
Market Structure and Innovation Policies in Italy

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1 Market Structure and Media Ownership

In these last years, the Italian news media industry is facing structural changes and an increasing fragmentation of the audience favored by technological developments. These changes have led the industry to suffer a steady decline in total revenues since 2009, which is forecasted to continue, albeit at a decelerated rate. During the last 5 years the industry underwent a contraction of 2 billion euros, equal to a 16 % decline, its value declined from 16.6 billion euros in 2009 to 14.3 billion in 2014. In 2013 the total industry decline was 7 % (AGCOM, 2011, 2012, 2013, 2014, 2015). The downwards trend has first reached the publishing market, which is in continuous recession since 5 years, and was then extended—since 2011—to the broadcasting system (TV & radio). This trend does not affect digital media, which now represent the third source of information for more than 40 % of the population. Digital media though contribute with only 10 % to the total revenue of the industry. The shrinking traditional news media not only still counts for 90 % of the industry revenue, but still they represent the main source of information for the population. In particular, television is the first information source for nearly 80 % of the population, while 43.7 % inform themselves through newspapers (AGCOM, 2014).

The fact that such a large majority of Italians inform themselves via the television raises media pluralism concerns as ownership in the Italian television industry—both free and paid television—is highly concentrated, both in terms of

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revenue and audience shares. According to the value of the Herfindahl-Hirschman Index (HHI) the newspaper and radio industries still represent healthy competitive marketplaces. However, the HHI does not take into account the fact that many news media only serve regional or local markets and do not compete on the national level. In order for measurements of competition levels in news media markets to be more realistic, other indicators should be included in the analysis. Cross-media ownership is very much present in Italy as media firms, like in many other countries, are trying to diversify in other businesses. Some firms follow brand extension strategies while others simply adopt a multi-platform approach. An overview of the main news media markets as well as their evolution is presented below.

1.1 Newspapers

Even though daily newspapers show a rather limited rate of penetration among the population, they still represent the second source of information chosen by around 43 % of Italians. The gap with the television—more than 30 points—is drastically reduced if we compare local television to the local press. Furthermore, newspapers show a high level of customer loyalty. In fact, 68 % of individuals who chose newspapers as a source of daily information say that they would not renounce to that source.

However, in the recent years the daily press has registered a considerable reduction in the number of readers. This is particularly due to the raising importance of Internet as significant source of national and international news. The most important elements emerging from this trend are a decrease in the number of available newspaper titles, a decrease in volume of copies sold, a further decline of the free press, as well as the disappearance of some newspapers, especially those which were funded with government subsidies. The structural nature of the decline of printed newspapers is evident if one observes the circulation trend of daily newspapers published by Italian Federation of Newspaper Publishers (FIEG, 2013, 2014, 2015): circulation declined from more than 6 millions of copies sold in the year 2000 circulation to 3.5 million in 2014. Between June 2014 and June 2015 the circulation further diminished by 350,000 copies.

The first national Italian newspaper is *Il Corriere della Sera* (with an average daily circulation of 394,783 copies). It is followed by *La Repubblica* (391,681), *La Stampa* (254,212), *Il Sole 24 ore* (199,944), *Il Messaggero* (170,305), *Il Giornale* (153,596), *Il Resto del Carlino* (139,454), *Avvenire* (132,733), *La Nazione* (114,744), *Il Fatto Quotidiano* (93,803). Circulation for these newspapers declined by an average of 11.3 % between September 2014 and September 2015. In the same period, the circulation of national sport newspapers such as *La Gazzetta dello Sport* (305,723), *Corriere dello Sport* (240,142) and *Tuttosport* (153,960) declined only by an average of 4 %. The national sport newspapers are still enjoying a relatively high circulation compared to the national dailies (www.fieg.it).

With regard to the division of revenues between print and digital newspaper products, approximately 90 % still stem from traditional products. In particular,

while in terms of advertising the web is now a significant source exceeded 10 % of the total advertising revenues in 2012, the direct sale of digital products still represented a marginal fraction (2 % of revenues in 2012 and 4 % in 2013). The composition of revenues from digital services is largely biased in favor of the advertising components (e.g. 69 % vs. 29 % of revenues from sales of digital copies in 2014). Conversely, in the case of printed newspapers the breakdown of revenues is more balanced, with a prevalence of revenues from sold copies (e.g. 49 % vs. 42 % of revenues from advertising in 2014), partly because of the recent price increases for these products and the contemporary drastic drop in the price of advertising (AGCOM, 2015).

