Mergers and acquisitions between media firms enable survival but also present a potential cost in the threat they pose to the diversity of independent media outlets, and indirectly, to the diversity of news coverage. There is as yet no clear consensus among academics about the impact of consolidation of ownership, which has implications for the industry as well as the authorities in charge of reviewing mergers. This dissertation sheds a multidisciplinary light on this fundamental and complex issue with the aim to stimulate cross-disciplinary learning between communication science and economics. It proves the importance of looking beyond short-term profits to understand the economic and non-economic impact of media mergers and how society can gain from it on the long-run.

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University of Antwerp

Consolidation of ownership in media industries

Miriam van der Burg

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Survival strategies of newspaper publishers and regulation in the digital era

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CONSOLIDATION OF OWNERSHIP IN MEDIA INDUSTRIES

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To my family

Under supervision of:
Prof. Dr. Hilde Van den Bulck
Prof. Dr. Jan Bouckaert

Members of the Doctoral Jury:
Prof. Dr. Peter Van Aelst (chair)
Dr. Tobias J. Klein
Prof. Dr. Robert G. Picard

Consolidation of ownership in media industries: Survival strategies of newspaper publishers and regulation in the digital era

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Stadscampus
Sint-Jacobstraat 2
2000 Antwerpen
Belgium

Contact the author: https://www.linkedin.com/in/miriam-van-der-burg/

University of Antwerp

Consolidation of ownership in media industries: Survival strategies of newspaper publishers and regulation in the digital era

Dissertation for the degree of Doctor in Social Sciences: Communication Studies at the University of Antwerp to be defended by

Miriam van der Burg

Antwerp, 2017

FOREWORD

The works of Jan van Cuilenburg and Robert Picard triggered my interest in media policy and media economics (Amsterdam, 2003–2004), while Yuezhi Zhao made me understand why I found the topics so interesting: they play integral roles within societal power structures (Vancouver, 2008). Klaus Schönbach further guided my understanding of the social-democratic role of the media (Amsterdam, 2009–2010).

Away from university, I met the two professors who propelled my research journey. Collaboration with Jan van Cuilenburg made things more concrete and taught me above all that diversity is important (Hilversum, 2010–2011). Robert Picard taught me that firms need money to turn the diversity ideal into actual news goods (several instances, starting in Brussels, 2011).

A research project on the relationship between consolidation of ownership in media industries and diversity of news content made me return to university (Antwerp, 2013–2017). Tobias Klein further aided my understanding of economics. Supported by my supervisors Hilde Van den Bulk and Jan Bouckaert, and inspired by our team members Peter Van Aelst, Pieter Maeseele, Danielle Raeijmaekers, and Andrea Mansini, I tried to integrate it all. This dissertation is the result of studies within multiple disciplines.

Throughout this process, I could always rely on my dear family and friends, who supported me consciously as well as unconsciously, and on my warm-hearted colleagues of the University of Antwerp, the EMMA-community, and beyond. I would like to express my gratitude to everyone who guided me to this point. I dedicate this work to my beloved family.

Antwerp, November 2017

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1 Introduction

Mergers and acquisitions (M&As) between media firms enable survival but also present a potential cost in the threat they pose to the diversity of independent media outlets, and indirectly, to the diversity of news coverage. There is as yet no clear consensus among academics about the impact of media mergers, which has implications for the industry as well as the authorities in charge of reviewing mergers. This dissertation sheds a multidisciplinary light on this fundamental and complex issue with the aim to stimulate cross-disciplinary learning between communication science and economics. The duality between economic challenges and social-cultural concerns is approached from a market, firm, and regulatory perspective to enhance our understanding of the causes and effects of M&As in media industries.

1.1 Consolidation of ownership in media industries: A survival strategy with social concerns?

Mergers and acquisitions (M&As) of publishers have ensured the continuation of news media such as newspapers but in the past have also led to terminations. Examples of this in the Dutch-speaking part of Belgium (i.e. Flanders) are newspaper *De Morgen* (1990), the failure of which was turned into a success by its new owner *De Persgroep*, and the eventual termination of newspaper *Het Volk* (1994). M&As are viewed by economists as a means to survive in the rapidly changing context of media industries but a termination is considered a 'worst-case scenario' by communications scholars because it may, for example, reduce the variety of outlets that represent different voices and may affect independence from commercial influences. These are (one of) the pillars of the media's watchdog role, and hence, long-standing and fundamental concerns in the context of consolidation of ownership (Mosco, 2009). As the examples show, consolidation of ownership through M&As in media industries can have contrasting effects and there is no clear consensus at this moment regarding the relationship between consolidation of ownership and diversity of media content, neither in communications nor in economics. This duality between economic challenges and social-cultural concerns is also reflected in the national competition authorities' review of the latest M&A-case, the establishment of *Mediahuis* by *Corelio* and *Concentra* that led to a duopolistic market structure. The merger case was approved under the condition that particular newspaper publishing activities would be continued (Belgische Mededingingsautoriteit, 2013).

This conundrum of economic and non-economic merger effects in media industries is addressed in this dissertation with the question *why did media firms merge in the digital era and how was this perceived by the regulatory bodies in charge*?

M&As are an important survival strategy in the globalised and competitive media industries. This tendency to gravitate towards oligopolistic or near monopolistic markets is explained by the structure of media industries, characterised by economies of scale, product differentiation, public goods, advertising-content interdependence, and network effects (Fu, 2009). Advances in information and communications technologies (ICTs), enabled by digitisation since the mid-1990s (Noam, 2009), are seen as a key driver of further consolidation in this industry (Noam & International Media Concentration Collaboration, 2016; Valcke, Groebel, & Bittner, 2016). These technological advances enabled new market entrants (e.g. software and tech companies) and required incumbents such as legacy media (i.e. publishers and broadcasters) to make considerable capital investments to keep up

and to counter declining demand and potential business failure (Grueskin, Seave, & Graves, 2011). Mergers and acquisitions (hereafter: M&As) represent one way to restore and improve their short-term profitability and to ensure long-term investments (Crane, 2014). Such M&As were aided by a favourable context: the expansion of media firms was facilitated not only by a more liberal perspective of governments on media policies (van Cuilenburg & McQuail, 2003), but also by further development of digitisation and repeals of regulatory constraints with respect to the consolidation of ownership (Iosifidis, 2014).

Digitisation has had several implications both for legacy media and for a number of market players. The emergence and growth of the Internet led to an abundance of information, created by numerous news and information providers of all kinds (Küng, Newman, & Picard, 2016). The long tail of the online news market extended, while at the same time the market became controlled by a handful of powerful firms (e.g. Ofcom, 2017). The consolidation of economic power among digital-only players is commonly referenced with the recent coinages FAMGA (Facebook, Apple, Microsoft, Google, and Amazon) or FANG (incl. Netflix) (Birkinbine, Gómez, & Wasko, 2017). Facebook, for example, has a very strong position with respect to content aggregation. Based on the social media index for news of the Reuters Institute, the authors (Newman, Fletcher, Levy, & Nielsen, 2016, p. 8) conclude that

> [...] Facebook is by far the most important network for news everywhere. Although Twitter is widely used in the US, Spain, and the UK, it is far less influential in many other European countries. Google+ is emerging as increasingly important for news, along with messaging application WhatsApp.

In the digital advertising market, Google maintains a leading position according to the representative organisation of newspaper publishers WAN-IFRA (2016, p. 30):

> [...] the main benefactors of digital ad spending in the US and worldwide continue to be social media and technology companies. Google takes the largest share, US$ 67 billion, of global online ad revenues. [...] Facebook's mobile ad revenue was about $13 billion, 80% of its total advertising revenue [...]

While direct online traffic to the websites and apps of legacy news media is declining, indicative of a dominant position of intermediaries such as social media (Nielsen & Ganter, 2017), the content is still largely manufactured by these legacy media (Maier, 2010; Reich, 2015). This symbiotic relationship between digital-only players and legacy media implies that a large share of the news and information that circulates in the web traces back to a handful of content creators or aggregators, amongst them legacy media.

Problems arising from, for example, fake news on social media platforms (Beckett, 2017) and insufficient social and legal protection of freelance journalists (George, 2015), emphasise the continued relevance of media organisations for journalism, and thus, the importance of these organisations' sustainability. The latter is challenged by changing patterns in demand, making scale enlargement an important survival strategy since it allows for synergies and efficiencies. In many cases, however, revenue-enhancing operating synergies between printed press and broadcasting have proven unsuccessful (Jin, 2012a). Efficiency in newsrooms enables brands to benefit from each other's strengths through exchanging content (e.g Krebs, 2017), but such consolidation of editorial processes also implies redundancies, which are seen as a threat to journalistic product quality (Lacy, 1992).

In other words, there are two sides to the coin of legacy media survival strategies: Scale enlargement through M&As may prevent a market exit of valuable assets (i.e. rescue mergers) (Motta, 2005) but diversity is thereby not necessarily safeguarded. Competition authorities may impose remedies to ensure the continuation of particular businesses (e.g. a newspaper title), as in the case of *Mediahuis* (cf. supra), yet their control is limited.

Economic and non-economic merger effects in media industries are considered a crucial conundrum. In this dissertation, this complex issue is approached from a market perspective to reveal long-term developments that drove M&As, a firm perspective to gain a deeper understanding of M&A effects, and a regulatory perspective to understand how the different interests are weighed by competition authorities in reviewing media mergers. To this end, multidisciplinary views on consolidation of ownership are integrated in this dissertation. In the next section (1.2), I discuss the different research disciplines and point out how this dissertation contributes to important, as yet unanswered questions in our understanding of this topic. The central aims and delineation of the dissertation will be addressed in the subsequent section (1.3), before I further elaborate on the substantive and methodological contributions (cf. section 1.4 and 1.5 respectively).

1.2 Multidisciplinary views on consolidation

Multiple disciplines address consolidation or M&As from different perspectives. First, I discuss political economy of communication to explain the fundamental concerns of ownership consolidation in media industries. Then, there are media economics and media management, which explain the rationale behind consolidation from the perspective of markets and firms respectively. These, and the fundamental concerns with consolidation, come together in regulation and policy. Media economics and media management are positioned as 'theoretical and applied' research traditions within the study of communications economics, while political economy and media policy fit into a 'critical' tradition (Picard, 2006b, p. 28). I argue that further integration of concepts and research insights provide opportunities to improve our understanding of the occurrence and effects of M&As in media industries.

1.2.1 Political economy of communication

Work on consolidation by communications scholars is mostly situated within the domain of political economy of communication, which studies 'the social relations, particularly the power relations, that mutually constitute the production, distribution, and consumption of resources, including communication resources' (Mosco, 2009, p. 2).

Criticism on ownership revolves around two fundamental points (Mosco, 2009). The first addresses media concentration, and is concerned with the number and the size of media firms. More competition would arise from many small-sized firms than a few large media firms. For this reason, large media firms should be divided into smaller constituents (e.g. Kunz, 2007). The second strand of literature views ownership through the lens of capital. Capitalism explains the activities of media firms, which are, from this viewpoint, primarily driven by profits or any other business interests and enlargement of power (e.g. Artz & Kamalipour, 2003; Baran & Sweezy, 1966). In other words, it is about the commodification of media; 'the process of transforming goods and services which are valued for their use, e.g. [...] stories for communication, into commodities which are valued for what they can earn in the marketplace, e.g. [...] producing drama for commercial broadcasting' (Mosco, 2009, p. 11).

Research on consolidation tends to relate the phenomenon to historical processes like commercialisation (e.g. establishment of state functions like telecommunications services 'along business or revenue-generating lines'), privatisation (e.g. formerly state functions turned into private businesses), liberalisation (e.g. opening up of a market for competition) (Mosco, 2009, p. 15), globalisation, financialisation (cf. infra), and deregulation of media industries that caused critical junctions and opportunities for firms to grow in the 1980s and the 1990s (Hardy, 2014).

The powerful positions of large (transnational) media conglomerates are criticised (e.g. Bagdikian, 1983, 2004; Tunstall, 1977, 2007; Tunstall & Palmer, 1991; Baker, 2007), for instance for the case of *News Corporation* (McKnight, 2010), *Time Warner* (Fitzgerald, 2012), and *Bertelsmann* (Berghoff, 2013). The classic primary concern is the deterioration of the diversity of media content (Herman & Chomsky, 1995). Other concerns are the containment of a media outlet's editorial independence (Baker, 2007), undue influence of

their owners' political interests (Tunstall & Palmer, 1991), and interlocks between board directors of the various media firms (Simmons, 2011).

1.2.2 Media economics

These and many more concerns have motivated scholars to conduct empirical studies on media ownership in the discipline of media economics (Anderson, Strömberg, & Waldfogel, 2016; Picard & Wildman, 2015). Doyle (2013, p. 3) summarises this research domain as 'concerned with a range of issues including international trade, business strategy, segmentation, risk-spreading, exploitation of rights, pricing policies, evolution of advertising markets, competition and industrial concentration as they affect media firms and industries'. Media economics includes both macro- and micro-economics. Industrial organisation (IO) economics is a branch within micro-economics that is concerned with the organisation of markets, firms, and their strategies (Belleflamme & Peitz, 2010). It is essentially about how a firm can obtain a competitive advantage and how it can strengthen or lose it (Uzunidis, 2016) and guides our understanding of how particular characteristics of media goods naturally drive higher levels of ownership consolidation (Doyle, 2013). IO is also influential in public policy/ regulation, including antitrust (Motta, 2005).

At the market level, detailed longitudinal mappings of the media markets' structure are provided for the US (Compaine & Gomery, 2000; Noam, 2009) and across the world (Noam & International Media Concentration Collaboration, 2016). Compaine and Gomery (2000) concluded that the observed levels of concentration in the US were not urgent, which is criticised by, amongst others, political economy-scholars Bagdikian (1983, 2004) and Baker (2007). In Europe, such media ownership 'maps' (Ward, Fueg, & D'Armo, 2004) are often part of monitoring tools such as the Media Pluralism Monitor (Valcke et al., 2010) and the Media for Democracy Monitor (Donk, 2011).

Studies that empirically examine the impact of consolidation or ownership revolve around at least six research areas. One approach relates the type of ownership to how media firms run their business operation (Picard & Van Weezel, 2008). The general idea is that privately held and publicly traded media firms tend to focus on short-term performance (Blankenburg & Ozanich, 1993; Lacy & Blanchard, 2003), while family-owned businesses tend to be more conservative, filling the less profitable niches (Hanretty, 2014; Powers, Sohn, & Briggs-Bunting, 2014). However, this is disputed (An, Jin, & Simon, 2006; Demers, 1998). This relates to the second research area – the impact of ownership consolidation on financial performance (Blankenburg, 1985). Third, ownership consolidation is assumed to affect journalistic processes (Boesman, d'Haenens, & Van Gorp, 2015), investments in the newsroom (Cho, Thorson, & Lacy, 2004), and journalistic product quality (George, 2007; Rennhoff & Wilbur, 2012). Quality is understood very differently (Lacy, 2000; Picard, 2000b) but is often interpreted as journalistic principles or, in the fourth research area, as diversity. Consolidation is related to diversity of outlets (Berry & Waldfogel, 2001), and to the coverage of news stories (Beckers et al., 2017) and political viewpoints in news media (Gentzkow, Shapiro, & Sinkinson, 2014; Wagner & Collins, 2014), also referred to as media bias (Gentzkow, Shapiro, & Stone, 2014). The third and fourth research areas overlap with journalism studies (cf. section 1.3.2). Fifth, consolidation is assumed to affect pricing strategies based on the monopoly theory (van Kranenburg, 2001), and, finally, a recurring topic in many of the above studies is competition (Becker, Hollifield, Jacobsson, Jacobsson, & Vlad, 2009; Behringer & Filistrucchi, 2015), for example, the impact of entry barriers on mobility (Björkroth & Grönlund, 2015a; van Kranenburg, Palm, & Pfann, 2002).

In considering the wider research field of consolidation and ownership in media industries, Mosco (2009, p. 159) points out that 'there is less than complete agreement on concepts, definitions, and applications'. He explains (p. 159):

> **This is partly due to the underdeveloped state of research on media concentration, which, in some measure, results from the media industry's ability to influence the research agenda, leaving us with more studies on how to market products than on the nature and implications of media concentration. The lack of conceptual agreement is also partly the consequence of a rapidly changing industry. Changes in industry structure, technology, services, as well as in state policy and regulation (which typically lags these changes), have made it difficult to provide a generally agreed upon language for mapping media concentration.**

Mosco also argues that there are 'significant differences in the measurement of concentration and in the assessment of its significance' (p. 162). To illustrate, the relationship between consolidation of ownership and content diversity is complex (Doyle, 2002), not necessarily linear (van Cuilenburg, 2007), and lacks systematic empirical backing (Karppinen, 2013). According to Fu (2009), this is partly explained by conceptual misunderstanding of the structure-conduct-performance (SCP) model among communication scholars. He points out that incorrect interpretation and application of the SCP-model may 'lead to misguided policy suggestions' and, therefore, 'media market research needs to be better informed about market characteristics' (p. 281). More generally, Chambers and Howard (2006, p. 379) stress the need for research that addresses issues related 'to the fundamental changes in the nature of media consumers in global, national, regional, and local

media markets'. The authors suggest that 'media economists might deal with these transitions from a variety of disciplines and contexts including strategic and organizational management, audience measurement, and policy assessment' (Chambers & Howard, 2006, p. 379).

1.2.3 Media management

While media economics focusses on markets, management sheds light on the day-to-day business operation in firms (Anderson et al., 2016). Media management is 'neither clearly defined nor cohesive', according to Küng (2016, p. 3), but the core task is 'to build a bridge between the general theoretical disciplines of management and the specificities of the media industry'. While media economics emerged in the mid-1970s (Picard, 2006b), media management only dates from the late 1990s and is in full development (Küng, 2016).

There are two relevant fields within management with regard to consolidation of ownership. For one, strategic management refers to the managerial process of 'commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns' (Volberda et al., 2011, pp. 8–9). This process is incited by the external environment or media ecology (rationalist approach) and the organisation's capabilities (adaptive approach) (Bob de Wit & Meyer, 2010; Küng, 2016).

In general, managerial reasons to merge are distinguished from rational ones. Rational merger incentives are, for example, the elimination of competition, the lowering of entry barriers, and access to resources (Chan-Olmsted, 2004). From the managerial perspective (i.e. Hubris theory), the political power that can be gained through the ownership of a media outlet can be an incentive (Anderson & McLaren, 2012). Rational and managerial incentives are assumed to have a positive and negative impact on post-merger performance respectively (Muehlfeld, Sahib, & van Witteloostuijn, 2007).

Based on the rational view, M&As are a corporate-level strategy to gain a competitive advantage 'by selecting and managing a group of different businesses competing in different product markets' (Volberda et al., 2011, p. 241). Gaining competitive advantage 'by exploiting core competencies in specific product markets' is referred to as business-level strategy (Volberda et al., 2011, p. 166). In other words, business- and corporate-level strategies relate to why and how actions are undertaken respectively. Porter's (1980) generic strategies – cost-leadership, differentiation, and focus – imply adaption to the stages of the product life cycle. These strategies are realised through natural growth, mergers, acquisitions, strategic alliances, and the like, but also through divestitures and turnaround (Gaughan, 2002). The latter deals specifically with firm decline and failure (Slatter & Lovett, 1999)

In summary, strategic management explains the reasons for M&As (Gaughan, 2002) and how this process unfolds in practice (e.g. merger plan) in different circumstances. The relationship between performance and M&As is studied within corporate financial accounting, the second field of study (Sutton, 2004, p. 2), which 'is the process of summarising financial data taken from an organisation's accounting records and publishing it in the form of annual (or more frequent) report for the benefit of people outside the organisation'. The financial performance of a firm determines the deal value of an M&A (i.e. due diligence) (Gaughan, 2002; Ozanich, 2006); it is used to predict M&As, for example, based on a firm's cash-reserves or likelihood to go bankrupt (Harford, 1999; Soloski, 2013), and to assess the impact of M&As on the acquiring firm and the target firm (Erel, Jang, & Weisbach, 2015). There is no clear consensus whether M&As pay off (Bruner, 2002) because the conceptualisation and operationalisation of 'performance' is ambiguous (Meglio & Risberg, 2011) and because a variety of factors affect post-merger performance (Yaghoubi, Yaghoubi, Locke, & Gibb, 2016).

1.2.4 Regulation and policy

Concerns about the consolidation of ownership as a form of market failure have legitimated government intervention, or state regulation. Regulation is a multidisciplinary research tradition, the scope of which is much wider than 'fixing' market failure. It consists of normative traditions and is concerned with the impact of regulation (Baldwin, Cave, & Lodge, 2010). Like in microeconomics, industrial organisation economics is also an influential school of thought in regulation or public policy (Uzunidis, 2016).

There are two relevant subfields with regards to M&As in media industries. General competition law or antitrust (Crane, 2014) first, deals with merger control and the (abuse of) market power to safeguard competition (Motta, 2005). The market approach, which dominates this field, assumes that, in principle, market mechanisms ensure a variety of suppliers and goods, making regulation undesirable (Veljanovski, 2010). In the review of merger proposals, competition authorities weigh the impact of the merger firm on total welfare for society (Van Rompuy, 2012).

Second, sector-specific regulation, i.e. media policy, usually aims at safeguarding pluralism, for example, by means of restrictions to media ownership or measures to provide counterweight such as public service media (Polo, 2007). One of the dominant paradigms within media policy is grounded in the public interest (Van Cuilenburg & McQuail, 2003) and builds upon the principles of the public sphere (Iosifides, 2011). However, there is little agreement on what the public interest entails, how it can be delineated and,

crucially, how best to measure it (Feintuck, 2010).

Empirical research revolves around the impact of national and international regulation on consolidation of ownership in media markets, for example, the neoliberal transformation and globalisation in the early 1980s; WTO agreements in 1997 (Jin, 2008); the 1996 Telecommunications Act in the USA (Berry & Waldfogel, 2001; Chambers, 2003; Chon, Choi, Barnett, Danowski, & Joo, 2003; Greco, 1996); and Australia's 2006 media ownership rules (Pusey & McCutcheon, 2011). From a firm perspective, case law of specific mergers can be found, for instance, with regard to *Time Warner* and *Turner Broadcasting* (Suzuki, 2009), and *Springer* and *ProSiebenSat.1* (Budzinski, 2007). Systematic analysis of merger cases in media industries that zoom in on the impact on issues like pluralism, are rare (Komorek, 2013), despite the topic gaining more attention in recent years (Valcke, Sukosd, & Picard, 2015).

1.2.5 Need for integration of fragmented research insights

The topic of consolidation of ownership or M&As is highly fragmented. The current state of the art appears to be one of opposing theoretical viewpoints, methods, and outcomes. Cottle (2003, p. 19) explains that '[t]he differentiated nature of the news field [i.e. media organisation and production] to date has been under-theorised; other powerful, countervailing forces of homogenisation have tended to attract the critical spotlight'. Küng (2016, p. 3), who sees a fragmentation of insights on strategy in the media industry, explains this as 'a function of relative newness' of the research tradition. In other words, there is a need for both theoretical and empirical development of the issue at hand: the consolidation of ownership in media industries.

I argue that a multidisciplinary research approach that brings the different research insights together provides opportunities to better understand the external (e.g. industry decline) and internal incentives (e.g. survival) that drive M&As, the underlying economic logic (i.e. rationale of efficiencies), the impact on firm performance, and how, if at all, consolidation of ownership in media industries should be regulated. All this contributes to the development of both media economics and media management (Achtenhagen, 2016; Mierzejewska & Shaver, 2014; Picard & Lowe, 2016).

1.3 Central aims and delineation of this dissertation

Given the above-mentioned reasons, I adopt a multidisciplinary approach in this dissertation with the aim to understand *why and with what purposes media firms merged in the digital era and how this was perceived by the regulatory bodies in charge*. In other words, I aim to bring causes and effects of M&As in media industries together from both a business and a regulatory point of view. The central aims of this dissertation are to further explain the following (cf. Figure 1.1): long-term market trends that caused M&As (study 1); the impact of these M&As on short- and long-term firm performance (study 2); and how competition authorities evaluate merger effects in their approvals of merger proposals (study 3).

1.3.1 Foci

In my view, conceptual and methodological ambiguity in the different disciplines involved in the consolidation of ownership derives largely from: the complexity of M&As (many different incentives and shapes), dynamics (strategies are constantly adapted), and their potential impact on a multitude of facets that relate to markets, firms, and consumers, which also vary under different conditions. Therefore, this dissertation narrows its focus on media industries to newspaper publishing and applies a financial perspective on performance to understand the business perspective (study 1 and 2). To relate to the cultural and socio-political impact of consolidation of ownership, I focus on diversity-related concerns. I broaden this focus when addressing the regulatory framework (study 3). I further legitimate my delineation choices below.

Newspaper market

Two main arguments justify the decision to focus on the newspaper industry. First, political economists' concerns concentrate on news media because of their socio-political role as information providers and opinion makers (Entman & Wildman, 1992): consolidation of economic power is seen as a proxy for opinion power, the extent to which a firm can exert control through users' exposure to its content (Baker, 2007; Komorek, 2013).

Second, newspaper publishers, like many media firms, have a natural incentive to grow large firms because of their cost structure (Busterna, 1988). High fixed costs and low marginal costs imply a need to maximise economies of scale. This is particularly challenging in small geographic markets (such as the Belgian one, i.e. Flemish, cf. section 1.5) because of limited resources (Lacy, Diddi, & Thorson, 2006), and in markets that face industry decline such as the printed press. In the latter case, supply needs to be re-adjusted to declining demand and, thus, resources. This typically results in market exits and M&As (van Kranenburg, Palm, & Pfann, 2002).

Financial performance

In addition to the cost structure of newspaper publishers that drives the growth of large firms, there are four reasons that legitimate a financial-economic perspective on M&As.

