

# The Dutch International Media Industry

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Competition in Media Markets  
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**Hans van Kranenburg  
Radboud University Nijmegen  
Nijmegen School of Management  
Tel: +31 24 361 2028**

**E-mail: [h.vankranenburg@fm.ru.nl](mailto:h.vankranenburg@fm.ru.nl)**

**Center for  
Strategy &  
Alliances**

**Radboud Universiteit Nijmegen**





# Agenda

- Overview of the Information Multimedia Industry
  - Features of the Market
  - Convergence issues
- Ownership Issues & Developments
- Competition Levels
  - Levels of Analysis
  - Relevant Market Issues
- Which Regulatory Principles?
- Concluding Remarks

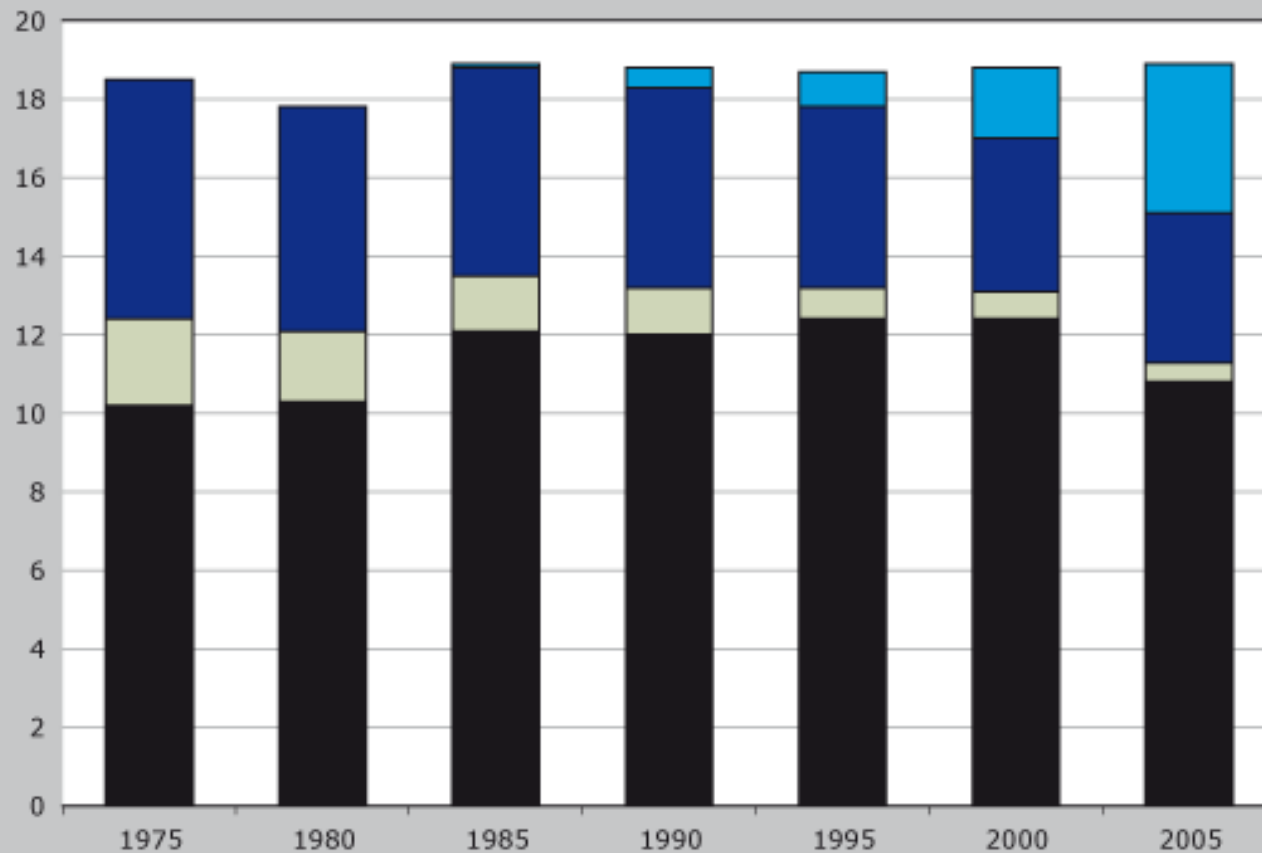


# Features of Media Industry

- Many Media Businesses face two demand sides:
  - Demand for consumers (readers, viewers etc).
  - Demand for advertisersInterdependence between demands.
- Neo-Classical results do not hold anymore.
- More competition for scarce information time of consumers → new competition element.



