
Market Structure and Innovation Policies in Finland

Mikko Grönlund and Tom Björkroth

1 Market Structure and Media Ownership

Finland is a Nordic country with a population of approximately 5.5 million with two official languages: Finnish, spoken by the vast majority of the population, and Swedish, spoken by 5.4 % of Finnish citizens. According to the 2015 World Press Freedom Index,¹ Finland has been in first place in freedom of information for 5 years in succession. Traditional news media is still strong in Finland and the total circulation of newspaper per 1000 inhabitants is still one of the highest in the world and the weekly coverage of newspapers (printed and online version) is 93 % (Newman et al., 2015). According to data from Finnpanel Oy the weekly coverage of television and radio were 92 % and 94 % in 2014.

The total value of the Finnish mass media markets was about 4.1 billion euros in 2013. During the 2000s, the growth of the mass media markets hinged mostly on electronic media; the combined turnover of television, radio, and online has doubled since the Millennium. Despite these developments the share of printed media was still more than half (60 %) of the total mass media markets in 2013. The strong

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¹The Reporters Without Borders World Press Freedom Index ranks the performance of 180 countries according to a range of criteria that include media pluralism and independence, respect for the safety and freedom of journalists, and the legislative, institutional and infrastructural environment in which the media operate.

M. Grönlund (✉)
University of Turku, 20014 Turun Yliopisto, Finland
e-mail: mikko.s.gronlund@utu.fi

T. Björkroth
Finnish Competition and Consumer Authority, P.O. Box 5, 00531 Helsinki, Finland
e-mail: tom.bjorkroth@kkv.fi

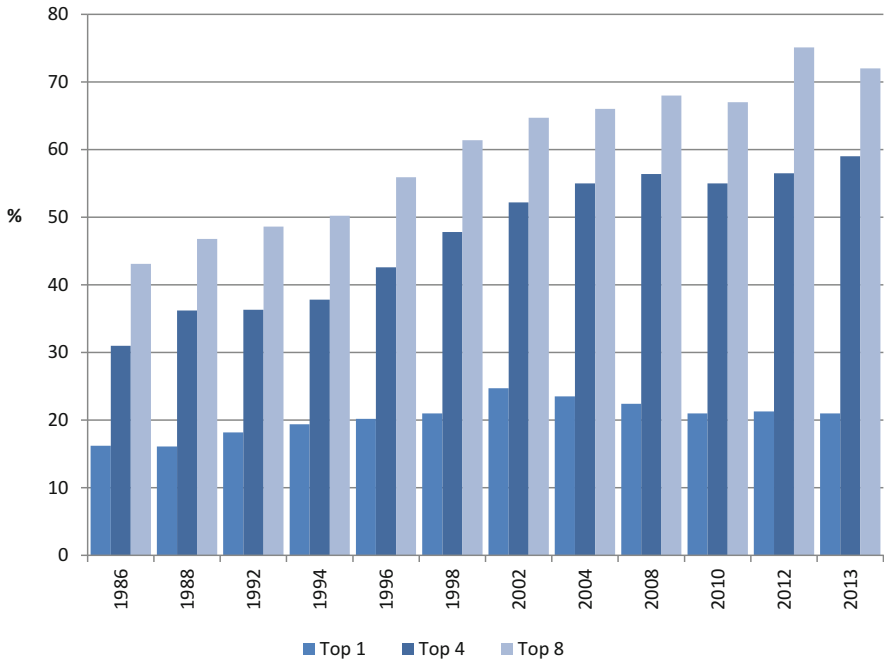


Fig. 1 Major newspaper publishers' share of total newspaper circulation over time. Source: Media Audit Finland, Finnish Newspapers Association, Statistics Finland

position of print media has also been reflected in the breakdown of the advertising expenditure by different media. Since the Millennium, the share of print media has been declining from 76 % to approximately half (46 %) of the total media advertising in 2014 (Fig. 1). In this period, the mass media's share of the Finnish gross domestic product (GDP) has also declined from 2.5 % to approximately 2.0 %.

According to the TNS Atlas Intermedia research in 2014 the average media usage was 8 h and 20 min per day and only 31 min (6 %) was used to reading newspapers. In 2014 average daily television viewing time was approximately 2.5 h a day (29 %). Average television viewing time has decreased with 1 h/day during the last decade. In this decade, the time spent on the internet has increased from slightly over 30 min (6 %) to 150 min (30 %) in 2014.

In the spring of 2015, Finnish Communications Regulatory Authority (FICORA) commissioned an annual consumer survey that examined Finns' service usage patterns for communications services. According to the survey, 92 % of Finns have an internet connection in use. The number of mobile network data transfer subscriptions, i.e. mobile broadband connections, in particular, has been growing during the past few years and already 70 % of Finns have mobile broadband in use.