For one, rational merger incentives are assumed that enable efficiencies (cf. supra), for example cost reductions. These can be quantified with financial figures, for example, merger plans often contain financial goals with regard to profit, revenue, and costs (Gaughan, 2002), and serve as a tool to evaluate the 'success' of an M&A (Ooghe, Vander Blauwhede, & Van Wymeersch, 2012). For this reason, much attention is paid to M&A performance effects in financial accounting (Bruner, 2002).

Second, as a more fundamental point, financial control is important for managerial and strategic decision making. Sutton (2004, p. 8) states: '[a]ccounting pervades business life [...] it is described as the language of business.' The use of financial annual accounts thus provides information about the performance of a firm's business activities and reflects the internal 'language'; it gives a glimpse into the management's perspective on the business and its wider context. Like many documents generated by private or public institutions (Scott, 1990), annual accounts are made for external stakeholders of the firm and only show the tip of the 'firm-iceberg' (Ooghe et al., 2012, p. 6).

A third, and related, justification is the relationship between firm survival and financing. There are internal and external factors that influence business performance, which in the context of a declining industry may cause failure. A lack of financial control (i.e. monitoring), poor financial policy (i.e. inadequate use of financial resources) and working capital management, or high costs are examples of internal causes that relate to finance. For example, high costs, a typical issue in media industries, can arise from the inability to take advantage of economies of scale and scope, strategic disadvantages due to competition, cost disadvantages resulting from diversification, and poor management (Slatter & Lovett, 1999).

A fourth and last reason for a financial approach relates to a more general process of financialisation in society: the dominance of finance. Since the mid-1990s, there is a growing presence of financial companies such as banks, insurance companies, investors, and hedge funds in the communications industry (Hardy, 2014). As explained above (cf. section 1.2.2), this type of institutional ownership is argued to emphasise shareholders' interests in profits (Lacy & Blanchard, 2003). There is some, though not much, empirical work done on the impact of financialisation on media firms (Almiron & Segovia, 2012; Pigeon, 2011; Winseck, 2010).

Despite the relevance of financial accounting in business (Sutton, 2004), 'media finance' is a small niche within media economics (Ozanich, 2006; Picard, 2002, 2006b). Our understanding of media firm's 'business language' would benefit from a more systematic use of methods in financial accounting (cf. infra) in media industries.

Non-economic merger effects

In addition to a firm's financial-economic performance, there are various criteria to evaluate the extent to which the public interest is served by a media firm (McQuail, 1992). These public interests are also referred to as media performance and include media freedom, access, diversity, and objectivity of content (McQuail, 1992). In this dissertation, the focus is on diversity because it is a fundamental concern in the debate on the consolidation of ownership. For example, deterioration of content is assumed to be a non-economic merger effect (Mosco, 2009). Diversity is approached as a characteristic of journalistic product quality in economics and related to investments in the newsrooms of newspapers (Litman & Bridges, 1986). For example, a variety of topics/more diverse news coverage in newspapers pays off with higher circulation and advertising revenues (Li & Thorson, 2015).

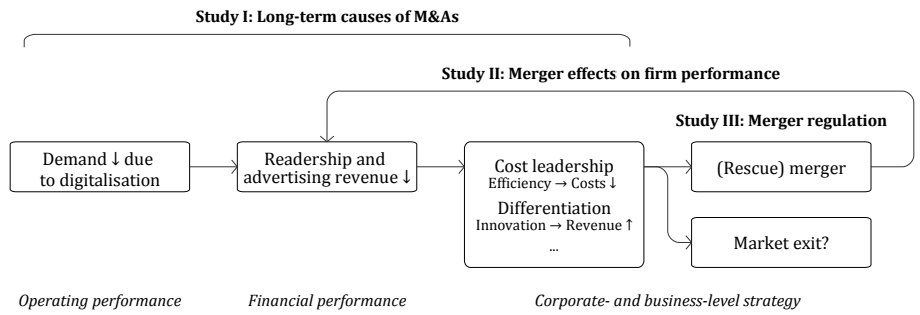
Although the scope of the dissertation is limited to the diversity of suppliers and outlets (cf. section 2.1.6), I aim to organise my analysis and elaborate on the findings in such a way that it allows me to create bridges to and make hypotheses with respect to the work of my colleagues (cf. Foreword) who conducted content and discourse analyses within the same market context (Beckers et al., 2017; Masini et al., 2017; Masini & Van Aelst, 2017; Raeijmaekers & Maeseele, 2014).

In contrast to this narrow definition of non-economic merger effects in studying the business perspective on the consolidation of ownership, I apply a wider scope in the regulatory perspective to identify the broad range of normative issues related to the socio-cultural and political concerns with the consolidation of ownership; for example, accountability (analytical depth), information (hard news), and legitimation (critical distance) (Humprecht, 2016; van Cuilenburg & McQuail, 2003).

1.3.2 Beyond the scope

In studying the causes and effects of M&As in the media industries, I also set boundaries to the scope of my Ph.D. research. For one, competition is only discussed on the sideline; more discussion on the topic would require a different focus and methodology (the difference between consolidation and competition is explained in section 2.1). Second, the impact of M&As on the production process of news content is not taken into account. This would imply inclusion of more disciplines, namely journalism studies and organisational theory, and require a qualitative approach (e.g. Boesman et al., 2015; Ferrucci, Russel, Choi, Duffy, & Thorson, 2015). I hereby elaborate upon the potential for integration of these domains in future research projects. Third, the impact of M&As on media content is left out, as this topic is covered by my colleagues in the larger project (cf. supra).

Figure 1.1 Schematisation of the dissertation's contents



1.4 Three studies on consolidation

The dissertation's answers to the research question – *why did media firms merge in the digital era and how was this perceived by the regulatory bodies in charge* – build upon multidisciplinary research insights on the causes and effects of M&As by means of three studies. Figure 1.1 shows how the three studies are related to each other and to the overall research question. Below, I elaborate on each of these studies.

1.4.1 Long-term market trends causing consolidation

The first study revolves around long-term market trends in newspaper publishing that coincided with further increases in consolidation (cf. Chapter 4). The research question – *How did traditional newspaper publishers manage to maintain sustainable businesses?* – aims to sketch the larger context and to verify whether newspaper publishing is an industry in 'crisis', by deconstructing the financing structure (i.e. profit, revenue, costs, assets, and liabilities) in the past 25 years (1990–2014). The case in point is Flanders, the Dutch-speaking part of Belgium. Such a market analysis assumes that firm behaviour, such as survival strategies, is strongly influenced by external change, for example technological advances (digitisation since the mid-1990s), economic downturn, and the level of competition. The SCP-model is used to link strategy to the market's financing, which fits in the rationalist approach in economics and strategic management (e.g. Porter, 1980; van Kranenburg, 2007).

1.4.2 Merger effects on the performance of failing firms

Based on the conclusion of the above study that M&As were a key strategy to survive through cost efficiencies in the context of a stagnating and declining newspaper industry, the second study takes a more in-depth look at the three merger cases, focusing on the financial aspects of these firms (cf. Chapter 5). A conceptual model of M&A performance effects on failing newspaper publishers is developed and empirically tested to answer the question: *Why and how did M&As between traditional newspaper publishers affect the performance and business activities of failing target firms?* The conceptual model, based on the model for news demand and the financial commitment approach (Lacy & Martin, 1998), distinguishes between static and dynamic merger effects (Crane, 2014) to explain how M&As tap into the short- and long-term needs of failing firms. A detailed comparison of these firms' financial performance pre- and post-merger is conducted and contextualised to grasp both the complexity and dynamics of merger effects. As such, an adaptive approach on strategic management is adopted that assumes a constant interaction between a firm's capabilities to change in the external environment (Bob de Wit & Meyer, 2010).

1.4.3 Media mergers through a regulatory lens

The first two studies explain the business point of view on M&As at a market and firm level. The third study takes a somewhat broader perspective by looking at the regulatory level, in particular the role of national competition authorities (NCAs) (cf. Chapter 6). In many countries, deregulation of ownership restrictions in media policy implied that merger control took over the role of ensuring pluralism (Komorek, 2013). For this reason, the focus turns to how NCAs evaluate (perceived) merger effects. To answer the research question – *To what extent are economic as well as non-economic criteria taken into account by National Competition Authorities (NCAs) in reviewing media mergers?* – I operationalise the notion of public interest by distinguishing between economic, socio-cultural and political welfare as sub goals of total welfare (van Cuilenburg & McQuail, 2003). This way, the concept of consumer welfare is used to bridge the market approach-based arguments against regulation of consolidation (Veljanovski, 2010) with public policy-based arguments pro regulation, which dominate media policy making (McQuail, 1992). The three kinds of welfare function as narratives to further develop our thinking regarding the different interests and stakeholders of media mergers.

With the first and second study, which explain the business perspective on consolidation of ownership, I aim to bring insights from micro-economics and management into media economics and media management respectively. In the third study I aim to bridge economic and non-economic concerns about media mergers from a regulation and policy perspective to clarify how economist and communications scholars together strive for total welfare. In addition to this substantive contribution, the next section elaborates how the applied methodologies contribute to academia.

1.5 Multimethod approach

Research involving M&As is fragmented, as are the methodologies applied. This is reflected in a varied range of methodological approaches across disciplines. Both political economy of communication and regulation have a strong, though not exclusive, normative research tradition. They emphasise the development of theory and the raising of awareness for normative issues through posing questions about the nature and implications of consolidation of ownership (Baldwin et al., 2010; Meehan & Wasko, 2013; Nixon, 2012).

Strategic management is strong in capturing the complexity and dynamics of M&A processes with in-depth and qualitative case-by-case analyses, for example using interviews (Bengtsson & Larsson, 2012). Quantitative studies within this discipline have become more advanced (Hoskisson, Hitt, Wan, & Yiu, 1999). Studies on M&A performance effects conducted at the market level, however, deal with conflicting findings due to a lack of conceptual and empirical uniformity (Meglio & Risberg, 2011; Risberg & Meglio, 2012).

A qualitative approach with the market as the unit of analysis is common practice in economics, in financial accounting, and to a lesser degree, in regulation. For example, the economic logic that explains market structures, the natural drive to higher levels of ownership consolidation, and individual merger effects are often empirically studied with advanced econometric analyses, which are also the backbone of competition authorities' reviews of merger proposals (Davis & Garcés, 2010; Verbeek, 2004). In regulation, case law is also applied to M&As. Such document analyses are often case-driven (Van Hoecke, 2015).

This dissertation opts for a multidisciplinary and multimethod approach by connecting statistical analyses with case studies (Goertz, 2016) from various fields of study (Repko & Szostak, 2016). I took on the challenge of further conceptualising, operationalising, and empirically verifying the causes and effects of M&As in media industries. To this end, methods and research tools and data of different disciplines are brought together to enable multidisciplinary learning. The outcome is a mixture of a finance-based longitudinal market analysis (study 1) and case-by-case M&A analysis (study 2), combined with a content analysis (study 3). Below, I further elaborate on the applied quantitative methodologies to assess the business and regulatory perspective respectively. Albeit very different, all methods could be identified as document analyses (Scott, 1990).

1.5.1 Financial (longitudinal) market and M&A analysis

The financial analyses consist of basic techniques of a financial statement analysis whereby a distinction is made between horizontal and vertical financial analysis (Sutton, 2004). These techniques are applied to the market (study 1) and firm level (study 2).

A horizontal analysis is a longitudinal comparison of financial figures; it gives information about the direction and scale of annual change. In Belgium, the (publicly available) financial accounts are standardised to ensure this longitudinal comparability (Ooghe et al., 2012). Such a longitudinal approach (of the same sample of firms) allows us to reveal long-term evolutions and trends (including trend breaks) at the market level (e.g. Deleersnyder, Geyskens, Gielens, & Dekimpe, 2002) and the presence and direction of causal relationships (Greene, 2003). At the firm level, it captures organisational learning: The M&A process is dynamic because strategies are an iterative process of trial and error whereby firms learn from their past experiences (Bengtsson & Larsson, 2012). The combination of both levels of analysis makes it possible to relate the firm-level process to contextual (i.e. market) factors (Reus, Ellis, Lamont, & Ranft, 2012).

A vertical financial analysis reveals the structure of financial accounts in a book year (Ooghe et al., 2012). For example, how much assets are financed with debts, or more generally, the structure of operating costs (e.g. consisting of raw materials, goods provided by third parties, and remuneration) and assets (e.g. tangible and financial assets). Such vertical analysis reveals structural shifts at the market level and provides valuable insight in a firm's health: the extent to which it is able to fulfil its short-term and long-term obligations when they fall due (i.e. liquidity and solvency). These balance-sheet based financial figures are important because it touches upon the very fundament of firms: how business activities are financed (Sutton, 2004). However, the bulk of studies on M&A performance effects focus on what business activities deliver, for example, as quantified with profit and revenue (Meglio & Risberg, 2011).

To apply these financial analyses, I build a unique and highly detailed database of economic and financial data. This database is the fundament of the first two studies (for an extensive explanation, cf. section 4.4.3 and 5.4.2). The data range from 1990 to 2014, a 25-year period that includes the rise of digitisation (from the mid-1990s onwards). Taking as a case in point a small geographic market, Flanders, the Dutch-speaking part of Belgium (Biltereyst & Van Gompel, 1997), enables in-depth contextualisation of the findings while controlling for a specific cultural and historical context.

The methodology I developed adds to the toolkit of media researchers and aids our understanding of media firms' 'business language', which contributes to the niche of media finance (cf. section 1.3.1). The combination of a longitudinal methodology combined with case studies taps into what

are considered as current research needs in media economics and management. Business history is valuable 'because of the opportunities it offers for capturing learning from the past and seeing retrospective patterns' (Küng, 2016, p. 208). Therefore, Picard and Lowe (2016, p. 65) argue: '[...] we need fewer snapshots and more observation that is long term and in depth' in research on the survival of legacy media firms. The authors stress the need for improvement of methods and greater emphasis on the contextualisation of findings as our understanding is shaped by 'historic contexts and conditioned experiences' (2016, p. 69).

1.5.2 Claim analysis of regulators' perspective

For the study on the regulatory view on (presumed) effects of mergers, I use a particular form of content analysis; a widely used methodology in communications (Krippendorff, 2013). A claim analysis is applied (Koopmans, 2002) with the aim to explore what arguments are weighed by NCAs in their formal decisions about a selection of merger cases and what type of welfare they reflect. An instance of claim-making, or a claim, is defined as a unit of strategic action in the public sphere (Koopmans, 2002). It consists of the expression of an explicit opinion by some form of physical or verbal action, regardless of the form this expression takes (e.g. a formal decision or via a market interrogation) and of the nature of the actor (e.g. a political or economic actor, or agent).

Consistent with the aim to gain a better understanding of non-economic merger effects (cf. section 1.3.1), horizontal and vertical merger cases are taken into consideration because each relate to different welfare-issues in specific media industries (Feintuck, 2010). In other words, the research scope is broadened from horizontal M&As in the newspaper market to various kinds of integration in the publishing and audio-visual sector. Merger cases in Belgium and the Netherlands are selected because the media industries are interwoven, and such comparative approach puts the Belgian (or Flemish) case into perspective.

1.6 Outline of the dissertation

The dissertation's contents are split into two main parts. Part one provides background information on key concepts and the main (economic) theoretical concepts (chapter 2). To this end, I aid multidisciplinary understanding between communications scholars and economists. Next, the transition of newspaper industries is sketched since the rise of digitisation. The Belgian (i.e. Flemish) market is also introduced, the case analysed in the first two studies (chapter 3). The second part of the dissertation contains the contributions, the three studies, which can be read independently (chapter 4 to 6). The implications of the findings of the three studies altogether are discussed in the last chapter (7). Here, I aim in to integrate economics and communications with a theoretical reflection and to provide further directions for the news(paper) industry and regulation. Additionally, the main takeaways and key findings of this dissertation can be found in the summary (both in Dutch and English).

Part I

BACKGROUND

2 Consolidation of media ownership

A multidisciplinary approach requires an alignment of terminology and the creation of a common understanding of basic theoretical concepts. In doing so, this chapter serves as a stepping stone to the next chapters. Mergers, consolidation of ownership, diversity, and competition are defined and explained through the lens of communications and economics. Relationships between these key concepts are discussed by means of the structure-conduct-performance (SCP), Steiner, and Hotelling model. These are, in part, applied to media industries in the concept of 'media performance'. The last section provides a brief overview of concerns regarding ownerships consolidation from a communications perspective.

2.1 Key concepts and terminology

2.1.1 Ownership and control

Ownership is essentially about having the ownership over something; the ownership of a firm by means of shares in the hand of shareholders. Ownership is often conflated with control but is not necessarily the same. First of all, this depends on the form of the business organisation (i.e. sole proprietorship, partnership, limited liability company, or a corporation) (Sutton, 2004). The (investigated) Flemish media firms are limited companies by shares (i.e. SA/NV) (cf. section 3.4). In general, a shareholder is 'only liable for the nominal (or par) value of the shares he has subscribed for'; a share is a 'proportionate interest in the net assets of a company' (Sutton, 2004, p. 359). A (ordinary) shareholder holds the right to proportionately share in the firm's revenue, management, issue of new shares, and its assets if the firm is liquidated (Sutton, 2004, p. 360). If a company is publicly traded, these shares can be transferred without any hindrance. This only applied occasionally to the Flemish case: *Concentra* was listed from 2000 to 2001 (De Bens & Raeymaeckers, 2010). In Europe, the principle one share-one vote is commonly applied. However, if differential voting rights are issued a share might not have voting right. In the latter case, a shareholder cannot exercise control in shareholder meetings (Sutton, 2004).

The term separation of ownership and control within organisations relates to corporate governance (Fama & Jensen, 1989). It implies a distinction between those responsible for the day-to-day management of the business operation and the firm's shareholders. This can be arranged in different ways. Conflicts arising from the interest of employees, managers, and owners in control mechanisms are, for example, theorized with the principal-agent principle, which is based on the theory of the firm (cf. Pacces, 2012). The focus of this dissertation is on ownership, while control falls outside of its scope.

2.1.2 M&As, consolidation, and restructuring

Following Gaughan's (2007, p. 12) definition, '[a] merger is a combination of two corporations in which only one corporation survives and the merged corporation goes out of existence. In a merger, the acquiring company assumes the assets and liabilities of the merged company'. In other words: A + B = A, where firm B is merged into firm A. In a subsidiary merger the target firm becomes a subsidiary of the parent firm. An acquisition is 'the purchase of an entire company or a controlling interest in a company' (Gaughan, 2007, p. 601). In other words, an acquisition is different from a merger based on the amount of control and ownership gained: partial and full respectively. A takeover is a vague term, according to Gaughan, and it is

used in both a positive and negative context (e.g. friendly versus unfriendly merger) (2007, p. 12).

Consolidation is different from a merger. Gaughan (2007, p. 12) explains consolidation as 'a business combination whereby two or more companies join to form an entirely new company. All of the combining companies are dissolved and only the new entity continues to operate'. In this case, A + B = C, where C is a new firm. In corporate financial accounting, consolidation indicates that 'the balance sheet of the parent company [...] and its subsidiary companies (those over which it has management control, usually represented by a majority of shareholding) have been combined' (Sutton, 2004, p. 22). This is also referred to as consolidated (annual) accounts.

Merger and consolidation are often used interchangeably in the field of M&A (Gaughan, 2007). Therefore, merger or M&A are used as synonyms in this dissertation if the unit of analysis is the firm and if no reference is made to a specific form.

Different from external firm growth, firms may sell off assets as part of a corporate restructuring. Divestitures, spin-offs, and equity carveouts are examples of corporate restructuring and can be motivated by a strategic reorientation (e.g. refocus on its core business) or poor financial performance (Gaughan, 2007, p. 18). Restructuring is also used to refer to reorganisations, i.e. those changes in an organisation's structure (e.g. departments) that do not affect the legal structure (like corporate restructuring) but that has a specific meaning in relation to bankruptcy (Gaughan, 2002, p. 453). Furthermore, restructuring as used in the context of corporate turnarounds, means retrenchment or restructuring of financing (i.e. liabilities) and retrenchment of costs and assets (Schweizer & Nienhaus, 2016) (cf. section 5.2.2). In this dissertation, divestiture is used to refer to the sell-off of assets. Restructuring is primarily used in a financial context. When used for changes in the organisation's (non-legal) structure, it is referred to as organisational restructuring.

2.1.3 Horizontal, vertical, and diagonal mergers

Mergers are generally categorised in three groups: horizontal, vertical, or conglomerate (Gaughan, 2007), which refer to horizontal, vertical, and diagonal integration in the value chain respectively (Compaine, 2000, pp. 547–550; Doyle, 2002a). A combination of two competitors is a horizontal merger (Gaughan, 2007, p. 13) and involves expansion of related business activities, possibly in the same stage in the value chain (Doyle, 2002a, p. 4). It is also referred to as unilateral mergers. Antitrust concerns with regards to horizontal integration include, amongst others, direct or indirect (i.e. lowering of quality or volume) price increases above competitive level (Motta, 2005), which is assumed to affect content diversity (van Cuilenburg, 2007).

Vertical mergers imply a 'buyer-seller relationship' between two firms (Gaughan, 2007, p. 13) and involves expanding either 'forward' into succeeding stages or 'backward' into preceding stages in the supply chain (Doyle, 2002a, p. 4). Vertical integration might become problematic because of the control over gatekeeping positions in a market which, in turn, may affect the accessibility of content for users (Hewitt, 2003; Röder, 2007; Ungerer, 2014), or may exclude competitors in upstream markets (i.e. input foreclosure) or downstream markets (i.e. output foreclosure) (Motta, 2005, pp. 372–374), for example by means of exclusive contracts with suppliers or customers (Röder, 2007).

If the two combined firms are not competitors and do not have a buyer-seller relationship, it is a conglomerate merger (Gaughan, 2007, p. 13). From a firm perspective, such diversification strategy (or lateral expansion) involves entering new businesses or markets that are not-related. These 'cross-media' mergers (van Cuilenburg, 2007, p. 49) became popular mid-1990s. Convergence, as enabled by digitisation, and deregulation of (cross-) ownership rules, stimulated this development (Wirtz, 2001). One of the concerns is that such revenue-enhancing synergies could pose a threat to cultural diversity (Van den Bulck, 2000). The 'bigger is better' strategy reached its turning point after failure of several large diagonal mergers (e.g. AOL-Time Warner) at the beginning of the 21st century. The term 'deconvergence' is coined to refer to the split-off or spun-off of operations or business activities (Jin, 2011, p. 170).

2.1.4 Joint ventures, strategic alliances, and agreements

M&As enable a high level of control but also require commitment (e.g. integration) and involve the considerable risk that they may not pay off. Forms that require less commitment are (in descending order): joint ventures, strategic alliances, and contractual agreements (Gaughan, 2007, p. 251). Flexible forms or 'teaming arrangements' have become increasingly important, also in media industries (Mosco, 2009).

A joint venture is a combination of two or more firms in 'a temporary partnership or consortium for the purpose of capitalizing on some opportunity. Often, the two or more sponsoring firms form a separate organization and have shared equity ownership in the new entity' (David, 2011, p. 156). This strategy can function as an alternative in cases where legislation restricts further consolidation of ownership (Picard, 2002, p. 203).

Strategic alliances are often 'partnerships that exist for a defined period during which partners contribute their skills and expertise to a cooperative

project' and are different from joint ventures because the firms involved 'do not take an equity position in one another' (A. A. Thompson & Strickland, 2001, p. 174). Daidj and Jung (2011, p. 39) argue that strategic alliances between rival companies ('co-opetition'), tactical co-operation, and (cross-) investments are increasingly important means to sustainably control the market and safeguard access to resources. This network of ties between companies, or competitors, in media industries is more dense than ever before, according to the authors.

Contractual agreements, 'a simpler alternative to an alliance or joint venture' (Gaughan, 2007, p. 519), include 'research and development partnerships, cross-distribution agreements, cross-licensing agreements, cross-manufacturing agreements, and joint-bidding consortia' (David, 2011, p. 156). Examples in media industries are merchandising, product placement (Mosco, 2009), the distribution of newspapers (Hendriks, 1999).

2.1.5 Market or industry concentration

The number of participating agents (buyers and sellers) (Uzunidis, 2016, p. 205), or independent firms, in a market or in an industry determines the level of concentration (Belleflamme & Peitz, 2010, pp. 91–92; Compaine, 2000, p. 558). Thus concentration is 'the degree to which the largest companies in the same product market and geographic market control the economic activities in that market' (Picard, 1989, p. 119) and can be viewed as a characteristic of a market's structure (Albarran, 2010, p. 47) (cf. section 2.2.1). Concentration is also, more generally, explained as 'the extent to which activities belong to the same owner or fall under the same control' (McQuail, 1992, pp. 87–88). Market concentration that results from horizontal, vertical, and diagonal integration (cf. supra) is also referred to as horizontal, vertical, and diagonal concentration in media industries (van Cuilenburg, 2007, p. 35). The terms vertical and diagonal concentration seem uncommon terms in economics because concentration has a specific meaning in the context of horizontal mergers (horizontal or vertical differentiation would be used instead).

The intention of a merger is to gain more control through more market power. Market power refers to 'the ability of a firm to raise price above some competitive level – the benchmark price – in a profitable way.' (Motta, 2005, pp. 40–41). Each kind of merger increases market power in specific ways (cf. section 2.1.3). Concentration is one such factor for horizontal mergers, and thus, it is commonly used as an indicator of a mergers' impact, for example, on prices. Motta (2005, p. 235) explains:

> **Other things being equal, the larger the number of independent firms operating after the merger the less likely it is to be detrimental to consumers [...]. The intuition for this result is straightforward, as the ability of merging firms to exert market power clearly depends on the number of rivals. In the case of a merger to monopoly, for instance, the new firm will not face any restraint from competitors in its pricing decisions. At the other extreme, in an industry which is extremely fragmented and which each firm has only tiny market shares, the impact of a merger on the market price will be irrelevant. This gives us a rationale for using a concentration index, such as the Herfindahl-Hirschman Index (HHI), as a first screening device for the unilateral effects of mergers [...].**

The commonly used Herfindahl-Hirschman Index (HHI) is thus a measure for market concentration that results from horizontal mergers. This and other indicators of market power that result from vertical and diagonal mergers are further explained below (cf. section 2.1.7).