The competitive structure of the newspaper market appears essentially unchanged in the last years (see Table 1). First, it should be noted that this market does not appear concentrated, with a HHI below 1.000 points (0.996) and stable over time. However, as many newspapers have local orientation, the diffusion of newspapers may appear more polarized in certain specific cases, thus determining a greater concentration level compared to the one suggested by the analysis conducted at the national level. Furthermore, the market appears stable over time also in terms of structure. The first two publishers (Gruppo Editoriale L'Espresso and RCS Media Group) hold a leadership position, jointly reaching a market share of 40 %. The other publishers follow with stable shares below 10 %. Jointly the top four players control slightly more than 50 % of the newspaper market, i.e. the threshold above which an undesirable degree of concentration appears evident.

Table 1 Daily publishers—evolution of market shares (in percent)

Publishers	Titles	2009	2010	2011	2012	2013	2014
Gruppo Editoriale L'Espresso	La Repubblica, 15 local newspapers	19.4	19.3	20.1	21.05	21.7	21.2
RCS Media Group	Corriere della Sera, Gazzetta dello Sport, local city editions	18.9	17.3	17.5	18.35	18.0	18.8
Caltagirone	Il Gazzettino, Il Mattino, Il Messaggero	8.0	7.9	7.5	7.29	7.6	7.3
Monrif	Il Resto del Carlino, La Nazione, Il Giorno	6.4	6.6	6.5	6.63	6.8	6.8
Il Sole 24 ore	Il Sole 24 Ore	6.3	5.9	6.3	6.12	6.0	5.9
Itedi	La Stampa	5.4	5.6	5.7	5.33	4.6	4.6
Amodei	Corriere dello Sport, TuttoSport	3.7	3.9	3.7	3.9	4.27	4.2
Others		31.9	33.5	32.7	31.32	31.03	31.2
Total		100	100	100	100	100	100
Concentration index (HHI)		0.953	0.892	0.927	0.989	0.979	0.996

In terms of cross-media ownership the three following publishers are the most active:

The Gruppo Editoriale L'Espresso, founded in 1955 and based in Rome, owns the second largest daily *La Repubblica*, 15 local newspapers, and publishes numerous magazines (including the weekly *L'Espresso*). The group further owns three national radio stations, *Radio DeeJay*, *Radio Capital* and *m2o* and the broadcasters *LaEFFE*, *DeeJay Tv*, *Tv m2o*, *Radio Capital Tivù*, *Onda Latina*, and *MyDeeJay*. The group operates in the new media segment and is present in the field of training and professional services.

RCS Media Group operates daily newspapers, magazines and books, radio broadcasting, digital and satellite television. The group has operations in Italy, Spain, Portugal, France, the US, and China. Besides the national *Corriere della Sera* and *La Gazzetta dello Sport*, RCS publishes *El Mundo*, the business daily *Expansion* and the sports publication *Marca* in Spain. The group further operates in the magazine market.

Il Sole 24 ore is the media group which publishes the national daily business newspaper which holds the same name. The group is owned by *Confindustria*, the Italian employers' federation. The printed newspaper is presented as part of an integrated information system which includes: *Radio 24* (a news/talks fm/online radio channel), *Il Sole 24 Ore Radiocor* (a business and financial news agency), *ilsole24ore.com* (the online newspaper) and *Italianews* (a News Web syndication).

1.2 Television

Currently, 85 % of Italians still has access to television through a traditional TV set able to catch the digital terrestrial signal. Besides digital terrestrial television, the satellite network represents the second most important diffusion platform which reaches 35 % of television viewers.

The industry is highly concentrated in terms of both audience and revenues. When considering the yearly audience on an average day, independently from the diffusion platform, the two main broadcasters *RAI* and *Mediaset* catch 70 % of the total audience. The third broadcaster, *21st Century Fox/Sky Italia* lags well behind with an average audience of 6 %. In terms of revenues, the television industry continues to be characterized by a negative economic performance affecting in particular the free compartment. In the free TV market revenues fell from 5.6 billion euros in 2010 to 4.5 billion in 2014. This negative trend is almost entirely attributed to the advertising component, which now anyhow still counts for 64 % of the total. The pay TV market is more stable showing a slight decline from 3.4 billion euros in 2010 to 3.37 billion in 2014. Indeed, in this compartment advertising counts only for 11 % of the total revenues while 89 % of revenues come from the sale of pay offer (AGCOM, 2015).

RAI, *Mediaset* and *21st Century/Sky Italia* control 90 % of the total market. The remaining 10 % is dispersed among a variety of broadcasters among which *Cairo Communications* and *Discovery* distinguish themselves with shares around 2 %.

