical significance. If they are to succeed, Danish media concerns must cooperate with their peers among our Nordic neighbors. The investment required would initially be a few million Danish kroner, which we will secure from regional and international sponsors.

The Scandinavian Media Market

We see neither the creation of monopolies, nor the emergence of perfect and free competition among the institutions in the regional media market. Developments are moving towards duopolies within defined niches that are organized as a collective of competitive actors contributing to the production of news and meaning, i.e. *The Institution of Current Affairs (I.C.A.)*.

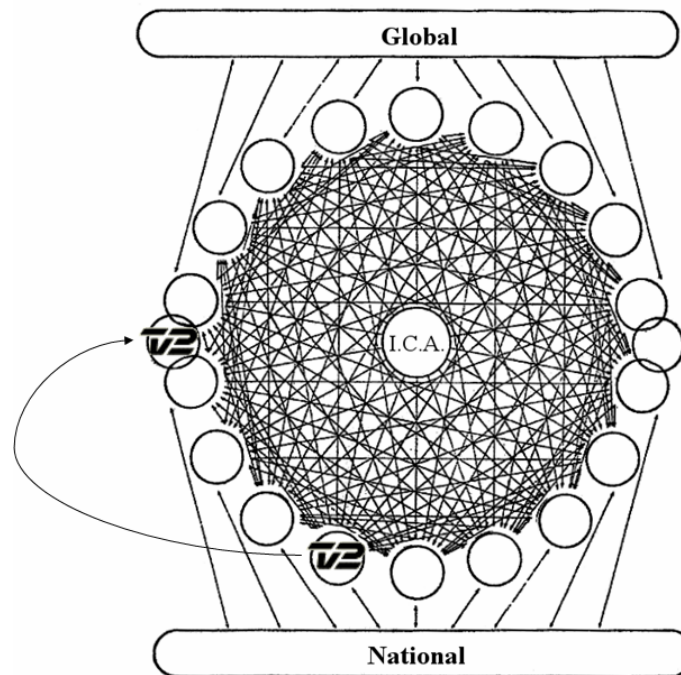
This institution enjoys a great degree of political attention that is not limited to the Minister of Culture. The Konkurrencestyrelsen (Competition Administration) has in recent years played a decisive role in media politics. The Styrelsen considers Denmark and the existing business areas as closed systems, where cooperative agreements may not assume the character of cartels.

This is an obsolete approach that hobbles the news organizations collective competitiveness and impedes unified efforts in the far more important struggle that Danish media enterprises meet in the international market. Thru targeted research of these relationships, the Center for Business and Politics will qualify management of these issues in a broader context.

The ongoing efforts to privatize TV2 can serve as an example of competitive conditions in the nordisk region. Up to now TV2 has been a typical example of Danish negotiated economy. There are strong differences of opinion regarding the efficacy of privatisation from the standpoint of cultural politics. From a research perspective privatisation is a gift from Brian Mikkelsen: It creates disturbances in the news institution and reveals alliances and relations of power – not only in Denmark, but also in the broader Scandinavian and global media market.

On the surface, the battle for TV2 appears to be a contest between the alliance of Jyllands Posten – Politiken and The Berlingske House. But it is doubtful that these players can lift the burden alone. For all practical purposes the TV2 privatisation is part of a larger game where the intrigues and machinations of regional actors are played out – and where global players stand in the wings as potential alliance partners.

A simplified network model can be used to illustrate the connections between the web of interdependent competitors that constitute the news institution: Changes that occur in one area of the network are significant for other areas of the network.



If we examine leading players in the nordisk nations, the duo pole of Aller and Egmont are the only Danish players that have the economic strength to place them in the Scandinavian *Royal League*. Aller had decided to stay out of the TV market and concentrate their efforts in the print media. Egmont on the other hand, already owns Nordisk Film, as well as a third of Norway's TV2, and has joined forces with JP-Politiken in the battle for Danish TV2.

Orkla, of Norway, which counts The Berlingske House among its stable of holdings, would also like to be sitting at the head of the table when TV2's headquarters is to be sold to the highest bidder.