The term market or industry concentration is used in both economics and regulation because it derives from industrial organisation economics (cf. section 2.2). Within the field of communications, media or press concentration (Baker, 2007; Compaine, 2000; Furhoff, 1973; Noam & International Media Concentration Collaboration, 2016; Picard, Winter, McCombs, & Lacy, 1988; Sánchez-Tabernero & Caravajal, 2002; van Cuilenburg, 2007) and consolidation of ownership (Blankenburg, 1985; Chambers & Howard, 2006; Cooper, 2013; Fan, 2013; Jin, 2011; Kunz, 2007; Sjøvaag, 2014; van Kranenburg, 2001) are used interchangeably in reference to market or industry concentration. This dissertation prefers the term consolidation of ownership in reference to the market level so as to capture a broader interpretation. Concentration of ownership is exclusively used to refer to the specific meaning within industrial economics.

2.1.6 Diversity

In communications, 'media concentration' is sometimes broken down into concentration of media ownership, of content production, and of audiences (De Ridder, 1984), and is perceived as the inverse of diversity (van Cuilenburg, 2007). However, diversity is interpreted in many different ways and various terms and measures are used, which may lead to different, if not conflicting, outcomes. To illustrate, Winseck (2008, p. 36) questions how analyses of the level of market concentration in media industries leads to contrasting conclusions and concludes:

> **The answer is that they look at different things. Those who see more competition tend to focus on numerical diversity, or the number of available channels in any given area. Those who see greater consolidation, in contrast, usually consider source diversity, a measure of the number of media owners in any given market. As Murdock observes, '[i]t is possible to greatly increase the number of channels ... without significantly extending diversity. More does not necessarily mean different'. (1982, 120)**

A common understanding of theoretical concepts and their operationalisation, as stressed in the introduction of this chapter, is not just essential for research, also for public debate on consolidation of ownership.

According to Karppinen (2007, p. 3), media diversity refers to 'heterogeneity on the level of contents, ownership, outlets, or any other aspect of the media deemed relevant'. In discussions about media performance (cf. infra) and media policy, media diversity is often interchangeably used with media pluralism (Freedman, 2008), which is understood as 'a broader socio-cultural and evaluative principle [...] referring to the acknowledgement and preference of such diversity, which also requires some schematization of this relationship to democracy or other societal values' (Karppinen, 2007, p. 3). Raeijmaekers and Maeseele (2014, pp. 1050–1051) view diversity and pluralism as two dimensions of plurality which differentiate based on their ontic/ontological distinction, they explain:

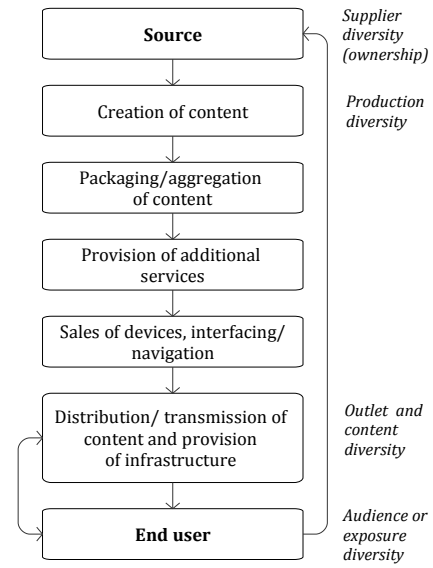
> **On the one hand, 'diversity' has to be located on the ontic dimension of the social, as it regards mere physical or empirical differences, such as the range of identities and concerns (differences *within* society). On the other hand, 'pluralism' has to be located on the ontological dimension of the social: It regards ideological differences, such as discursive practices and strategies in the (re)production of identities and concerns (differences *about* society).**

Based on this explanation, this dissertation prefers the use of diversity in the context of ownership.

Different typologies of media diversity exist. For example, Napoli (1999, p. 10) distinguishes three primary components (with subcomponents): source diversity (ownership and workforce diversity), content diversity (format or program-type diversity, demographic diversity, idea or viewpoint diversity), and exposure diversity (horizontal and vertical). In this dissertation, van Cuilenburg's typology (cf. 2007, p. 36) is applied to the reconfigured value chain for media content production to distinguish between different types of media diversity (cf. Figure 2.1). This value chain is highly simplified but is a helpful tool (a more detailed value chain for newspaper publishing is explained in section 3.2).

Supplier diversity, as linked to the source, is explained as the number of different companies in a media market and the degree to which they are able to control the market (i.e. ownership). Production diversity, the 'degree to which journalists, editors and programme makers are able to take editorial and/or programming decisions' independently and autonomously from the owners (van Cuilenburg, 2007, p. 37), is linked to the phase where content is created or produced. Outlet diversity refers to the different channels or windows that can be used in the distribution phase to transmit media content to the end user. Diversity of content, also related to this phase, can be approached based on the issues, actors, and viewpoints in media content,

Figure 2.1 Value chain for media content



Note: Figure adapted from: Doyle (2013, p. 20); Hewitt (2003, p. 96); Van Oranje-Nassau, et al. (2011, p. 9); Daidj and Jung (2011, p. 46); Picard (2002, p. 34); and van Cuilenburg (2007).

or the coverage of news stories (Masini et al., 2017; Masini & Van Aelst, 2017). From the demand side, the distribution of audience's preferences for media outlets is coined as audience diversity (2007, p. 37). Exposure diversity is related to audience diversity but goes one step further; it is about the diversity 'as received' by a user. In other words, whether one is actually exposed to a variety of content (Napoli, 1999, p. 24).

Apart from deconstructing the different types of diversity, a more fundamental question is what is considered as 'diverse' or heterogeneous. For example, van Cuilenburg (2007) distinguishes between open diversity, the 'extent to which the supply of media content equals a statistically uniform distribution' (p. 50), and reflective diversity, the 'extent to which the supply of media content matches the preferences of the audience' (p. 40). In other words, open diversity is about equal coverage of content categories in the media while reflective diversity is about the reflection of audiences' preferences in the media.

Another dimension in the analysis of diversity relates to within or between subjects. External diversity refers to, for example, content diversity between media outlets, while internal diversity refers to diversity within a media outlet (McQuail & van Cuilenburg, 1983).

2.1.7 Measurement of ownership consolidation and diversity

Consolidation of ownership within a defined product market and geograph-

ic market (based on substitutability) (Compaine, 2000, pp. 550–551) can be measured with various indicators. For the measurement of horizontal integration, the number of owners and outlets can be used, as well as concentration ratio's (CR4 or CR8, based on market share or audience share), the Herfindahl-Hirschman Index (HHI), Lorenz curve, and Gini Coefficient (Compaine, 2000; Doyle, 2002a; Noam, 2009; van Cuilenburg, 2007). Rules of thumb, based on the Concentration Ratio's or HHI, are used to identify the type the level of market concentration (e.g. unconcentrated, moderately concentrated, and highly concentrated) (cf. Albarran, 2010, pp. 48, 57; van Cuilenburg, 2007, p. 48).

For the measurement of vertical integration, Noam (2009, pp. 47–49) suggests the Participation Index (PI) and Company Power Index (CPI). Measures for diagonal integration are the Media Ownership Concentration and Diversity Index (Noam, 2009, p. 415), Hill Index (Hill, 2006), Sector Share Index and Local Concentration Index (Noam, 2009, p. 49). In public policy, various national media regulators have developed measures to indicate market power across different media markets. For example, the US 'diversity index' (Hill, 2006), the UK 'plurality test' (Collins & Cave, 2013; Ofcom, 2012), Italy's 'integrated system of communication', the German 'diversity of opinions' approach) (Just, 2009), and the Dutch 'news market' (Lauf, Negenborn, & van der Burg, 2011; Lefever, Wauters, & Valcke, 2012). The diversity index of the Federal Communications Commission1 has been heavily criticized (Hill, 2006) and could best be considered as a measure for horizontal integration.

At least two general indexes can be applied to diversity measures: Simpson's Diversity Index and Information theory measure (i.e. Theil's Entropy index). The choice for one of these indexes depends on what is considered as 'diverse' (cf. supra) (McDonald & Dimmick, 2003; van Cuilenburg, 2007).

2.1.8 Competition

In industrial economics, competition is broadly conceptualised in terms of buyers' and sellers' behaviour, their 'independent striving for patronage by the various sellers in a market', or in terms of market structure (Scherer & Ross, 1990, p. 15). Competition is thus explained as a function of the market structure (i.e. structuralist approach) and of strategic behaviour of market players (i.e. behavioural approach) (Uzunidis, 2016, p. 209) (cf. section 2.2). Media economists define competition as 'the degree to which competitors compete for the same resources' (Albarran, 2010, p. 47) or 'rivalry' among suppliers and consumers in a market (Picard, 2002, p. 253), which derives from the number of companies in a market and the type of products by

1 https://www.fcc.gov/general/2010-media-ownership-studies#block-menu-block-4

those companies (Dimmick, 2006, p. 345).

So far, different terminologies of key concepts are discussed. The next sections focus on the relationships between these key concepts through different theoretical lenses.

2.2 Structure-conduct-performance (SCP) model

The structure-conduct-performance (SCP) model is a neo-classical theory in industrial organisation economics that explains competition in markets (Uzunidis, 2016). The traditional model was developed by Bain (cf. 1959) and Mason (cf. 1949), all of the Harvard School. A renewed version ('new' industrial organisation) was brought forward by the Chicago School between 1980 and 1990 (cf. Tirole, 1988); game theory and econometric modelling (i.e. empirical test of theoretical propositions) were brought in. The latter is discussed in this section based on Uzunidis (2016).

The SCP-model explains competition as a function of the market structure (i.e. structuralist approach) and of strategic behaviour of market players (i.e. behavioural approach; CSP-model) (Uzunidis, 2016, pp. 206, 209). It postulates that market structure influences conduct, or organisational behaviour which, in turn, is an important determinant of firm performance in a particular industry or market. The model's causality can flow in the opposite direction too: performance can affect conduct, and both can influence the market structure (i.e. feedback). The functioning of the market should be analysed in the context of the basic conditions: the physical, legal, social, and economic environment, which addresses characteristics that relate to the supply side (i.e. production technology, raw materials, life span of products, and cost structure) and to the demand side (e.g. price elasticities and revenue, product substitution, growth rate of demand, and conditions for commercialisation) (Uzunidis, 2016, pp. 204, 206). The next section further explains how firms gain and reinforce competitive advantage from market structure, how they adapt their behaviour to it, and how all this translates into (market) performance (cf. Figure 2.2).

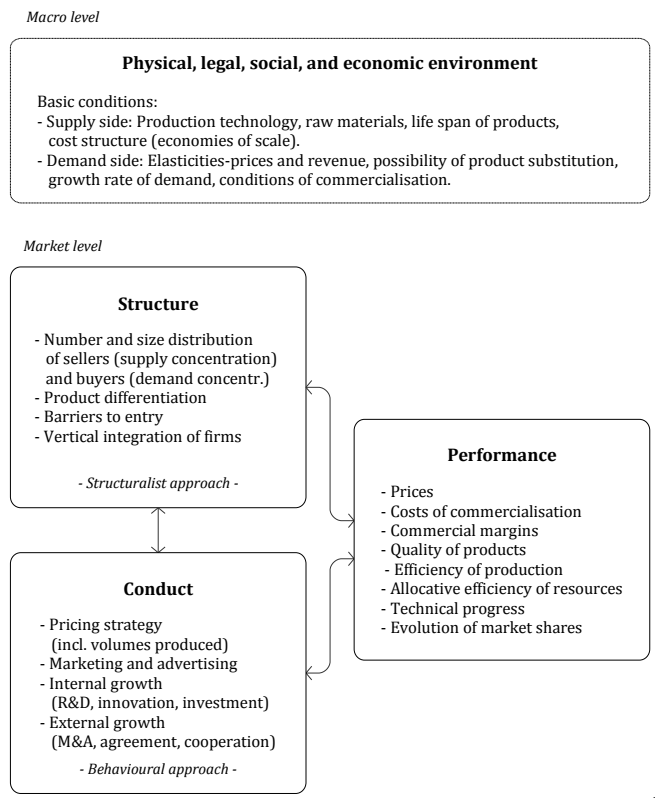
2.2.1 Market structure

The structure of a market, a characteristic of the market organisation, influences the nature of competition and pricing inside a market. This market structure is commonly described with: the number and size distribution of sellers (supply concentration) and buyers (demand concentration), product differentiation, barriers to entry, and vertical integration of firms (Uzunidis, 2016, p. 206).

Number of sellers and product differentiation
The theory of the firm (cf. Tirole, 1988), an elaboration of the SCP-model, brought forward a classification of market structure that is based on a two-dimensional model (Scherer & Ross, 1990, p. 17). The first dimension is the number of suppliers and the second dimension the degree of product differentiation. Six types of market structure are distinguished, each associated with different competitive dynamics : a (multi-product) monopoly, (homogenous or differentiated) oligopoly, perfect competition or monopolistic competition (Scherer & Ross, 1990). Applied to media industries, daily newspaper markets have been classified as monopoly and radio or television broadcasting as oligopoly in the US context (Chambers & Howard, 2006).

The degree of substitutability of the products or services offered by competitors determines whether a product is homogenous (perfectly substitutable) or heterogeneous (imperfectly substitutable). In case of the latter, consumers prefer a certain product over rival products because of its particular characteristics (Scherer & Ross, 1990). Substitutability between two products is generally measured with cross-price elasticity (Uzunidis, 2016) (e.g. SSNIP test in antitrust, (Motta, 2005). For example, demand is considered inelastic when it does not fall in response to price increase. This used to be the case in the newspaper market (Picard, 1991; Lewis, 1995) and implies competitive advantage for firms that are established on the market (incumbents) compared to potential entrants (Uzunidis, 2016).

Figure 2.2 Structure-conduct-performance (SCP) model



Note: SCP-model according to the 'new' industrial organisation approach (including 'feedback') (Uzunidis, 2016).

Barriers to entry
In the traditional SCP-model, barriers of entry are an essential element and can derive from economies of scale, product differentiation, advantages of absolute cost, and regulation. More generally, barriers 'are determined by the advantages enjoyed by firms established on the market, compared with potential entrants' (Uzunidis, 2016, p. 203).

Economies of scale 'mainly originate in the indivisibility of production processes so these are, therefore, naturally dependent on the specificity of the technology used' in a market (Uzunidis, 2016, p. 202). It implies that the costs of producing one extra unit (marginal costs) are lower than the average costs. Incumbents can reduce their average costs by increasing the scale of their production to an optimum, which implies a disadvantage for new market entrants. If a new entrant does enter the market, it may lead to surplus of supply, which brings down the price, possibly below the marginal cost. For these reasons, entry is not desirable for incumbents. According to Uzunidis (2016), considering technology as one of the basic conditions creates technological determinism.

Market structure-related barriers of entry such as differentiation provide firms in a market with competitive advantage; a secondary characteristics of goods. The behavioural perspectives speak of barriers to mobility. This perspective departs from strategic groups of firms which are segmented based on the basic/primary characteristics of goods. Uzunidis (2016, p. 208) explains:

> **The entrant is not obliged to enter into a certain group, access to which assumes an expertise that is expensive to acquire, namely very high sunk costs. It can choose to join, temporarily or on a long term basis, another group that is additional or related to that which it is targeting, if this additional or related group requires fewer sunk costs or/and if this entry strategy increases the probability of success in joining the initially targeted group. Thus the prudent entrant chooses an incremental entry process, linked to a cumulative logic based on learning and the gradual acquisition of new skills. This is a sequential entry process.**

In other words, a barrier of mobility derives from the firm's capabilities to adjust to the market situation.

2.2.3 Conduct

Conduct refers to the behaviour of firms to adapt to the market, this can be done with various 'strategic weapons': pricing strategy (including the volume of the product), expenditures in marketing and advertising, internal growth (e.g. research and development, innovation, and investment), and external growth (e.g. M&As, agreements, and cooperation) (Uzunidis, 2016, p. 206). Strategic behaviour is not the strongest component of the SCP-model, it is explained by measurement problems (Uzunidis, 2016, p. 210):

> **Many have refused to enter the debate on the role of strategies and have taken refuge in a purely quantitative approach by trying to explain econometrically the links that exist, no longer between the different elements of the S-C-P sequence but between the elements of the S-P chain.**

The work of Porter (1980), for example the five forces model, is considered a 'refinement' of the SCP-model, the author contributed significantly to the study of strategic management: 'Porter's framework specifies the competitive structure of an industry in a more tangible manner, as well as recognizes (albeit limitedly) the role of firms in formulating appropriate competitive strategy to achieve superior performance' (Hoskisson, Hitt, Wan, & Yiu, 1999, p. 426).

According to Porter (1979), a firm's profitability is determined by the joint strength (or weakness) of rivalry between an industry's competitors, the bargaining power of suppliers and customers, and threats from new entrants and substitutes. He defines three generic strategies to deal with competitive forces: cost leadership, differentiation, and focus. Differentiation and cost leadership benefit from the strategic advantage of uniqueness as perceived by the customer and from a low-costs position respectively, and both can be applied industry-wide. Focus on a particular target group or (product or geographic) market segment can benefit from both strategic advantages but these cannot be broadly applied. Application of strategies depends on an industry's specific context (Picard, 2004), including market structure and life cycle stage (cf. section 2.4.1).

In addition to Porter's work, the resource-based view is another elaboration on the SCP-model (cf. Barney, 2001; Conner, 1991; van Kranenburg, 2006), which also have been integrated and applied to media markets (e.g. Huang & Sylvie, 2010). However, this organisational theory is not further discussed as it falls outside of the scope of this dissertation (cf. section 1.3.2).

2.2.3 Performance

Performance, the result of structure and conduct, concerns the efficiency of the market and 'the way in which profits are distributed in society'(Uzunidis, 2016, pp. 203–204), in other words: social welfare. Criteria to evaluate a market's performance include: prices, costs of commercialisation, commercial margins (i.e. profit), quality of products, efficiency of the production (i.e. static efficiency, products are produced in the least expensive way given the available set of technologies), allocative efficiency of resources, technical progress or the improvement over time of products and production techniques (i.e. dynamic efficiency), and the evolution of market shares (Uzunidis, 2016, pp. 206–207).

Financial performance

According to Uzunidis (2016), performances are almost always indicated with a profit-indicator. From a financial perspective, one of the foci of this dissertation, profit is only one element of the business cycle. A firm raises capital to finance its business; investments are made with this capital in long-term resources with the aim to make a profit as a result of operations. These profits are used to reward the providers of capital and to finance reinvestments (Sutton, 2004, pp. 2–3).

A firm can use liabilities, for example long-term debts, and shareholder funds to finance its assets. The composition, as measured with liquidity and solvency ratios, affects the risk and value of the business and is also referred to as the financial structure. Profit or loss (P/L) is considered a measure of financial performance; it is a (rough) proxy for the value added or subtracted by the firm's operations during a period (Sutton, 2004, p. 574). In other words, the financial structure is the foundation for a firm's financial performance. Basic financial statement analyses, as commonly applied to for analysis of merger firms, consists of profitability, liquidity, solvency, and activity (e.g. effective use of assets) (Sutton, 2004; J. L. Thompson & Martin, 2010).

This dissertation stresses the importance of looking beyond profits to understand the impact of the consolidation of ownership. For example, there are contradictory findings about the relationship between public ownership and profits (Blankenburg & Ozanich, 1993; Lacy & Blanchard, 2003). Publicly-traded firms are assumed to have a strong profit-orientation to satisfy shareholders. However, a counter-argument is that the price for their expansion drift, debts, enforce a more conservative business operation (An, Jin, & Simon, 2006). This underlines the importance of taking a firm's financial structure into account.

The SCP-model has been criticised for being too rigid and simplistic, but at the same time, it is still considered a useful analytical tool to provide an overview of a market and suggest possible strategic solutions at the operational level (Uzunidis, 2016).

2.3 The SCP-model applied to media industries

The previously discussed SCP-model is further explained in this section; how it is interpreted by communications researchers and applied to media industries. These are the basics for the next section in which SCP-based models are presented that explain the relationship between consolidation of ownership and diversity.

2.3.1 Market characteristics of media industries

Particular characteristics of media goods and of the production process are commonly recognised as drives of higher levels of ownership consolidation(Baker, 2007; Doyle, 2013). First, the blurring of boundaries between different geographic markets and product markets, caused by globalisation and convergence, have enabled media companies to better exploit the economies of scale and scope (Doyle, 2002a). The cost structure of the production process of media content is characterised by high fixed costs (or 'first copy' costs) but low marginal costs. Hence, the presence of these economies of scale and scope (the latter can be achieved when a firm can produce multiple products with joint activities) imply that media need a certain size in order to ensure the most cost-effective possible use of resources, and hence, keep their business viable (Doyle, 2002b).

Second, large capital investments are needed to cover 'sunk costs', the initial costs for a start-up or growth (Picard, 2002). This does not only apply to new entrants but also to market players that need to keep up with technological changes in the communications sector by launching new products and entering new markets or market segments. This requires heavy investments in technology, for example in networks and scarce frequencies (Hewitt, 2003). Mergers are one way to finance these investments (Gaughan, 2007). There is a strong tendency amongst media companies to vertically integrate their business in order to secure their return of investments. This strategy enables control of gateways to networks (e.g. cable, telephone, fibre) (Doyle, 2002a, p. 170), to set standards in the market (e.g. devices), and gain benefits from other 'first mover' effects (Hewitt, 2003, p. 84).

Third, media firms operate on two-sided market (or dual product market), where content is sold at the audience market and audiences are simultaneously sold at the advertising market (Rochet & Tirole, 2002). As (traditional) media companies partly or totally depend on advertising income, they benefit from targeting large audiences. The larger the audiences (reached), the more advertisers are willing to pay (Picard, 2002) and, hence, the higher advertising rates can be demanded by media companies. In other words, the logic of the two-sided market stimulates media firms to expand. If such expansion is realised through M&As, competition at both sides of the market is affected (cf. Filistrucchi, Klein, & Michielsen, 2012).

Fourth, a few peculiarities relate to the characteristics of media content. Media content is a 'cultural good' because its information carries meaning and can be valued by users as symbolic. Media content is also a 'public good' as it can be used over and over again (Doyle, 2013, p. 14), which causes considerable issues with regard to intellectual property rights online (Rose, 2008), for example with regards to intermediaries like social media. As media content is also an 'experience' good, users have to experience the good before they can value it. The uncertainty with regard to demand implies risks for media companies (Doyle, 2013, p. 15), for example, the failure of a television production might imply no return on investment.

Fifth, media products are also perceived as 'merit goods' that generate positive externalities for which consumers do not pay (Baker, 2006; Bush & Zimmerman, 2010). Gomery (2000, p.) explains that 'the traditional microeconomic model assumes that a decision by a firm as no external effects on another firm, but communications is a system where there are many situations where external or third-party effects are important – positively or negatively'. An example of a negative externality is harmful content on television for minors. An example of a positive externality is the media's role in serving society (Fu, 2009).

2.3.2 Strategic behaviour of media firms

As mentioned in the introduction, insights into strategy in the media industry are highly fragmented (Küng, 2016). Hence, theoretical approaches or models on merger incentives applied to media industries are somewhat rare. Three schools of thought are distinguished within strategic media management, which strongly relate to those in strategic management (de Wit & Meyer, 2010); the rationalist, adaptive, and interpretative approach (Küng, 2016, p. 49).

Within the rationalist approach, Porter's (1980) competitive strategy has been widely applied, both to media industries at large (Picard, 2004) and to specific sectors like publishing (Senfteleben, Kerk, Buiten, & Heine, 2007; van Kranenburg, 2007) and broadcasting (Murschetz, 2016). Nevertheless, Young (2000, p. 31) argues that 'there is a need to theorize in terms of firm specific behavior (conduct) and less in terms of any structural characteristics of a given industry or market'; the nature of (key) firms' market power and the likely consequences of this power require greater scrutiny.

Chan-Olmsted (2004, p. 62) developed a 'framework for analysing the drivers of strategic alliances in media industries' in which she adopts the 'industrial organization and resource-based notions of alliances' (p. 61): both the external environment and a firm's capabilities or resources shape

strategic behaviour. In other words, Chan-Olmsted's framework fits the adaptive approach. Napoli (1997) applied the principal-agent approach to develop a 'theory of the media firm' to clarify 'the complex interaction of organizational factors, including professional and ideological characteristics of the organizational members at all levels of the hierarchy, the methods of implicit control employed, and structural factors such as organisation size and ownership type' (p. 216). What is more, some work is done on strategic group interaction but this field also needs further development according to Chambers and Howard (2006).

2.3.3 Media performance

Non-economic performance

It is argued that the assessment of a firm's economic performance diverges from the criteria used to evaluate the extent to which the public interest is served (McQuail, 1992). These public interests are also referred to as media performance and include media freedom, access, diversity, and objectivity of content (McQuail, 1992). According to Gomery (2000, p. 523), there are six 'media performance norms' that include most judgements of media markets: no waste of resources (i.e. market should be efficient); facilitation of free speech and discussion; facilitation of public order; protection and preservation of cultural quality (i.e. diversity); introduction of new technologies; and to be equitable (e.g. universal access).

These norms relate to the news media's role as public watchdog and its responsibility to provide a public forum that reflects the diversity of society. Müller (2014) refers to these two mean praxes as the vertical and horizontal function of news media. For Deuze (2005, p. 452), at the heart of media professionals' social responsibility is 'multiculturalism': the recognition of cultural diversity. Hence, it is argued that product quality of media goods can be understood as journalistic 'quality', for example indicated by diversity of content. When content diversity is considered an indicator of a media product's 'quality', it can be argued that a reduction of this 'quality' poses a threat to informed citizenship and opinion formation, the very essence of the media's democratic functioning (Christians, Glasser, McQuail, Noordenstreng, & White, 2009).

