
Market Structure and Innovation Policies in Germany

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1 Market Structure and Media Ownership

1.1 Newspapers

Germany is a newspaper country. In 2013 the number of “independent editorial units” (meaning full publishing entities that produce all parts of a newspaper) for daily newspapers in Germany was 135, and the number of newspapers 354. If local editions of all papers are included, there are 1512 different newspapers. Only a few number of national newspapers still appears in Germany: BILD, Süddeutsche Zeitung (SZ), Frankfurter Allgemeine Zeitung (FAZ), Welt, Frankfurter Rundschau (FR), Tageszeitung (Taz). They claim to be independent and “above parties”, but most cover a liberal and conservative spectrum. In terms of circulation figures, the national newspapers account for 1.65 million. Another 4.47 million papers are sold on the street. The top-selling German tabloid paper is BILD Zeitung, with a circulation of 2.8 million, it also is the best selling newspaper of Europe. The German newspaper market is therefore the biggest in Europe and the fifth-biggest world-wide in terms of circulation. What is of even greater importance, however, is that newspapers are not only bought but they are read as well. Just under three-fourths of the German population of the age of 14 or older (74.8 %) read a newspaper on a regular basis, representing 48.5 million men and women.

Newspapers in Germany have a total circulation of 24.8 million sold copies per publication day (Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern, 2013). This means there was an average decline in circulation of 527,661 copies compared to the same quarter the previous year. A decline of 2.1 %. This total circulation figure does not take into account the sales of 95,263 e-newspaper editions. In 2013, the sale of e-newspapers increased with 20.7 % in

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comparison to previous year. Specific losses of sales amounted to 2.2 % for local/regional newspapers (a loss of circulation of 1.9 % in Western Germany and a loss of 3.3 % in eastern Germany), a loss of 2.8 % for national newspapers, and 3.6 % for newspapers sold at newsstands, and 1.4 % for Sunday newspapers. Only the weekly newspapers registered an increase of 1.7 % in 2013.

The sold circulation of all categories of newspapers breaks down to 19.43 million copies for daily newspapers, 3.38 million copies for Sunday newspapers, and 1.94 million copies for weekly newspapers. Of the total figure for daily newspapers, 13.74 million copies are accounted for by local and regional subscription newspapers, just under 1.6 million copies by national newspapers, and over 1.4 million copies by newspapers sold at newsstands (BDZV, 2013).

In 2009, revenues from newspaper sales in Germany were, for the first time, greater than revenues from classified ads and other forms of advertising. The old rule of thumb that two thirds of sales in the newspaper business stem from advertising and one third from distribution lost its validity at the time of the first business and advertising downturn in the beginning of the twenty-first century (from 2001 to 2003). The fact that this relationship is now being reversed is a clear reflection of the structural changes taking place in the newspaper industry. Like all other traditional news media, newspapers are feeling the effects of the global and national economic situation which has had repercussions in the newspaper advertising market as well as with regard to the amount of money average households are able to spend on media products.

Nonetheless, the audience penetration levels recorded for German printed newspapers have continued to be quite high. The overall audience penetration level for 2013 was 69.6 %. This means that more than 49 million Germans over the age of 14 pick up a newspaper every day. Daily newspapers traditionally have their highest levels of audience penetration among persons in the 40–69 age range, i.e. between 71 and 82 %. Similarly, more than 82 % of persons over the age of 70 regularly read a daily newspaper and over 63 % of those between the age range of 30 and 39. But younger age groups also are newspaper readers; more than 42 % of the 14-to-19-year-olds and above 53 % of the 20-to-29-year olds show an interest in reading printed daily newspapers.

