
Market Structure and Innovation Policies in Portugal

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1 Market Structure and Media Ownership

1.1 Newspapers

The media market in Portugal consists of companies with (i) exclusive activities in the traditional media, (ii) with activities in new media, and (iii) with activities in the telecommunications business. In addition, as a new trend, especially in the last 3 years, the Angolan capital came to change the profile of the media partners or shareholders and, in some cases, with some repercussion in the news flow, paying more attention to economics, politics and African Portuguese-speaking society. In general, the owners of these companies are domestic groups and investors, except in the case of Media Capital, which in 2005 was acquired by the Prisa Group (Spain) and the Bertelsmann Group (Germany). Given the market shares of these large diversified media companies, it is clear that these companies dominate the media markets. Table 1 shows the relevant overall market shares and concentration indicators of the largest media companies in the news media industry. The four largest companies are Impresa, RTP, Media Capital and Cofina. These companies are dominated the broadcasting markets, except for Cofina. The concentration measurement C4 measures the cumulative relative weight of the four largest companies in the market (taking into account the turnover). Because this indicator was higher than 80 % in all years, the inherent conclusion is that the news media market shows a high level of concentration. The market can be characterized as an oligopoly. Furthermore, the findings also reflect the high weight in the business of television.

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Table 1 Market share of each company in the news media markets (in percent) and measurements of concentration, 2010–2014

| | Companies | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|------------------|--------|--------|--------|--------|--------|
| Market share of each company in the overall sector (in percent) | Impresa | 30 | 29 | 27 | 26 | 25 |
| | RTP | 27 | 29 | 30 | 33 | 28 |
| | Media Capital | 23 | 22 | 22 | 23 | 23 |
| | Cofina | 13 | 13 | 13 | 13 | 12 |
| | Impala | 3 | 3 | 3 | 0 | 0 |
| | Grupo Renascence | 2 | 2 | 3 | 2 | 2 |
| | Controlinveste | 0 | 0 | 0 | 0 | 8 |
| | Público | 2 | 2 | 2 | 2 | 2 |
| | Total sector | 100 | 100 | 100 | 100 | 100 |
| Concentration measurements | C4 | 92.7 | 93.0 | 91.7 | 95.0 | 87.6 |
| | Index Herfindahl | 2319.6 | 2343.0 | 2285.9 | 2470.1 | 2125.3 |
| | Noam | 876.7 | 885.6 | 864.0 | 1008.4 | 867.7 |

Source: Elaborated by the author from data taken from annual reports and accounts

The C4 indicator has, however, the problem of not including relevant information, like the relative weight of each one of the four largest companies (even though the value of C4 indicator is equal, the concentration of the market is different if the weight of each one of the four companies would be equal, or if there is a huge gap between a dominant company and the other three companies with barely relevant weight). Thus, to cover the indicator C4 problems, it makes sense to use the Herfindahl Index. According to the values of the indicator, this market falls within moderate concentration (due to the index being between 0.15 and 0.25).

Table 2 presents an overview of the market shares and concentration measures of publishers in the daily newspaper market in Portugal. The two largest companies Controlinveste (that since 2014 is named Global Media Group) and Cofina Media have a market share in the newspaper market of 22% and 65% respectively in 2014. Cofina focuses mainly on the newspaper (*Correio da Manhã*, *Jornal Destak*, *Jornal de Negócios*, *Record*, *Metro Portugal*) and magazine activities. The activities of Controlinveste are mainly focused on the daily press (*Diário de Notícias*, *Global Notícias*, *O Jogo*, and *Jornal de Notícias*) and it has a relevant stake in Pay TV, especially sport channels. The concentration measure (C4) and HHI show a value of 96% and 4723. These measures indicate that the market of newspaper publishers is highly concentrated. The four largest newspaper publishers have together a market share of almost 100% in Portugal.