The development above reflects the policy goal, achieved in the fall of 2012, to make mobile broadband extensively available and the coverage of the 3G mobile

network is very extensive. The coverage area of the 4G networks expands continuously, starting from densely-populated areas. In late 2012, the 3G-network was available in all 336 municipalities, with 200 of them having full coverage. In 2012 a total of 170 municipalities had full coverage of 3.5/4G Mobile networks in contrast to none in year 2009 (Ministry of Transport and Communications, 2012). These developments have been reflected in an exponential increase in the volume of mobile data transmission. According to FICORA, in the second half of year 2009 about 10,000 TB of data were up- and downloaded in the mobile network. By the second half of year 2012 the amount of this data transmission had increased to more than tenfold, to 115,000 TB. The growth is persistent and exponential, as in 2014 a total of 325,000 TB was transferred in the mobile network. This corresponds to a daily figure of 162 MB per capita (FICORA, 2015a, 2015b, p. 12). The policy to enhance both broadband uptake and availability, and retain a competitive market, seems to have been quite successful. This poses challenges and offers new opportunities to traditional media in terms of new innovations.

1.1 Newspapers

Finland has been considered to have a model of a successful newspaper industry which is built upon a structure of strong national and provincial papers, supplemented by smaller, more local papers (Picard & Grönlund, 2003). The regional level is the core of the Finnish newspaper industry and even the largest daily newspaper, *Helsingin Sanomat*, is despite its national status primarily regional, as the majority of its circulation comes from the capital city region and the province of Uusimaa. The focus of the newspaper is mostly on the issues of the capital city region (Lehtisaari et al., 2012). The business model of the Finnish newspapers is based on a subscription model, which was subsidized with a zero VAT rate until 2011. However, in November 2011, the Finnish Parliament voted to increase the VAT rate on newspaper and magazine subscriptions from the zero VAT rate to the reduced VAT rate of 9%. The new 9% VAT rate came into effect on the 1st of January 2012. In the beginning of 2013 the reduced VAT rate was increased to 10%.

The circulation decline is a fact acknowledged by the newspapers. At the same time, the revenues gathered from online functions—online advertising, digital subscriptions—remain modest. However, the use of media is digitizing. For instance, reading newspapers on a mobile phone has quadrupled during the last decade from 8% to 35%. As of today, one-fifth of the Finnish population read newspapers on tablet. When taking into account the reading of both the printed and online versions of newspapers, newspapers reach weekly more than 90% of Finns (The Finnish National Readership Survey, 2015).

All major newspaper publishers in Finland have domestic owners and have their roots in the newspaper business and they have been in the business for a long time. Several newspaper publishers have chosen to meet the challenges of changes in the media markets through expansion, either into other media or into new territory to

strengthen their market position and revenue base. Majority of expansion has been through mergers and acquisitions with other media companies. Consequently, the regional ownership concentration levels in newspaper circulation and especially in newspaper advertising are extremely high (Björkroth & Grönlund, 2014) (see Fig. 1). According to Lehtisaari et al. (2012) the strong development of media concentration into large media groups has ensured that regional newspapers face very little competition from other newspapers and leading regional papers have enjoyed strong regional monopolies and clear market-area distributions between neighbouring newspaper companies.

There also exists a clear trend towards closer editorial co-operation both within newspaper chains and even between independent newspapers and newspaper companies. This kind of co-operation creates some convergence in terms of newspaper contents. An example of such a development is Lännen Media Oy, a joint venture that was established in 2014 by 12 regional newspapers of 6 newspaper companies in western and northern Finland. Company's joint editorial team of approximately 40 people provides domestic political, financial and societal news for the 12 participating papers. In addition, it also provides news from abroad, weekend materials, theme pages and domestic online news. The total circulation of the participating newspapers is approximately 500,000 copies. Another example of a co-operation between different newspaper companies is Jakeluyhtiö Suomi Oy. It is a national distribution company, established in the spring of 2015 by 11 Finnish media companies, which offers newspapers, business letters, magazines and parcels delivery services. The company is also actively developing new distribution services and concepts for the Finnish distribution market and currently its early-morning deliveries reach more than half of Finnish households.

The intense collaborations have been started at the beginning of the 1990s of the previous century. For instance, in 1995, Finnish newspapers established Kärkimedia Oy. It is a sales and marketing organisation representing 34 newspapers which are leaders in their market areas. As of today, Kärkimedia Oy's network also includes 4 weeklies, 34 news sites, 22 mobile sites and 18 tablets and its combined reach is approximately 3.7 million inhabitants. Another example of a jointly owned company is STT-Lehtikuva Oy, Finland's leading news- and picture agency.