Since the early 1990s, the number and circulation of newspapers in Germany have shown signs of decline. Newspapers also showed a significant decline in overall sales from advertising, supplements, and distribution, falling from 9.09 billion euros to 8.46 billion in 2013, a decrease of 7.04 %. Out of the total sales figure, daily newspapers accounted for 7.96 billion euros. They showed a decrease in sales of 6.84 % (BDZV, 2013). The economic situation in 2013 was extremely unfavorable; gross domestic product (GDP) fell by price-adjustment with 4.9 %. The inflation rate, on the other hand, was extraordinarily low. The percentage decline in business for the newspaper industry exceeded the percentage decline in GDP. Advertising revenues showed a loss of 15.9 %, considerably greater than the loss seen in 2012 (4.1 %); distribution sales, on the other hand, showed an increase of 2.3 % (BDZV, 2013).

With advertising sales of 3.19 billion euros in 2013 (despite the fact that this constitutes a decline of 15.5 %) daily newspapers continue to be the most important advertising medium in Germany. Advertising sales by weekly and Sunday newspapers fell from 266 to 208 million euros. A decline of 21.6 % in the 2013. Newspaper supplements are no longer listed separately. Total advertising sales for all newspaper categories amounted to 3.9 billion euros. They showed a decline of 15.9 % in 2013. Advertising sector losses for Germany as a whole were considerable. The average decline in sales for all advertising media was 9.8 %. The share the newspaper industry had in overall advertising sales declined slightly to just under 22 %. In the year 2000 it had been 29 % (BDZV, 2013).

Hence, the printed press is characterized by a high but decreasing dependency on advertising income and a significant degree of economic concentration. The German market for daily newspapers is dominated by a small number of publishers. The largest market share is controlled by the Axel Springer Group with around 22.1 % of the market (BILD, Welt, Hamburger Abendblatt, Berliner Morgenpost, etc.) The second position is taken by Verlagsgruppe Stuttgarter Zeitung, which is more a regional publisher with nearly 8.5 % of the market. The third place is occupied by the WAZ Group (Westdeutsche Allgemeine Zeitung, etc. with a market share of 6 %) and DuMont Schauberg in Cologne with a market share of 4.2 %. The Ippen Gruppe takes the fifth place with 4 % of market share. The 10 largest publishers of dailies together control 44.8 % of the market.

1.2 Television

Germans spend about 219 min/day on television, split about evenly between public and commercial programmers. All regional public broadcasters commonly founded the ARD (Arbeitsgemeinschaft der Rundfunkanstalten Deutschlands) regulatory body, and contribute according to their size to the nation-wide TV channel “Das Erste” (the first and oldest TV programme). In addition, they each independently organize a regional program (III Program) that offers regional content and more culturally and educationally oriented programming.

The Second German Television ZDF (Zweites Deutsches Fernsehen) is based on the agreement ZDF-Staatsvertrag of all Länder (states) and is located in Mainz. ARD and ZDF jointly offer a number of specialized programs: Arte (together with France), 3Sat (together with Austria and Switzerland), Kika (for children), and Phoenix (events and documentation).

Today, German commercial television is controlled by two media groups calling themselves “Senderfamilien” (broadcaster families). One, formerly owned by Leo Kirch, is named ProSiebenSAT.1Media AG and consists of Sat 1, Pro 7, N24, Kabel 1 and 9live and others. Its market share is around 22 %. In 2006, the media company was acquired by the Anglo-American investment funds Permira and Kohlberg, Kravis & Co. (KKR) and took over the SBS activities of these funds in ten other European countries.

The other family is controlled by the German giant Bertelsmann, the largest media company outside of the US and a global player (largest bookseller in the world). It owns RTL Group S.A. which operates TV channels in about a dozen European countries. In Germany the family includes RTL, RTL II, Super RTL, VOX, n-tv. Many more programs were offered in Germany in the last years, some of them by independently-owned special-interest channels, while others are subsidiaries of international conglomerates such as Viacom, Disney, or NBC Universal. In large cities such as Berlin, Hamburg etc. regional commercial TV has been established. Germany has an above-average percentage of cable households. 18.66 of 34.99 million households have cable access, another 14.93 receive their signal via satellite leaving only a small share for terrestrial reception.