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

Table 2 Circulation ($\times 1000$) and market shares (in percent) and concentration measures of publishers in the daily newspaper market, 2010–2014

| | 2010 | | | 2011 | | | 2012 | | | 2013 | | | 2014 | | |
|----------------|-------|--------------|--|-------|--------------|--|-------|--------------|--|-------|--------------|--|-------|--------------|--|
| | Circ. | Market share | | Circ. | Market share | | Circ. | Market share | | Circ. | Market share | | Circ. | Market share | |
| Controlinveste | 147 | 22.3 | | 122 | 20.6 | | 104 | 20.2 | | 89 | 18.4 | | 103 | 22.0 | |
| Cofina | 427 | 64.8 | | 391 | 66.0 | | 343 | 66.4 | | 318 | 65.5 | | 312 | 65.0 | |
| Sonaecom | 35 | 5.3 | | 34 | 5.7 | | 32 | 6.2 | | 30 | 6.2 | | 31 | 7.1 | |
| Megafin | 23 | 3.5 | | 21 | 3.5 | | 16 | 3.2 | | 30 | 6.2 | | 17 | 3.9 | |
| Económico SGPS | 16 | 2.4 | | 16 | 2.6 | | 15 | 2.8 | | 13 | 2.7 | | 12 | 3.0 | |
| I Informação | 10 | 1.6 | | 9 | 1.5 | | 6 | 1.2 | | 5 | 1.1 | | 4 | 1.0 | |
| Index | | | | | | | | | | | | | | | |
| CR4 | 96.00 | | | 95.87 | | | 95.97 | | | 96.22 | | | 96.48 | | |
| HHI | 4745 | | | 4832 | | | 4877 | | | 4711 | | | 4723 | | |

Source: Elaborated by the author using data from APCT

2009 the free newspapers have also experienced a reduction in circulation following the crisis in the advertising markets.

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

Recently, the publishers are also expanding abroad, although the international growth of media operations of Portuguese media companies has been very slow and cautious, representing one of the most passive economic sectors. In the last 2 years, due to several factors, including the global economic crisis, these companies have started to be more proactive. The market for Portuguese communities abroad begins to regain more attention as a potential market for the internationalization of Portuguese media companies and products. The companies have been seeking business opportunities in African Portuguese-speaking countries (including Angola, Mozambique and Cape Verde), and Brazil. For instance, Ongoing Group specialized in economic news entered the Brazilian market. It launched the newspaper Brasil Econômico (although, this newspaper was not able to endure in the market and was closed at the end of 2014), bought the newspapers Dia and Correio do Povo, and has been showing public interest in joining the television market. This group has also created some partnerships in Angola, but was not successful. It closed almost all the operations in this geography. Cofina Media is an example of success, namely for launching the free daily newspaper Destak in Brazil about 4 years ago, and recently launched an operation in Angola Correio da Manhã TV.

1.2 Television

The TV broadcasting market is also highly concentrated. It shows a high concentration in media ownership. Only one public and two commercial media companies are operating on the traditional free-to-air TV broadcasting market. Table 3 presents an overview of the free-to-air market shares of the public and commercial media companies (excluding pay-TV companies) on the TV broadcasting market.

The largest broadcaster is the Rádio e Televisão of Portugal, SGPS (RTP). This is the only national public broadcaster in Portugal. The RTP group was established in 1957 and runs two free-to-air television channels RTP1 and RTP2 and three paid channels RTP 3, RTP Memória and RTPN. Since the beginning of the 1990s, Portugal adopted the dual system of public and commercial broadcasters for its television market. During the last year, it has been noticed a change in the share behaviour of the public broadcaster, which now shows a 4% decrease of the audiences share for the RTP group (RTP1 and RTP2) in the last few years, and on the contrary an increase of 2% and 2% audiences share for the group Impresa (SIC) and Media Capital (TVI) respectively. As a consequence, RTP has structural financial problems for many years. Recently, the broadcaster was reorganized with

Table 3 Distribution of free-to-air market shares of TV broadcasters, 2009–2014

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------|------|------|------|------|------|------|
| RTP Group | 36 | 37 | 35 | 31 | 29 | 32 |
| Impresa | 29 | 29 | 30 | 31 | 32 | 31 |
| Media Capital | 35 | 34 | 34 | 38 | 39 | 37 |
| Index | | | | | | |
| C3 | 100 | 100 | 100 | 100 | 100 | 100 |
| HHI | 3362 | 3366 | 3346 | 3365 | 3390 | 3354 |