Table 2 Free TV—evolution of market shares (in percent)

Free TV broadcasters	Channels	2009	2010	2011	2012	2013	2014
RAI	Rai 1, Rai 2, Rai 3, Rai 4, Rai 5, Rai Sport, Rai News, Rai Storia, Rai Movie	45.9	45.8	45.9	47.2	49.4	47.4
Mediaset	Canale 5, Italia 1, Rete 4, Iris, La5, Boing, Italia 2, TgCom24	41.1	42.3	41.2	37.8	35.1	34.7
Telecom italia media	La 7, La 7 d, MTV, MTV Music	2.6	2.6	2.9	2.9	–	–
Cairo communication	La 7, La 7 d	0.4	0.4	0.7	0.7	2.9	2.9
Discovery	Real Time, DMAX, K2, Fresbee, Focus	–	–	0.4	1.0	2.4	3.1
Other TV broadcasters		10.0	8.9	8.8	10.4	10.2	11.9
Total		100	100	100	100	100	100
Concentration index (HHI)		3.809	3.903	3.819	3.669	3.682	3.469

Cairo Communications, previously active only on the advertising market, entered the content production and distribution market in 2013 by acquiring La7 from Telecom Italia Media. The latter completely dismissed its TV operations by selling also its share in MTV Italia and MTV Pubblicità to Viacom. Furthermore, in 2013, Discovery incremented its market share through the acquisition of Switchover Media (AGCOM, 2014, 2015).

When looking only at free TV the revenue distribution among the broadcasters resembles the audience breakdown totalized through their channels. RAI is the first broadcaster controlling nearly 50% of the market, while Mediaset follows with a 35% stake (see Table 2). Cairo Communication is the third operator (AGCOM, 2014, 2015). The structure of the market is thus characterized by a very high and durable level of concentration confirmed by a value of the HHI well above the threshold of 2500.

About 30% of the population has access to pay TV in Italy. Satellite is the diffusion platform chosen by more than half of subscribers; the rest of them mainly use the digital terrestrial platform. This market is controlled by 21st Century Fox/Sky Italia with a share of more than 80% (see Table 3). In July 2014 BSkyB announced the buyout of Sky Italia, the acquisition was approved by the EU in September 2014. The second pay TV operator is Mediaset with a share of nearly 19% that has been steadily increasing in the years and nearly doubled since 2009. The structure of the market for pay-tv, clearly affected by the magnitude of the fixed and sunk (endogenous) costs related to the production and acquisition of premium

Table 3 Pay TV—evolution of market shares (in percent)

Pay TV broadcasters	2009	2010	2011	2012	2013	2014
21st Century Fox/Sky Italia	81.5	79.2	76.5	79.1	77.8	80.2
Mediaset	10.6	15.1	17.0	17.8	19.1	18.6
Other TV broadcasters	7.9	5.7	6.6	3.3	3.2	1.2
Total	100	100	100	100	100	100
Concentration index (HHI)	6.761	6.542	6.140	6.563	6.415	6.778

content, is highly concentrated with a HHI that, stable well above the 6000 points, exceeds also the value shown by free TV.

1.3 Radio Broadcasting

On an average day 35 million Italians listen to the radio. The Italian radio market offers about 900 radio stations and more than 1100 radio channels which cover different national and local areas. This market is thus characterized by a large fragmentation. The national offer comes predominantly from relatively big publishing groups—Gruppo Editoriale L'Espresso, RAI, Mondadori, Il Sole 24 Ore—which are vertically integrated, advertising included, and active on multiple media industries. In addition to these operators, there are some independent commercial players such as RTL, Radio Dimensione Suono, Radio Italia and Radio Kiss Kiss, as well as some non-commercial broadcasters targeting a very particular segment of audience (e.g. Radio Radicale and Associazione Radio Maria).

Since 2009 the radio industry has been experiencing an economic downturn reaching a pick in 2012. After the turmoil, it experienced a decline in total revenues of 13.6%. The major contraction has been registered by the advertising revenues which still today represent nearly 74% of the total revenues of the industry (AGCOM, 2011, 2012, 2013, 2014, 2015). The decline is due partly to the negative economic cycle but mostly to the general progressive migration of investments from traditional advertising products to more innovative web-based solutions. Since 2012 the contraction of revenues has resized, and a trend towards consolidation can be spotted when analyzing the market shares of the major players (see Table 4). In particular, in 2013 Mondadori nearly doubled its market share by taking on the mandate to sell advertising space for some other radio stations through its own advertising agency. Nowadays, the group manages the advertising business for Radio Italia, an independent national player. For instance, it reached an audience of 4.6 million Italians in 2013. However, RTL 102.5 is the most listened Italian radio with an audience of 6.9 million people.