Meanwhile, only the fewest have noticed that their compatriots from the Schibsted-concern have refrained from bidding, even though they are partners in TV2 Norway with A-press and Egmont. On the other hand Schibsted has purchased shares in Swedish TV4, which is allied with Orkla in their bid for TV2 Denmark. This provoked the Bonnier publishing house of Sweden. A struggle ensued which was manifested by a series of significant jumps in share price after which a third media power, MTG, scored the prize.

This struggle escalated to outer space: MTG, as part of its agreement to end hostilities, demanded the right to distribute TV4 on its Viasat channels. Then Norway's Telenor was dragged into the fray as Telenor fought uncompromisingly for exclusivity in this area through their daughter company Canal Digital.

At the same time, the battle spread to Finland, where Alma Media, an entity unknown to most in Denmark, became the object of a pitched battle between warring parties. While I write these words it

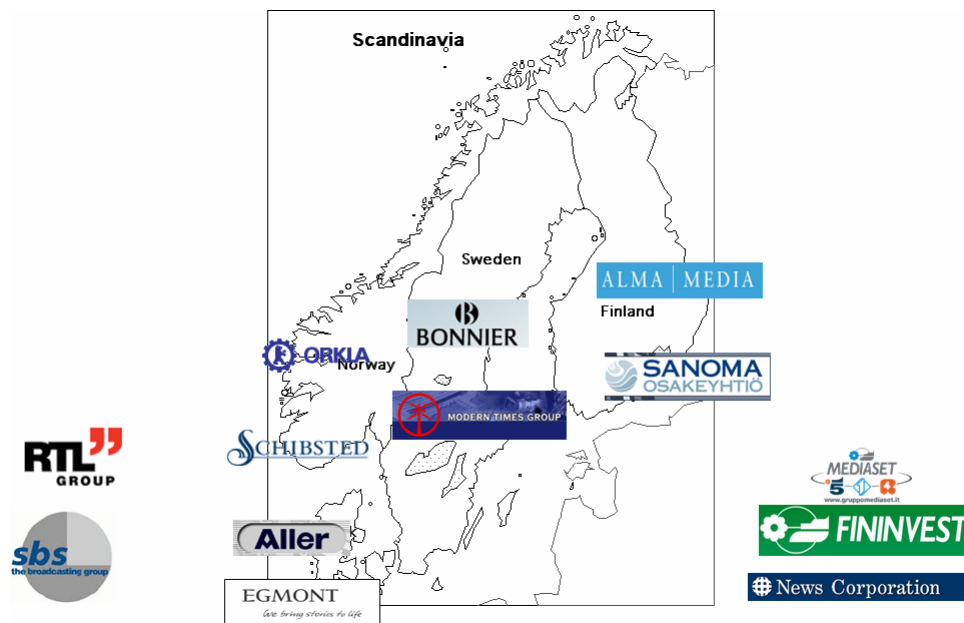
appears that Bonnier of Sweden have gained the upper hand in the trenches. But the winds of war can quickly shift.

The headline "Great Nordisk Media War" is a fitting description for these events. And it is likely the result will resemble the Great Nordisk War of the 1700's where the Scandinavian armies inflicted so much ravage upon each other that outside powers entered the fray and dictated the conditions of peace – to their own advantage, of course.

The Global Players

Rupert Murdoch and his News Corporation are unlikely to play a decisive role in the battle for TV2, even though Danish journalists enjoy directing their focus his way. It appears Murdoch is busy conquering the Chinese market. Anyway his objective is not to control terrestrial broadcasting, but to dominate the satellite market.

Fininvest, which despite its name is not under Nordisk control but in fact a part of Silvio Berlusconi's media empire, is waiting in the wings. The threat from these quarters is not perilous, as their attention is focused in the Southern European media market.



More likely spoilers in the contest for TV2 Denmark are global powerhouses such as RTL (Radio Television Luxembourg) and SBS (Scandinavian Broadcasting Systems), who, despite their names, are German and American controlled media enterprises.