The biggest player in newspaper publishing is Sanoma Oyj, one of the largest media groups in the Nordics. The company publishes over 250 magazines and several newspapers, operates six learning content development companies, several TV networks and radio stations and websites, apps and digital services. At the end of 2010, Sanoma Oyj sold all its local newspapers to Länsi-Savo Oy and in 2014 the company sold again three regional newspapers appearing in the South-East Finland to Länsi-Savo Oy. Nowadays Sanoma Oyj still publishes Helsingin Sanomat, the leading daily newspaper, national tabloid Ilta-Sanomat, free sheet Metro and online business portal Taloussanomat which started as a printed newspaper in Finland. Another dominant company in the Finnish newspaper market is Alma Media Oyj. It focuses on digital services and publishing. In 2014 the company published in total 25 newspaper and free sheet titles. In addition to news services, its products provide information related to lifestyle, career and business development. The services of

Table 1 Top 10 newspaper publishers according to circulation 2013

Publisher	Titles	Dailies	Circulation (1000)	Market share
Sanoma Oyj ^a	5	5	499	20.9
Alma Media Oyj	24	9	457	19.2
Keskisuomalainen Oyj	25	8	284	11.9
TS-Yhtymä Oy	10	2	161	6.8
Ilkka-Yhtymä Oyj	7	2	94	4.0
Viestilehdet Oy	1	–	81	3.4
Länsi-Savo Oy	12	2	79	3.3
Pohjois-Karjalan Kirjapaino Oyj	7	1	71	3.0
Kaleva Oy	1	1	70	2.9
Mediatulo ESA	2	2	61	2.6
Top 10	94	32	1856	77.9
All newspapers	183	46	2383	100

Source: Media Audit Finland, Finnish Newspapers Association

^aIn 2014 Sanoma Oyj sold its three regional 7-days a week newspapers in South-East Finland to Länsi-Savo Oy

Alma Media have expanded from Finland to the Nordic countries, the Baltics and Central Europe. After the acquisition of Suomen Lehtiyhtymä Oy in 2013 Keskisuomalainen Oyj became, measured by number of titles, the biggest publisher of newspapers and free-sheets in Finland. The company publishes seven 7-days a week newspapers, one 5-day a week newspaper, 17 local newspapers, 22 city papers and magazines and customer magazines. Keskisuomalainen Oyj also provides market research, marketing communications, prepress and an indication of services as well as printing and distribution services. Table 1 presents an overview of the largest newspaper publishers.

1.2 Television

Digital terrestrial television broadcasting started in 2001, and television broadcasting shifted completely to the digital era, when the analogue terrestrial broadcasting network was closed in August 2007. The digitalization of terrestrial television network increased channel offerings because before the digitalization there existed only four channels, two public service channels (YLE TV1 and YLE TV2), and two commercial channels (MTV3 and Nelonen) in the television market. Table 2 provides an overview of the television channels. According to the FICORA approximately half of the people in Finland watch TV at home via the terrestrial network, which reaches over 99.9 % of the population. In mainland Finland, TV channels in terrestrial TV networks are distributed in seven different multiplexes (MUX) with national or nearly national coverage. Two companies, Digita Oyj and DNA Oyj, have network licences to the multiplexes or distribution networks. In addition to national networks, there also exist regional multiplexes.

Table 2 Evolution of market share of television broadcasters (in percent)

Company	2007	2008	2009	2010	2011	2012	2013	2014
YLE	44.1	44.7	43.8	45.2	44.4	42.4	42.0	44.1
MTV/Bonnier	32.9	31.3	32.1	30.3	30.3	30.7	29.7	27.9
Nelonen Media/Sanoma	11.8	14.1	14.8	15.1	15.0	15.1	15.4	15.1
Discovery Networks Finland (before 2013 SBS)	n.a.	n.a.	n.a.	n.a.	3.0	4.2	5.4	5.2
Fox (2012–)	n.a.	n.a.	n.a.	n.a.	n.a.	2.2	3.3	3.6
Other channels	12.0	10.6	7.9	7.3	7.2	5.6	4.1	4.2
Total	100	100	100	100	100	100	100	100
Minutes per day	166	177	176	178	178	183	182	184

Source: Finnpanel and YLE

Not all programme channels are available throughout the country. Broadcasting licences set requirements on how large a share of the population each programme must reach. The television broadcasts available in Åland are different from those in mainland Finland. In Åland, nine TV channels are available through two multiplexes.

All in all, a total of some 60 channels are distributed terrestrially, of which approximately 20 are free-on-air. Cable and satellite networks obviously carry a significantly larger number of channels. In 2014, Finnish households received on average 16 channels. The reach of television has fallen slightly during the 2000s. In 2014, 73 % of Finnish people watched television on an average day in comparison with 78 % in 2001. However, the reach statistics for the most popular channels have fallen much more. The reason for this lies in the increased number of channels and the growth of competition with digitalisation.