The market share of all public service broadcasters in television is around 43.6 %, of which ARD has a market share of 13.4 %, ZDF 13.1 %, and the third channels 13.2 %. Among the private channels RTL (11.7 %), SAT1 (10.3 %) and ProSieben (6.6 %) have the biggest audience shares. The television advertising market participates in the whole advertising market with a share of 43.7 %, while the radio advertising market share is 6.2 % and the market share for print media is around 46 %.

The only German pay-TV company Premiere had been founded by Leo Kirch and went bankrupt. In 2009, it was taken over by Rupert Murdoch and renamed Sky. It has been integrated into Murdoch's European Sky empire. Compared to other European countries pay-TV is not very successful, due to the many freely accessible channels. In 2013 over three million viewers subscribed to Sky.

Hence, the German TV broadcasting market can be divided into national and regional, and in general and special interest channels. Germany has some of the largest public broadcasters (ARD and ZDF), which are financed by license fees, and private free stations (RTL, SAT.1, ProSieben) as well as the pay-TV channel Sky. From news, films, series, and shows, to sport the general channels offer the entire range of individual genres, whereas the special interest channels feature news (n-tv, N24), music (VIVA, MTV) or sport (DSF). Depending on the technical platform (terrestrial, satellite, cable, broadband, mobile), and on analogue or digital mode, hundreds of German-language and international channels such as CNN, BBC and TV5 and more than 20 different public TV channels can be received in Germany. These also include the two national channels ARD and ZDF, as well as regionally produced stations broadcast nationwide, such as WDR, MDR, BR, and special-interest channels such as the primarily political docu-station Phoenix and kids TV KIKA. Then there are three international broadcasters: Deutsche Welle, Franco-German arte, and Austro-German-Swiss cultural channel 3Sat.

The German TV landscape is undergoing important changes that are creating challenges for all stakeholders. These developments can be grouped into technological developments, changes in business models, and landscape evolutions resulting from regulatory changes (Arthur D. Little, 2014).

An interesting development is the decline of market share by cable-TV. Cable-TV, historically the leading platform, is continuously losing ground, as it is under pressure by satellite. Figure 1 presents the development of the TV platform

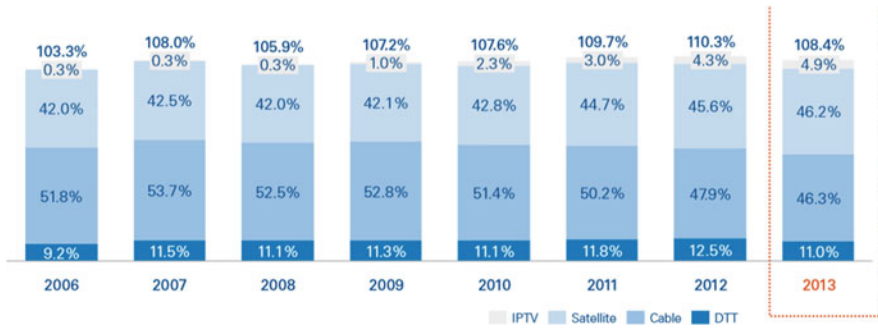


Fig. 1 TV platform penetration in Germany, 2006–2013, percentage of total TV households

penetration. The figures from 2013 also show a slight decrease of overall TV penetration. DTT (Digital Terrestrial Television) penetration decreased in comparison with 2012 while IPTV (Internet Protocol Television) increased, but still remains far behind other platforms with less than 5 % market share.

The evolution towards HD (High Definition) broadcast enabled by the utilization of MPEG-4 encoding is an opportunity for the satellite platform to increase its penetration. Cable is still primarily analogue in Germany with only 56 % of households accessing cable on a digital signal. The introduction of interactive services for satellite and DTT represent a shift in the classical features of TV platforms. Today, HbbTV (Hybrid Broadcast Broadband TV) enabled DTT and Satellite TV offer VoD (Video on Demand) databases, interactive features and long tail content, but only if a separate broadband connection is purchased by the household.