Financial performance of news media

The general logic of news media's financing and how this relates to product quality is explained in two main concepts: the model for news demand and the financial commitment approach (Lacy & Martin, 1998). The model for news demand explains how journalistic product quality (e.g. diversity of content) relates positively with reader demand (e.g. circulation). As demand increases on the reader market, publishers can ask a higher price on the advertising market and, hence, enhance their revenues (Lacy, 1989). These network effects in two-sided markets (Rochet & Tirole, 2002) are traditionally referred to as the circulation and advertising spiral (Blankenburg & Friend, 1994; Furhoff, 1973; Gabszewicz, Garella, & Sonnac, 2007). Following the financial commitment approach (Litman & Bridges, 1986), journalistic product quality increases as greater investments are made in the newsroom (e.g. staff employed), which in turn, leads to more print and online readers (Cho, Thorson, & Lacy, 2004; Russi, Siegert, Gerth, & Krebs, 2014; Tang, Shrihari, Thorson, & Mantrala, 2011) and greater revenues and profits (Chen, Thorson, & Lacy, 2005). These models are the foundation of the conceptual model that is developed for the second study (cf. section 5.2).

2.4 Models on consolidation of ownership in media industries

Theoretical reflection on and development of models that explain the relationship between consolidation of ownership and diversity has been limited (e.g. Compaine, 2000; Fu, 2009; Lacy, 1989; Litman & Bridges, 1986; Noam, 2009, pp. 33–39; Picard et al., 1988; van Cuilenburg, 2007; van Cuilenburg, Kleinnijenhuis, & de Ridder, 1988). In general, three theoretical perspectives have been applied and empirically tested in media markets to examine the relationship between consolidation of ownership and diversity: the SCP-model, Steiner model(e.g. George, 2007), and Hotelling model. These are discussed in turn in the subsequent sections.

2.4.1 SCP-based causes and effects of ownership consolidation

Economies of scale, entry barriers, and convergence as key drivers

Noam (2009, pp. 33–39) developed a model of the dynamics of market concentration that explains an upward, though fluctuating, trend of market concentration. The author distinguishes three 'separate dynamics' as causes: growth in economies of scale, lowering of entry barriers and digital convergence. Economies of scale are growing because digital technology increases fixed costs (due to investments) and decreases incremental costs. As a result, average costs continue to fall with scale. Digitisation also lowered barriers of entry, the costs for electronic components declined because of innovation. Moreover, liberalisation eased market entrance, a further driver of innovation. These economic aspects of market concentration need to be explored, but the author recognises that the impacts and implications of consolidation of ownership go much further (e.g. quality of media content).

This model was based on Noam's observations in the US information sector, which went through a phase of limited media (post-second world war), to multichannel media (from the mid-1980s onwards), as enabled by

deregulation and, finally, to digital media (from the mid-1990s onwards), driven by digitisation and convergence. He formulated three hypotheses.

The first hypothesis, 'destiny to diversity', reflects an optimistic scenario and applied to the period between the 1980s and early 1990s; 'The combination of news technology, liberalized policy, and business and cultural entrepreneurship would inevitably open and diversify media' (p. 34). The second hypothesis, 'doomed to concentration', reflects a pessimistic scenario and applied from the mid-1990s onwards: 'growing economies based on digital technology in distribution and production' (p. 34) were assumed to drive media industries to a different equilibrium.

The burst of the Internet stock bubble in the early 2000s had a two-fold effect and required modification of the above hypotheses. The 'near-collapse of some markets leads some competitors to drop out and others to consolidate', while at the same time, 'previously available merger-currencies of appreciated stock evaporated' because of plummeting stock prices (cf. Soloski, 2013, 2015). According to Noam, supporters of both the optimistic and pessimistic scenario viewed the 2000s-situation as 'temporary aberrations'. The optimists viewed the increase of ownership consolidation as 'evidence of the dynamism of capitalism and of an extraordinary expansive period', while the pessimists viewed it as 'merely a hiatus, one of those crises of the capitalist economy whose function was to destabilize the industry toward further takeovers', for example, IBM was replaced by Microsoft (p. 35).

Noam's model explains that a trend towards higher levels of market concentration is a function of economies and scale (i.e. slope) and of entry barriers (i.e. intercept). Varying levels of both variables cause fluctuations in the trend line, because the following scenarios constantly alternate: higher concentration (increase of economies of scale and entry barriers), u-shaped concentration trend or curve (increase of economies of scale and lowering of entry barriers), inverted-u concentration trend (decline of economies of scale and rising entry barriers), and lowering concentration (decline of economies of scale and entry barriers) (p. 37).

Based on the assumption of a u-shaped concentration trend or curve, the author explains a three-staged cycle of market concentration (p. 37). The first stage is characterised by 'competitive entry'; low costs, and hence, entry barriers enable new entrants which cause a drop of the level of market concentration. In the next stage, competition for prices and features leads to higher costs. As a result of lower prices, costs cannot be covered and causes instability (e.g. firm failure) in the market. In this second stage, new entries are limited. In the third stage, some firms failed, others survive through consolidation. As a result, prices and profits increase again, which attracts new entrants and implies the beginning of a new cycle. The third dynamic factor in the model, digital convergence, implies that 'the mass media sector, from a relatively low level of concentration, will move to a higher level that is more similar to that of the overall information sector. It will create a steeper axis for the oscillations of the sector, de-emphasizing the down-phases and strengthening the up-phases in the process of convergence' (p. 38). In other words, the convergence trend creates greater volatility in the industry.

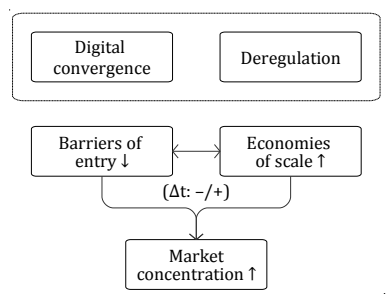
All in all, higher levels of market concentration leads to: bigger firms (in response to larger economies of scale), innovators (as enabled by low entry barriers) and specialists (who occupy a large share within a niche). According to Noam, these market players are likely to be more 'vertically disintegrated' (i.e. modulation), to combine or bundle modules into larger products and services, to cluster geographically, to further internationalise their operations, while the market will become more network-based and volatile (p. 39).

The assumed relationships in the model of dynamics of market concentration (cf. Figure 2.3) fit into the structuralist and behavioural approach of the SCP-model. Market characteristics (i.e. economies of scale and barriers of entry) and technology (i.e. basic conditions) determine the level of market concentration and affect firm's survival strategies. At the same time, the model recognises the concept of dynamic markets which implies a behavioural perspective on the SCP-model; new entrants bring in innovation (e.g. convergence) and shake up the status quo in a market (cf. infra).

Mitigating impact of ownership consolidation on social and economic forces

The 'press barometer' was developed in the Netherlands in the late 1980s based on the newspaper market, it also covered the post-war period before digitisation set off (van Cuilenburg et al., 1988). The relationship between market concentration (measured with Entropy in number of equivalents,

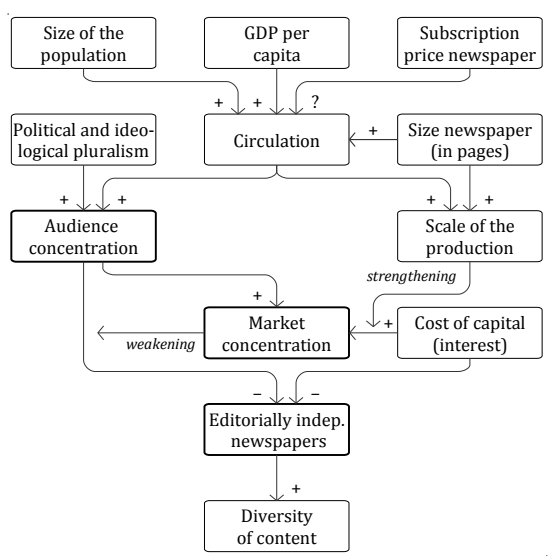
Figure 2.3 Schematisation of the 'dynamics of market concentration'-model.



Note: Schematisation of the relationships in Noam's model (2009, pp. 35-39), the arrows indicate assumed causality.

cf. van Cuilenburg, 2000, p. 67), programming diversity (i.e. number of editorially independent newspapers), and diversity of content was conceptualised and verified with econometric analyses of market data from 1950 to 1985 (cf. Figure 2.4) (definitions relate to those explained in section 2.1.6). The model clarified that the relationship is much more complex: it is neither direct, nor positive by definition. As a matter of fact, market concentration tempered the negative impact of audience concentration – unequal distribution of audience preferences' (i.e. audience shares) across the available newspapers; small newspapers became smaller and popular ones became bigger – on the (falling) number of editorially independent newspapers. Instead, the shift from ideology- to commercially-oriented newspaper demand (i.e. market segmentation) during the depillarisation of the Dutch society (Hemels, 1997), whose population and household income had grown post-war, was associated with a decline of editorially independent newspapers. In other words, demand diminished for small and 'traditional' newspapers. While these social factors increased and changed demand and led to audience concentration, larger publishers successfully implemented product differentiation strategies (e.g. tabloidisation, cf. De Bens, 2000), which contributed to further up-scaling of newspaper publishing. As a result, the industry's capital intensity went up and smaller publishers were not able to compete anymore because of financial constraints; fixed costs went up to level they could not bear. Smaller newspapers would exit the market or

Figure 2.4 'Press barometer' of the newspaper market in the Netherlands, 1950–1985.



Note: Based on van Cuilenburg, Kleinnijenhuis, and de Ridder (1988, p. 90); the arrows indicate correlations.

merged. As such, production diversity fell while market concentration increased (i.e. 'competition paradox, cf. infra). In the latter case, mergers preserved smaller newspapers (van Cuilenburg et al., 1988): '[t]he "first copy costs" declined, production as well as distribution costs diminished so that merged newspapers benefited from a stronger market position. If the financial resources are used to improve the editorial output, mergers can trigger more editorial quality and diversity' (De Bens, 2000, p. 173–174).

In contrast to Noam's (2009) model that assumes a direct relationship between economies of scale and market concentration, the press barometer-model viewed it as an interaction factor in the relationship between the costs for capital and market concentration. In other words, more capital is needed for the consolidation of ownership as economies of scale grow.

The model brought forward by the authors fits into the behavioural approach of the SCP-model (van Cuilenburg, 2000, p. 68):

> **[…] mergers and take-overs – in general, scaling-up newspaper publishing – did weaken the effects of economic and social market forces that in themselves led to editorial concentration and the exit of newspaper titles from the market. […] To put it otherwise, newspaper oligopoly may prevent newspaper markets from deteriorating into markets with limited supply of editorial products.**

In other words, rescue mergers enabled the preservation of newspapers in the Netherlands in this period. Van Cuilenburg (2000) questioned how this model would work out in the digitalised context.

The Dutch press policies of the 1970s that aimed to conserve media firms, for example with government support (e.g. financial compensation for loss-making newspapers), were introduced in a time when economic forces such as scale enlargement, market concentration, and editorial collaboration were viewed as a threat to diversity. However, the press barometer did not support this thesis. Such conservation-oriented media policy was considered to restrict market developments, and therefore, the focus had to shift to the stimulation of innovation: product renewal and diversification in the direction of digital media and broadcasting (van Cuilenburg, van Haaren, Haselhoff, & Lichtenberg, 1992, pp. 102–103).

Dynamic market theory

Both van Cuilenburg et al. (1988) and Noam (2009) designed their model based on observations of the 'real economy's' evolution and interpreted those from the perspective of dynamic market theory, also referred to as the product (market)'s life cycle. The differences in their explanations are assumed to relate to the different contexts: before versus after digitisation and tailored to newspaper markets versus media industries in general. Below, the discussion elaborates on the explanation of van Cuilenburg et al.

(1999) because of the thoroughness of their study, also, it serves as a stepping stone to the next section.

This cycle consists of three stages – a slow introduction, fast expansion, and stabilisation (i.e. market saturation) – and evolves as an s-curve (Rink & Swan, 1979). These stages are, according to de Jong (2012, p. 30), 'more important in explaining structure, behaviour and performance than the causalities or interdependencies between those variables, because the latter have no independent existence but are derived from the dynamics of particular markets'.

In the introduction phase, a new product is launched by one supplier, whose investments imply high costs. However, the margin will increase with success and attract market entrants. A process of market 'de-concentration' takes place (de Jong, 2012, p. 32). As the market expands, it will concentrate again. For one, fixed costs increase with growth of the production's scale; the industry becomes more capital intensive. Second, some firms deal with 'control losses', their growth is bound by the organisation's capabilities to adapt. This way, market shares of firms grow naturally apart. Third, firms will try to increase their market share through market segmentation and product differentiation. The additional costs for the production and marketing of these products are a barrier of entry for both competitors and newcomers. It is argued that price competition in the expansion phase might not be effective because prices may become inelastic (i.e. demand falls with price increase). Fourth, increase of remuneration, in addition to interests paid, puts pressure on margins. Fifth, changing patterns of demand also drive market concentration; the tendency of consumers to buy the products of a few (popular) firms in particular. All these factors contribute to the simultaneous market growth and market concentration in this phase, also referred to as the 'competition paradox' (van Cuilenburg et al., 1988, p. 21). From a strategic perspective, merger incentives in the maturity phase are the strengthening of a firm's market position through horizontal and vertical integration, or the absorption of 'small and medium-sized firms in segments of the original market or in neighbouring areas (diversification)' (de Jong, 2012, p. 32). In the last phase, stabilisation turns into saturation and leads to the failure of some firms while a handful survives. This survival is explained by a reduction of competition through collaboration (e.g. cartelisation) or by expansion to non-related business activities (van Cuilenburg et al., 1988).

After this last phase, there are three possible scenarios. For one, the product is replaced by better substitutes; the market will further decline until it disappears altogether. Second, 'a new innovation of substantial importance rejuvenates the industry and a new growth cycle is started' (de Jong, 2012, p. 32), which will also imply a new cycle of market concentration. Third, 'new markets, and sometimes industries, grow out the small, specialized segments of the original industry, as has been the case [...] in the electronics industry' (p. 32).

To conclude this section, dynamic market theory proves that 'market structure follows from innovations, imitations, and market growth, instead of the reverse as traditional theory has long held' (de Jong, 2012, p. 32). As mentioned above (cf. section 2.2.3), Porter's (1980) competitive strategies are adapted to the different stages of the product life cycle.

2.4.2 Steiner-based within firm content diversity

Above, it was argued that mergers could prevent market exit (i.e. rescue merger-rationale, cf. Shrieves & Stevens, 1979) and stand in for the financial resources that a small newspaper could not bear. This way, consolidation of ownership could lead to greater quality and diversity (De Bens, 2000; van Cuilenburg et al., 1988). This line of thought relates to the Steiner's model of within firm differentiation (Steiner, 1952).

Steiner (1952) postulated that the ownership of several radio outlets in the hands of one firm may lead to greater differentiation. Monopolists are likely to want to serve the full scope of audience preferences, including niches, while competitors are expected to first target mainstream audiences by duplicating the monopolist's products. This logic is based on the principle of audience maximization. In summary, many competitors may lead to price competition and hence to pressure on product quality (i.e. less content diversity), while monopolistic competition may ensure product differentiation (i.e. greater content diversity).

According to Chambers and Howard (2006), most emperical work applies to the broadcasting industry (Berry & Waldfogel, 2001). However, George (20017) empirically tested Steiner's hypothesis with a study on the effects of consolidation of ownership on the variety and positioning of products in the US newspaper market. Data covered a total of 750 to 850 papers in 263 US metropolitan statistical areas in 1993, 1999, and 2004. The measurement of product variety and product differentiation was conducted somewhat different compared to common practice in communications. Individual reporters and editors (i.e. job titles) were linked to 76 reporting topics using keywords. This way, a measure for product (i.e. content) variety was construed based on the reported topics by individual reporters and editors (at newspaper-level). The author explains (p. 289):

> **The distribution of reporters across topics is then used to construct market-level measures of product differentiation and variety. The basic measure of variety used in this paper is the number of different topics covered by reporters in a market. For example, if one paper in a two-paper MSA assigns one reporter to local news and one to sports and the other paper assigns one reporter to local news and one to entertainment, the total number of beats covered in the market would be three.**
>
> **The primary advantage of this reporter-based measure over characterizations based on content analysis is that using reporters allows straightforward characterization of a comprehensive sample of papers over time.**

Based on these data, product differentiation was measured with the distribution of reporters, calculated with 'a measure of the distance between, or differentiation among, products in each market' (p. 290). Consolidation of ownership was measured with the number of owner-equivalents (i.e. the inverse of the Herfindahl index) (p. 291).

The findings revealed that both product differentiation and variety, of hard and soft news topics, increased with market concentration because 'multi-product firms internalize business-stealing externalities, mergers can lead owners to eliminate duplicative products and change the content of others. Various production economies, as well as higher revenues, brought about by consolidation can also make new content viable' (George, 2007, p. 286). Moreover, the study also showed that 'the new content which emerges from consolidation does not reduce demand for newspapers' (p. 301). In other words, more variety was offered by larger publishing firms but had no cannibalising effect on per capita newspaper sales (i.e. paid copies sold in subscriptions and newsstand sales).

2.4.3 Hotelling-based excessive sameness of content

Against the previous and optimistic perspective on the impact of ownership consolidation on content diversity, De Bens hypothesised that the economics of editorial (content) production caused greater 'convergence' in highly commercialised and competitive media industries (2000, pp. 158–159):

> **The whole "discourse" of the rapid growth of fragmented audiences, split up in "niches" has largely been turned down. The big media enterprises are in competition for the same large segments of readers and viewers [e.g. through tabloidisation] [...]. Innovation that happens to be successful is immediately imitated by competitors. This "spiral" of initiatives often diminishes the financial resources so that on the long term less energy is invested in the production of content.**

The author argued that more of the same content was produced because 'big' media try to target at as large as possible audience. For example, broadcasts on the public and commercial television channels in Belgium from 1988 to 1998 'moved closer to each other' based on the distribution of the broadcasts' genre classification (this was somewhat confusingly referred to as 'convergence').

Based on these observations, van Cuilenburg (1999) applied the Hotelling model to formulate new hypotheses on the impact of competition on content diversity. This law (cf. Hotelling, 1929) posits that production of similar goods in a competitive market is rational. This is based on the principle of minimum differentiation which explains that fierce competition may reinforce producers' tendency to compete on price (and hence try to cut back on costs) and not on the product itself (i.e. quality) and to strive for the largest market share. This drives them to promote products that target a large audiences and results in greater homogeneity across products, 'excessive sameness' of products, as opposed to product differentiation (i.e. heterogeneity). If product positioning would be visualised on a horizontal line, different news agents move closer to the centre, and hence, to each other (cf. van Cuilenburg, 1999, p. 196).

Van Cuilenburg (2007) formulated three hypotheses. The first hypothesis is based on the Hotelling model, it assumes that: '[t]he more media in a given market compete for market share, the more they compete on price (= fierce competition), the less they compete on content (= moderate competition)' (p. 41). Price should also be interpreted as time and effort, in addition to a newspaper's copy price. The next hypothesis relates to the question whether more competition in media industries in the era of 'information abundance' really brings about more product variety: '[t]he more media diversity in a given market is reflective diversity [reflection of audiences' preferences in the media]; the less media diversity is open diversity [equal coverage of content categories in the media]' (p. 41). Van Cuilenburg (1999, p. 196) relates to this as the 'diversity paradox' whereby more diversity, of a certain kind, might imply less diversity of another kind. The third, and last, hypothesis conflates the previous ones: '[t]he more media in a given media market compete for market share, the more they compete on price, the less they compete on content, the more media diversity is reflective diversity, and the less media diversity is open diversity'(van Cuilenburg, 2007, p. 41). In other words, higher levels of competition in media markets may lead to 'excessive sameness' of content.

Duplication of content has been a long-standing concern (Hicks & Featherstone, 1978) but the Hotelling model is only in the recent years further developed and empirically verified in media industries (Behringer & Filistrucchi, 2015; Gentzkow, Shapiro, & Sinkinson, 2014; Pires, 2016; Rennhoff & Wilbur, 2014).

Rennhoff and Wilbur (2014) developed and empirically tested a model to estimate correlations between 'market-based' measures of viewpoint diversity and media ownership. Four measures of viewpoint diversity were

designed to gauge a television channel's position in the 'viewpoint space': at the outer left or right end or middle of an imaginary horizontal line (Rennhoff & Wilbur, 2014, p. 3). For one, the position of a television channels' position was estimated based on market share and on the date of market entry. The authors assumed that the third firm to enter a market will be positioned in the middle of the line because the first two movers would maximally differentiate. Another measure was created with the correlation between televisions channels' ratings, it was based on the assumption that viewers switch between the middle station and those on the ends, not directly from the far right to the left. As a result the correlation of the middle station would be higher. Based on the assumption of channel switching costs, the last indice measured the distance between channels' numbers on the remote control.

Ownership was measured with three variables: local media ownership (the number of television stations per owner within the market), cross-ownership (the number of television stations whose parent firm controlled at least one radio station), co-ownership (the number of television broadcasting firms that owned more than one television station in the same market) (Rennhoff & Wilbur, 2014, p. 7).

The model was empirically tested with regression analyses on data of all television stations in 205 local US markets in 2005, 2007, and 2009, and of television ratings in the respective periods. The distribution local news broadcasts' market shares were weighed with the distribution of national news broadcasts' market shares because media consumption choices are based on both viewer preferences and media content.

The findings showed that there is 'little robust evidence linking changes in media ownership to changes in candidate viewpoint diversity indices' (Rennhoff & Wilbur, 2014, p. 2). Instead, the authors concluded on conflicting findings: some of the media ownership measures predict simultaneously a higher and lower level of viewpoint diversity. This is explained in three different ways. First, the market-based viewpoint diversity requires further theoretical development. Second, the 'null result' could question the idea of a 'viewpoint' space on a horizontal line. Third, the findings could be perceived as consistent with studies that confirmed impact of ownership on viewpoint diversity with content-based measures. However, the authors emphasise that 'the evidence on the link between media ownership and media stations' market shares is more mixed and more tenuous' (Rennhoff & Wilbur, 2014, p. 10).

In contrast to these findings, the work of Behringer and Filistrucchi (2015) indicates that an advertising-based financial structure of media firms 'can lead to minimum political differentiation of the newspapers and

hence a lack of plurality of political views' in a duopolistic market. Moreover, there is theoretical proof that 'concern for such lack of plurality may diminish but does not disappear as the number of firms increases' (p. 36). In brief, authors (Behringer & Filistrucchi, 2015, p. 43):

> **[…] propose a theoretical model with more than two newspapers encompassing demand of readers for politically differentiated content, an increasing demand of advertisers for advertising slots on a newspaper as the number of readers increases, and profit maximization by competing oligopolistic publishers that own one newspaper each. In our model publishers recognize the link between the two sides of the market as they choose first the political position on the Hotelling line, then simultaneously the cover price and the advertising tariff. Whereas by choosing their political position they set horizontal differentiation on the readers side, vertical differentiation on the advertising side is indirectly determined through the number of readers.**

Emperical tests need to be conducted to prove the validity of this model.

2.4.4. Four theoretical scenarios

To summarise, in traditional market theory, competition is presumed to enhance product variety and innovation in a given market, however, the outcome of this relationship unfolds differently due to product characteristics and to the assumptions one makes about the market structure (e.g. oligopoly or monopolistic competition) and firms' behaviour (Scherer & Ross, 1990, pp. 600–601). The above discussed Steiner model (1952) and Hotelling model (1929) postulated the impact of competition or market concentration on product variety and product position. These different theoretical perspectives on maket concentration (low or high) and product variety (low or high) are are summarized in four scenarios (cf. Table 2.1). This is a simplified approach because one would normally distinguish between multi-product monopoly, differentiated oligopoly, and monopolistic competition in heterogeneous product markets (Scherer & Ross, 1990, p. 17).

This relationship is the least clear under monopoly theory, product va-

Table 2.1 Theoretical scenarios for the relationship between consolidation of ownership and product variety

		Market concentration	
		Low	**High**
Product variety	**Low**	**Hotelling model** Fierce competition may reinforce producers' tendency to compete on price and not on the product itself *-> minimum differentiation*	**Monopoly theory** Monopolists are likely to set their prices above the competitive level *-> too much, too little, or the optimal level of differentiation can be expected*
	High	**Classic market theory** Competition is presumed to enhance product variety and innovation *-> between firm differentiation*	**Steiner model** Monopolists are likely to serve the full scope of audience preferences *-> within firm differentiation*

riety might be below or above the desired level, or just right (cf. Culyer & Newhouse, 2000, p. 1411). However, it is placed in the box with low product variety because a monopolist can also raise the price indirectly by decreasing the volume or quality of the good. From this point of view, it represents the opposite scenario of classic market theory.

3 Newspaper industries in transition

The composition of the Flemish newspaper readers has drastically changed in the past 25 years. The aging of newspaper readers is just one indicator of the transition the newspaper industry has experienced since digitisation took off in the mid-1990s. This chapter briefly explains how disruptive innovation turned the value chain of newspaper publishing upside down and how publishers, in general, adjusted their core strategy. To provide some background information on the specifics of the newspaper industry and the specific national context, the Belgian (i.e. Flemish) newspaper market is introduced and the analyses of the first two case studies are presented.