Despite the very large offer of different radio stations the radio industry appears concentrated. Looking at the position of the main operators in the radio market (see Table 4), RAI clearly dominates with a market share of nearly 24% which has been increasing since 2010 and is far higher than the one of its competitors. Finelco holds

Table 4 Radio—evolution of market shares (percent)

Radio broadcasters	Radio stations	2009	2010	2011	2012	2013	2014
RAI	Radio 1, Radio 2, Radio 3, Gr Parlamento, Radio International	22.9	21.4	21.8	22.3	24.4	23.9
Finelco	Radio 105, RMC Radio Montecarlo, Virgin Radio	10.3	10.4	10.2	10.7	12.2	12.7
Gruppo Editoriale L'Espresso	Radio Capital, Radio DeeJay, M20	10.1	13	12.7	10.9	9.7	9.8
RTL	RTL 102.5	7.7	7.6	7.2	7.6	8.8	8.7
RDS	RDS	7.1	7	6.8	6.9	6.1	6.1
Il Sole 24 ore	Radio 24	2.1	2.2	2.4	2.5	2.6	2.7
Mondadori	Radio 101	3.6	3.8	4.0	3.0	6.0	1.8
Other radio broadcasters		36.3	34.6	34.9	36.1	30.4	34.3
Total		100	100	100	100	100	100
Concentration index (HHI)		0.895	0.894	0.896	0.887	1.004	0.995

the second position in the ranking with a market share of 12.7%, followed by Gruppo Editoriale L'Espresso and RTL with 9.8% and 8.7% respectively. Because RTL has consolidated its position over the years, both Gruppo Editoriale L'Espresso and RDS have been slightly contracting. Finally, in a very slight increase, Il Sole 24 Ore could reach a share of 2.7% with its “all news and talks” radio station. As to Mondadori, it has been sharply contracting from the year before (AGCOM, 2014, 2015). In 2015 the group decided to sell its radio operations to R. T.I., a company belonging to the Mediaset Group (Corriere.it, 2015). The acquisition of RCS Libri followed this operation and allowed Mondadori to become the market leader in the book publishing business (Lastampa.it, 2015).

The market share data reveal a significant increase in the HHI between 2012 and 2013, which implies an increase in the level of market concentration. The structure appears to be still substantially competitive and characterized by a discrete degree of competition between the various players. However, considering the weakness of the HHI when applied to media serving local markets, a top four analysis seems to be necessary. Indeed, this analysis highlights that the top four radio broadcasters control more than 50% of the market and thus an undesirable degree of concentration is present.

2 Regulations

Articles 21 and 41 of the Italian Constitution of 1947 protect the freedom of expression and the freedom of economic entrepreneurship respectively. The press received general (Law n. 47 of 8 February 1948) and antitrust (Law n. 67 of 25 February 1987) discipline before substantial concentrations could be established in the market. Law n. 67 regulated the abuse of dominant position, considering dominant when the undertaker printed products reach a circulation that exceed 20 % of the total national circulation—or 50 % of the total regional circulation. The law stated further that when growing organically the undertaker exceeding the limit of one third of the total national circulation would lose all public subsidies.

On the contrary, in the broadcasting industry a duopoly emerged due to the absence of any system and competition law. Only in 1990 a national antitrust regulation as well as the first systematic regulation for the broadcasting industry was introduced. The latter, known as the Mammì law (Law n. 223, 1990), regulated for the first time cross-ownership. It stated that (1) the owner of a national broadcasting license was not allowed to control a newspaper publishing company with a circulation exceeding 16 % of the total national circulation, (2) a company controlling a newspaper publishing company realizing a circulation of more than 8 % of the total national circulation was not allowed to own more than one national broadcasting license, (3) the owner of a newspaper publishing company was not allowed to own more than two national broadcasting licenses, (4) mergers or acquisitions resulting in a company with revenues exceeding 20 % of the total revenues of the industry were considered void, and (5) the number of broadcasting licenses assigned to one company could not exceed 25 % of the total licenses available. This last antitrust limit was considered as illegal because it violates the pluralism principle of art. 21 of the Constitution.