There is an increasing move from the free TV model towards paid access. Although German households are only partly willing to pay for TV content, indicated by the Pay-TV penetration of 18 %, around half of all the households must pay a fee to access free TV content via cable and IPTV. Leading German broadcasters and platform operators are looking for further monetization opportunities from Pay-TV to HD fees (i.e. HD+ of Astra) for end-users and to the much-criticized carriage fees for TV channels. As a result, Sky Deutschland made an annual profit in 2015 for the second time since its launch in the early 1990s. Compared to its Pay-TV peers, Sky Deutschland has historically struggled to reach critical mass and is still relatively small.

The broadcasting groups, RTL and ProSiebenSat.1, have begun to focus on paid access and other leading private broadcasters are increasingly providing only paid HD content. In the satellite TV market, we see Astra HD+ as the first step in this direction.

Policy and regulatory decisions might soon shape the future of the German TV distribution landscape. Several upcoming decisions, such as on a potential second digital dividend, the broadband strategy of the Bund (national level) and the convergence of telecommunications and broadcasting regulations, will be

important landmarks determining the future of the German market. Bund and Länder are openly discussing the future usage of spectrum currently used by DVB-T, and the migration of viewers to Web-TV. Meanwhile, Web-TV is attracting a net neutrality discussion, as network operators see their networks filled with OTT (Over-the-top) data, without any resulting profit share. There also are considerable changes in the ownership structure of leading players in the German market. For instance, in August 2013, KKR and Permira reduced their stakes in ProSiebenSat.1 from 88 % to 44 %, and Bertelsmann has also indicated its interest in reducing its share in the RTL group. In addition, Vodafone has recently acquired Kabel Deutschland.

1.3 Radio Broadcasting

Not only the television market, but also the radio market also reveals the richness of the news media. Having begun in the 1920s (radio) and the 1950s (television) as public network institutions, since the 1980s the colorful spectrum of a dual system made up of public network channels and private stations have emerged. Nowadays some 430 radio stations, for the most part local and regional in character, compete with each other.

Radio is a popular medium in Germany, daily consumption is 176 min (2013), of which slightly more than a half comes from public service broadcasters. They usually offer a number—around six—of programs on a regional basis, sometimes with local limitations, concentrating on general audiences as well as special target groups (culture, news, youth etc.) In addition, there exist two national radio programs, based in Berlin (Deutschlandradio Kultur) and Cologne (Deutschlandfunk, mainly news) with public funding, based on a specific Länder-level agreement.

Commercial radio is licensed in all Länder-states, therefore it follows mostly a regional pattern. There exist no national broadcasters, but some that are active in several Länder (NRJ for youth, Klassik Radio). In two Southern Länder local commercial radio is the rule. In North Rhine-Westphalia, the largest state, 46 local stations operate commercially but with local, non-commercial windows. Non-commercial radio exists but is regulated differently in each state. Some states allow community stations, others prefer public access (also for television), and educational stations, campus stations etc. One Land has no activities at all. All in all, the situation is extremely diverse.

In addition to their standard program the broadcasters also have considerable Internet activities. The public network broadcasters, however, are always threatened with a conflict with the private stations, who fear competition will be distorted by the strong influence in the market of the “subsidized” stations. Further pressure on the public network channels is emerging through the fact that more and more young people are taking advantage of their programs.

2 Regulations

Due to its salience for open and democratic societies, the Federal Constitutional Court has declared that the expression and imparting of opinions and freedom of information are human rights enshrined in the Constitution and that the exercise of these rights requires constitutional protection. The German Basic Law, the interpretations of the Federal Constitutional Court and the law of the European Union provide the legal framework in which media policy develops. They describe and also confine the playing field of the actors involved in the formulation and implementation of media policy.

Germany has a “dual system” of both public and commercial broadcasting (in fact, if you include community media it even has a third system). In public broadcasting the Länder (states) have a strong role. The German Federal Constitution stipulates that the sole responsibility for broadcasting rests with the Länder of the Federal Republic as part of their “cultural sovereignty”. Because of this, the public service broadcasters are a creation of the Länder that act individually or jointly (in agreements). The exception is the broadcaster Deutsche Welle, based on federal legislation, designed to provide services (radio, TV, online) to foreign countries only.