Three major broadcasters operate in terrestrial and cable television broadcasting industry: YLE (Finnish Broadcasting Company, the public service broadcaster), MTV Media (first commercial television company, owned by Swedish Bonnier Media) and Nelonen Media (a part of Sanoma Entertainment). YLE is Finland's national public service broadcasting company which operates four national television channels as well as six radio channels and services complemented by over 20 regional radio programmes. It also provides extensive and varied online selection of television and radio programmes in Yle Areena and the Yle Elävä arkisto media archive. MTV Media Oy has three nationwide free TV channels. The company's pay TV channels can be watched with the MTV Total package, which consists of various channels broadcasting sports, films, series, documentaries and children's programmes. MTV's channels can be watched online on MTV Katsomo and its C More channels' series and films can be watched through Filmnet. Nelonen Media operates four nationwide free-to-air TV channels and five pay TV channels. Its online TV site Ruutu gathers together the contents of Nelonen Media's channels and provides viewers with an opportunity to watch them on almost any terminal device. Two other operators are foreign owned Discovery Networks Finland and FOX International Channels Finland. Terrestrial television network will in 2017

switch to a greater extent to the new (DVB-T2) transmission technique, which enables the expansion of high-definition (HD) programming. At the same time the amount DVB-T programming decreases.

According to the Communications sector review of 2015 by FICORA the IPTV has been adapted fast. As of today, 12 % of households view television programmes through an IPTV subscription. According to Finnpanel's biannual study, the share of IPTV is 16 %. According to the FICORA's consumer survey, Finns view internet television in a diversified manner. Over 60 % of Finns view television programmes or videos using the services of domestic television companies, such as Katsomo or Yle Areena. More than half view videos on YouTube, and one out of four uses video-on-demand services, such as Netflix. The viewing of recordings on a digital TV receiver is still common, because over 40 % state that they view recordings. (Communications Sector Review, 2015).

1.3 Radio Broadcasting

The dominant player in the radio broadcasting market is the Finnish Broadcasting Company (YLE). It is Finland's national public broadcasting company and its channels dominate the radio market with a market share of 51 % of radio listening. YLE owns 6 nationwide channels, 26 regional windows and 2 digital (DVB) radio channels. Private radio broadcasting in Finland started in 1985 when the Council of State granted the first commercial and non-commercial licenses in addition to the existing channels of Yleisradio. The first national commercial radio, Radio Nova, was founded in 1997. It was accompanied by a group of semi-national network radio stations. As a consequence of changes in the structure of radio broadcasting, the investments started shifting from local radio stations to network radio stations. Furthermore, the emphasis of advertising has also moved from local radio markets to nationwide markets controlled by chain radio stations.

In addition to the nationwide Finnish Broadcasting Company (YLE) and Radio Nova, Finland has 11 radio networks with relatively extensive coverage. These networks reach 25–86 % of the population. Regional or local licenses have been granted to 51 radio stations. The intensity of competition is high in the major cities, where in addition to public-service radio channels 15–20 commercially financed radio stations are active in these markets.

A handful of large commercial companies—SBS Discovery Media (Discovery Communications Inc.), MTV Oy (Bonnier AB), Nelonen Media/Sanoma Media Finland (Sanoma Oyj), and NRJ Finland OY (NRJ Group)—along with several other smaller companies, account for the remaining 49 % market share. Oy Suomen Uutisradio Ab (MTV), the second largest company following YLE, has a 8 % market share of radio listening. Table 3 presents an overview of the largest radio stations for the period 2007–2014.

Table 3 Evolution of market share of channels according to the listeners (in percentage) 2007–2014

	2007	2008	2009	2010	2011	2012	2013	2014
Yle Radio1	8	8	7	7	8	7	8	7
YleX	6	5	5	4	5	5	5	5
Yle Radio Suomi	38	38	36	37	36	35	33	34
Yle Puhe			1	2	2	2	2	3
Yle Radio Vega & Yle X3M	0	0	3	3				
Yle Radio Vega					2	3	3	3
Yle X3M					1	1	1	1
<i>Yle total</i>	53	52	52	53	53	53	51	52
Radio Nova ^b	11	11	11	11	11	9	8	9
Suomipop	5	5	5	5	5	4	7	8
SBS-Iskelmä	8	8	8	7	7	6	6	5
Radio Rock	4	5	5	5	4	4	4	4
NRJ	3	3	3	4	4	5	4	3
The Voice	3	3	3	3	2	2	2	2
Radio Aalto	2	1	1	1	2	2	2	2
Groove FM/Loop	1	1	1	1	1	1	1	2
Radio City	n.a.	n.a.	n.a.	n.a.	n.a.	1	2	2
Radio Nostalgia	n.a.	n.a.	n.a.	n.a.	n.a.	1	1	2
Classic	1	1	n.a.	n.a.	0	1	1	1
Bassoradio	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	n.a.
Other private	11	9	11	10	10	9	9	10
Nelonen Media/Sanoma/ total ^{c,d}			6	6	6	12	15	16
SBS/total ^{c,e}			12	11	10	11	10	10
Metroradio/total ^{c,d}			7	6	6			
<i>Private radios, total</i>	47	48	48	47	47	47	49	48
All radio	100	100	100	100	100	100	100	100
<i>Average listening time, min/day</i>	196	195	191	190	188	187	183	181