# Development of Information Time Use of Consumers



computer (offline en online)  
gedrukte media  
radio en geluidragers  
televisie en beeldragers (video, dvd)

Bron: SCP (TBO) [www.tijdsbesteding.nl](http://www.tijdsbesteding.nl) 18 oktober 2006



# Dynamics of Media Industry

- Network externalities
- Have been characterized as stable markets
- Now (dynamic) changes
  - Liberalization
  - Privatization
  - Technologies
  - Globalization
- Convergence of information and communications industries
  - **Information Multimedia Industry**



# Survival Strategies of Firms

“Firms that are not able to make the transition toward greater product standardization and process / product innovation will be unable to compete effectively and will eventually fail. A firm’s inability to change its organization structure and practices along the evolution of technology in the industry will be its major source of failure”

(Utterback and Suarez (1993) in *Innovation, competition and Industry Structure*)



# Why Convergence of Industries?

## Opportunities for Firms

### Markets

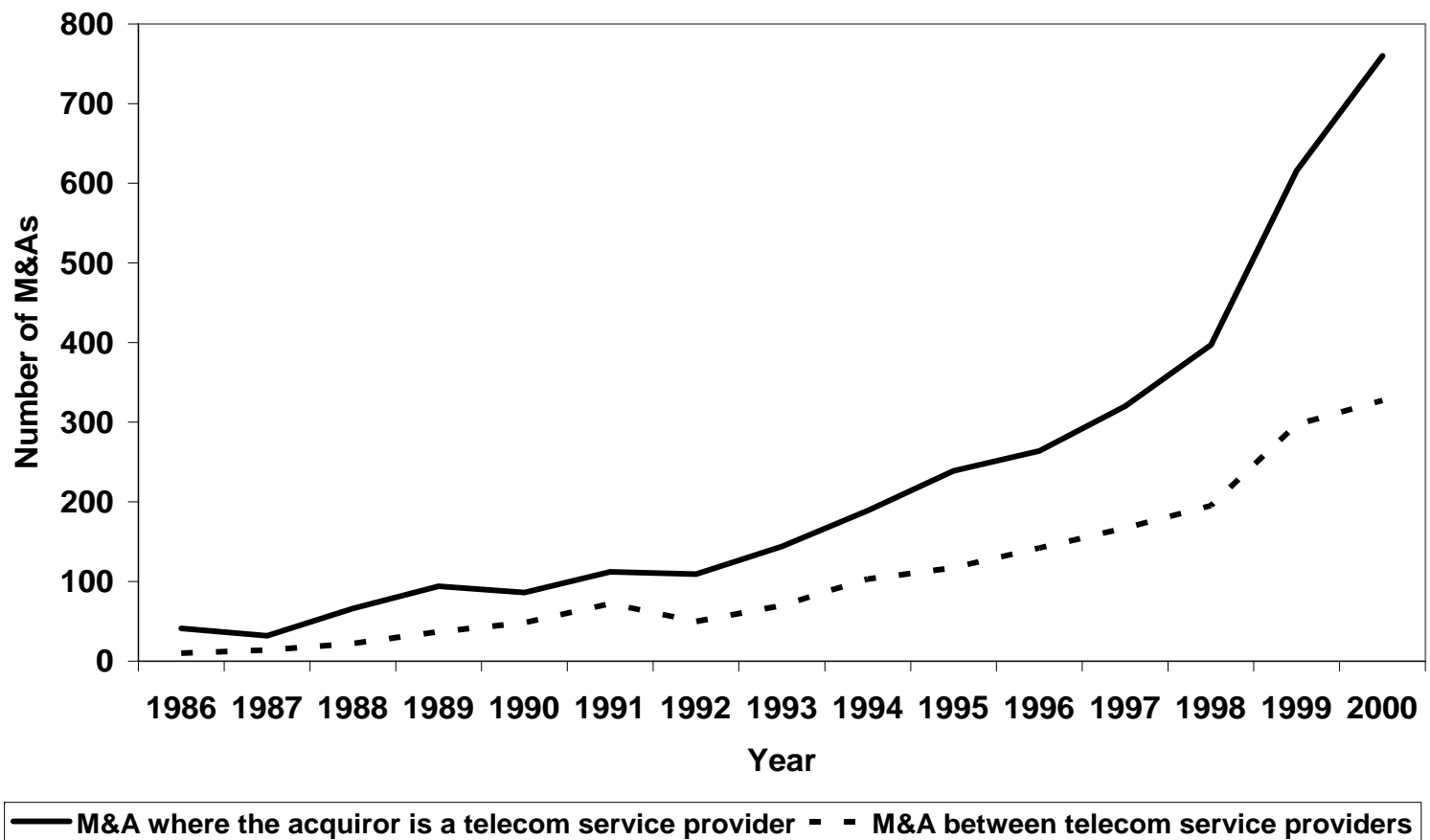
- To expand markets
- To position themselves for future markets

### Resources

- To get access and to develop resources
- Acquire needed capabilities
  - To further develop both core activities and complementary activities