3.1 Long-standing traditions challenged in an industry in transition

In the past, cost-efficiencies in combination with a stronger market position towards suppliers (e.g. bargaining power) and readers (e.g. price inelasticity) enabled some newspaper publishers to realise relatively high profit margins (Picard, 2003). However, many transformations have taken place since then, including M&A waves driven by the depillarisation of society (cf. supra). In the past fifteen years or so, publishers lost many readers, in particular youngsters, to competing online news platforms and to free newspapers (Bakker, 2008; George, 2008). As a result of declining demand, revenues have increasingly come under pressure (Organisation for Economic Co-operation and Development, 2010; WAN-IFRA, 2014), which has resulted in further consolidation, establishing (differentiated) oligopolies and even near monopolies in many newspaper markets, including those of the Low Countries: Belgium and the Netherlands (Noam & International Media Concentration Collaboration, 2016).

Indeed, horizontal, vertical, and diagonal integration are widely applied corporate strategies (Gaughan, 2002), also in newspaper publishing. One important reason is the cost structure of publishing; high first copy costs combined with low marginal costs enable maximisation of economies of scale. Such upscaling is required to reach the break-even point (Busterna, 1988). Beyond that, concentration aids the exertion of control over the value chain, from the content creation-phase to the actual distribution of news goods (i.e. products and services) to users (Hendriks, 1999). Furthermore, M&As help to spread risks through participation in non-related business activities and to realise convergence, for example with broadcasting and IT activities (Jin, 2012).

Stagnating or falling revenues, consolidation, market exits, and layoffs, amongst others, are characteristics of the mature stage of the product life cycle that can be witnessed in the newspaper industry (van Kranenburg, Palm, & Pfann, 1998). If the traditional s-curve is assumed, industry decline is the next stage. This requires a rescaling of existing businesses and a repositioning in the product market to incite a new growth cycle (Rink & Swan, 1979). However, adjustment to a digital environment has been a major challenge for newspaper publishers (Küng et al., 2016).

3.2 Digitisation turned the value chain upside down

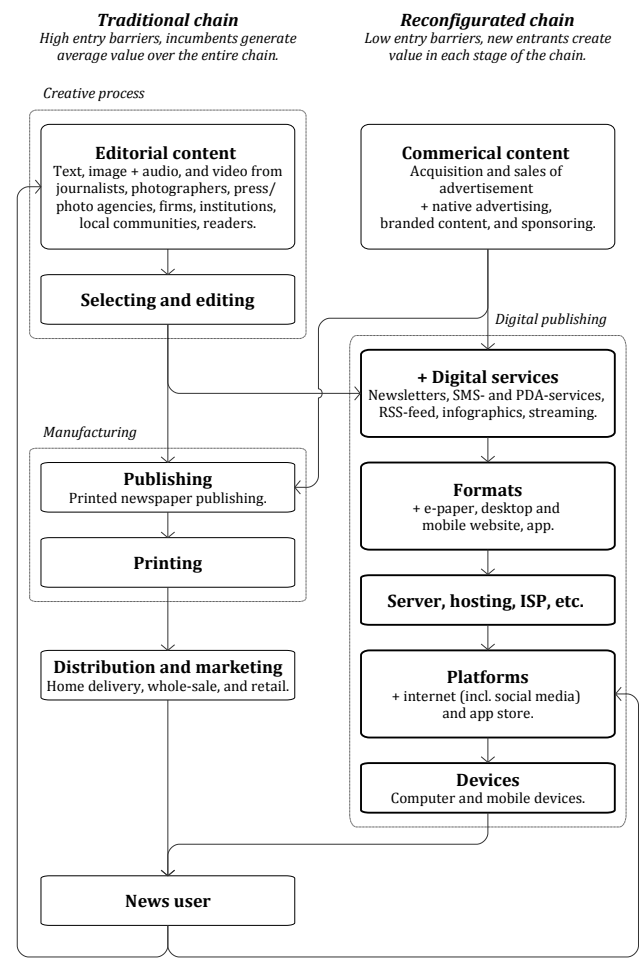
As an industry, newspaper publishing drastically changed and witnessed considerable decline through various long-term trends, brought on by external factors that are demanding new news products and services. Change in the external environment (or media ecology) derived from technological advances, regulatory and societal changes, and general economic de-

velopment (Küng, 2016). For example, ICT spurred a global merger wave between 1993 and 2001 (Martynova & Renneboog, 2008, pp. 2151–2152), including significant M&As in the media industry (Noam & International Media Concentration Collaboration, 2016). These factors impacted the available resources and rivalry in the news market (Picard, 2002) and changed patterns of demand: the way in which news is distributed, purchased, and consumed. As we explain below, all this drove reconfiguration of the value chain and fundamentally affected the value proposition of printed newspapers (cf. Figure 3.1).

The manufacturing process further improved through the automation of the publishing and printing technology in the 1980s (Picard et al., 1988). Digitisation increased the efficiency of content creation with desktop publishing, computer assisted reporting (CAR), and content management systems (CMS) (Paulussen, 2007) as of the mid-1990s (Noam, 2009, p. 33). Commercialisation of television in Europe in the 1980s / 1990s (Michalis, 2013, p. 37) enabled convergence in newsrooms through M&As: the union of textual and audio-visual news coverage. While the manufacturing process became less labour intensive and colour printing with illustrations enabled opportunities to improve the lay-out of newspapers, which appealed to both readers and advertisers (Leurdijk, Nieuwenhuis, & Slot, 2012; Ludovico, 2012), work pressure in the news organisation increased due to efficiency demands and multimedia-based working routines of journalists (Deuze, 2003; Yeates, 1999).

Much attention has been paid to developments in information and communications technology (ICT) as being the primary causal factor in the rapid changes in the media industry. The impact of digitisation is essentially different from earlier technological advances because it enabled disruptive innovation, a kind of innovation that reconfigures existing systems. Disruptive innovation radically changed the value chain. Newspaper publishers, which are usually vertically integrated from the content creation-stage to distribution, were used to generating average value over the entire value chain (Hendriks, 1999; Küng, 2016). The emergence of the Internet in the mid-1990s together with mobile devices in the 2000s deconstructed the value chain: entry barriers came down and new players could generate value in each individual stage of the chain (Küng, 2016). For example, classified advertising migrated online (e.g. Google and Facebook) because of the effectiveness of ad targeting compared to traditional advertising in print (Picard, 2008). Platforms such as news aggregators (Google News) and social media (Facebook and Twitter) generate value by distributing unbundled content, for instance from legacy news media. As a result, new forms of competition are taking place at every stage of the value chain with news users allocating

Figure 3.1 Value chain of newspaper publishing before and after the mid-1990s.



Note: The figure is adapted from: Berger, Matt, Steininger, and Hess (2015, p. 109); Graham and Smart (2010, p. 198); Küng (2016, pp. 20–23); Organisation for Economic Co-operation and Development (Organisation for Economic Co-operation and Development, 2010, p. 56); Picard (2002, pp. 30–43); and Wirtz (2001, p. 495).

their time and expenses over more news suppliers (i.e. audience fragmentation or demassification). Moreover, news consumption is no longer bound to time and place (i.e. time- and place-shifted) and users create and publish themselves (i.e. prosumers) (Küng, 2016).

3.3 Creating new goods while preserving the old

Disruptive innovation in the market required different organisational responses among publishers (George, 2015). The emergence of digital publishing led to a new production process parallel to printed newspaper publishing (cf. Figure 3.1), enforcing the implementation of a dual strate-

gy. Publishers had to keep up and continue to invest in printed newspaper publishing while reinventing their goods targeted at the digital news consumer and adapting their organisations accordingly. To this end, two main strategies were developed (Küng, 2016; Meyer, 2009).

One strategy involved publishers clustering newspaper titles through M&As (i.e. horizontal integration in related businesses) (Martin, 2003), and striving for market leadership that enables the realisation of an overall low-cost position. This harvest or defence strategy focuses on a short-term performance and views digitisation as a threat (Küng, 2016). Such static merger effects revolve largely around cost efficiencies and pricing strategies (Anand, 2005; Crane, 2014).

The other strategy saw publishers emerging in adjacent markets through natural growth or acquisitions ('the newspaper is not its paper' (Raviola, 2010, p. 260)), for example, by launching digital goods such as e-papers and apps or acquiring IT companies (i.e. diversification in non-related businesses) (Duchessi & Biswas, 2013). Such strategy has a long-term focus and approaches digitisation as an opportunity to develop new and complementary goods, parallel to the existing print portfolio (Küng, 2016). These actions are also referred to as 'digital first' strategies (WAN-IFRA, 2006) but require long-term investments in innovation. The necessary financial resources for this innovation can be provided through the dynamic effects of mergers (Crane, 2014).

3.4 The Flemish newspaper market

The Belgian media market is relatively small and multilingual (Puppis, 2009; Schlesinger & Benchimol, 2015), with the newspaper market segmented into Dutch (i.e. Flemish), French (i.e. Walloon), and German-language newspapers. Flanders, with a population of 6.4 million in 2014 (5.7 million in 1990)[1], is used as a case in point to illustrate the transition that took place in newspaper markets in Western societies in recent decades. Because of its limited size as a geographic area, the Flemish market tends to be treated as one market (Hauttekeete, 2004, p. 59) and is not further segmented into submarkets in which, for example, regional newspapers compete (van Kranenburg et al., 2002).

Historically, Belgian media, following trends in society, went through an evolution from a pillarised, i.e. ideological and politicised press before mid-1970s to a depillarised, i.e. ideologically less differentiated, and commercialised oligopoly from the 1990s. This depillarisation coincided with a merger wave driven by economic downturn (1973-1974) from the mid- to late-1970s. However, the last remnants of the pillarised pressed disappeared through M&As as late as the mid-1990s (Biltereyst & Van Gompel, 1997). The press in the Netherlands shares such pillarised history (Hemels, 1997) as well as the Dutch language. In recent years, Flemish publishers have consolidated this geographically adjacent market through transnational M&As.[2]

In general, Flemish newspaper publishers are vertically integrated, as they own printing plants (not newspaper mills), while distribution is outsourced to the postal operator BPost since 1992 (Picone & Pauwels, 2014). The publishers' business activities are commonly diversified in related and non-related business activities. Flemish newspapers are small- to medium-sized (approx. 50 to 150 thousand copies sold on average per year) with a revenue structure of approximately fifty-fifty dependency on readership and advertising revenues (cf. Annex C, Table C.1), which is representative of many traditional publishers in other European countries (De Bens & Raeymaeckers, 2010).

3.4.1 Newspapers and publishers

In 1990, the starting point of this dissertations' studies, there were eight editorially independent daily newspapers in Flanders; seven of those are still in the market today. Three of these newspapers were classified as popular: *Het Laatste Nieuws* owned by *Hoste* (renamed *De Persgroep*), *Het Nieuwsblad* by *Vlaamse Uitgeversmaatschappij* (*VUM*) (renamed *Corelio*) and *Het Volk* of *Drukkerij Het Volk*. Three of these eight newspapers were considered as national elite newspapers: *De Standaard* of *VUM*, *De Morgen* of *De Persgroep*, and business newspaper *Financieel Economische Tijd (*renamed *De Tijd)* of *Uitgeversbedrijf Tijd* (renamed *Mediafin*). Most of these 'national' newspapers had regional editions, in some cases under a different title due to past acquisitions. Finally, there were two regional newspapers at the market: *Gazet van Antwerpen* of *De Vlijt* and *Het Belang van Limburg*, published by *Concentra*. Between 1990 and 2014, the number of publishers dropped from six to two, following mergers and two joint ventures.

De Persgroep's main newspaper is the popular newspaper *Het Laatste Nieuws* (anno 1888), which used to have a liberal signature at the time of the pillarisation and was the largest paid newspaper in 2014. In 1989, *De Persgroep*

1 Data were obtained from *Statistics Belgium's* online sources (http://statbel.fgov.be/nl/statistieken/cijfers/bevolking/structuur/) and on request of the Ministry of Economic Affairs (*Federale Overheidsdienst Economie, Algemene Directie Statistiek*).

2 Publisher *De Persgroep* has intensified its publishing activities in the Netherlands since 2002 and also expanded to Denmark in 2015. In 2008, 65% of consolidated revenue derived from publishing activities, growing to 86% in 2015. Regarding geographical origin, revenue generated in the Netherlands increased from 42% in 2009 to 56% in 2015. Denmark accounts for 10%. In other words, today *De Persgroep* generates the least revenue in the Flemish market in which it was established.

took over elite newspaper *De Morgen* (anno 1978) targeting a young, higher educated audience with a socialist perspective of that time. In 2005, *De Persgroep* and Walloon media group *Rossel et Cie* each took over 50 percent of business newspaper *De Tijd* (anno 1968). The newspaper focuses on financial-economic, political, and socio-cultural news and targets entrepreneurs, managers, and investors.

Corelio's elite newspaper *De Standaard* (anno 1918) targeted higher educated citizens. Its popular counterpart, *Het Nieuwsblad* (anno 1929), was launched as a 'light version' with the aim to reach a wider audience. In 1994, *Corelio* acquired popular newspaper *Het Volk* (anno 1891), turning it into a regional edition of *Het Nieuwsblad* in 2000 before merging both entirely and terminating *Het Volk* in 2007. *Het Volk* used to target the working class.

Concentra's portfolio initially comprised *Het Belang van Limburg* (anno 1933) but it then aquired *Gazet van Antwerpen* (anno 1891) in 1996. Both newspapers can be considered as national newspapers, bringing national news but with focused attention toward one region namely the provinces of Antwerp and Limburg, respectively. All newspapers of *Corelio* and *Concentra* had Catholic signatures before the mid-1970s. In 2001, *Concentra* launched the free newspaper *Metro*, initially together with media group *Roularta* and *NMP*, later with co-owner *Rossel et Cie*. *Metro* targets commuters and young people with short news items, its articles mainly obtained from news agencies (De Bens & Raeymaeckers, 2010; PUB, 1993).

Concentra and *Corelio* bundled all their newspaper publishing activities (and classified add platforms) in joint venture *Mediahuis*, which turned into a full merger in 2017 (Mediahuis, 2017).

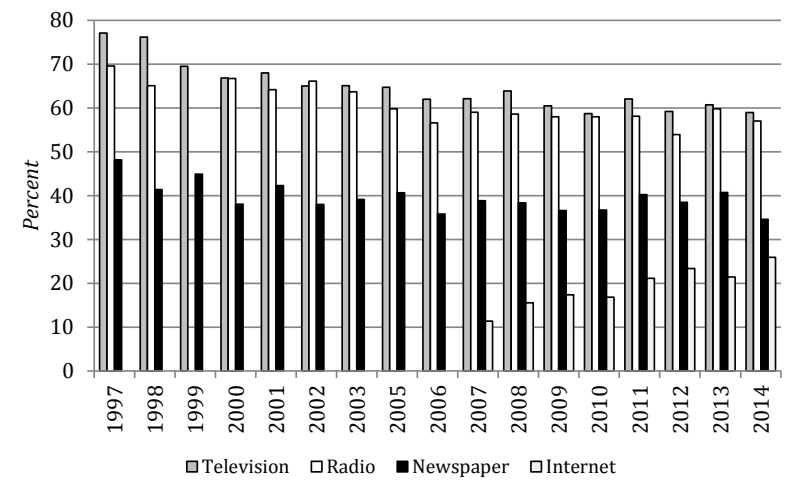
Various overviews of the Flemish market are provided in this dissertation: the characteristics and profile of each newspaper (cf. Annex A, Table A.1), the ownership changes of these newspapers (cf. Chapter 4, Figure 4.1), and the ownership structures of the publishers in the form of organisational charts (cf. Annex B).

3.4.2 News demand

Compared to other European countries, Belgian (including Flemish) newspaper consumption is generally situated between high (e.g. Scandinavian countries) and low (e.g. southern European countries), and is somewhat lower than in the Netherlands (De Bens, Raeymaeckers, & Antoine, 2016).

Television and radio are used more frequently by the Flemings for their daily news consumption (cf. Figure 3.2). Although all legacy media lost viewers, listeners, and readers as online news platforms gained in popularity, the newspaper industry has been hit hardest. There was a certain increase in readership between 2000 and 2005 because of the introduction

Figure 3.2 Percentage of the Flemish population using television, radio, newspapers, and the Internet for their daily news consumption (1997–2014).



Note: Data are retrieved from *Studiedienst van de Vlaamse Regering*.

of free newspaper *Metro* but the remaining years in the period between 1997 and 2014 showed negative growth rates (cf. Table 3.1).

Indeed, while 48.9% of the Flemish population was reached with one of the newspapers in 1990, this dropped to 36.9% in 2014. A majority of the readers were below the age of 45 years (56.0% in 1990) but this group became a minority with 41.6% by 2014 (cf. Figure 3.3). Implemented strategies to attract the younger age groups clearly did not succeed. This is in stark contrast with free newspaper *Metro*: 65.2% of its readers were below the age of 45 years in 2014. However, this newspaper deals with a similar issue, as these days far fewer people in that age group pick up this printed newspaper, compared to 82.0% in 2002, shortly after its launch.

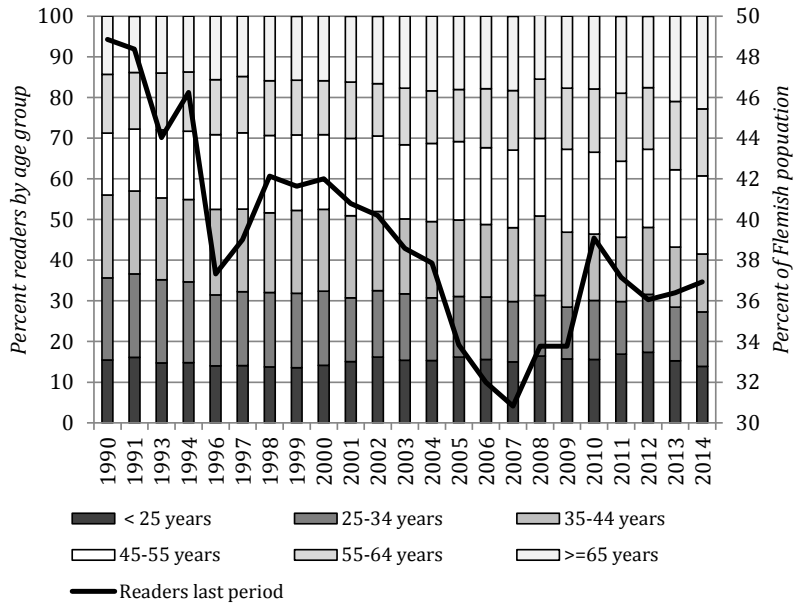
The positioning of the different newspapers has been reshuffled over the past 25 years. While habitual readers aged, *Metro* claimed the segment be-

Table 3.1 Growth rate of the percentage of the Flemish population using television, radio, newspapers, and the Internet for their daily news consumption (1997–2014).

	News consumption of the Flemish population (Compound annual growth rate in percent)			
	Television	**Radio**	**Newspapers**	**Internet**
1997 to 2000	-4.65	-1.39	-7.56	n.d.
2000 to 2005	-0.63	-2.18	1.33	n.d.
2005 to 2010	-1.93	-0.61	-2.01	14.04[1]
2010 to 2014	0.10	-0.41	-1.50	11.38

[1] Compound annual growth rate based on 2007 to 2010, no data (n.d.) were available in earlier years.

Figure 3.3 Percentage of the Flemish population reading newspapers, segmented by age groups (1990–2014).



Note: Data are retrieved from *Centrum voor Informatie over de Media* and recalculated. No data were available for the years 1992 and 1995. Fluctuations are in part caused by methodological changes with each new wave of the readership survey.

low 45 years, serving the needs of occasional readers (Picard, 2001). Compared to 1990, the readers of elite and popular newspapers grew further apart in terms of social group[3] (cf. Figure 3.4a and 3.4b). Readers of elite newspapers *De Standaard*, *De Morgen*, and business newspaper *De Tijd* moved up somewhat – more readers are classified in the four highest social groups in 2014 compared to in 1990. A reverse trend took place among the readers of popular newspapers *Het Laatste Nieuws*, *Het Nieuwsblad*, *Het Volk* (terminated in 2008), and regional newspapers *Gazet van Antwerpen* and *Het Belang van Limburg*: Fewer readers of these newspapers are classified in the higher social groups – in other words, these newspapers' readers are rather equally distributed in the eight social groups. One reason for this trend is the arrival of *Metro*, which now serves the middle segment.

Changed news demand is also reflected in circulation (i.e. printed copies of paid and free newspapers) and the copies sold in subscriptions or in newsstand-sales (cf. Figure 3.5). The market entry of *Metro* clearly cannibalised

3 Social group is a latent variable of the national readership survey. It is based on a score of, among other things, the income, education, and profession of the interviewee (Centrum voor Informatie over de Media, 2013a, pp. 72–74).

Figure 3.4 Positioning of the Flemish newspapers based on social class and age of their readers.

Figure 3.4a – 1990

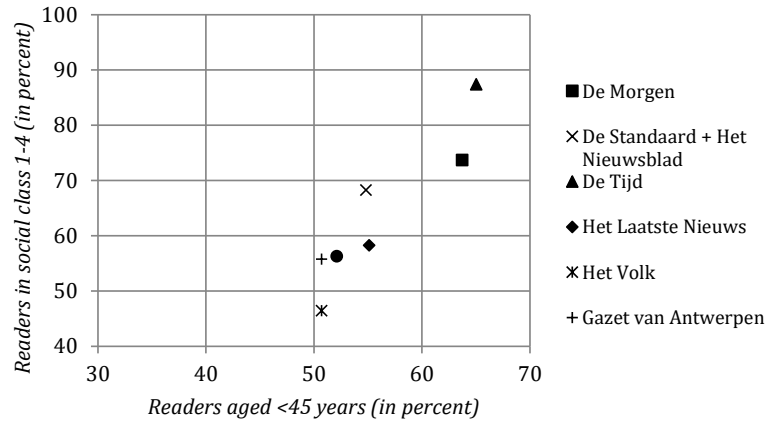
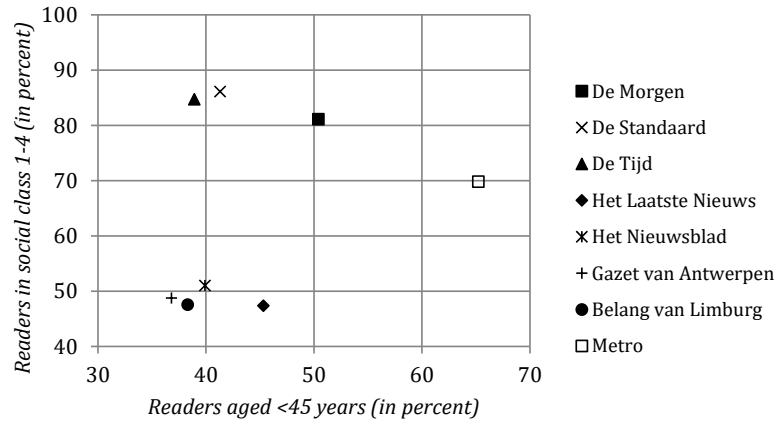


Figure 3.4b – 2014

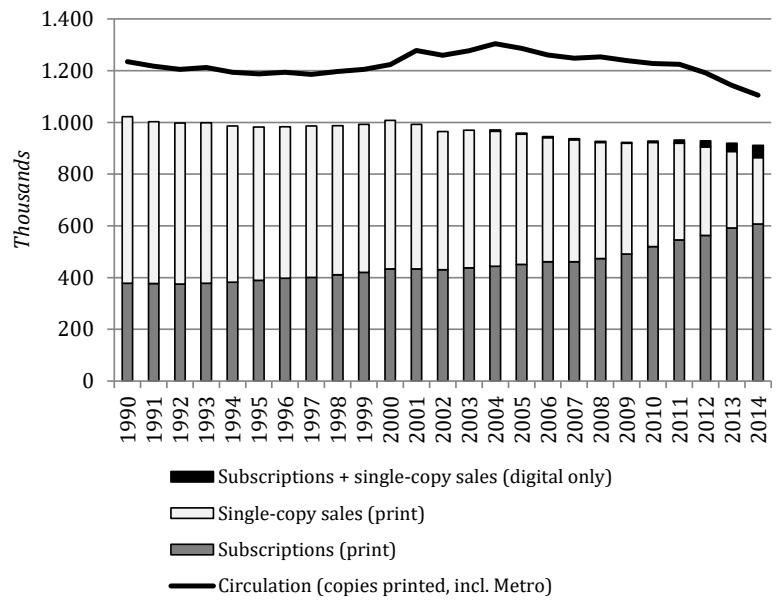


Note: Data are retrieved from *Centrum voor Informatie over de Media* and recalculated. Matrix adapted from PUB (2004, p. 36) and Tunstall (1996, p. 93).

the sales of paid newspapers between 2000 and 2005 (cf. Table 3.2). *Metro's* circulation peaked in 2009 with 136 thousand copies and has been declining since then (to 109,000 in 2014). Free newspapers are on the rebound in many countries (Bakker, 2013).

The digital evolution in Flanders concurred with global trends. Websites were launched as marketing tools or to expose shovelware (i.e. automatically transferred content from the print newspaper to its website) and churnware (i.e. news from external sources that were barely adapted/modified, such as press releases) in 1995 and 1996 (Küng et al., 2016), extended with all sorts of services and regularly updated in the early 2000s. Pay-walls at

Figure 3.5 Circulation (printed newspaper copies, incl. free newspaper Metro) and paid newspaper copies sold (in subscriptions or as single copies) in Flanders (1990–2014).



Note: Data are retrieved from *Centrum voor Informatie over de Media* and recalculated.

the websites of the elite newspapers were introduced between 2002 and 2004, followed by digital subscriptions (between 2004 and 2011) and digital single-copy sales (2004, and 2011 to 2012) (Beyers, 2006). As a result, the fall in single-copy sales (print) has accelerated since the 2000s while more copies were sold in paper and hybrid subscriptions[4] since the mid-2000s (cf. Table 3.2; Chapter 4, Table 4.2). The sales of digital copies increased strongly in 2011 and 2012, together with single-copy sales (via (mobile) digital newsstand and archive *GoPress*, amongst others). The latter is an economic cooperation of most Belgian publishers, formally owned by national press agency *Belga* (De Standaard, 2012), and was launched in response to Apple's iTunes (Vlaamse Regulator voor de Media, 2012). The Belgian newspapers participated in micropayment platform *Blendle* in 2014, and *De Persgroep* launched an equivalent for its titles, called *Topics*, in 2016 (Vlaamse Vereniging van Journalisten, 2016). Fear of cannibalising revenues explains why the first publisher recently pulled back from *Blendle* (Vandermeersch, 2017), an argument that is backed-up with research on pricing strategies of cross-platform bundling services (Clement, Eggers, & Schulz, 2017).