There is much to address here. It is a challenge that has not been convincingly met by Danish media researchers. How do we expand from a national and regional to a global research perspective – without losing our national foundation?

At the International Center for Business and Politics we have the ambition to do what we call third generation comparative research. This will involve methods and designs that make solid comparison across media markets possible without sacrificing the institutional theoretical foundation.

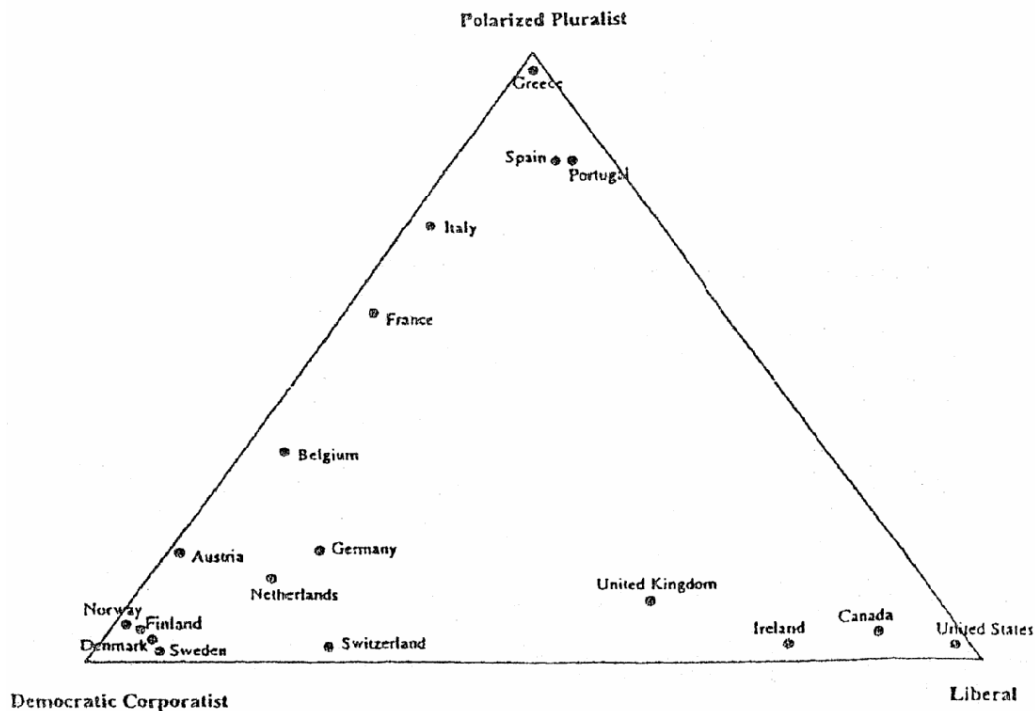
For example: We have contacted Metro International, which publishes and distributes 45 versions of its free papers in regional markets throughout the world. Except for Sweden, all of these papers have been introduced in the past 5 years. It provides us with a unique opportunity to evaluate what happens when one creates disturbances in an institutionalised media market.

A chemical process may serve as a metaphor for an institutional experiment where Metro is the catalyst that activates a series of reactions. At first, the national markets react with disdainful arrogance. Then the established publishing houses rush their own clone of this newcomer onto the market. Then they try to purchase a part of the regional Metro. And so on.

With Metro as the constant in the equation we can evaluate similarities and differences in the various media markets. This also makes it possible to align research in the media with other research perspectives represented here at the International Center for Business and Politics. For example Peer Hull Kristensen's exciting theories in *Local Players in Global Games* – on the strategic leadership of multinational corporations, and Lars Bo Kaspersen's work on identity politics in an open global economy.

The Comparative Perspective

We base our media research on the theoretical foundations of Daniel C. Hallin and Paolo Mancini, which were introduced in the book *Comparing Media Systems*.