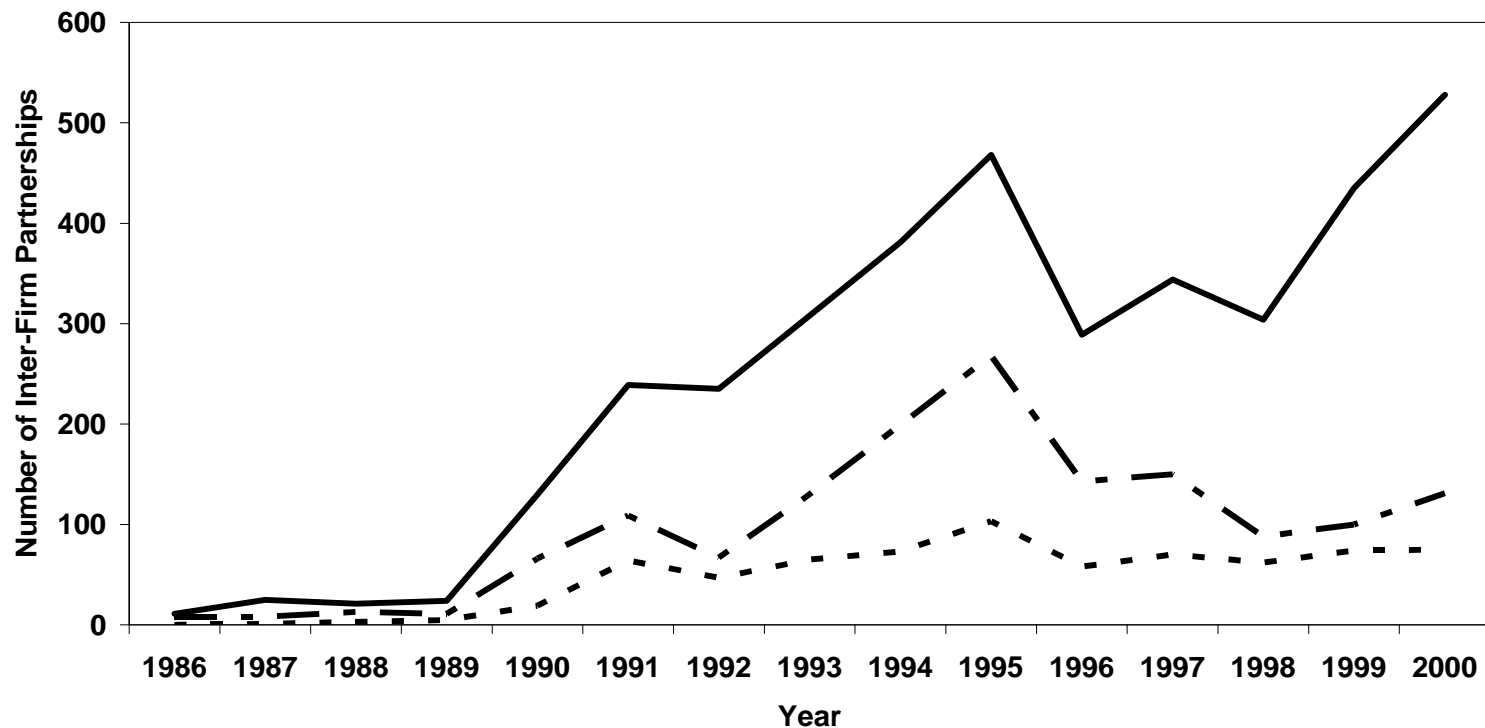


# General growth trends: e.g. M&As Telecom Companies





# General growth trends: e.g. Alliances in Telecom Industry

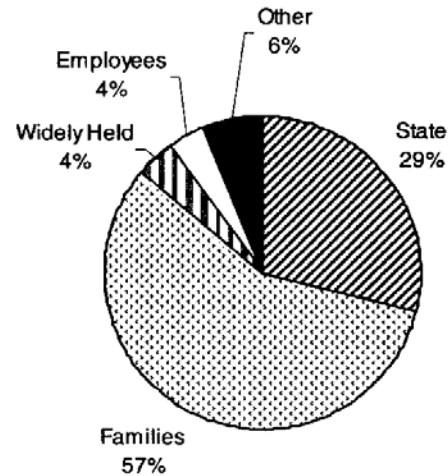


— Inter-firm partnerships involving at least one telecom service provider  
- - Inter-firm partnerships between only telecom service providers  
- . Inter-firm partnerships involving at least one telecom service provider