4 The authenticated figures do not distinguish between subscriptions of printed copies only or hybrid subscriptions, which combine digital and print (Centrum voor Informatie over de Media, 2013b).

Table 3.2 Growth rate[1] of printed newspaper copies and paid newspaper copies sold in Flanders (1990–2014).

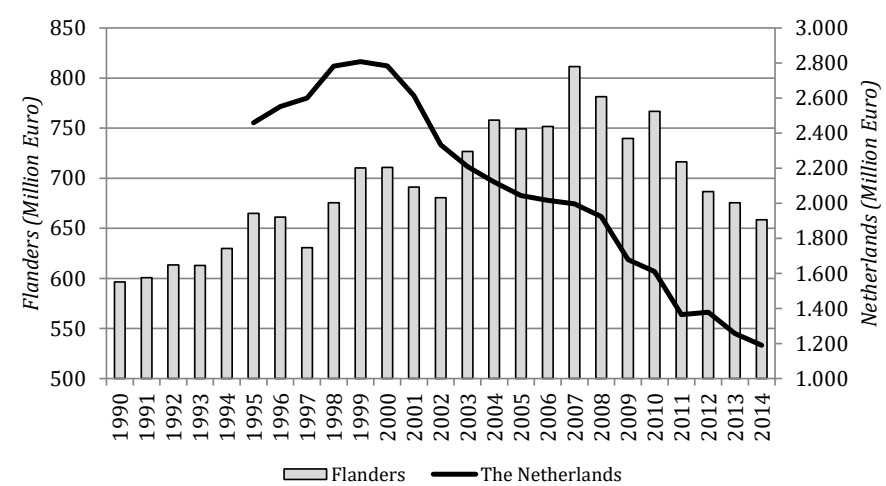
	Circulation (copies printed, incl. Metro)	Paid copies sold			
		Print		Digital only	Total
		Single copies	Subscriptions		
1990 to 1995	-0.77	-1.66	0.62	n.a.	-0.80
1995 to 2000	0.59	-0.62	2.16	n.a.	0.52
2000 to 2005	1.00	-2.62	0.79	0.43[2]	-1.01
2005 to 2010	-0.92	-4.36	2.89	3.07	-0.65
2010 to 2014	-2.60	-10.64	3.94	76.75	-0.43

[1] Compound annual growth rate in percent.
[2] Based on the years 2004 and 2005, digital copies were not available (n.a.) before then.

3.4.3 Revenue

Despite publishers' efforts to adapt their goods to changed patterns of demand, the total of operating revenues of the Flemish publishers shifted from an average annual growth of 1.8% between 1990 and 2007 to an average annual decline of -2.9% between 2007 and 2014 (cf. Figure 3.6). Flanders, like many European countries (e.g. Scandinavian countries which have a relatively high readership), belongs to the second wave of countries that are facing falling advertising revenues since 2008. The first wave took place in 2000 and affected newspaper markets in countries like the US, the UK, and the Netherlands (Organisation for Economic Co-operation and Development, 2010; Picard, 2008). The publishing market in the Netherlands, which is currently approximately double the size of the Flemish market,

Figure 3.6 Total of operating revenue of daily newspaper publishers in Flanders (1990–2014) and in the Netherlands (1995–2014).



Note: Figures are based on in 2014 current prices. Data for the Netherlands are retrieved from *NDP Nieuwsmedia* (2004–2016). For the Netherlands, there were no data available between 1990 and 1995.

Table 3.3 Growth rate of the total of operating revenue of daily newspaper publishers in Flanders (1990–2014) and in the Netherlands (1995–2014).

	Total of operating revenue (compound annual growth rate in percent)	
	Flanders	**Netherlands**
1990 to 1995	2.20	n.d.
1995 to 2000	1.34	2.51
2000 to 2005	1.05	-5.99
2005 to 2010	0.46	-4.66
2010 to 2014	-3.73	-7.28

showed stronger average annual growth (3.4% from 1995 to 1999) before it reached its peak in 1999. However, since then the Dutch market has shown a much stronger decline (-5.6% from 1999 to 2014) than the Flemish market. In other words, the Flemish market evolved moderately compared to its more volatile neighbour (cf. Table 3.3).

One explanation for these different trends is the advertising structure. Advertising revenues made up 50.0% of the Dutch newspaper publishers' operating revenues in 1995, peaked to 59.0% in 1999 and dropped to 23.1% in 2014 (NDP Nieuwsmedia, 2004). The estimated share of advertising revenue in Flanders went from 28.7% in 1990 to 38.9% in 1995, peaked to 56.5% in 2009, and declined to 48.6% in 2014 (cf. section 4.3.2). Continuous decline of advertising revenues is likely; the question is whether it will fall more rapidly in the future, especially if a next phase of economic downturn occurs. Another explanation is the speed of these markets' development. The Dutch market expanded rapidly between the 1960s and the early 1980s based on circulation figures (van Cuilenburg et al., 1988, p. 83). In contrast, the Flemish market peaked mid-1970s and declined gradually since then (De Schryvere, 1992, p. 36).

The following chapter elaborates in greater detail on long-term trends in the Flemish newspaper market between 1990 and 2014.

Part II

CONTRIBUTIONS

4 Why are traditional newspaper publishers still surviving in the digital era?

THE IMPACT OF LONG-TERM TRENDS ON THE FLEMISH NEWSPAPER INDUSTRY'S FINANCING, 1990 - 2014[1]

The foundations of traditional newspaper publishers have been undermined, which raises the question why they are still surviving amidst an unfolding digital era. This is explored in a longitudinal (1990-2014) analysis of the Flemish market. Competitive pressure and changes in the newspaper market are related to publisher's strategic responses (cost leadership, differentiation, and focus) and their financing. The findings reveal a market that shifted from the mature stage of its product life cycle to the decline stage since 2008 and structural shifts in publishers' business operations. Realisation of cost-efficiencies, for example, through expansion, is the key mechanism behind keeping up net operating profits and indicates resilience in a changing environment. The findings aid discussions about traditional publishers' future strategies.

1 van der Burg, M. & Van den Bulck, H. (2017). Why are traditional newspaper publishers still surviving in the digital era? The impact of long-term trends on the Flemish newspaper industry's financing, 1990-2014. *Journal of Media Business Studies*, *14*(2), 82–115. doi:10.1080/16522354.2017.1290024

Note: Section 4.4.4 (Figure 4.6, Table C.4) includes a more detailed segmentation of assets than in the published version.

4.1 Introduction

The foundations of printed newspaper publishers, incumbents of the news and information market, have been undermined (Brock, 2013; Hendriks, 1999). According to some, declining readership and advertising revenues are symptoms of the newspaper industry's 'crisis' (Siles & Boczkowski, 2012), however, (most) traditional newspaper publishers are still surviving. The article explores this apparent contradiction by analysing the impact of long-term trends on the newspaper industries' financial performance and structure, using the newspaper industry in Flanders, the northern, Dutch-speaking part of Belgium, as a case in point.

For several decades now, the printed press industry has been in a state of flux, following economic, sociocultural and technological changes (Hendriks, 1999; Napoli, 2010). Digitisation in particular has been influential. For one, the Internet made news services accessible anytime anywhere, created an abundance of information, and enabled audience participation (George, 2015; Küng et al., 2016). Digitisation further led to increased intermedia competition with every new entrant claiming part of audiences' attention (Kind, Nilssen, & Sorgard, 2009). Newspapers' key attribute as "a medium for the masses", providing different kinds of information for multiple target groups bundled in one newspaper, is undermined by information tailoring and the monetisation of niche markets (Napoli, 2010).

Manifestations of these changes are occurring at both sides of newspaper markets. The readership market is characterised by decline, with circulation dropping and newspaper titles disappearing (Organisation for Economic Co-operation and Development, 2010) as (young) readers migrate to online sources and free newspapers (Bakker, 2008; George, 2008). The advertising market went from a strong growth period to a stabilisation phase and is now in decline globally (WAN-IFRA, 2014). The above-mentioned growth of alternative news sources caused structural shifts in advertising revenues (Esteban-Bravo, Vidal-Sanz, & Yildirim, 2015). Paid newspapers lost part of their advertising revenue to free newspapers and online news platforms (Boczkowski, 2004) and classified advertising migrated online (Picard, 2008).

The newspaper industry is considered to be at the mature stage of its product life cycle, characterised by stagnating or falling revenues and consolidation, amongst others (van Kranenburg et al., 2002). Increased levels of ownership concentration are witnessed in almost all national newspaper industries (Noam & International Media Concentration Collaboration, 2016). On top of this, publishers had to weather several recessions, following the burst of the Internet stock bubble in 2001, the global housing crisis in 2008, and the Eurozone's sovereign debt crisis in 2009, resulting in falling

revenues and business failures (D. A. L. Levy & Nielsen, 2010; Soloski, 2005, 2013). Economic downturn puts pressure on publishers' revenues because advertisers tend to lower their budgets (Lischka, Kienzler, & Mellmann, 2014; van der Wurff, Bakker, & Picard, 2008).

Despite these evolutions, newspaper publishers managed to keep up their (gross operating) profit margins – for example, up to 10-12% between 2000 and 2009 in Norway and Finland (Björkroth & Grönlund, 2011; Krumsvik, 2012). Average margins of 16% and 14% were reported in Canada and the US respectively between 2006 and 2013 (Edge, 2014). This raises the question how traditional newspaper publishers have managed to maintain sustainable businesses.

To answer this question, the industrial organisational model is applied to relate changes in the traditional newspaper market to publisher's strategic responses and financing. Following Porter's generic strategies (cost leadership, differentiation, and focus) (1980), traditional newspaper publishers' strategies and actions (van Kranenburg, 2007) are discussed in the context of a small, highly concentrated, matured, and increasingly digitalised market.

To verify whether publisher's responses to the changing environment led to structural change, we explore the market for paid (digital and print) newspapers in Flanders from 1990 to 2014. The methods of analysis are based in media finance and financial accounting (Ozanich, 2006; Picard, 2002; Sutton, 2004). First, the financial performance (revenue, costs, and profit) and structure (assets, shareholder funds, and liabilities) are analysed. Next, relationships between key financial indicators are tested for Granger causality and related to the market structure and general economic development.

The study contributes to insight into the (recent) history of traditional newspaper publishers from a market perspective (Björkroth & Grönlund, 2011; Winseck, 2011). Like other multi-lingual and small geographic markets (Badillo & Bourgeois, 2016; Slaatta, 2015), the Flemish newspaper market is highly concentrated (Biltereyst & Van Gompel, 1997). The dependency on advertising revenues is similar to other European publishers (40-50% of revenues, as compared to 70-80% in the US) (De Bens & Raeymaeckers, 2010; Picard, 2008). Flanders also provides an interesting example of the relevance of types of ownership (Picard & Van Weezel, 2008), as Flemish publishers have moved from single family businesses and collective ownership to private and institutional owners (De Schryvere, 1992) but are not publicly listed.1 Most studies (An et al., 2006; Blankenburg & Ozanich, 1993) analyse the latter type of owners that focus more strongly on short-term financial targets, while family or privately held firms are believed to be more conservative (Hendriks, 1999).

In the Flemish context, most studies focus on the impact of digitisation on organisational and journalistic practices (De Bens & Paulussen, 2003; Van Leuven, Deprez, & Raeymaeckers, 2014), yet a profound understanding of the newspaper publishers' financing is lacking. As such, our analysis adds insights relevant to academics, businesses, practitioners and policy makers concerned with journalism and publishing.

4.2 Strategic responses to change

Newspaper industries are dealing with intensified competition from outside of the market. Inside the market, competition for readers increased while consolidation simultaneously led to a lessening of competition between publishers. We approach publishers' competitive behaviour from an industrial economics perspective.

Following the structure-conduct-performance (SCP) model, competition is determined by market structure and organisational behaviour (i.e. conduct). In the SCP-model, market structure determines the conduct of a firm which, in turn, is an important determinant of a firm's performance. Performance, such as product quality and financial performance, affects conduct and market structure (Albarran, 2010). The SCP-model has been criticised as applied to media for ignoring a wider (ecological) context and for the blurring of market boundaries through convergence (Dimmick, 2006). Nevertheless, it is a useful starting point to discuss theoretical perspectives on publishers' strategic responses.

In response to a changing environment, firms need to (re)define their strategy, that is, "finding positions in the industry where the [competitive] forces are weakest" (Porter, 1979, p. 143). According to Porter, a firm's profitability is determined by the joint strength (or weakness) of rivalry between an industry's competitors, the bargaining power of suppliers and customers, and threats from new entrants and substitutes. He defines three generic strategies to deal with competitive forces: cost leadership, differentiation, and focus. Differentiation and cost leadership benefit from the strategic advantage of uniqueness as perceived by the customer and from a low-costs position respectively, and both can be applied industry-wide. Focus on a particular target group or (product or geographic) market segment can benefit from both strategic advantages but these cannot be broadly applied. Application of strategies depends on an industry's specific context (Picard, 2004b), including market structure and life cycle stage.

Market structure characteristics relate to the level of competition, inte-

1 One newspaper publisher, *Concentra*, was listed from 2000 to 2001 (De Bens & Raeymaeckers, 2010).

gration, product differentiation, barriers to entry, and cost structure. Different types of market structures are distinguished, based on the number of suppliers and product differentiation, each with different competitive characteristics (Scherer & Ross, 1990). Newspapers are heterogeneous products because readers prefer a certain newspaper over rival products for its unique content (van Cuilenburg, 2000). In the Flemish case, the number of traditional newspaper publishers went from six to two between 1990 and 2014 after three horizontal takeovers of independent publishers (of which one was initially a strategic alliance) and one merger between publishing groups (cf. Figure 4.1). Moreover, publishers also expanded in the past 15 years to national and regional newspaper markets in Wallonia, the Netherlands, and Denmark.[2] In other words, the Flemish market developed from a differentiated oligopoly in the 1990s to a duopoly in 2014, a *de facto* (near) multi-product monopoly (Biltereyst & Van Gompel, 1997; Vlaamse Regulator voor de Media, 2014).

A product (market)'s life cycle evolves in different phases, from introduction to expansion and from maturity to decline (McQuail, 1992). The Flemish printed newspaper market reached the level of maturity in the 1990s, and is saturated since mid-2000s (De Bens, 2001; De Bens & Raeymaeckers, 2010). This stage is characterised by stagnating or falling revenues, consolidation, termination of newspapers, and lay-offs (Cho, Martin, & Lacy, 2006; Rink & Swan, 1979; van Kranenburg et al., 2002). In the following sections, specific strategies and actions that printed newspaper publishers can take are discussed that are deemed relevant to the Flemish newspaper market's stage and structure (Hauttekeete, 2004).

4.2.1 Cost-efficiencies in a small market

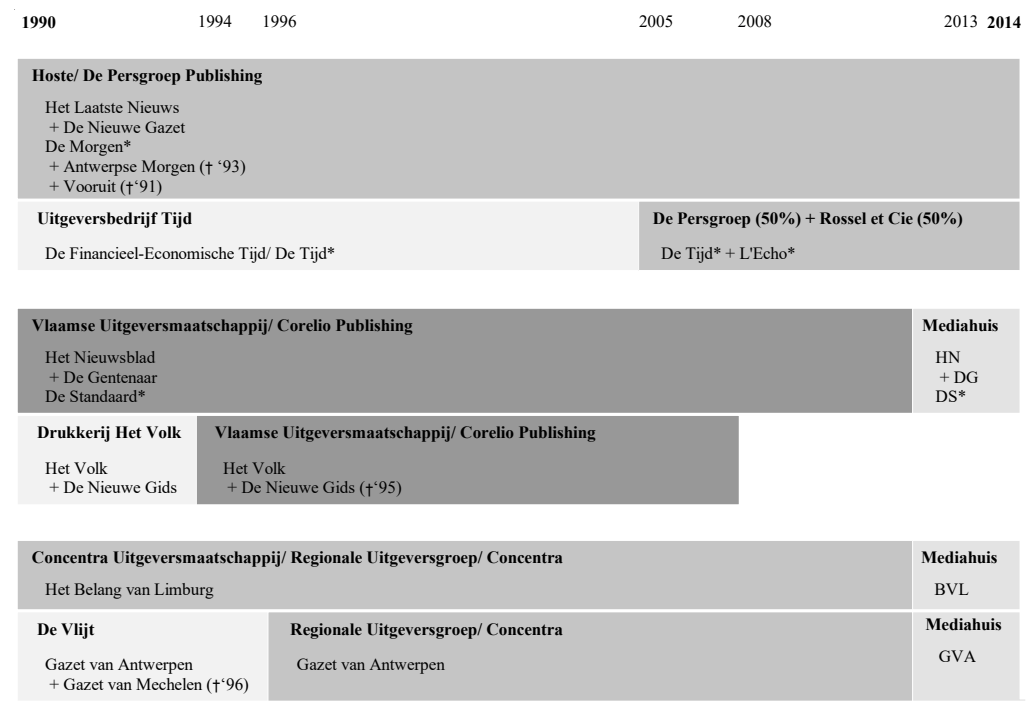
Cost leadership strategies

Traditional newspaper publishers that pursue cost leadership tend to have a broad scope as a large market share can help achieve an overall low-cost position and above-average profit margins (Porter, 1980; van Kranenburg, 2007), as in the case of popular newspapers that target all reader segments (e.g. *Het Laatste Nieuws* and *Het Volk* in Flanders).

Cost-efficiencies arise from economies of scale (i.e. enlargement of output or firm size) and scope (i.e. joint activities to produce multiple products)

2 In the French-speaking part of Belgium (i.e. Wallonia), *Corelio* acquired *Mediabel* in 1999, *Concentra* and *IPM* (i.e. *Rossel et Cie*) jointly acquired *Mass Transit Media* in 2003, and *De Persgroep* and *Rossel et Cie* jointly acquired *Editeco* in 2004/5, which would be merged with *Uitgeversbedrijf Tijd* into *Mediafin* in 2006. Expansion to the Netherlands has increased substantially in the recent years: *De Persgroep* acquired *Het Parool* (2002), *PCM Uitgevers* (2009), *Wegener* (2013), and *Mecom* (2015); *Concentra* acquired *Media Groep Limburg* (2014); and the newly created *Mediahuis* acquired *NRC Media* (2015). *De Persgroep's* acquisition of *Mecom* also included activities in Denmark.

Figure 4.1 The Flemish newspaper market from 1990 to 2014: paid national newspapers and their regional editions by publishing group.



* Elite newspaper (including business newspaper). All other newspapers are typified as popular newspapers.

because of the cost structure of printed newspapers, characterised by high fixed costs and low marginal costs (Busterna, 1988). Therefore, production costs are cross-subsidised with revenue from advertising (Ludwig, 2000): insufficiencies in readership revenues are compensated by advertising revenues (i.e. two-sided market) (Corden, 1953; Rochet & Tirole, 2002).

In general, half of the traditional publishers' expenditures are made up of production costs, including raw materials (e.g. ink and paper), technical processing, and distribution. Newsroom costs account for approximately one-quarter of costs, including remuneration and subscriptions to news wires. Remaining costs relate to sales and promotion (of circulation and advertising) and administration (De Bens & Raeymaeckers, 2010; Vogel, 2015). On each of these costs, publishers can take a low-cost position (van Kranenburg, 2007).

Plant facilities (e.g. printing presses and transport) are capital intensive and their efficient use impacts on costs. First, ownership of facilities and the creation of a (near) monopoly through horizontal integration provide the most cost-efficient level of ownership concentration (cf. infra). Second,

vertical integration and joint operating agreements enable cost savings, for instance, on transportation by distributing multiple newspapers in a larger geographical area (Busterna, 1988; Romeo & Canes, 2012). Third, outsourcing can reduce costs and risks and enables hiring expertise (De Bens & Raeymaeckers, 2010). What is more, improved technological efficiency has made the production process faster and less labour intensive (Paulussen, 2007; Picard, 2004b). Renewal of printing technology and the development of digital platforms require capital investments. Building an online business is easier and less capital intensive than traditional printing, but its monetising effect is much smaller (Grueskin et al., 2011).

Expenditures in the newsroom are crucial to create value as they relate to the core competence of traditional newspaper publishers. Bigger newsroom investments lead to higher circulation (Chen et al., 2005; S. Cho et al., 2004; Russi et al., 2014) and more online readers (Tang et al., 2011), however, the number of employees in the US newsrooms declined by 39% between 1994 and 2014 (Pew Research Center, 2016). At the same time, greater reliance was witnessed on freelancers and on news from the wires for content production (George, 2015; J. Lewis, Williams, Franklin, Thomas, & Mosdell, 2008), although this last development is not confirmed in the Belgian and Dutch context (Boumans, 2016; Van Leuven et al., 2014).

Teaming up through consolidation

As mentioned, the cost structure is an incentive to develop large firms in capital-intensive industries and, subsequently, a cause for highly concentrated markets (Busterna, 1988). Hence, when the potential product or geographical market is small, it is difficult to maximise economies of scale and realise a minimal profit margin (Cho et al., 2006) and to ensure a certain product quality (Berry & Waldfogel, 2010). For example, many small dailies in the US struggled to remain profitable, indicating the relevance of circulation size (Lacy et al., 2006). This is highly relevant in a small market like the Flemish.

For one thing, horizontal integration enables control over the market. In theory, the (near) monopolist can sell its newspapers above marginal costs (Busterna, 1988) but M&As do not necessarily lead to higher prices (Fan, 2013; van Kranenburg, 2001c). Second, cost-efficiencies may arise from maximisation of scale and scope economies, and through the elimination of redundancies (e.g. lay-offs). The latter is particularly relevant in markets that deal with negative shifts in demand (Anand, 2005). Despite these potential benefits, horizontal integration comes with a considerable price tag in the form of heavy debt loads. Interest paid on debts must be covered by profits. This puts financial pressure on a firm's performance (Picard & Van Weezel, 2008) and creates a competitive disadvantage compared to market entrants with digital business models (Grueskin et al., 2011).

4.2.2 Differentiation in a matured and digitalised market

Differentiation strategies

Publishing firms, whose newspaper is perceived as something unique in the market, pursue a differentiation or focus strategy. They can ask a premium price for the unique characteristics, which can be tangible (e.g. newspaper format) or intangible (e.g. editorial orientation) (Porter, 1980). Business newspapers distinguish themselves from other newspapers with their financial-economic information (e.g. *De Tijd* in Flanders) (van Kranenburg, 2007); regional newspapers do so by focussing on a geographical target group (e.g. *Gazet van Antwerpen* and *Belang van Limburg* in Flanders) (Boone, Carroll, & van Witteloostuijn, 2004).

In a matured or declining market, firm growth can only be realised through gaining competitors' readers. There are two options: consolidation or repositioning. When competition (on price and costs) increases, a popular product may generate more profit than a niche product (van Kranenburg, 2007). For example, business newspaper *De Financieel-Economische Tijd* was rebranded *De Tijd* and repositioned as a business and elite newspaper to target a wider audience after its readership and sales fell. Regional newspapers have mainly opted for consolidation. For example, publisher *Vlaamse Uitgeversmaatschappij* (currently *Corelio*) turned newly acquired newspapers into regional editions of existing newspapers to reduce costs (e.g. *Het Volk* and *Het Nieuwsblad*) (De Bens & Raeymaeckers, 2010).

Digital opportunities

Differentiation is also possible in a matured or declining market, but successful implementation requires traditional newspapers to become more distinctive (van Kranenburg, 2007), for example, through the customisation or tailoring of content to particular target groups (Hendriks, 1999; Noam, 2009). This type of strategy implies that news organisations offer personalised news content (of any kind) to a narrowly defined market segment and is considered an opportunity for incumbents to survive in the digitalised news and information market (George, 2015; Küng et al., 2016). In most cases, however, digital activities of traditional newspaper publishers are largely geared towards sustaining the paper newspapers' core strategy (Fetscherin & Knolmayer, 2004; Rothmann & Koch, 2014). For example, most digital business models are based on free content, paid content (i.e. subscription-based), or a combination of both, so-called sampling (i.e. pay-walls or freemium) (Halbheer, Stahl, Koenigsberg, & Lehmann, 2014). These digital

business models depend to a greater or lesser extent on advertising revenue (Küng et al., 2016), and are thus extended versions of traditional print-based business models.

Following international developments (Küng et al., 2016), most Flemish newspapers' printed content was (partly) provided for free on their websites from the early 2000s onwards. The first pay-wall and digital subscription was introduced in 2002 and 2004 respectively (Beyers, 2006), the latter generally include a digital newspaper and access to full (archived) articles. The first digital newspapers were sold by single copies in 2011.

Despite potential (mobile) advantages, publishers have been reluctant to allow sales of single newspapers or articles (i.e. pay-per-use) because of high transaction costs for micropayments (George, 2015). The Flemish newspaper market has at least two such services: press database *GoPress'* newsstand for single newspaper and magazine copies, and the Dutch-founded platform *Blendle*, on which individual articles of (international) newspapers and magazines are sold (Bond, 2015).

4.3 Analysing the Flemish case

To unravel the impact of long-term trends in newspaper publishers' financing, a longitudinal market analysis of the Flemish printed newspaper market between 1990 and 2014 has been conducted. To this end, first, revenue and cost structures are deconstructed, and the evolution of profitability is explored (i.e. financial performance). Next, the composition of assets, shareholder funds and liabilities are analysed (i.e. financial structure). Finally, the relationships between key financial indicators are tested for Granger causality and are related to the market structure and the general economy's development.