Source: Finnpanel and YLE

^aRadio listening is measured using diaries. The annual national sample size is about 21,000 diaries. Until 2011 there was a 7 day study wave every month. The periods were selected randomly. There were 12 waves each year. From 2012 onwards there is a 7 day study wave every week and approximately 52 waves each year. The base population for KRT is 9+ years old Finnish and Swedish speaking population excluding the Åland Islands

^bMTV Oy sold the business activities of radio station Nova and the sales and marketing functions of radio stations NRJ and Nostalgia to Bauer Media Oy in December 2015

^cConsisting of several channels

^dSanoma acquired Metroradio Finland's radio channels from Communicorp Group in May 2012

^eBauer Media Oy, subsidiary of German Bauer Media Group, acquired SBS Discovery Radio Oy in April 2015

2 Regulations

In Finland, the Ministry of Transport and Communications is responsible for communications policy—including matters relating to information security and data protection, mass media, and postal services—while the Finnish Competition and Consumer Authority monitors mergers and acquisitions and trade practices. Finnish media legislation includes a wide range of regulations and rights, ranging from those which are embodied in the Constitution to the Communications Market Act of 2003, which in 2009 was amended to enshrine universal Internet access for all Finnish citizens. The Finnish Communications Regulatory Authority (FICORA) monitors and promotes the development of communications markets and services in the interests of the general public, business, and industry. Despite the existence of 23 separate media laws, however, there has been no special legislation on media competition, concentration, or ownership. Existing legislation is based on Finnish and EU legislation on general concentration and ownership matters in the economy. An international comparison indicates that regulation of media ownership and concentration is not particularly stringent in Finland. Foreign ownership, for example, is not a critical issue in Finland. (Björkroth & Grönlund, 2009).

The Competition Law in Finland corresponds by large to the Competition Articles in the Treaty of the Functioning of the European Union. It does not contain sections limiting concentration of ownership or control in especially in media markets. Nevertheless, the general competition law applies to the media markets. The most relevant change with regard to media (cross) ownership policy is the amendment of Competition law in line with the Government bill 88/2010, i.e. especially the principles for assessing mergers, in 2011. The amendment meant that the old merger assessment based on the so called dominance test was replaced with a test for “significant impediment to effective competition” (i.e. SIEC-test), which is considered to be in line with assessment under EU Competition Law. In the dominance test regime, the national competition authority (NCA) could block a merger or require remedies only if the merger was to create or strengthen the dominant position of some of the firms involved or of the merged entity. The threshold for intervention when using the SIEC-test is considered to be somewhat lower. The assessment now focuses on the decrease of the competitive pressure in the affected market. For unilateral effects, the metrics in the evaluation is the pressure of price increases which are based on tests well anchored in economic theory (c.f. Shapiro, 1996; Farrell & Shapiro, 2010). The likelihood of coordinated effects to occur is another reason for the NCA to intervene in a proposed merger. The methodologies in the tests applied are extended by Filistrucchi, Klein, and Michielsen (2012) to two-sided markets as well, which implies that the merger control is rather well equipped to take on merger analysis in various platform industries. With the new test in place it is fair to say that the threshold to intervene in the case of increasing market concentration as a result of mergers and acquisitions has been lowered. The effects-based analysis can be interpreted as to reflect a more strict policy against media concentration, but on the other hand effects based analysis is not constrained by structural features in the

market and can put reasonable weight on analysing the claimed efficiencies of each merger at hand.

In 2013 the EU Commission launched a public consultation on suggested improvements of the EU merger control. One of the aims was to extend the scope of EU Merger Regulation to the acquisition of non-controlling minority shareholdings.² Subsequently the EU Commission published a White Paper on the development of merger control, restating the need to address the question of minority shareholdings and exercise of control in competing undertakings (c.f. European Commission, 2014). These lines of development are likely to influence the national legislation or guidelines regarding assessment of cross-ownership, not least in the media sector (incl. newspapers, characterized by heavily concentrated regional markets).

In many industries, including the newspaper publishing, the turnover of parties in mergers or acquisitions may not at present exceed the threshold set by the merger control. Notwithstanding, these may affect competition to a relevant extent by transfer of control or by affecting the incentives to compete. The future amendments of the Competition Act may address this issue. A probable solution could be to allow for discretion to merger control to scrutinize mergers or acquisitions where the turnover of the parties do not exceed the thresholds set in the Competition Act for merger notification.

3 Media Innovation Policies

Until 2012 the funding of public broadcasting was based on television license fees, which was based on ownership of television apparatus and collected to a separate fund. Since 2013 the funding is based on a tax (Yle-tax) levied on individuals (0.68 % of taxable income, but capped to 150 euros) and companies with a turnover exceeding 400,000 euros. The changes in the funding principles were reflected in the amendments of the Act on the functioning of Yle. A main adjustment was the extension of the definition of public services. Now the definition includes that the provision of services may occur through all general or common communication networks. This enables Yle to maintain and further develop its services in accordance with the uptake and diffusion of new communication technologies.