Hence, media legislation in Germany is following the general principle of federalism and is in the hand of the Länder. This means, that all nationwide media laws have to be settled by an agreement between the different Länder. The organizational and legal structure of broadcasting corporations is defined in Länder laws and, if more than one state is involved, in agreements between several or all Länder. A basic agreement of all Länder (Rundfunkstaatsvertrag) defines the general broadcasting situation, as far as both, the public and the commercial media sectors are concerned.

The recent Rundfunkstaatsvertrag reflects the compromise which had been dealt with the EU commission, concerning the complaints of commercial broadcasters with respect to Internet activities of the public broadcasters. The obligation to scrutinize new digital services and online offers to a so called Three Step Test—similar to the Public Value Test in the United Kingdom—is the core element of the 12th interstate treaty.

In Germany 14 media authorities are in charge of licensing and controlling as well as structuring and promoting commercial radio and television in Germany. The 14 media authorities cooperate in different decision-taking councils and commissions coordinating and aligning matters on a national level.

The overall arching influence on media legislation stems from the constitutional court (Bundesverfassungsgericht) which played a strong role in elaborating the pillars of the broadcasting system in Germany. While broadcasting legislation is oriented more to the common good and the needs of the public sphere—although it has to comply more and more to the EU requirements of competition laws—legislation for press and online media is orientated solely to the market model of competition. Special legislation is made to protect individual rights of privacy.

Press laws are made on the Länder-level as well. Although there had been several attempts to pass a framing law for all regional press laws, this had never happened.

3 Media Innovation Policies

In Germany, due to its federal political system, several policy levels act and interact closely with regard to economic and innovation promotion. The most important are the federal government, the governments of the federal states and the European Commission. One example in which these three levels work closely together is the “Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur” (common task for improving the regional economic structure). It is jointly funded by the European Commission within its European Fund for Regional Development, the federal and the federal states governments and promotes regional development in objective-1 regions (East Germany) and 5b regions (mainly regions in former West Germany closely located to the former border between West and East Germany). Its major instruments are infrastructural measures (involving transport, telecommunications and energy systems), regionally-differentiated investment grants and tax reductions which should stimulate intraregional or external economic potential and temporarily increase the mobility of production factors oriented towards the region. Quite recently, a share of funds has also been allocated to innovation promotion. The major objective is to reduce socio-economic disparities with reference to the national average and to create and secure employment opportunities. Table 1 presents only measures of the federal government directed towards the regional level.

The Länder offer different programs for strengthening the innovation activities of companies. Most of the programs are technology open, only few Länder also support specific technologies. The technology programs of the Länder very much consider their economic and innovative potential. In some Länder technology programs focus on the same technology as programs offered by the federal government. This could imply a certain redundancy. However, technology-specific programs are normally quite broad so that the Länder government can focus their own programs further on the regional needs.

In all Länder technology-open programs comprise the funding of single as well as joint projects. This is similar to the practice in federal programs. However, there also exist programs complementary to the federal level. The so-called “innovation assistant”, a program aimed at employing young graduates from university in companies, is implemented in most of the Länder, whereas there is no comparable program at the federal level. The supply of programs of the Länder has increased in the years after 2007, not least because of the possibility of co-financing programs by the European Regional Development Fund (ERDF) and the European Social Fund (ESF). In some East German Länder, for example, the share of the volume of ERDF on the volume of funding is between 40 and 70 %.