4.3.1 Market for paid newspapers in Flanders

The Belgian media market is relatively small and multilingual (Puppis, 2009), with the newspaper market segmented into Dutch- (i.e. Flemish), French- (i.e. Walloon), and German-language newspapers. Analysis focusses on traditional publishers of paid Flemish newspapers in the period 1990 to 2014. In 1990 this involved eight paid newspapers (*De Morgen*, *De Standaard*, *De Tijd*, *Gazet van Antwerpen*, *Het Belang van Limburg*, *Het Laatste Nieuws*, *Het Nieuwsblad*, and *Het Volk*): one was terminated in 2008 and by 2014, four of the six regional editions had disappeared.[3]

3 *Corelio* unsuccessfully launched two newspapers. *t Stad*, an addendum to *Het Nieuwsblad*, was launched in 1998 and terminated in 1999. *Espresso*, a 'light' version of newspaper *De Standaard*, was terminated one year after its launch in 2004 (De Bens & Raeymaeckers, 2010; Hauttekeete, 2004).

4.3.2 Measures

The first measures, indicative of financial performance, derive from the income statement. The total operating revenue (or: turnover) consists of net sales and other revenues (Ooghe et al., 2012) and is an indicator of market size and growth (Jung, 2003). Total operating revenue and net sales are allocated to activities in newspaper publishing and to other (diversified) business activities (cf. infra). Readership revenues are estimated by multiplying the average number of copies per issue sold by the number of issues in a year, and by price per copy. This is done separately for single-copy sales and subscriptions, and independently for print and digital copies. Cover prices on weekdays and yearly subscription prices are used. Readership revenues should be interpreted as gross figures, since reductions and barter could not be considered. Comparison with reported readership revenues in the annual standalone accounts of *Uitgeversbedrijf Tijd* from 1992 to 2004 showed an average overestimation of 10%.

Net advertising revenues indicate the actual revenue derived from selling advertising space as declared by publishers and advertising agencies (Niewold et al., 2010), however, these are unavailable. Therefore, estimations are calculated for Flanders based on net advertising revenues of all daily and free regional weekly newspapers in Belgium.[4] Gross advertising revenues indicate the value of advertising space in newspapers and take price reductions, pricing agreements, or barter into account (ibid.). The obtained gross advertising revenues are based on the sampled newspapers' gross price cards, advertising quantity, and declared figures.[5] Gross advertising revenues were underestimated before methodological improvements in 2006 and, in recent years, tend to be overestimated up to 50% because of increased price reductions (Berte, 2010; Wellens, Neels, Wauters, & Caudron, 2014).

Operating costs are segmented into five categories, based on the Belgian standardised accounts (Ooghe et al., 2012): goods and raw materials; costs for services or goods delivered by third parties; remuneration, social security and pensions; depreciation and amortisation; and other costs (e.g. provisions for risks and restructuring costs). Additionally, the average number of employees during a financial year in full-time equivalents (FTE) is considered.

4 The net advertising revenues are estimated through correction of gross revenues for average price reductions and promotions. The national data providers of *WARC's* give yearly recommendations about the reduction percentage; it is currently 43%. Information obtained by email on 7 July 2016. Figures for Flanders are estimated by taking a percentage of the net advertising revenues for Belgium. This percentage was based on Wallonia's and Flanders' share in the gross advertising revenues of dailies and weeklies (i.e. 55% in 1990, up to 62% in 2014)

5 Information was obtained from *Nielsen* by email on 1 December 2015.

Three profit measures are used. First, net operating profit (i.e. earnings before interests and taxes, EBIT) and, second, net profit/loss for the year (after taxes and, if relevant, before deduction of minority interests) (Sutton, 2004). Third, return on sales is measured with gross operating profit (i.e. EBITDA) relative to the total operating revenue (Martin, 1998). It is a commonly used ratio for comparison across firms in capital-intensive industries because it takes into account depreciation and amortisation (Ozanich, 2006).

Figures of the balance sheet are important in relation to profit because they provide insight into the financial structure (Ooghe et al., 2012). Liabilities (i.e. debt) are segmented based on *Orbis'* global format: creditors and other current liabilities; loans; long-term debt; and other non-current liabilities. Current liabilities are payable within 1 year, non-current liabilities after 1 year. The extent to which a firm's debt load is financed by its shareholder funds (i.e. equity) is measured with the debt-to-equity ratio (Ooghe et al., 2012). For assets, a distinction is made between current (e.g. stocks and trade debtors) and fixed assets (i.e. tangible, intangible (e.g. goodwill), and financial fixed assets) (ibid.). Finally, the capital intensity ratio is measured as the total of assets to net sales (Noam & International Media Concentration Collaboration, 2016).

Horizontal ownership concentration is measured with the normalised Herfindahl-Hirschman index (HHI-index) because of the small number of firms. It is an indicator of the level of asymmetry between publishers' audience shares (Diallo & Tomek, 2015). These audience shares are based on the number of (print and digital) copies sold by Flemish newspaper publishers and do not account for household concentration.

Gross Domestic Product (GDP) per inhabitant is an indicator of overall economic development in Belgium (figures for Flanders are unavailable). Recession years are operationalised as years of negative growth of GDP (in 2014 constant prices) relative to the preceding year (Picard, 2001), these include: 1996-1997, 2001, 2008-2009, and 2011-2012.

4.3.3 Data gathering and processing

The financial data were gathered through *Bureau van Dijk's* international company database *Orbis* and its European predecessor *Amadeus.* These (archived or online) databases provide a range of financial data at firm level for the past ten years and go back to 1990. Additionally, the original standalone financial accounts were gathered from the national bank (*Nationale Bank van België*). Company codes of publishers' newspaper publishing entities, which have newspaper publishing as their core business (cf. Table 4.1), were used to gather (and export) financial data. These standardised financial accounts

were used to verify and complete data series where needed (e.g. in case of inconsistencies), to ensure longitudinal comparability (Ooghe et al., 2012). All data were re-calculated in Euros and deflated in 2014 current prices with the consumer price index (CPI), gathered from *Statistics Belgium.*

Although the most precise financial data were used, all Flemish newspapers publishers' businesses diversified with activities in commercial printing (for third parties), book shops, radio and/or television broadcasting, advertising agencies, and all kinds of digital activities (e.g. online platforms for classified ads). These activities are, to a greater or lesser extent, also included in the financial figures, depending on the degree of ownership of subsidiaries.

Data about circulation, distribution, and readership were obtained from the centre for media research (*Centrum voor Informatie over de Media*). Data on newspaper prices were derived from the Flemish representative organisation for news media (*Vlaamse Nieuwsmedia*) and the media regulator (*Vlaamse Regulator voor de Media*). The net advertising expenditures were obtained

Table 4.1 Specification of the newspaper publishing entities by group.

Name(s) newspaper entity	Company number	Newspaper(s)	Years
Hoste/ De Persgroep Publishing			
Uitgeverij J. Hoste ('87-'91)	BE0403511981	HLN	1989
Mavanti ('76-'90)/ Hoste ('91-'99)	BE0416412189	HLN	1990[1]-1999
Aurex ('89-'05)/ De Persgroep Publishing ('06-'14)	BE0403506340	HLN HLN + DM	2000[1]-2005 2006-2014
De Nieuwe Morgen ('87-'97)/ Uitgeverij De Morgen ('98-'05)	BE0430281013	DM	1989-2005
Uitgeversbedrijf Tijd ('25-'05)/ Mediafin ('06-'14)	BE0404800301	DT DT+LE[2]	1989-2004 2005-2014
Vlaamse Uitgeversmaatschappij/ Corelio Publishing			
Vlaamse Uitgevers maatschappij [1] ('76-'99)/ VUM Media ('00-'05)/ Corelio ('06-'14)	BE0415969454	DS + HN	1989-1999
Drukkerij Het Volk (1901-'92)/ Het Volk ('93-'99)/ Vlaamse Uitgeversmaatschappij [2] ('00-'05)/ VUM ('06-'08)/ Corelio Publishing ('09-'14)	BE0401096285	HV DS + HN + HV DS + HN	1989-1999 2000-2008 2009-2013
Concentra Uitgeverij/ Uitgeversmaatschappij			
Concentra Uitgeverij ('87-'90)/ Concentra Holding ('91-'99)	BE0401289592	BVL	1989-1990
Concentra Graphic ('89-'90)/ Concentra Uitgeversmaatschappij ('91-'12)/ Mediahuis ('13-'14)	BE0439849666	BVL	1991-2013
De Vlijt ('23-'14)	BE0404810593	GVA	1989-2013
Mediahuis			
Concentra Graphic ('89-'91)/ Concentra Uitgeversmaatschappij ('91-'12)/ Mediahuis ('13-'14)	BE0439849666	BVL + GVA + DS + HN	2014

[1] Annual accounts in this year are missing or newspaper activities were not (yet) transferred to the respective entity after an internal restructuring.
[2] The Walloon business newspaper *L'Echo*.

from *WARC*. The gross advertising expenditures were obtained from *Media Mark Belgium*, *CIM MDB*, and *Nielsen MDB*. The data for GDP were gathered from *Eurostat*. Gaps in data were solved using data from reports and literature, or by calculating estimates.[6]

4.3.4 Causality testing

Granger causality tests are applied to verify the presence and direction of causal relationships between the level of net operating profit, revenues, costs, assets, debts, market structure, and general economic development. The Granger causality test's null hypothesis assumes that "conditional on information distribution, lagged values of *yt* add no information to explanation of movements of *xt* beyond that provided by lagged values of *xt* itself" (Greene, 2003, p. 282). In other words, if the null hypothesis is rejected, *xt* Granger-causes *yt* if past values of *xt* forecast *yt*. Granger is commonly used as part of time series models (Vliegenthart, 2014); however, in this case such models cannot be applied because, first, the sample size is too small (Green, 2010). Second, it is panel data of which the structure became even more complex (i.e. layered) after M&As. This has implications for the statistical interference of the findings.

Before Granger causality tests were performed, variables' stationarity was measured using Augmented Dickey-Fuller (ADF) and Kwiatkowski-Phillips-Schmidt-Shin (KPSS) tests (Thurman & Fisher, 1988); all variables are non-stationary in their levels and are stationary in first differences based on the KPSS tests. Some variables were only stationary in second differences according to the ADF test, which is probably due to the test's reliability for small samples.

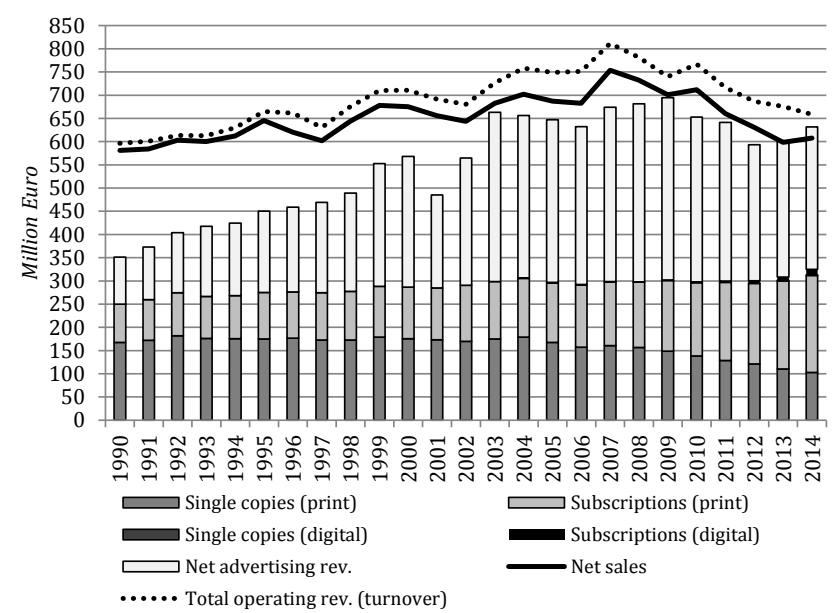
6 Gaps occurring in the data were treated as follows:
- Financial data were missing of publisher *Hoste* in 1990 and 2000. Estimates (i.e. averages) have been calculated based on the preceding and following years, as these missing figures would bias market figures.
- Gross advertising revenues per medium in Flanders in 1990 and 1991, provided by *Mediamark Belgium*, are based on reports (Associatie van Communicatieprofessionals, 1992, p. 48; Mees & Poppe, 1991, pp. 7, 9).
- Gross advertising revenue per newspaper could not be obtained from 1990 to 1992.
- Subscription prices are missing from 1989 to 1993, and from 2012 to 2014. Estimates are calculated based on the average difference between prices for single copies and a newspaper's subscription price (on a yearly basis, per copy). Digital (only) subscriptions are cheaper compared to print (only) subscriptions, but no historic data were available. Therefore, a current (i.e. in May 2016) price difference between print and digital subscriptions of 25% on average is applied to estimate prices of digital subscriptions.
- No readership study was conducted in 1992 and 1995. Estimates for reach (i.e. reader last period) are calculated based on an average of the preceding and following year.
- Data of GDP per inhabitant are calculated differently by *Eurostat* since 2014, which means that an estimate is calculated for this year based on a 1.3% growth compared to the preceding year (Nationale Bank van België, 2016, p. 16).

4.4 The evolving Flemish newspaper market's financing deconstructed

4.4.1 Revenue

Between 1990 and 2014, the Flemish newspaper publishers' joint (total) operating revenue (i.e. market size) grew 0.41% on average per year (i.e. compound annual growth rate) from 596.4 in 1990 to 658.6 million Euro in 2014. These include newspaper publishing activities and activities in other (adjacent) businesses (cf. infra). Revenues derived from net sales grew only 0.19% on average per year (cf. Figure 4.2 and Table C.1 in Annex C). This difference is explained by revenues from third parties that do not relate to the business operation (e.g. value added on transferring fixed assets or income from subletting) (Ooghe et al., 2012). A first phase started in 1990 and peaked in 2007. In this period, growth went up to 8.0% per year, although it alternated with decline. Explanations for the declining years include economic downturn (1996-1997, 2001); horizontal M&As (2005), even though this led to growth in other years; the launch of free newspaper *Metro* (2001); and the rise of the Internet as a news source. The second phase shows a declining market (2008-2014), with the exception of a temporary recovery in 2010: declines in this period ranged from -1.6% to -6.6% per year. Economic downturn contributed to this.

Figure 4.2 Revenues by segment (estimations), net sales, and total operating revenue of the newspaper publishers (in m. Euro and 2014 constant prices).



Readership revenue

Throughout the period under study, the composition of readership revenues shifted from single-copy sales to subscriptions (67.6% in 1990) (cf. Figure 4.2 and Table C.1 in Annex C). A turning point was 2010, when a majority (50.5%) of readership revenue was derived from (print) subscriptions. By 2014, this was 61.5%. Explanations for this shift include the fact that publishers put more effort into the sales of subscriptions (e.g. by providing premiums) as a means to ensure greater continuation of sales and thus consumer loyalty, which is important for advertising and to reduce wastage (-1.93% on average per year) (Leurdijk et al., 2012; Van den Bulck, Tambuyzer, & Ackx, 2011). Subscriptions have been helped by the preferred postal tariff since 1992, which cut costs of newspapers' home delivery (Picone & Pauwels, 2014).

Digital sales evolved from 0.3% of the readership revenue in 2004, over 1.1% in 2012 to 2.8% in 2014. These are mainly subscriptions (0.3% in 2004 and 2.3% in 2014), although the sales of single copies increase slightly (0.5% in 2014). In comparison, digital revenues represented 6% of the global newspaper industry's readership revenue in 2013 (WAN-IFRA, 2014).

The estimated readership revenue grew 1.10% on average per year in the period 1990-2014. Despite alternations with 1 or 2 years of decline, calculations show an upward trend. This is explained by price compensation: prices for single copies increased annually 1.86% on average and subscriptions approx. 2.03% (after deflation). Variation in newspapers' prices was very slight among popular newspapers because of pricing agreements between publishers until 1996 (De Bens & Raeymaeckers, 2010). Newspaper prices are traditionally considered inelastic, implying that circulation demand does not fall in response to price increase (R. Lewis, 1995; Picard, 1991). However, more recent analyses show elastic prices in the US and this seems to apply to Belgium (Pattabhiramaiah, Sriram, & Sridhar, 2014; Van Cayseele & Vanormelingen, 2009).

Declining demand in Flanders in the period 1990-2014 is evident (cf. Table 4.2). First, readership fell from 48.9% of the Flemish population to 36.9%, especially in the 25-44 age group. Second, the number of printed copies (i.e. circulation) and distributed copies (i.e. sold copies) declined in total -19.3% and -15.5%, respectively, in the period under study (-0.89% and -0.70% on average per year). Digital paid distribution compensated for just 4.8% of lost circulation in 2014. Terminations of newspaper editions in the early 1990s and of one newspaper (*Het Volk)* in 2008 provide some explanation. The losses since the mid-2000s relate to the launch of the free newspaper *Metro* (2001) and competition from (free) online news sources. Flemings that consumed news daily via the web doubled from 11.4% in 2007 to 25.9%

Table 4.2 Circulation, distribution (in m.), and reach of the national paid newspapers.

Year	Circulation (print)	Paid distribution				Free distribution (print)	Wastage (print)	Reach (in %)[1]
		Subscr. (print)	Single copy (print)	Subscr. + single copy (digital)	Total (print + digital)			
1990	1,234.5	378.0	644.1	n.a.	1,022.1	26.9	185.4	48.9
1991	1,217.5	377.3	625.3	n.a.	1,002.6	23.2	191.6	48.4
1992	1,204.9	375.4	622.1	n.a.	997.6	22.7	184.6	46.2
1993	1,211.9	377.7	621.1	n.a.	998.8	21.7	191.4	44.0
1994	1,193.3	382.4	604.2	n.a.	986.6	22.2	184.5	46.3
1995	1,187.9	389.8	592.3	n.a.	982.1	19.1	186.7	41.8
1996	1,193.8	397.7	585.8	n.a.	983.5	19.5	190.8	37.3
1997	1,185.5	401.2	585.5	n.a.	986.7	17.2	181.6	39.0
1998	1,196.4	411.0	576.1	n.a.	987.0	16.6	192.8	42.1
1999	1,205.4	420.0	572.3	n.a.	992.4	17.3	195.7	41.6
2000	1,223.4	433.8	574.2	n.a.	1,008.0	17.4	198.0	42.0
2001	1,198.1	433.5	558.5	n.a.	992.0	13.5	192.7	40.8
2002	1,170.8	430.5	534.2	n.a.	964.7	11.4	194.6	40.2
2003	1,175.4	438.0	531.4	n.a.	969.4	11.7	194.3	38.6
2004	1,193.5	444.1	522.0	4.2	970.3	13.9	213.6	37.9
2005	1,170.9	451.2	502.8	4.2	958.2	13.4	203.5	33.8
2006	1,138.8	461.1	480.0	3.8	944.8	15.4	182.3	32.0
2007	1,120.2	461.7	471.4	3.7	936.8	15.6	171.5	30.8
2008	1,119.5	473.2	449.8	3.5	926.5	21.1	175.5	33.8
2009	1,102.3	491.3	428.0	3.3	922.6	17.1	165.7	33.8
2010	1,093.7	520.2	402.3	4.9	927.4	14.2	156.7	39.1
2011	1,090.0	545.6	373.4	12.5	931.5	18.2	152.8	37.2
2012	1,062.1	562.6	342.6	23.1	928.3	19.0	137.8	36.1
2013	1,025.9	591.7	295.9	31.4	919.0	15.2	123.1	36.4
2014	995.9	607.1	256.5	47.9	911.5	16.3	116.0	36.9
Mean (a)	1,156.5	450.2	510.1	13.0	966.0	17.6	178.5	39.4
Mean (g)	1,154.7	445.6	497.0	7.8	965.5	17.2	176.7	39.1
Change (%)	-19.3	60.6	-60.2	n.a.	-10.8	-39.5	-37.4	-24.4
CAGR (%)	-0.89	1.99	-3.76	n.a.	-0.48	-2.07	-1.93	-1.16

[1] Average percentage of the Flemish population (i.e. reader last period).
N.a. = Not applicable, mean (a) = arithmetic mean, mean (g) = geometric mean, change = relative change between 1990 and 2014, and CAGR = compound annual growth.

in 2014. The use of newspapers declined from 48.2% in 1997, to 38.8% in 2007, and to 34.6% in 2014.[7]

Advertising revenue

The Belgian net advertising market grew in the past 25 years from 888.6 million Euro in 1990 to 2.7 billion Euro in 2014. The share of daily and weekly newspapers (in Belgium) fell from 34.7% to 18.3% for net revenues. Since 2000, the combined share of radio and television is larger than that of the printed press (i.e. dailies, weeklies, and magazines). The online expenditures (display advertising only and including mobile Internet since 2014)

7 Data are retrieved from *Studiedienst van de Vlaamse Regering*: http://www4dar.vlaanderen.be/sites/svr/cijfers/Exceltabellen/media/algemeen/Medium%20nieuwsgaring/MEDIALGE021.xls

made up 0.7% in 2000, jumped to 7.6% in 2006, and 18.4% in 2014. In general, online advertising in Belgium got off to a slow start (Berte, 2010). For example, in the US, digital advertising revenues developed from 3% of the newspaper advertising revenue in 2003 to 8% in 2008 and, among publicly traded firms, to 22% in 2014 (Organisation for Economic Co-operation and Development, 2010a; Pew Research Center, 2016).

The (estimated) net advertising revenues of weekly and daily newspapers in Flanders increased 4.75% on average per year from 100.8 million Euro in 1990 to 307.0 million Euro in 2014. In comparison, gross advertising revenues grew annually 5.45% on average (cf. Figure 4.2 and Table C.1 in Annex C). A gradual increase is observed for gross and net advertising revenues between 1990 and 2000. During the early 1990s, a period of recession in the US, Flemish gross advertising revenues dropped while net revenues did not. When the Belgian economy stagnated in 1996 in response to increased competition through globalisation (De Tijd, 1997), gross advertising revenues barely grew while net figures showed growth. A strong decline is observed in 2001, the year the Internet stock bubble burst: net advertising revenues fell -29.9% and gross revenues -6.6%. However, the advertising revenues recovered and peaked in 2007 (gross) and 2009 (net) before they plummeted when the financial crisis and sovereign debt crisis kicked in (2008-2012). Net advertising revenues declined annually from 2010 to 2013 (max. -14.2% in 2012) and gross revenues dropped from 2008 to 2009, and again, from 2011 to 2012 (max. 7.0% in 2011). The gross and net advertising revenues recovered since 2013 and 2014 respectively.

In sum, growth (or decline) of net and gross advertising revenues did not always take place simultaneously. This can be explained by adaptions of pricing strategies to market or economic circumstances or, as mentioned in the methods section, by measurement issues. Gross advertising revenues were measured lower than net revenues in the years 1993 to 2000 and in 2003. In the remaining years, gross revenues were higher, and since 2012, by more than 40%. This concurs with claims about high reductions on the price of advertising space in newspapers, indicative of increasing uncertainty at the advertising market. However, the data did not indicate greater annual fluctuations (i.e. volatility) as opposed to the US (Picard, 2008).

Revenue structure

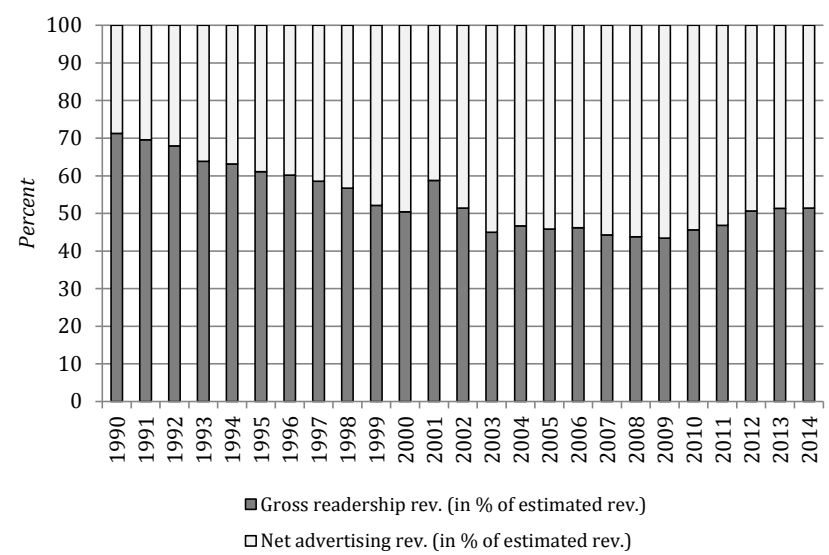
Estimated gross readership revenue and net advertising revenue are considered a proxy for Flemish publisher's revenues that are solely derived from newspaper publishing. These made up only a part of the net sales due to diversifications strategies (cf. Table 4.2): an estimated 64% in 1990 gradually increased to 104% in 2014. This is somewhat higher compared to a reported 59% in 1990 (Ernst & Young, 1991). Since then, the figures are increasingly overestimated because promotions, reductions, and barter are not taken into account (cf. supra).

In the period under study, the estimated revenue structure became more dependent on advertising than on readership revenue (cf. Figure 4.3), which concurs with findings of Van Cayseele and Vanormelingen (2009). The percentage of revenue coming from advertising is an estimated 28.7% in 1990 and increased gradually to 56.5% in 2009. In the early 1990s, the estimated percentage was below or slightly above 30%. This is probably underestimated. First, a percentage of 30% is considered the lower limit for Flemish publishers as, in the past, it was only observed among failing firms (De Bens, 2001). Second, a percentage of 57% was reported in 1990 (excluding *Vlaamse Uitgeversmaatschappij*) (Ernst & Young, 1991). As for 1999 and 2005, others have estimated percentages of 51% and 55%, respectively, which concur with our findings in those years (De Bens & Raeymaeckers, 2010). After a phase of growth, the estimated percentage of revenue from advertising declined between 2010 and 2014 to 48.6%. A majority (i.e. >50%) of revenue was based on readership from 1990 to 2002 and, again, since 2012. This stresses the increasing importance of newspaper sales in the context of a declining advertising market.