According to a press release of the Ministry of Transportations and Communications in March 2014, the Finnish media has not benefited from state aid to the same extent as their counterparts in other Nordic countries. While the aid amounts in Sweden, Norway and Denmark are around 50 million euros, annual state aid for media in Finland amounts to 1 % of this figure, or 500,000 euros. The Finnish media landscape experienced some major changes in the years 2010–2012. Long-standing policy according to which the newspapers were exempted from VAT (0-rate VAT) was cancelled and the implementation of the EU Postal

²For details see http://ec.europa.eu/competition/consultations/2013_merger_control/

Directive, the Finnish Government decreed, along the lines suggested by Pursiainen (2010, p. 6) that the distribution of newspapers and magazines should remain outside the scope of the new Postal Act of 2011.

The current situation has warranted a need to investigate how and whether the press could be supported during the transition of news media and how such a support would affect the news media markets. In a subsequent report Harpf (2014) suggests that Finland should adopt a similar model to the media support system that is in use in Denmark in order to support production and innovation. The total amount of support given was suggested to an amount of 30 million euros, of which production support (25 million euros) could be granted for example to cover up to 30 % of the production costs of journalistic content. However, this support should be granted on a fixed-term basis and it should be as neutral as possible in terms of competition.

According to Harpf (2014), innovation support should amount to 5 million euros and could be granted to development projects in the media field, such as the production development of new products and solutions. For the efficient utilisation of this support it is very important that product development is carried out as joint projects (MTC press release of March 5th and 6th 2014).

In 2014, the Minister of Education and Communications took a positive stance to the proposal on direct state aid for media. In the budgetary framework, based on the decision on central government spending limits in April 2014, 30 million euros was allocated for the innovation support for the next 3 years. This funding is intended for projects seeking to renew and develop areas of the media industry as part of the digital landscape. This innovation support is aimed at projects seeking to radically and courageously renew the whole media industry. It is not intended to breathe new life into old structures and operating models, and is instead meant to support the proactive recognition and creation of new opportunities for growth and international business development. Digitisation is one of the key themes of the funding remit. Parties wishing to apply for this funding may be existing operators in the media industry or those from outside of the media industry, who are seeking to challenge the current status quo by proposing new operating models and business visions. This funding may be used for the development of products, services, business models and operating procedures, as well as new expertise. The support is available either as a grant or a loan and it can be applied for throughout the year. The support will be administered by the Finnish Funding Agency for Innovation Tekes, which is the most important publicly funded expert organisation for financing research, development and innovation in Finland. It boosts wide-ranging innovation activities in research communities, industry and service sectors. Tekes promotes a broad-based view on innovation: besides funding technological breakthroughs, it emphasises the significance of service-related, design, business, and social innovations. Tekes works with the top innovative companies and research units in Finland. Every year, it finances some 1500 business research and development projects, and almost 600 public research projects at universities, research institutes and universities of applied sciences. Research, development and innovation funding is targeted to projects that create in the long-term the greatest

benefits for the economy and society. Tekes does not derive any financial profit from its activities, nor claim any intellectual proprietary rights. According to a press release of MTC on October 8th 2014, Minister of Education and Communications Krista Kiuru has stated that “Innovativeness will be the most important criterion for granting of support. Of course innovativeness is something that can in itself be interpreted in numerous ways. However, the goal is not to set a strict framework, but rather to enable different kinds of creative media sector services and solutions”. The goal is not to limit the use of the support to, for example, only certain types of media or a particular technological solution. The support is technologically neutral, but still such that the project must be implemented in a digital environment. Total amount of innovation funding for media developments for years 2015 and 2016 is 19 million euros. By the autumn of 2015 around 40 projects have received funding.

The granting of subsidies is decided by the Government as proposed by the Ministry of Transport and Communications. Discretionary subsidies may be granted to newspapers published in national minority languages and to corresponding online publications, as well as to supplements of existing papers in minority languages. Subsidies are also granted to Swedish-language news services. The total amount of subsidies for printed media remains at 500,000 euros.

Furthermore, the Next Media research programme was launched to trigger innovation. Its aimed at innovations in media experience, in new business models, concepts and technology. This programme ended at the end of 2014. The main objective of the programme was to renew the business environment of the media sector by breaking the limits of media content and changing the way it is created, configured, serviced and consumed. A Strategic Research Agenda was made by companies and research institutes to form a common basis for planning of the programme and case projects. The programme was part of the ICT cluster of the Finnish Strategic Centres for Science, Technology and Innovation (ICT SHOK) coordinated by DIGILE Ltd. Next Media programme was financed by Tekes. The key figures of the Next Media Programme are presented in Table 4.