Table 1 Actors and implementation levels of technology and innovation policy in Germany

Implementation	Supranational (EU)	National (Federal government)	Subnational (states)	Regional
Actors levels	Technology policy → Innovation policy			
Supranational (EU)	Technology and innovation promotion (Actions. Programmes and projects under FP 5)	Co-ordination with the member states. Participation at EU programmes	RIS, RIS+, RITTS and TRIPS- projects	RIS, RIS+, RITTS and TRIPS- projects
National (Federal government)	Financial contributions to EU budget: involvement in formulation of FP 5	Instruments and measures of technology policy	Common tasks (Improvement of regional economic structure, university extension programme), institutional funding	BioRegio. EXIST, InnoRegio (for regions in the new federal states)
Subnational (Federal states)	Participation competencies via federal government	Common tasks (Improvement of regional economic structure, university extension programme)	State specific promotion policy, institutional funding, infra-structural development	Regional priority settings in the promotion and development of innovative regional clusters
Regional	Political influence on EU technology policy	Political influence on federal government's technology policy	Political influence on federal state's innovation policy	Infrastructural development (e.g. technology centres), network promotion, information, consultancy/ advice, qualification, marketing

4 Summary and Best Practices

The German news media landscape is going through a period of unprecedented upheaval. The digital and new media are growing in importance and social networks are catching on across large sections of the population. Even though

these developments, Germany still has one of the most diverse and multi-faceted traditional news media landscapes.

In Germany, the newspaper publishing industry is suffering a strategic crisis while in overall there is no general news media crisis although the economic crisis led to rapid fall of advertising revenues. The well-established publishing houses are an essential part of relatively stable print media market. The newspaper readership in Germany has remained at a high level despite the leading position of television watching and growing importance of internet, dailies reaching over 70 % of population. Despite several attempts to pass a framing law for all regional press laws, press laws are still made on the Länder-level. The legislation for press and online media is orientated solely to the market model of competition.

The German TV and radio broadcasting markets are well developed and intensely competitive. They are set to become even more dynamic as a result of current technological, convergence of media, information and communication markets, and regulatory trends. Developments in the German broadcasting market have increased the interest of both domestic stakeholders and global players looking for parallels in their own markets. In public broadcasting the Länder (states) have a strong role. The German Federal Constitution stipulates that the sole responsibility for broadcasting rests with the Länder of the Federal Republic as part of their “cultural sovereignty”. The commercial broadcasting ownership is highly concentrated in the Germany.

For many years, the innovation policy of Germany was mainly focused on regional development and infrastructure projects. This policy was established after the integration of former West and East Germany in the late 1980s. Recently, a share of funds has also been allocated to innovation promotion. Next to the Federal government policy, all Länder offer also programs for strengthening the innovation activities of companies and areas. Most of the programs are technology open, only few Länder also support specific technologies. The technology programs of the Länder very much consider their economic and innovative potential. In general, these programs do not have a specific (multi-) media sector orientation.

A few large multimedia companies are operating in the German media landscape. Two well-known companies are Axel Springer Group (strategic focus on becoming the leading digital publisher), and the German giant Bertelsmann, the largest media company outside of the US and a global player (largest bookseller in the world). These companies are controlling part of the domestic media markets. These companies also are successful in the international media markets. These companies play an important role in the integration of new technologies and new media into the traditional media activities and finding new opportunities to maintain or even improve their competitive position.

5 Innovation Policy Recommendations

The news media markets are relatively stable and are generally very profitable, in particular the print media market. Consequently, these high stable and profitable markets can form a disadvantage for the companies operating in these markets in the long run. Due to the high profits, companies can become inert and slow in developing future-oriented innovation or adapting innovations. Given the developments in the news media markets, it is important that these publishers focus more on developing innovations and adopting innovations also from other related industries. Furthermore, these companies should also focus more on strategic renewal to maintain or improve their competitive position. The existing innovation programs provide opportunities for these companies to finance the adaptation of existing innovations from related industries or even the development of new innovations. Furthermore, another interesting opportunity is to collaborate with the successful and innovative media companies like Axel Springer or Bertelsmann.

Regional daily newspapers enjoy a great deal of popularity in Germany. The diversity is very large in comparison to other countries. The fact is that circulation figures are falling and daily newspapers are suffering most from the migration of advertising expenditure to the Internet. Above all, it is the market for classified and job advertisements that is shrinking. For this reason, regional newspapers will have to focus more on their regional competence in the future. They will have to see themselves as local service providers who offer their customers not only news but also service information—and who have reader loyalty as their utmost priority.

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