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

the aim to reduce the costs and to reduce the number of products and services. RTP mainly competes with two large commercial broadcasters for the audience in Portugal and less on commercial activities. The latter can be explained by the fact that the public broadcaster is predominately state-funded. However, the largest commercial broadcaster continues to be Media Capital with a market share of 37 % in 2014. This commercial broadcaster also is an important player in the daily newspaper market. It runs two channels, TVI and TVI24 (Grupo Media Capital, 2013). The second largest commercial broadcaster is Impresa which runs operations on one free-to-air television channel SIC and four paid channels, SIC Notícias, SIC Mulher, SIC Comédia and SIC Radical (Impresa, 2014). It has a market share of 31 % in 2014. This diversified media company has activities in television and radio broadcasting, newspapers, magazines markets. A group of financial companies from Portugal has a majority share in this company.

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

Table 4 presents an overview of the revenues and market share of broadcasters in the advertising market. It shows the dominance of traditional TV broadcasters in the advertising market. The total market share of the Pay TV was always lower than 9 %, although it shows a positive trend.

1.3 Radio Broadcasting

The radio broadcasting market also shows a very high concentration level. Table 5 presents an overview of the market shares of the broadcasters and concentration indices of the Portuguese radio broadcasting market. The National Radio

Table 4 Distribution of advertising revenues ($\times 1000$) and market shares in the TV broadcasting market, 2010–2014

| Groups | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | |
|---------------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|
| | Euros | Market share | Euros | Market share | Euros | Market share | Euros | Market share | Euros | Market share |
| Media Capital | 1862 | 49.2 | 1869 | 50.1 | 1712 | 50.4 | 1884 | 48.0 | 2271 | 50.0 |
| Impresa | 1043 | 27.6 | 1028 | 27.5 | 882 | 26.0 | 1245 | 31.7 | 1311 | 28.9 |
| RTP | 647 | 17.1 | 582 | 15.6 | 511 | 15.0 | 465 | 11.9 | 578 | 12.7 |
| Others (paid TV) | 232 | 6.1 | 253 | 6.8 | 291 | 8.6 | 329 | 8.4 | 379 | 8.4 |
| Concentration Index | | | | | | | | | | |
| CR3 | 93.9 | | 93.2 | | 91.4 | | 91.6 | | 91.6 | |
| HHI | 3510.4 | | 3555.5 | | 3515.5 | | 3524.6 | | 3568.9 | |

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

Table 5 Market shares and concentration measure for the radio broadcasting market, 2009–2014

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------------|------|------|------|------|------|------|
| RR Group (Church-owned) | 53.3 | 49.2 | 48.5 | 46.4 | 42.2 | 34.2 |
| Media Capital Group | 26.9 | 32.1 | 33.5 | 37.5 | 39.1 | 34.2 |
| RDP Group (Public) | 13.9 | 13.0 | 12.1 | 11.0 | 12.9 | n.a. |
| TSF | 5.9 | 5.7 | 5.9 | 5.1 | 5.8 | 31.6 |
| Index | | | | | | |
| CR4 | 100 | 100 | 100 | 100 | 100 | 100 |
| HHI | 3796 | 3653 | 3656 | 3704 | 3506 | 3337 |

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

broadcasting is dominated by one state-owned media company and two private companies: RDP, Renascença, and Media Capital. In total, these broadcasters had a market share of 94.2 % in 2013. In 2014, data from the public broadcaster (RDP) are not exhibited, but we notice a significant increase in the market share of the broadcaster TSF, passing from 5.8 % in 2013 to 31.6 % in 2014. The group of the radio broadcasters (Grupo RR, Media Capital e TSF) possess 100 % of the market share in 2014. The Group RR and Media Capital dispute the highest market share place, having a percentage of 34.17 % and 34.23 %, respectively. The largest broadcaster Renascença is owned by the Catholic Church. This broadcaster runs three radio stations. The fourth radio broadcaster is TSF, which is part of the diversified media company Controlinveste. It has a relatively stable market share of around 31.6 %.