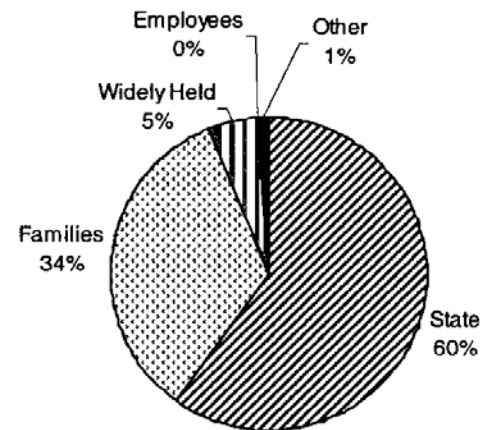


# Newspaper and Television Ownership

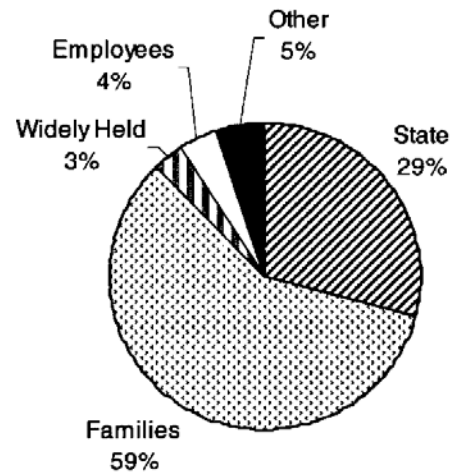
**Press Ownership, by Count**



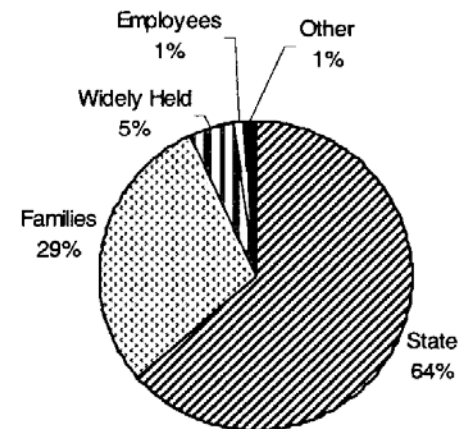
**TV Ownership, by Count**



**Press Ownership, by Share**



**TV Ownership, by Share**





# Ownership

- Almost universally the largest media companies are owned by government or by private families.
  - UPC( Liberty Media (family))
  - PCM (Stichting Democratie en Media)
  - Telegraaf (family)
- Government is more pervasive in broadcasting than in printed media
  - Ned 1,2,&3, BBC.
- Increasing internationalisation process in the media industry →
  - Telegraaf, active abroad
  - Wegener (acquired by Mecom),
  - RTL, SBS (International companies)
  - PCM (was acquired by Apax)



# Ownership Explanations

- Public Interest (Pigovian) theory → government maximizes consumer welfare.
  - Regulation or even nationalisation allowed:
    - \* Information is a public good
    - \* Very high first costs and low marginal costs
    - \* Consumers are ignorant → government a better protection than private ownership.
- Public Choice Theory (e.g. Ronald Coase)
  - Government ownership undermines economic and political freedom.
    - For example: Ned 1,2 & 3 and Soccer Rights
- Study Djankov et al, 2003 supported Public Choice Theory.
- Explanation for Family ownership: Fame



# Ownership Issues

- Regulations of foreign ownership and cross-ownership are still prevalent
  - France, many rules
  - UK, relatively open
  - Netherlands restrictions cross-ownership on newspaper and TV
- Different pace of deregulation. (see telecom industry in EU, Kranenburg et al, 2008).
  - UK in favour of deregulations
  - NL follows UK
  - France slow adaptor of deregulations
- Should the media industry be organized as monopolist or competitive?



# Media Competition & Level of Analysis

- **Level 1:Supranational Level**
  - Worldwide, Georgraphic Region
- **Level 2:National Level**
  - Media policies of nation-states set the parameters of competition
- **Level 3: The Guild, The Domain, and the Niche**
  - This level is about comparison between industries



# What is the Relevant Market

- How to define the relevant media market?

Given:

- Convergence of industries
- Internet
- Differences in National States Media Policies
- Small and large countries / economies



## Media Competition & Level of Analysis Conti.

- Which International and National Authority is responsible for monitoring the Information Multimedia Industry?
  - EU, NMA, Opta, CvdM, others?
- Public Choice Perspective → European Union and national antitrust authority (NMA)
- Public Interest Perspective → European Union and national authority (CvdM (integrated with Opta) → other responsibility as national antitrust authority)
- How to deal with media competition & Internet?



## Concluding Remarks

- Scholars, professionals etc. have to define the relevant market. Who are the (direct and indirect) competitors?
  - Many (new) (national and International) multi-media products are part of the current market.
- Traditional Media are losing gradually the competition for scarce information time of consumers.
- Regulatory Principle → EU under condition nonmarket environment similar in all member states.
- Increase Opportunities for Dutch Media related companies instead of restricting them