Hallin & Mancini contrast the Nordisk model (called "Democratic Corporatist") with two other models: the liberal model and the polarised model. At one extreme we have the United States and Great Britain as liberal media systems. The Southern European nations are placed at another extreme with pluralistic characteristics. Hallin & Mancini describe them as polarized because news media serve competitive political machines. An analysis of the historic and actual distribution of media power, based upon this schema, has enabled Hallin & Mancini to highlight four characteristics that are essential to the "Nordic model":

1. A wide dissemination of printed media via the free market
2. A high degree of autonomy among license-financed radio and TV
3. Professional, self-regulating journalism
4. Diversity secured through government intervention

This theory picturing a democratic corporatist type of media system is coupled with the research contributions of the American political scientist Peter Katzenstein convincingly laid forth arguments for in the book *Small States in World Markets*. Here at the International Center for Business and Politics professor and center director Ove K. Pedersen has fine-tuned this theoretical apparatus with his convincing argument that it is in fact problematic to speak of a "Nordic Model".

Of course in Denmark, Norway, Sweden and Finland share mutual elements of a welfare state model based upon a distribution of power between class interests, and a welfare system comprised of various interest groups that seek compromise and consensus whenever possible. But a more thorough inquiry reveals many differences between the formats of negotiated economy – especially in terms of regional media markets.

Hallin & Mancini's typology is in this respect weakened by the fact that they have not delved substantively into the media. We intend to address this shortfall through an upcoming research project where we build upon a pan-nordisk research project called "Media Society around the Baltic Sea", where we have, over the past years, contributed with comparisons of concrete media content with researchers from Norway, Sweden, Finland, Russia, Estonia and Poland.

Our data shows that there are common structural and market characteristics due in part to the presence of significant players in many nations. But there are also clear tendencies to diversity of an institutional character. For example, Denmark and Sweden embody clear contrasts and divergent traditions for the regulation of the media. There is no indication that the border states of Eastern Europe will automatically adopt a corporate model. They are influenced by liberal ideals and clientistic practice in the media domain.

Perhaps the so-called border states of Eastern Europe will occupy the areas that are now empty in Hallin and Mancini's model, in the area between liberalism and polarized pluralism. Unless they receive assistance with the development of negotiated corporatism we know from Denmark, Norway, Sweden and Finland.

If we consider Europe as a whole Hallin & Mancini's analysis raises doubts with the dream of a common European public as a political supplement to the EU's inner market for goods and services. From the standpoint of institutional theory it is a long way from the Greek "clientism" and the British business press to Scandinavian public service.

There is nothing that indicates that a pan-European public will spontaneously generate itself, even if strong political forces wish to align media enterprises with the process of European integration. The question is if a pan European news institution is an illusion that must be established institutionally as part of the basis for legitimacy of the coming EU Constitution?

An analysis of how this occurs is another area of research we intend to secure financing for at the International Center for Business and Politics.

Convergence or Divergence?

The keyword that emerges as we shift attention from Europe to the global market is media convergence. This is currently the central grant-allocating concept in the field of international media research. It is often postulated that technology and globalisation are unavoidable and anonymous forces that drive all media – irrespective of institutional roots – in the direction of the liberalistic model.

Researchers and publicists therefore oversee the significance of local demand and political regulation - both regionally and on the national level. If we examine this issue from the individual media users perspective media convergence is neither, a tendency of globalisation or a technology driven phenomenon. Price and habit still play a decisive role in the media market.

We know quite a bit about the media habits of Danes. We also know the strength and weaknesses of various media. But we still lack information regarding price elasticity in the media market. Many things indicate that developments are moving in the direction of an increased willingness to pay for distribution, and reduced willingness to pay for high quality media content.