2 Regulations

In Portugal, a specific sector regulation relates to news media ownership, namely the Portuguese law obliges the media companies to share relevant information about shareholders and economical and financial activities (new law of transparency/July 29, 2015). Besides being easier to identify the property ownership, this law can be important to better understand the financing sources of the media companies, as well as their respective financial fluxes, which will allow to reinforce the level of accountability in the sector of media in Portugal. Regarding ownership and media concentration, the laws that frame concentration have a sub-sectorial logic, for example, the Law of TV and the Law of Radio include objective/quantitative limits; the Law of Press does not include quantitative limits. On the other hand, the concentration limits lie only in terms of the same sector of activity and not in respect to ownership of various media. Thus, in the case of the press, measures to combat monopolies in the sector that were patent in the legislation were replaced “by the requirement of transparency of ownership and the submission of changes in ownership of the publications to the general competition regime, upon binding opinion of the regulator, when the free expression and confrontation of

differing points of view is demonstrably concerned” (Costa e Silva, Fidalgo, & Sousa, 2011: 85).

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

The proposal law presented by Socialist Party intended to respond to the constitutional provision that it is the State’s responsibility to assure the independence of the media towards political and economic powers, and to prevent the concentration of media companies as well as to disclose media companies’ ownership and means of financing (Article 38, paragraphs 3 and 4, and Article 39, paragraph 1, b) and c) of the Portuguese Republic Constitution). The opposition—the Social Democratic Party—stood against this bill and argued that it did not provide a clear, broad, and strong response to the needs of pluralism in an emerging participatory and deliberative democracy. They criticized this statute for being obsolete since the European Commission was already promoting the establishment of reliable criteria and objective indicators about pluralism. The national President raised this point to justify his veto of the law. Despite the rejection of the Law of Pluralism and Non-Concentration of the Media, the media concentration debate continues.

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

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

Hence, the regulatory entities involved in the media markets stand out: the Authority for Competition (AdC) focuses on economic market regulation, the National Authority for Communications (Anacom) focuses on the technical regulation of communications, and the Portuguese Regulatory Authority for the Media (ERC) focuses on media content regulation. ERC is administratively and financially independent from the State, though protected by the Constitution. Its executive board is formed by five members, chosen by the Parliament, for a non-renewable mandate of 5 years. Its functions are divided into several domains, namely the registration and licensing of broadcasting operators, the classification of contents, surveillance and supervision over the performance and contents presented, the response to complaints and queries, and the application of recommendations or sanctions (Sousa et al., 2012). Additionally, the “Media Companies Ownership Transparency Initiative”, promoted by the ERC, forces the markets to provide transparent and detailed information about its finances and shareholder structures, also avoiding situations of monopoly or media manipulation that can prejudice the citizen’s rights to a plural and impartial information system.

It is increasingly important to recognize the regulatory focus on the challenges resulting from convergence, especially between free-to-air and Pay TV and the transition from an analog to a DTT model in January of 2012. It may be appropriate to rethink the regulation model by examining the close relation between the audiovisual materials’ content regulation (ERC) and technical regulation (Anacom). However, the proximity and cooperation of these entities may lead to the materialization of a model that promotes the creation of a third regulatory mechanism, which permits the integration of the technical and content regulation at the same time. These two aspects are not distinct and they need an integrated response from the regulatory framework (Cádima, 2007; Faustino, 2013; Feintuck & Varney, 2006).

3 Media Innovation Policies

In the last decades, the government has not been sufficiently proactive in designing public policies and strategic programs to stimulate innovation in the media sector in Portugal. However, it is still possible to identify some initiatives or programs created by the state that stimulate innovation, particularly in regional and local media, through direct subsidies in various fields (education, market research, innovation and technological modernization, among other possible policy areas) and indirect subsidies (support for postal costs in newspapers delivery). In any case, these supports have been progressively reduced and rethought in recent years, not only because their impact fell short of expectations (Faustino, 2013), but also due to the economic pressures brought by the adverse situation that the country has gone through since 2010, culminating in the intervention—rescue—from Troika. This circumstance has pushed the government to rationalize the use of financial resources in several areas, including public supports. In this context, also the state-owned media companies (RTP, and RDP) have been negatively affected in