In 1997 the law Maccanico (Law n. 249, 1997) followed which lowered the limit of license ownership to 20 % of the total licenses available. It was established that the networks exceeding that limit at that time would receive an exemption in order to move on cable or satellite. The Maccanico law further prohibited the owners of national broadcasting licenses to diffuse more than 20 % of the total programming and to achieve revenues exceeding 30 % of the total revenues of the national broadcasting industry. Finally, in 2005 the Gasparri law (Law n. 112, 2004) implemented some parts of the European Directive and introduced the *Testo Unico della Radiotelevisione*. This law grouped all media industries within one single integrated system of communications (SIC)—including newspapers, magazines, electronic publishing, radio, television, cinema and outdoor advertising—and in art. 43 it established that companies operating within the SIC could not realize revenues exceeding 20 % of the total revenues of the system. Paradoxically this increased the limit defining the dominant position as the value of the SIC is obviously higher than the value of the sole broadcasting industry.

Furthermore, *Testo Unico* also forbids national broadcasting operators with revenues above 8 % of the total SIC value or electronic communications operators with a revenue market share higher than 40 % to acquire shares of newspaper

publishing companies in participate to the founding of a new newspaper publishing company, excluding online pure players. This prohibition was first set until the end of 2010 and was then prolonged till the end of 2014.

The Authority entrusted with the dual task of ensuring proper competition of operators in the market and to safeguard pluralism and fundamental freedom of citizens in the field of telecommunications, publishing, mass media and postal services is the *Autorità per le Garanzie nelle Comunicazioni (AGCOM)*, created with The *Maccanico Law* in 1997. If the authority thinks that there is an abuse of dominant position and competition is at risk, it can intervene with the necessary measures to eliminate or impede that abuse. The Authority reports annually to the Parliament but acts also upon notifications coming from other actors. It works closely together with the *Autorità Garante della Concorrenza e del Mercato (AGCM)*, the Italian Antitrust Authority (established in 1990). The two Authorities signed a cooperation agreement in 2013 to coordinate interventions within the industries of mutual interest, exchange notifications and advices, collaborate in investigations and interventions (*Corrierecomunicazioni.it, 2013*).

The action of the AGCOM is characterized also by its investment in research and innovation, considered as fundamental to improve the quality of market regulation and to guarantee the monitoring of relevant innovations. Within this framework the Authority regularly conducts studies in the fields of electronic networks and communications services, communication infrastructures as well as media content. Aim of those studies is to collect information on the evolution of media and communications industry focusing on the technological, economic and legal aspects. After detecting structural problems, a lack of transparency in economic transactions based on distorted mechanisms and altering allocation efficiency within the advertising industry, the Authority initiated a study on the industry of advertising collection. Results highlighted the concentration of the industry. Further studies for a deeper understanding followed in 2014, such as the study concerning the Internet services and online advertising, or a study concerning web-based information media business models, consumption and professions in Italy, as well as an investigation on market competition within the industry of media access. Aim of these studies is to constantly monitor the rising and innovative online advertising market and ensure competition by thoroughly analyzing costs and benefits of eventual interventions.

3 Media Innovation Policies

Clearly news media markets in Italy present a high degree of concentration being controlled by a small number of media companies that have diversified and spread their activities across industries. In other words, they have become multimedia companies. Although the newspaper industry appears to be less concentrated thanks to the presence of a substantial number of titles at local and national level—143 daily newspapers, i.e. 2.6 newspapers per million inhabitants—the fact that the top four media groups hold more than 50 % of the market share confirms an undesired

level of concentration. The same holds true for the Radio broadcasting industry. There is no doubt about the high level of concentration of the TV broadcasting industry. A further distortion that increases concerns about the TV broadcasting industry concentration is the mismatch between the television and newspaper industry in terms of acquisition of resources. Indeed, the Italian TV broadcasters collect around 60 % of the total advertising revenues compared to a 15 % share collected by the newspaper publishing companies. This is not to be observed in other European countries where the amount of resources allocated in the two industries is reversed—newspaper publishers collect more advertising revenues compared to TV broadcasters—and less unbalanced.

This is not an ideal situation for innovation to be enhanced. With regard to the newspapers publishing industry we can recall that the current policy of public subvention does not stimulate innovation but rather supports incumbent operators. In Italy the publishing industry receives both direct and indirect public subventions. More precisely, publishers—those belonging to journalists' associations, foundations or representing linguistic minorities or political parties—that have been operating in the market for at least 5 years receive a fixed contribution equal to 30 % of their annual costs, with a limit of 1 million euros, and a variable contribution depending on the circulation of titles (AGCM, 2009; Law n. 250, 1990). Furthermore, publishers have been enjoying reduced postal tariffs for delivering their printed products to households, a 50 % discount on phone bills as well as an exemption from VAT on 80 % of sales, the difference being reimbursed by the State to the respective operator (Law n. 46, 2004). The reduction on postal tariffs has been suspended in 2012—as the postal service announced it was missing 250 million euros of reimbursement from the State (Iipost.it, 2014).