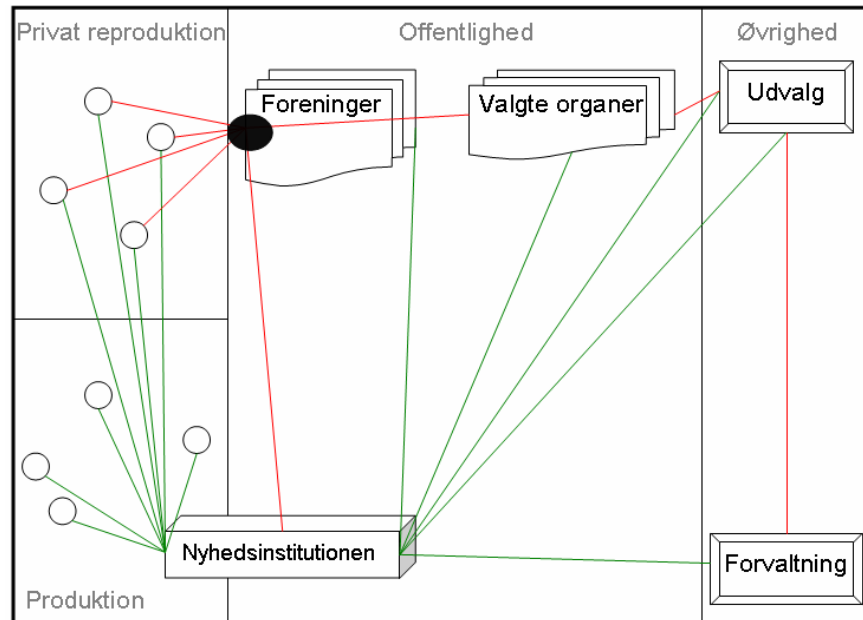
It has never been possible to sell news by the pound but the lucrative subscription services where customers pay in advance for news services (sight unseen) are now experiencing tremendous pressure all over the world. The saying: "Content is king" will not apply much longer. The companies that control distribution collect the greatest share of revenue while those who deliver content are left with the increasing cost base.

The time-honoured belief in the role of the news institution is eroding. As resources for journalistic content decrease and competition for the media users time increases, it will be increasingly difficult to maintain a national public where all are involved as equal and free citizens.

As media forms converge technologically, we can imagine an increased divergence in the journalistic food chain as news institution. At the same time the strategic use of communication plays a growing role in the the political positioning game, because polarized communication systems, such as political parties and interest organisations, see their agenda setting effect on the creation of public opinion diminished.

The Political Opinion Market

Though I started out with a critique of Danish media research for undervaluing market perspectives and overemphasizing the democratic function of the media, I must also make clear that we can not totally ignore this function in our efforts to define the market conditions for media enterprises – nationally, and globally.



Competition not only dominates the commercial media market but also plays a crucial role in the market of political opinion. The parliamentary chain of command, as described in the Danish constitution, is probably an illusion, albeit a useful, even necessary illusion in a representative democracy. Therefore the research at the International Center for Business and Politics will maintain a Habermasian public sphere approach as the dialectic counterweight to the perspective of institutional political economy analysis.

At the risk of oversimplifying, we could claim that the legitimacy of media enterprise as a privileged segment of democratic society rests upon the concept of free and equal citizens, acting as an interested public, engaged in issues that are meaningful to the nation – not as a disintegrated mass of consumers zapping around the global market.

In practice elitist associations – such as political parties – assume these representative functions. The traditional bonds between associations and the news media have been weakened: the party press died out in the 1970's, while radio and TV emerged from the shadow of party politics in the 1980's. Expectations for loyal political coverage in the news media somehow manage to survive in the political institutions.

Collectively, news institutions act on behalf of the man on the street: they allocate considerable journalistic resources to the coverage of elected organs on a national and local level. Attention is focused upon the internal decision making process - often occurring behind closed doors - and upon possible scandals in public administration.

At the same time, the organs that develop political positions, as well as private business and individual citizens, seek to gain attention and create an understanding for their viewpoints through what is referred to by journalists as *spin*. I prefer the term *niche nursing*: Competing interests nursing their areas of interest in an environment of shifting alliances where the news institutions play the role as both arena and political actor.

The battle for the political agenda also includes spectacular revelations and single issues. The opinion market is influenced by what one could call the "reverse steering mechanism", where the administration (with the media as megaphone) exert influence upon elected officials who then try to sell the administration's initiative to the grassroots – often from the basis of a case that has enjoyed media attention.