their development ability, namely (i) because they have fewer resources to invest in innovation, (ii) a certain degree of uncertainty about the media service model and (iii) a concern in recovering the accumulated debt of the public television broadcaster. Despite of the progressive reduction of the assigned amount, the State, through the Government's Office for the Media (GMCS), has been creating support models (direct and indirect), which have potentiated innovation and dynamism of the local and regional media markets. Direct support is given to newspapers and local radio or to specific media projects, in the form of a loan to purchase new equipment or to innovate and to develop a journalism project. The subsidies of direct selection aim to encourage new entries (companies) in the market, in order to reduce the barriers to the market access, or to enhance the markets' competition. In exceptional cases, this assistance may also have opposite effects. It has stimulated market consolidation and promoted cooperation between companies (even between competitors—cooperation—cooperation between competitors), in such way that it helps the strengthening of the market as a whole, since the excessive number of players operating in it, ultimately, can lead to a rejection of the companies without the minimum critical elements to develop its business (Carvalho, Faustino, & Martins, 2010).

In the case of private media companies of national coverage, the State intervention to stimulate innovation has been weak or even non-existent, especially with regard to the creation of specific programs for these news organizations. However, there has been some dialogue in the last 3 years, particularly between the Portuguese Media Confederation and the Government members responsible for the media area, in order to create specific programs within Portugal 2020 (national application of funds from Horizon 2020) for the media industry. The goal of the program, approved by the government in September 2014, is to support the transition to digital, new business models and internationalization of the domestic media industry.

In the past, news media companies did not have direct access to economic support programs, unlike other industries, which in many cases succeeded, innovated and developed with the help of public supports. There is no rational clear thinking about the reason of frequent exclusion of the media from State support to the economy. It can be explained partly by the fact that politicians and governors have never perceived the media as an industry, and by the idea that the government should have economic responsibilities only towards the public television service. Furthermore, the news media associative movement has been relatively fragmented—divided—and poorly skilled in technical and structural terms (there are radio associations, press associations, associations for regional newspapers, associations for private media, etc.), a circumstance that has not favoured the existence of a consistent, organized and strongly legitimated lobby, that induces the creation of structured policies and encourages the development of this industry.

Obviously, the non-existence of a public policy to support the development of the news media industry does not mean at all that this industry has not been able to innovate and evolve over the decades. Actually, considering some structural and

economic constraints of the domestic market (small market size, low consumption power, weak economic growth, for example), the news media industry has made an effort to reinvent and innovate practices and business models. In this context, it can be said that domestically the Portuguese media market structure is part of a relatively dynamic and competitive market, although there are some structural weaknesses—lack of dimension and financial capacity—to internationalize; at this level, there have been few initiatives, although some are individual cases of success as, for example, some operations of Portuguese companies (Cofina, Ongoing and Impresa) in Brazil and Angola. Therefore, the development and innovation of private media companies have mainly resulted from the entrepreneurial skills of its founders and employees, and have been leveraged by the revenue generated by the business, as well as the investments of shareholders and other investors, including Banks, which in some cases have minority stakes in media companies.

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

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

- (i) The State, through the Institute of Employment and Professional Training, has funded the Professional Training Center for Journalists, an institution that has played an important role in the preparation of human resources for media

companies, especially in the area of content production and journalism. One of the aspects that have to be improved is the lack of offer in the area of corporate media management.

- (ii) The Science and Technology Foundation—State foundation to support research—has supported some projects, like the creation of research centres in the field of communication sciences that help to think about the role of media in society and to generate information on journalistic practices and market. However, the research centres should be encouraged to cooperate with the industry to do more relevant research for the industry, especially with empirical nature.
- (iii) The universities and institutes, particularly the public ones (because they receive more State resources and have greater presence in the country), have played a key role in the training of professionals to support the value chain of media companies, from editorial, content production and multimedia technologies areas, to their management and marketing. It will also be important to strengthen cooperation with the media industry.

4 Summary and Best Practices

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

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

and public service media. It is therefore necessary to design a new generation of crossover policies, extended to the private media companies, which have an accelerating effect of media innovation in Portugal.

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

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

From the point of view of the role of the State, it is important to mention that the Portuguese government created the Media@Gov in 2010, an online database that allows public consultation of information related to state advertising. With the Law 95/2015 of August 17, the public local media are forbidden to have state advertising, except the PSM or the Agência Lusa. On the other hand, from the point of view of self-regulation, the different public and private TV operators have been cooperating—based on a protocol to promote social inclusion—to guarantee the access to certain programs (with subtitles or sign language) to some minorities, namely people with visual or hearing impairing, for example.