Such subventions seem actually to support established publishers rather than stimulating starts ups to enter the market. In fact, new publishers are not entitled to receive direct public support for the first 5 years of their activity. On top of that, the fact that subventions are based on costs does not stimulate firms to keep expenses low and be efficient (AGCM, 2009). Last but not least, no temporal limit was established for the subventions, so that with time publishers became dependent on that source of financing. The aim of granting reduced postal tariffs was to stimulate the sale of subscriptions, however this measure failed completely. Only about 10 % of newspapers sales happen through subscriptions in Italy, publishers say this depends on the inefficiency of the Italian Postal service.

For these reasons an attempt to improve the situation came in 2012 (Law n. 103, 2012) when a modification to the law introduced (a) new criteria to assign the direct contributions, such as a minimum percentage of sold copies and a minimum number of employees, as well as (b) support for newspapers going digital and for small web-based titles. At the same time the total amount of contributions was progressively reduced, and in November 2013 a 120 million euros fund was finally created by the Letta Government to support innovation within established and new publishing firms, stimulate the hiring of qualified journalists within the new media industry and facilitate reorganization processes during the next 3 years. In June 2014 the Renzi Government decided the timing for assigning part of the funding during the following

3 years: 45 million euros in 2014, 20 million in 2015 and 2016. Furthermore, 5 million euros should be granted for technological innovation and to reward the most promising digital journalism start-ups (Corrierecomunicazioni.it, 2014a, 2014b; Fasi.biz, 2015). An agreement, greeted as a success by the Government, has been reached for a minimum of 20.8 euros as compensation for a 1600 characters long journalistic article (Lettera43.it, 2014). A recent measure which could further support the digital development of the newspaper publishing industry was launched by the AGCOM in December 2015. The Agency decided to publicly sell frequencies to bring broadband to remote areas through satellite dishes (Repubblica.it, 2015).

As we can see, policies to enhance innovation in the newspaper industry are timid and developing very slowly. So far attempts to launch new media products or enhance innovation have come from the private industry directly. We can recall here a few newspaper start-ups that have been launched during the last decade: *Il Post*, *L'Inkiesta*, *Lettera43*, *Fanpage* and *Citynews*, are only digital newspapers while *Il Fatto Quotidiano*, launched in 2009, has also a printed version and has become the third national newspaper in terms of digital readership. Inspired by the Global Investigative Journalism Network and the Organization Crime and Corruption reporting Project, some journalists founded the Investigative Reporting Project Italy: it is the first investigative journalism center in the country, fully focused on international collaborations and financed through grants and commissioned investigations (*Ilfattoquotidiano.it*, 2013). Established newspapers are starting to create internal Media Labs. *La Stampa* for instance conceived a studio that is now acting as incubator for experimenting innovative ways of digital storytelling, and further introduced an open-house strategy for social media management: well-known social media editors, recognized by online communities, are invited in rotation to bring in innovative approaches (*Lastampa.it*, 2013). *Repubblica* launched *Repubblica delle Idee*, a series of events organized by the newspaper with the aim of meeting the audience, discover its needs and ideas. Another initiative worth mentioning is the International Journalism Festival (IJF) of Perugia, launched in 2007 and gathering journalists, publishers, media professionals and scholars from all over the world. The event was financed through sponsorships and public contributions until 2 years ago, when public funding was cut and a crowdsourcing action, sustained by global brands such as Amazon and Google, saved the 2014 edition. The IJF has become a real annual think tank where media professionals and passionate exchange knowledge and ideas that stimulate innovation.

Concerning the TV broadcasting industry, a controversial measure has been taken at the beginning of October 2014 by the AGCOM. The Authority decided to change the criteria to establish the fee that broadcasters are bound to pay to use the digital terrestrial television frequencies. Previously broadcasters had to pay 1 % of their annual revenues, with the new rule the fee depends on the number and quality of frequencies used. This new rule favors the two major broadcasters, RAI and Mediaset, which have high revenues compared to the other broadcasters such as La7, Persidera and H3G that are younger, a lot smaller in terms of revenues but own the same number of frequencies. As a result RAI and Mediaset enjoy a discount of 50 % on the fee they paid until now while the new broadcasters have to face a 10 times higher fee (*Ilfattoquotidiano.it*, 2014a). Concerns expressed by both the

European Union and the Italian Government, and the protests of small broadcasters did not prevent the AGCOM to introduce the new rule (Ilfattoquotidiano.it, 2014b).