Professionals such as economists, medical doctors, and psychologists populate the center of this journalistic food chain. They act in concert with actors from the private sector, public administration and the self-perpetuating news machine, in the continuous production of premises for new cases, new regulations and news stories. The modern creation of public opinion is influenced by factors unforeseen by the constitution. Simply put, the parliamentary steering mechanism has been replaced by a journalistic food chain where the news media assume the role as a producer of the foundation for decision and are no longer limited to the role as loyal "microphone holder" for other players and their opinion production.

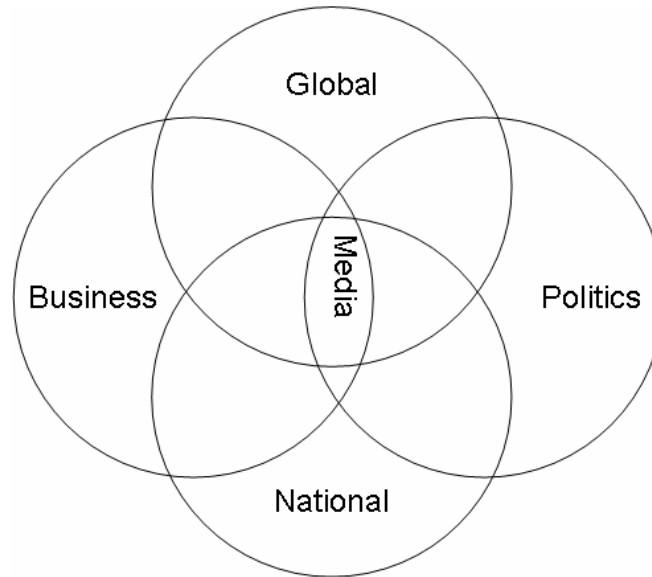
Paradoxically, free competition in the market of public opinion will probably lead to a more uniform editorial consistency of political news. Whereas technological convergence can lead to media divergence, political divergence can in fact lead to a convergence of opinion.

Homogeneity can primarily be ascribed to institutional conditions in the opinion market. Redacted politics rests upon the fact that journalistic actors are dependant upon authoritative sources as they strive to balance public and commercial interests. The political process is further complicated by the fact that the authoritative decision-making process is negotiated behind closed doors. At the same time transnational arenas, such as the EU and OECD play a defining role in Danish politics while the news media is unable to fit them into the nationally oriented news production.

Institutional Competitiveness

If we return to the question of institutional competitiveness we can see that conditions in the media market include not only a business and political framework, but also the interplay of factors on the national and global level. On the other hand ownership or ideological commitment, for example past political party membership, can hardly be useful on its own as a useful explanation of the exercise of editing influence in today's Denmark.

We return to the starting point of the research program: The news institution, regarded as a journalistic food chain must be regarded as a national opinion market that no longer can be held in provincial isolation from the global media market. The competing actors intrigue and cooperate in a dynamic system – and there is no central power that can regulate the game.



The contest of business and political interests is a central issue in the media market. Many in Denmark ask: Who will win the struggle for media power on the (de)regulated playing field?

My common place response is: This requires more research – of course in a comparative perspective with Denmark and the rest of the Nordic region as a well suited laboratory for concrete experiments which can generate results that would be valuable to fundamental research and useful for practical development work.

If I am to give a more concrete answer then I would refer to Jan Stenbeck, founder of Modern Times Group, godfather of new media entities such as Norway’s TV3 and Metro International. Stenbeck compared competitive condition in the media world with the popular “shoot it out”-game where paper engulfs the rock, the scissor cuts the paper, and the stone destroys the scissor.

Nationally based business (the rock) can no longer act as absolutely free agents in the media market. Business interests are regularly trumped by political regulation (the paper). Global, technological development (the scissor) can on the other hand make national regulation of the market superfluous as we have already seen with satellite television and mobile telephony. And – as Stenbeck concluded his metaphor – no new technology is developed without risk capital. So in the end it is business interests (the stone) that can play two horses in the institutionalised media competition.

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