5 Innovation Policy Recommendations

Considering the context and specific characteristics of the news media industry in Portugal (small market size, low purchasing power and low profitability of media companies, for example), public policies that foster innovation and development of the industry play a crucial and more important role, than in other more dynamic markets. In fact, it does not consist in defending a policy that promotes innovation based on the state's role—generating dependence on benefits—but rather to stimulate innovation by providing initial and oriented support towards achieving results, as it happens, by the way, in other industries of the economy. In this context, the policy recommendations for innovation enshrine several levels:

- (i) ***Institutional and Ecosystem Environment.*** The regulatory context can positively influence innovative attitude in businesses, when regulatory practices

are designed and implemented in an educational logic, valuing co-regulation and self-regulation manner. Regulatory policies should also enhance both the economic role of the news media industry, together with its cultural, social and educational value. These factors may enhance the sustainability of businesses and creativity of its professionals and fundamental aspects to stimulate innovation. In fact, the state must also have an overview of the industry and link up with other public institutions to maximize use of resources in order to create a supportive environment for innovative initiatives, for example, public policies should be more integrated, The state should perceive the news media industry (audiovisual and print) as a whole, to gather, in one body, governmental institutes or departments, in a way to develop more consistent policies, sharing costs and resources. For example, it would make sense to create a Institute for Development of Creative and Cultural Industries (in this case it would also include other sectors of culture).

- (ii) ***Industrial, cluster and cultural policies.*** In addition to the symbolic value of the news media as a cultural product, public policies should perceive the media industry as a cluster and as an activity capable of generating economic and added value, and promoting qualified employment. Therefore, the support of Portugal 2020 (a Portuguese state initiative in partnership with the European Commission to boost the economy) should also be directed to this industry, which should be considered a strategic sector, but simultaneously in a transition phase and in need of additional external resources. The support should be higher and cover aspects that directly or indirectly promote incremental innovation (improve of products or processes, for example) or radical innovation (creating new products for new and existing markets including internationalization). Fiscal policies, as well as support for research and training should also be part of these policies, which would likely generate innovation and entrepreneurship. At this level, it is also advisable to involve the AICEP—state agency supporting the internationalization of the economy—in the development and implementation of public policies to support the internationalization of the media, because of their market knowledge and their support structures in various geographical areas.
- (iii) ***Innovation strategies within the companies.*** Companies need to “look out” with their traditional business and understand that they are not only in the media business (information and entertainment), but also in the communication and attention businesses, competing against time—attention—with other creative sectors. “Look out” also means having as strategic horizon to conquer new markets, particularly via international expansion, taking advantage of the Portuguese language as an economic and cultural value in certain niches, as a growing alternative to the saturated and small in size domestic market. However, the innovation of companies and respective media products involves an external look to promote a more active contribution of customers, including the encouragement of co-creation of content and new businesses. To strengthen their innovation capabilities, media companies should be more active in creating stimulating and knowledge generating environments,

which means, for example, promoting telework with defined objectives, to work in networks with external experts (national or international) to absorb and share knowledge and enhance the skills of employees to potentiate the use of better technologies and overcome any internal resistance. Taking also into account that innovation in the media can also go through the ability to make coexist traditional media businesses with new media.

- (iv) **Cooperation with other companies and institutions.** Nowadays, the ability to cooperate is essential—nobody can be alone in business or possess all knowledge. Such cooperation may exclusively involve working with competitors—coopetition—to develop a joint project to share risk and maximize human and material resources. For example, given the low investment capacity of national media companies, it can particularly make sense to join efforts to address foreign markets. The cooperative attitude of technology-based companies is increasingly critical to the extent that technological component is usually a weak aspect in the media, making irreversible to introduce innovation capabilities using technology (tools, platforms, communications, applications, databases, marketing, communication, production, management, organization, distribution and sale of products), particularly enhancing its scalability. Furthermore, cooperation with universities and research centers should be more proactive, for example, enhancing the market research, developing pilot products and improving skills in the creative (content production) and administrative (resource management) area.

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