With the financial law that was approved by the Parliament in December 2015, the TV license fee will be now paid by Italian citizens through the electricity bill in order to avoid tax evasion. With this measure revenues from the license fee are expected to increase to 2 billion euros from the actual 1.5 billion. However, the revenues are not supposed to go directly to RAI, the Italian public service broadcaster, their destination will be decided by the Government. The law foresees already the use of part of the revenues to exempt low income citizens from the fee, and to finance a new Fund for Pluralism and Innovation of Information that is supposed to help about 305 (out of a total of 380) local radio and TV broadcasters currently cumulating a loss of 54 million euros. The conditions for assigning funds are not clear yet (Ilfattoquotidiano.it, 2015).

4 Summary and Best Practices

Besides a lack of specific innovation policies, until now the Italian news media industry faced an environment that was rather hampering more than stimulating innovation. Legislation prohibits growth through acquisitions above certain limits, and organic growth is discouraged by the subsequent loss of public subventions. Furthermore, public contributions to the publishing industry proved to be ineffective in stimulating new market entries and thus in promoting pluralism and innovation. A revision of the public subvention policy has been recently initiated. Even if it is more the result of a general public spending review, the direction has changed channeling public contributions towards specific support actions for news media firms going digital and restructuring their business as well as for new web-based media.

Among the signs of change we can also recall the Italian Digital Agenda, which follows the European directives with regard to digital growth and the development of digital infrastructure. In particular, we can mention the support to web start-ups, the ICT vouchers to enhance the introduction of new technologies within companies, and the public-private collaborations to stimulate research and the creation of innovation labs that have been set as priorities and could be relevant for the digital media industry in the near future. Last but not least in 2012 the Government passed the law 179, Decreto Crescita 2.0, to enhance the creation of innovative start-ups. It is a stimulation law for all industries. A register for the innovative start-ups was created and is kept constantly updated. Registered start-ups enjoy reduction of start-up expenses, tax reductions, relaxation of regulation in case of eventual losses, exemption from employment law, tax credits for employment of skilled employees, disposal of equity crowdfunding platforms, tax incentives for investors, and access to a fund that serves as guarantee for 80% of start-up loans. The Italia Start-up Visa is a program introduced in 2014 to make the release of a visa for foreigners that want to start-up an innovative firm in Italy. Again, these are not media specific measures but media start-ups could well profit from them.

5 Innovation Policy Recommendations

Media innovation changes in several aspects the news media landscape—from the development of new media platforms, to new business models, to new ways of producing content (Storsul & Krumsvik, 2013). What brings innovation is not necessarily a new product or service, it can be a new combination of existing ideas, competences and resources (Schumpeter, 1934: 43). Based on previous findings (Francis & Bessant, 2005), in this chapter recommendations are related to four innovation types: product innovation, process innovation, position innovation and paradigmatic innovation.

5.1 Product Innovation

In a highly concentrated market such as the Italian news media market, product innovation could be the easiest way for media firms to reach a competitive advantage. Media companies can distinguish themselves by offering a new product or service to their audience. For this purpose some more pioneering Italian media companies could benefit from new technologies already implemented and tested in newsrooms in other countries. They could in this way minimize the risk naturally related to innovation while leveraging the rather strong interest of Italian citizens for news, as well as their high inclination to online news consumption (Digital News Report, 2015). Italian media companies could further develop existing platforms and formats for news delivering activities by taking into account the specific audience needs. For example, this can be achieved through news apps for tablets or smart-watches. However, this type of innovation has to be accompanied by structural and organizational changes. Integrated newsrooms with media professionals having different expertise and backgrounds become a necessity and imply an increase of newsroom capacity and resources as well as training programs.

5.2 Process Innovation

It refers to changes in the way in which products and services are created and delivered. In an era where citizens are more and more involved in the political debate. This type of innovation is of great interest to increase audience engagement and participation. This seems particularly relevant for projects which aim at promoting a more collaborative way of creating news. In the first stage, such projects can require a small amount of resources. Italian media companies can use existing online and digital platforms to add participatory tools and social components to their existing products and services (e.g. social networks or curation platforms). This path would be worth exploring as Italy is characterized by a strong participatory culture. Indeed, it is one of the countries with the highest levels of sharing of and commenting on news (Digital News Reports, 2015). Drones, which are not commonly used for journalism practices yet, could be another new

technology to be applied for increasing participation in news production processes. Furthermore, collaboration among members of newsrooms in different countries on common interest topics could represent another form of process innovation that would be worth enhancing. Some steps in this direction have been taken on a private basis by some of the major European newspaper titles—Le Monde, The Guardian, Süddeutsche Zeitung, La Stampa, El País and Gazeta Wyborczawhen—with the launch of the project “Europa” (EJO, 2013). Most recently the Guardian, El País, Le Monde and China Daily agreed to share climate change content to raise awareness about the recent UN summit in Paris (Theguardian.com, 2015). Italian newspaper titles were however not involved in this initiative.