Table 4 Key figures of the Next Media project (amounts are in million euros)

	2010	2011	2012	2013
Number of companies	44	57	54	49
Number of research organizations	8	8	8	6
Number of person years	58	82	84	76
Total costs of the project	6.9	9	10	8
Tekes funding ^a	3.8	5	5.5	4.5

^aTekes covers only part of the project’s costs, so the company must be able to arrange its own share of the required funding throughout the project. The company’s own share of the funding may come from its business income, investment gains or loans granted by private funding sources

4 Summary and Best Practices

Newspaper publishers have chosen to meet the challenge of changes in the newspaper market through expansion, either into newspaper market, other news media markets or into new territory to strengthen their market position and revenue base. As a result of both consolidation and organic growth, the regional ownership concentration levels in newspaper circulation and especially in newspaper advertising are extremely high. Such a development has been accompanied by a trend towards closer editorial co-operation both within newspaper chains and even between independent newspapers and newspaper companies.

Despite the existence of numerous media laws, media competition and concentration of ownership are scrutinized against general competition law, which has to a large extent been in line with EU Competition Law.

Recent alterations in the Competition Act have strengthened this convergence, as the dominance standard was replaced by the SIEC test in merger control. Consequently, it is fair to say that the threshold to intervene in the case of increasing market concentration as a result of mergers and acquisitions has been lowered. The effects-based analysis can be interpreted as a more strict policy against media concentration, but effects-based analysis is not constrained by structural features only and can put reasonable weight on analysing the market dynamics and claimed efficiencies of each merger at hand.

It remains to be seen to what extent the planned changes in EU Merger Regulation regarding to the acquisition of non-controlling minority shareholdings will be included in the national Competition Act. It is likely that the control of cross-ownership might become stricter.

Digitalisation and change in media consumption habits has put traditional media under pressure. Consequently, the political process has taken an initiative to enhance the possibilities of the media to adapt to the increasing degree of digitalisation. By promoting the development of broadband uptake, both fixed and mobile, and to provide strong incentives for firms to exploit and adapt to the new trends.

In the recent budgetary framework, based on decision on central government spending limits in April 2014, 30 million euros was allocated to the innovation support during years 2014–2016. The support represents temporary transition assistance, which will be administered by Tekes, the Finnish Funding Agency for Innovation. The support is technologically neutral, but still such that the project must be implemented in a digital environment. The goal is to promote in particular the creation of media sector services and solutions aimed at the Finnish public. However, at this moment much of the media innovation fund is going unclaimed because it requires investment by the media companies as well and few apparently want or are able to.

5 Innovation Policy Recommendations

In the Finnish economy as a whole the focus is set on stimulating growth by improving the competitiveness and stimulating domestic market competition. Needless to say, both of these are related to innovations and to the capacity of the economy to continuously reform. As for other sectors, the innovation policy recommendations for the Finnish media sector are intertwined with many interdependent policy sectors. Consequently, the recommendations having been put forward offer a mix of policy measures that to some extent rely on the undistorted functioning of markets (in enabling needed restructuring) but also on active public sector measures (tax policy and subsidies) to incentivize investment, innovation and adoption of new business and consumption models.

A report published by Ministry of the Employment and the Economy (MEE) in 2014 (Argillander, Martikainen, & Muikku, 2014) recognizes and restates the principles present in the Government programme that effective competition and a renewal of existing structures may serve as a prerequisite for sustainable future competitiveness and growth of, as well as, employment in the news media industries. In essence, such a view seems to underline that the mechanism of Schumpeterian creative destruction is a prerequisite for a productivity enhancing reform, making the media industries no different from other industries. This is in line with the empirical evidence from the Finnish business sector as a whole. According to Maliranta, Rouvinen, and Ylä-Anttila (2010) entry, exit, and resource reallocation among continuing plants explain about one third of the overall productivity growth in Finnish manufacturing since 1975 as a whole and, virtually all of the productivity acceleration since 1985. In this context lessons may also be drawn from the recent empirical findings by Correa and Ornaghi (2014) that suggest that there is a positive monotonic relationship between competition and innovation, and hence their results cast doubts on the existence of the widely accepted inverted-U relationship between competition and innovation especially in markets with well-defined intellectual property rights.

5.1 Incentives of Supply and Demand

Due to the complexity of the creative and risk taking processes, it may be difficult to shape or pinpoint the policy measures capable of triggering eligible radical innovations in the media sector. However, an enhanced focus on policies that facilitate or incentivize innovative activities in general may be sufficient.

The recommendations provided by Argillander et al. (2014) focus on how to redirect public subsidies to incentivize radical innovations, encourage investments in knowledge and to foster international business models based on ecosystems. It is a matter of judgement whether such a policy should be allowed to favour the small and medium sized enterprises (SMEs), but it seems that a prerequisite for public support to large firms should be that they will act, together or in cooperation with

the public sector, as engines or catalysts in the general development of the industries and creation of competitive ecosystems.

Fiscal policy has been used to incentivize investments in R&D and in human capital. With the playing field now more levelled between new and traditional news media given the fact that traditional newspapers are also now subjected to VAT, the pendulum of politics now seems to be in favour of digital media. Again, from the perspective of a level playing field between different media, it is interesting to read recommendations suggesting tax reliefs to promote digital economy. Transitory VAT reductions are recommended to foster the demand of digital media and hence incentivize the growth of SMEs. But such subsidies may distort markets, and therefore such normative standpoints taken in the policy process may come at some welfare cost. On the other hand, such recommendations may be about correcting for the past distortions of demand patterns in favour of printed media, because only the digital media has until recently been subjected to VAT. From a theoretical perspective such a policy may result in demand induced changes in the media sector. However, empirical evidence on this is scarce and with persistent consumption habits, the introduction of VAT to daily newspapers and periodicals does not necessarily generate any dramatic demand shifts.

One could also critically assess the recommendation put forward by Argillander et al. (2014) that especially the SMEs should be in focus when the Ministry of the Employment and the Economy (MEE) provides subsidies and its services to the industry, with an underlying aim to promote an early internationalization of firms. The inherent danger herein is on one hand the promotion of excessive or inefficient entry, and on the other hand to excessively interfere with the exit process. The (news) media industry is no exception in this regard. A similar caution is demanded if the political process complies with the recommendation to provide tax incentives in order to boost investments in start-up firms.

Summing up, the recommendations provided to MEE reflect quite a strong reliance on the virtuous effects of subsidies and publicly funded services, and on the active allocation of these within the sector. They are founded on a confidence in the ability of smaller, preferably international and growing firms to be more able to generate the needed radical innovations.

Coordination between the different policy areas may be a precondition for reaching a desired outcome in the (news) media industry as well. According to Maliranta et al. (2010) there is evidence that suggests that innovation policy has had a significant independent and positive impact on productivity growth, although deregulation and liberalisation as well as both domestic and foreign competition seem to have been necessary preconditions for it to materialize.

5.2 Promoting Digitalization

How can we overcome the obstacles or trigger innovation and to reshape existing business models? And how can the media sector restructure its production into efficient ecosystems? Moreover, there is unused potential regarding the effective

use and administration of the intellectual property rights, which may constitute a bottleneck for the development of news media industries.

Sufficient and interconnected infrastructure together with a propensity to adopt new consumption models are critical element for the development of digital industries. Although the digital infrastructure and the use of ICT in everyday processes are at a satisfactory level in Finland, there are recognized weaknesses affecting the Finnish (news) media markets that require attention. Notwithstanding, more emphasis is proposed on digital services, the infrastructure needed for especially mobile services, and the ways to boost both the demand and investments therein. Maybe more importantly, the use and development of digital services should not be constrained to the business community, but rather be a conscious strategy of the public sector as well. Such an approach is anticipated to foster a continuing development and competitiveness of the industries related to network and data security (Argillander et al., 2014). If successful, the externalities of this development are likely to influence the media industries, and especially the news media. This development facilitates improved levels of service, flow of information and supports the creation of new business models.

5.3 International Competition and IPRs

As for many other industries, there is scope to improve the international competitiveness of the news media industry. An important attempt to facilitate the growth and integration of the European media markets that supports many of the goals set out for the media sector, is the digital single market strategy (DSM-strategy) launched by the European Commission (2015). It consists of three pillars, of which the first pillar is about providing better access for consumers and businesses to digital goods and services across Europe. Furthermore, it also aims to create a modern, more European copyright law. The first legislative proposals are developed, in order to reduce the differences between national copyright regimes and allow for wider online access to works across the EU. Another aim is to improve consumers' access to cultural content online, which should facilitate new opportunities for creators and the (news) media industry. This seems likely to succeed in the large European media markets, but it is difficult to estimate to what extent this will materialize or be more challenging in smaller national markets with an minority language, e.g. in the Nordic countries.

The convergence of national copyright laws and establishment of a free movement of these inputs are important goals. Production based on utilization of well-defined IPR-related inputs can possess a strong growth potential to be unleashed. There seems to be an explicit need to reshape the regulatory framework to support and facilitate a more streamlined utilization of essential IPR-related inputs. A particular kind of regulatory framework should be developed to enable the working of a market mechanism. This framework should balance between the sound protection of property rights and an efficient use of IPR—related inputs, not only for news media, but for the media overall.

The digital single market (DSM) strategy provides a number of opportunities. In the case it will facilitate a more flexible use of inputs with better defined IPRs, it should be left for the market to select those inputs to react quickly enough to survive in the competition. If it proceeds according to the plans, the DSM-strategy will set the stage, although it remains to be seen whether countries have the courage to let their relevant sectors be subjected to not only to domestic competition, but exposing them to international competition as well.

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