5.3 Position Innovation

This type of innovation involves changes in how products and services are positioned within specific contexts. Key activities in this case are advertising, marketing and packaging as they allow firms to reposition their brand. This is already true for established media companies operating in the Italian news media landscape. Throughout the chapter we saw that most media companies decided to diversify their portfolio or refocus in order to target new audiences/consumers or excel in a specific niche. Furthermore, repositioning news distribution using video seems to be valuable to target the Italian news media markets as the audience consumption is very video-oriented. However, high loading time and pre-roll advertising seem to be a serious obstacle to this development in Italy (Digital News Report, 2015).

5.4 Paradigmatic Innovation

It is defined as changes in an organization’s mindset, values and business models. Indeed, the newspaper industry at Italian and international level finds itself in a process of paradigmatic innovation. Its focus is no longer primarily on print but increasingly on online services. This is certainly the most challenging type of innovation because it requires changes in culture, leadership and vision. Perhaps, this could be the key type of innovation to shift ground within incumbent news media, which at present are suffering the most. For instance, a digital native newspaper such as Citynews has reached break-even in 2014 and starts making profits after its launch in 2010 (EconomyUp, 2015). On the contrary, print circulation of incumbent newspapers is decreasing at the rate of 10–15 % a year (FIEG, 2014, 2015). The digital component of traditional information is not able to compensate for the income losses registered for the classic products, which still represent the bulk of revenues.

To conclude, we can say that obstacles to innovation are still substantial within the highly concentrated and regulated Italian news media industry. Breakthrough innovations seem unthinkable. However, different measures could be taken in order to enhance incremental innovations within any of the above mentioned categories

and thus help the news media industry sail through the digital transition. We have seen that in order to stimulate product innovations newsroom capacities, financial resources and training are needed. Without opting for direct subventions which in Italy did not particularly help the industry to innovate neither to reduce its concentration, the government could intervene by for instance creating and promoting educational and training programs responding to the emerging competence needs. Furthermore, freelance journalists should be ensured a normal compensation in the form of state funded grants when their work gets published. This would ease the pressure on media firms for not paying freelancers adequately for their collaboration and at the same time indirectly contribute to newsroom capacity needs. Incumbent news media firms could be further encouraged to be creative by providing subventions or tax reductions on product innovation projects.

State financed grants could further stimulate process innovations. Collaboration between media firms, both at national and international level, can help media companies to reduce their production costs. The organizational development of media firms towards collaborative networks allows them to concentrate on their core competences, exploit synergies and by reaching network economies of scale and scope to become more competitive in an increasingly globalized market. The Fund that the Italian Government established in 2013, and that has been timidly activated in 2016, could for instance include rewards for collaborative projects. This fund also seems to include some grants to reward media start-ups. This is very positive, as long as the rewards are sufficient to really allow a start-up to move from an idea generation stage to product launch. Indeed, a key success factor of Citynews—a venture capital funded start-up—was access to capital. However, what made investors believe in the adventure was the track record of the founders. A responsibility of the state is also to provide the possibility to talented and creative people to gain experience, for instance by helping to bridge financial gaps when private rounds of financing are not sufficient, or by promoting initial stage startup competitions. Such actions can stimulate innovation in all the above mentioned categories. In particular, it can be determinant in engaging a cultural change.

Last but not least, in order to stimulate innovation at paradigmatic level, the state needs to become more entrepreneurial itself (Mazzucato, 2013). This specifically means for the state to invest in research and development, thus in education so that not only the technological base but also technological competences are granted. A recent study conducted by Technology and Innovation for Smart Publishing (TISP), a EU funded network, found out that 77 % out of the 120 respondents are developing new products and services. However, innovation is being strongly limited by barriers such as access to finance, lack of scale and lack of infrastructure. Some respondents also pointed out the need for a new mindset that embraces innovation. 67 % of the respondents involved in a collaborative project. EU funding was perceived as a possible instrument to enable access to finance and research, however only if rapid access is possible. Once again, if the state is willing to help the news media industry thought the digital transition so that information is ensured to citizens, the state should become more entrepreneurial not only in thinking about possible solutions but also and especially in acting timely.

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