4.4.2 Costs

The level of operating costs of Flemish newspaper publishers, which cannot be solely allocated to newspaper publishing activities (cf. supra), largely

Figure 4.3 Revenue structure of the newspaper publishers (readership and advertising revenue relative to the total estimated revenues derived from newspaper publishing).



follows the development of net operating income in the period 1990-2014 and grew 0.36% on average per year (cf. Figure 4.4 and Table C.2 in Annex C). Expenses for services and other goods, goods and raw materials, and remuneration each represented roughly one-third of the expenses in 1990. In 2014, expenses for services and other goods make up a majority of all operating costs.

Expenses for remuneration (including benefits), social security and pensions (i.e. payroll) decreased -1.01% on average per year in the period 1990-2014, while the number of contracted employees fell -2.06%. The average costs per employee gradually climbed from 64.6 thousand Euro annually in 1990 to 83.5 thousand Euro in 2014, indicating a shift towards more highly educated staff. The majority of the staff reductions took place in the departments of production and facility; only 2.5% of the employees were classified as 'labourer' in 2013, compared to 24.4% in 2003 and 36.9% in 1993.[8] In 2013, the remaining 96.9% consisted of 'clerks', including journalists, and 0.5% were directors. The share of journalists employed (i.e. newsroom staff) relative to all employees increased from 20.9% in 1990 to 23.2% in 1995 (De Bens & Raeymaeckers, 2010), and from 30.0% in 2000 to 34.0% in 2010, and 33.9% in 2015.[9] These percentages may be lower as full-time employment is assumed. The share of payroll expenses relative to the total of operating costs fell from 35.7% in 1990 to 21.3% in 2008 but climbed again to 25.7% in 2014.

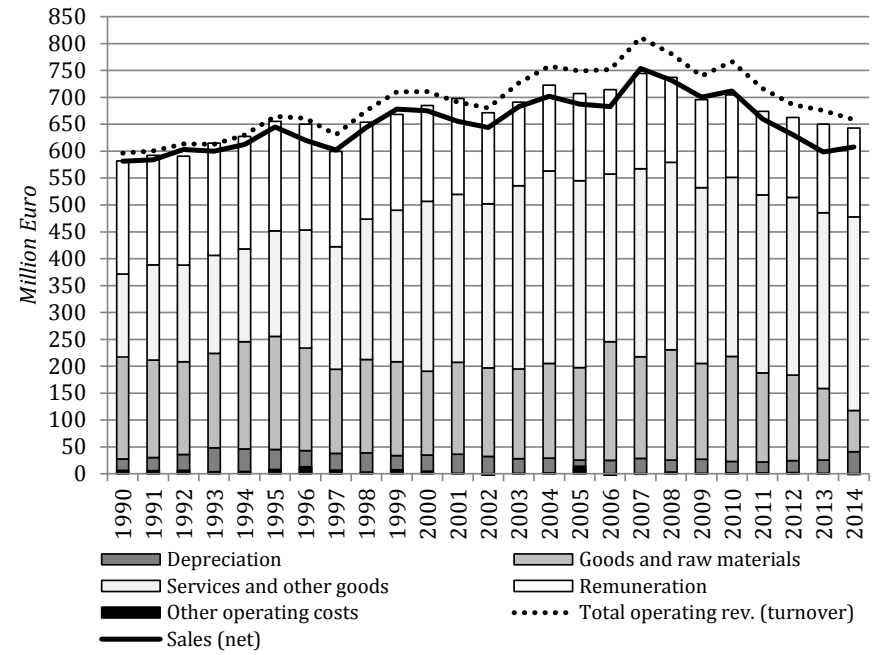
Expenses in services or goods delivered by third parties gradually increased: 3.59% on average per year in the period under study. These costs include, for example, hiring temporary employed people such as freelance journalists. The total number of registered professional journalists in Flanders continued to grow: from 618 in 1993[10] to 2,257 in 2003, and from 2,356 in 2008 to 2,662 in 2013 (De Bens, 1995; Paulussen & De Clercq, 2005; Paulussen & Raeymaeckers, 2010; Raeymaeckers et al., 2013). The percentage of self-employed professional journalists in Flanders declined from 21% in

8 These percentages are based on the average number of employees during a financial year (in FTE) in 1993. However, the years 2003 and 2013 are based on the number of employees at the 31st of December of the respective financial year (in FTE).

9 Numbers for journalists in 1990 and 1995 are based on the entire market (De Bens & Raeymaeckers, 2010, p. 109), while those for 2000, 2005, and 2015 are based on our own calculations and exclusively relate to the sampled newspaper publishers. Data about the number of employees (in FTE) are obtained from annual accounts and reported numbers newsroom staff from different sources: De Bens (2001, p. 192) for 2000, De Bens & Raeymaeckers (2010, pp. 314, 351, 374, 385, 396, 406) for 2009-2010, and *Vlaamse Vereniging van Journalisten* (requested) for 2015. A total of 644 journalists were working in the newsroom of a paid newspaper in 2000, 647 in 2009/2010, and 670 in 2015. In comparison/verification: De Bens (2001, p. 191) reported 28.6% in 2000 and 33.6% in 2009. The latter is close to the calculated 34.0% in 2010 so figures are considered comparable.

10 The figure for 1993 might be an underestimation, as elsewhere 1,221 journalists were reported (De Bens, 2001, p. 191).

Figure 4.4 Operating costs by segment, net sales, and total operating revenue of the newspaper publishers (in m. Euro and 2014 constant prices).



2003, to 19% in 2008, and to 16% in 2013.[11] Nevertheless, the potential external workforce on which publishers (can) rely, has grown and supposedly compensates for lay-offs.

Costs for goods and raw materials reduced -3.68% on average per year between 1990 and 2014. The evolution fluctuated but strongly declined from 2007 onwards. This can be explained first by declining circulation and increasing digital sales, second, by falling paper prices during economic downturn, and third, by the separation and centralisation of printing activities from publishing activities (i.e. accounting effects).

4.4.3 Profitability

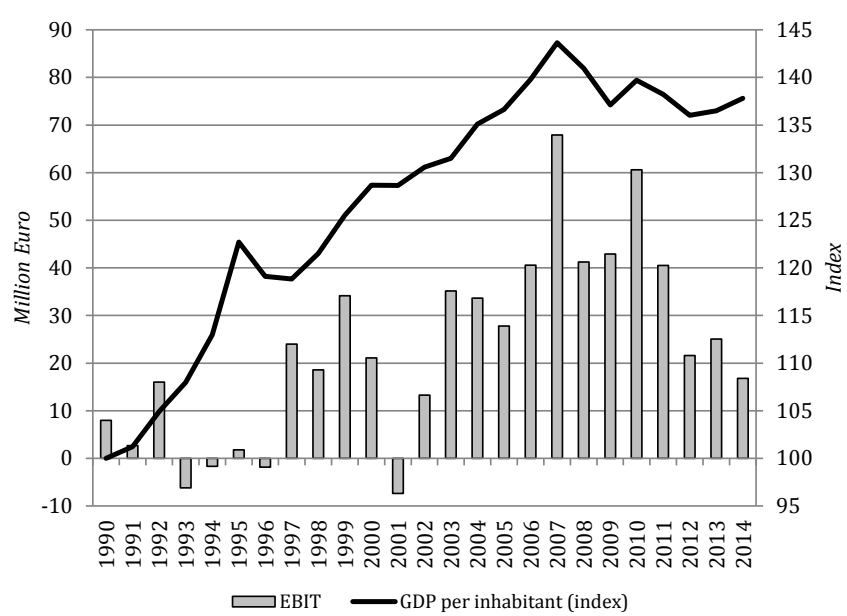
Profitability stresses the aim to maximise efficiency of a firm's internal operation as profits result from increasing revenue from sales and controlling costs (Martin, 1998). In the period 1990-2014, net operating profit levels (i.e. EBIT) in the Flemish newspaper industry increased annually 3.15% on average from 8.0 to 16.8 million Euro in constant prices (cf. Figure 4.5 and Table C.3 in Annex C). However, profits greatly fluctuated: 1 or 2 years of annual growth alternated with 1 or 2 years of decline. Losses in the early

11 Data are obtained upon request from the national journalist survey by email on 8 November 2015 (Raeymaeckers et al., 2013).

1990s resulted from financial difficulties of three publishers (*Uitgeverij De Morgen*, *Het Volk*, and *De Vlijt* were failing or bankrupt in these years) and recession (1996-97). After a growth phase, the burst of the Internet stock bubble again caused losses (2001). Next, profits grew to a peak in 2007. Interestingly, while costs exceeded total operating revenue in the economic low times of 1996 and 2000, this was not the case during the latest recession starting in 2008. The latter can be explained by immediate reductions of expenses on remuneration (-10.8% in 2008): cutting back on expenses is a common response to crises (Brüggemann, Esser, & Humprecht, 2012; Picard & Rimmer, 1999). Net sales increasingly fell under the level of operating costs (but remained under the level of total operating revenue) since 2011. Although this occurred in multiple years, it indicates the need for additional revenue streams.

In the past 25 years, a Flemish publisher's gross operating ratio (i.e. EBITDA-margin) was 5.9% on average, ranging from 1.2% in 1990 to 10.7% in 2014. The profit margins of the three largest publishers were higher (8.1% on average) than those of smaller publishers. In comparison to another small, if somewhat larger, market; the EBITDA-margin in the Netherlands was 8% between 2000 and 2014 against 6.5% in Flanders (NDP Nieuwsmedia, 2004-2016). This low average margin of the Flemish publisher is considered normal for relatively small firms (Lacy et al., 2006); however, there were exceptions, as business newspaper publisher *Mediafin* had an average

Figure 4.5 Net operating profit (EBIT in m. Euro and 2014 constant prices) of the newspaper publishers and general economic development (indexed GDP).



margin of 14.9% from 2007 onwards. *De Tijd's* repositioning in 2003 and merger with the Walloon business newspaper *L'Echo* paid off.

4.4.4 Assets, shareholder funds, and liabilities

The preceding sections discussed financial performance; this section zooms in on the financial structure. The Flemish publishers' assets grew annually 3.34% on average from 377.2 to 829.8 million Euro in the past 25 years: fixed assets increased more compared to current assets (4.00% versus 2.68% on average per year) (cf. Figure 4.6 and Table C.4 in Annex C). Fixed assets (e.g. goodwill, real estate, plant facilities, and financial fixed assets of subsidiaries) made up 40.9% of the total of assets in 1990 and 51.1% in 2014.

The composition of the fixed assets shifted from tangible to financial fixed assets. Tangible assets decreased -6.65% on average per year; it made up 79.1% of the fixed assets in 1990 and only a 5.9% in 2014. Financial fixed assets increased 8.47% on average per year and made up 18.7% of the total of fixed assets in 1990 and 51.4% in 2014.

The fluctuations are related to horizontal integration and acquisitions and divestitures of subsidiaries in other markets and to general economic development.

For example, intangible assets increased in 2006 when *Mediafin* was established and formation expenses increased substantially in 1996 and 2013, the years the merger cases *De Vlijt* and *Mediahuis*. The steep increase of the total of assets in 2014 is explained by *De Persgroep's* acquisition of *Mecom* (De Preter, 2015).

An alternative explanation for a gradual increase could be investments in digital activities. The capital intensity ratio indicates less efficient use of assets: a publisher used 0.59 Euro assets on average to generate 1 Euro revenue in 1990, which increased to 0.97 Euro in 2013 and to 1.25 Euro in 2014. This is below a reported ratio of approximately 1.5 for newspaper publishers worldwide (Noam & International Media Concentration Collaboration, 2016).

The Flemish newspaper publishers have become increasingly leveraged: the total of liabilities (i.e. debt load) gradually tripled in 25 years' time, from 248.7 million Euro in 1990 to 730.6 million Euro in 2014 (4.59% on average per year) (cf. Figure 4.7 and Table C.5 in Annex C). Its composition has flipped from primarily current liabilities to non-current liabilities, which is explained by the increase of long-term debts (11.11% on average per year). Long-term debts can finance, for example, a renewal of plant facilities or M&As. The share of non-current liabilities was 21.3% in 1990, 37.5% in 2013, and 61.2% in 2014. The debt load on average made up 71.3% of the total of assets (this was higher (>80%) from 2001 to 2002 and from 2013

Figure 4.6 Assets by segment of the newspaper publishers (in m. Euro and 2014 constant prices) and capital intensity ratio.

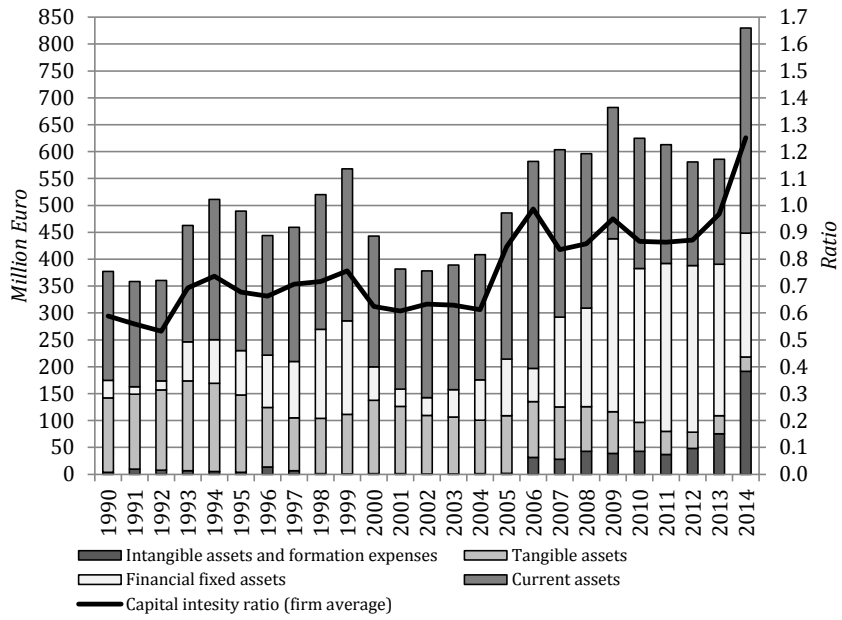
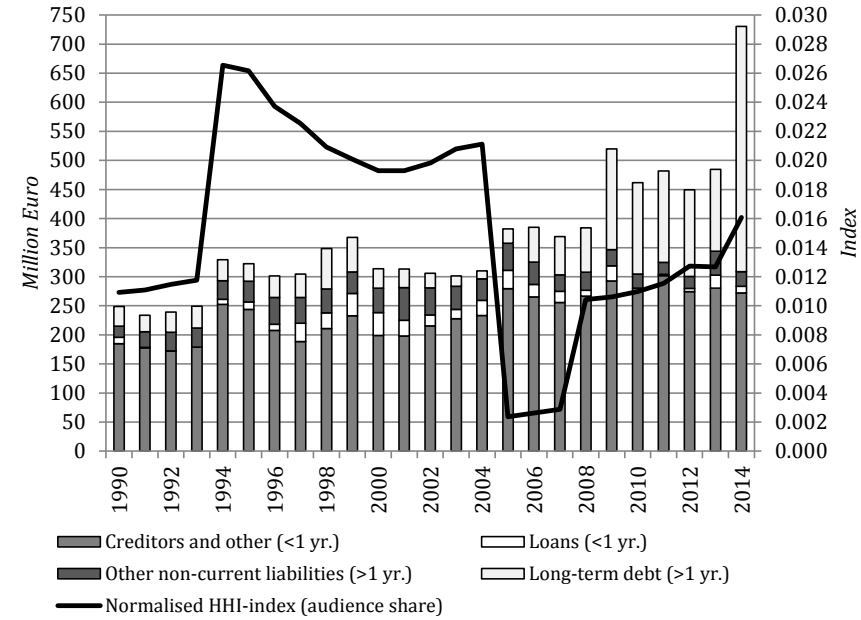


Figure 4.7 Liabilities by segment of the newspaper publishers (in m. Euro and 2014 constant prices) and horizontal market concentration (normalised HHI-index).



to 2014), and are to a lesser extent financed with shareholder funds. These shareholder funds declined -1.07% on average per year. The debt-to-equity ratio was above the average of 2.89 in the years 2001 to 2005 and from 2009 to 2014. Values above 1 concur with findings for the leading Canadian media groups from the mid-1990s onwards and for many healthy firms in Belgium these days (Ooghe et al., 2012; Winseck, 2011). Shareholder funds were particularly low from 2001 to 2005, most likely caused by the Internet stock bubble burst as some publishers saw their online investments evaporating (De Bens & Raeymaeckers, 2010).

The normalised HHI-index shows how equality of the publishers' audience shares fluctuated after horizontal integration, for example in 1994 and 2005. In the latter year, *Corelio* lost its position as market leader after business newspaper *De Tijd* was jointly acquired by *De Persgroep* and *Rossel et Cie*. Between 2005 and 2007, the HHI-index is close to zero, indicating three market players with rather equal shares. In 2014, *Mediahuis* (*Corelio's* and *Concentra's* merged publishing activities) became the new market leader.

4.4.5 Relationships between financial indicators, market structure, and economic development

In this last section, we turn to causal relationships between key financial indicators, HHI-index, and GDP that are confirmed at a <5% significance level (cf. Figure 4.8 and Table 4.3). Findings confirm that publishers focussed on controlling costs while growth of sales slowed down. The level of operating costs in 2 preceding years Granger-caused (hereafter: caused or forecasted) change in the level of net sales, in particular net advertising revenue, and net operating profit (EBIT). Publishers seemed to anticipate general economic developments: past values of operating costs also forecasted GDP. For example, costs were reduced before the financial crisis fully unfolded in 2008. Contrary to expectations (Lischka et al., 2014), past values of GDP did not cause advertising revenues. One explanation is that the impact of competitors from outside this market is stronger (Esteban-Bravo et al., 2015).

Net sales of a preceding year caused fluctuations in the levels of costs for products and services of third parties (e.g. expenses for hiring freelancers). In turn, values of 1, 2, or 3 preceding years of these costs caused net advertising revenue, readership revenue, and net operating profit respectively. Expenses for goods and raw materials and remuneration did not relate to any of the variables. This emphasises, again, a shift towards paperless publishing and outsourcing of content creation.

The level of net operating profit, up to the 5 preceding years, forecasted change in the level of long-term debts. For example, if a publisher performed well, it was likely to take up long-term debts to finance investments

or expansion. The fact that this relationship is not reversed indicates that paid interest did not affect the level of profit substantially. Moreover, the publishers' expansionism seems to be related to the general economies' development: the level of GDP, up to 3 preceding years, caused the total of assets and (related) liabilities. Net sales and operating costs of 4 and 1 preceding year, respectively, also caused the total of assets. These variables are all related to firm size. Fixed assets did not relate to any of the variables.

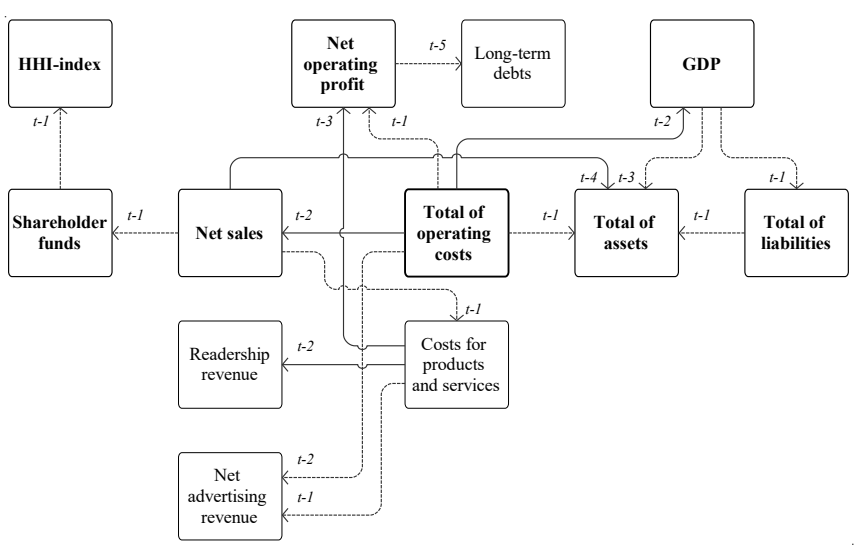
The level of shareholder funds was caused by net sales of the preceding year and forecasted change in the degree of equality in the publishers' audience shares (normalised HHI-index). It is assumed that horizontal integration was largely financed with shareholder funds while expansion outside the market, especially in the past 15 years, was largely financed with liabilities. This concurs with a shift towards institutional ownership (Picard & Van Weezel, 2008). Finally, market structure did not cause any of the investigated indicators of financial performance and structure, indicative of a certain stability of competition between publishers in this market.

4.5 Discussion and conclusion

Parks' (1923, p. 273) claim that "[t]he natural history of the press is a history of a surviving species" seems confirmed for publishers of printed (and digital) newspapers in Flanders in the past 25 years as they survived in an ever more digitised environment. Between 1990 and 2014, overall, these publishers of small- to medium-sized newspapers kept up their profits while demand declined, the advertising market rose and fell, and recessions occurred. Based on the analysis above, how can we explain this in the context of a market that shifted from a mature to declining stage in its product life cycle?

First, findings show that Flemish newspaper publishers continue to de-

Figure 4.8 Bivariate causal relationships in the Flemish market for paid newspapers between 1990 and 2014 (*N*=24).



Note: Arrows indicate Granger-causality between x_t and y_t at <1% (solid line) or <5% significance level (dashed line). The number of preceding years of x_t that can forecast change of y_t, is indicate with, for example, t_{-2}.

Table 4.3 Results for Granger causality tests of bivariate relationships (p<.05, *N*=24).

Variable[1]		Lag	df	*F*-value	*p*-value
Independent (*x*)	**Dependent (*y*)**				
Revenues (segmented)					
Net sales	→ Costs for products and services	t_{-1}	21	4.666	0.043
	→ Total of assets	t_{-1}	21	9.762	0.005
		t_{-2}	19	5.288	0.016
		t_{-3}	17	3.994	0.030
		t_{-4}	15	3.602	0.041
	→ Shareholder funds	t_{-1}	21	4.450	0.048
Costs (segmented)					
Operating costs	→ Net operating profit	t_{-1}	21	7.971	0.011
	→ Net sales	t_{-1}	21	12.343	0.002
		t_{-2}	19	5.344	0.016
	→ Net advertising revenue	t_{-1}	21	7.286	0.014
		t_{-2}	19	3.999	0.038
	→ Total of assets	t_{-1}	21	5.042	0.036
	→ GDP	t_{-1}	21	10.030	0.005
		t_{-2}	19	5.751	0.012
Products and services	→ Net operating profit	t_{-1}	21	11.405	0.003
		t_{-2}	19	5.248	0.017
		t_{-3}	17	4.952	0.015
	→ Readership revenue	t_{-1}	21	5.041	0.019
		t_{-2}	19	4.329	0.023
	→ Net advertising revenue	t_{-1}	21	4.717	0.042
Profit					
Net operating profit	→ Long-term debts	t_{-1}	21	5.736	0.027
		t_{-2}	19	2.913	0.082
		t_{-3}	17	6.367	0.006
		t_{-4}	15	6.170	0.007
		t_{-5}	13	5.491	0.017
Liabilities and shareholder funds					
Total of liabilities	→ Total of assets	t_{-1}	21	6.000	0.024
Shareholder funds	→ HHI-index	t_{-1}	21	5.857	0.025
General economic development					
GDP	→ Total of assets	t_{-1}	21	7.303	0.014
		t_{-2}	19	3.541	0.052
		t_{-3}	17	4.530	0.020
	→ Total of liabilities	t_{-1}	21	6.146	0.022

[1] Variables in first differences.
Note: Only relationships with p<.05 are reported. The arrow should be read as x_t Granger-causes y_t.

pend on the traditional business model for printed newspapers. Readership revenues provided a solid base while growth was driven by advertising revenues. Newspaper prices have been raised to compensate for the loss of readership, yet they have become elastic (Van Cayseele & Vanormelingen, 2009), which may lead to subsequent erosion of advertising revenues (Pattabhiramaiah et al., 2014). Sales of digital newspaper copies and subscriptions gradually generate more revenue but Flanders lags behind compared the global newspaper market (WAN-IFRA, 2014)

Second, the key mechanism behind these profits is control of costs. Operating costs Granger-caused net operating profit: costs either exceeded revenues and caused losses or were quickly cut back when the first signs of economic downturn occurred, and this concurs with German newspaper publishers (Brüggemann et al., 2012). Moreover, the changes in the cost structure reflect technological advances and differently organised labour. Many employees have been laid off, replaced by better paid, more highly educated people. In relative terms, payroll expenses are increasing again since 2011. If the substantial external workforce of self-employed journalists and the increased outsourcing costs are considered, it is questionable whether expenses for human resources actually fell as much as it seems.

Third, the market has become ever more concentrated and publishers have been expanding into foreign newspaper markets.[12] The realisation of cost-efficiencies through maximisation of economies of scale and redundancies was clear from the shift in the cost structure (Anand, 2005). For example, one publisher had a reputation of turning acquired newspapers into zoned editions (De Bens & Raeymaeckers, 2010). Expansion to foreign markets, in particular to the Netherlands, another (highly concentrated) Dutch-language market (van Dreunen, 2016), enabled further cost-efficiencies, for example through sharing content between *De Persgroep's* newspapers *De Morgen* and *De Volkskrant.* As a result of consolidation, the Flemish publishers' debt load increased to a level that has not been witnessed before.

In addition to consolidation, types of ownership have changed. While the financial performance of three of the six publishers was critical in the 1990s, under the control of new owners, fewer publishers were making a loss in the past decade, implying a level of managerial professionalisation. More generally, the findings confirm normal profit levels among these non-listed but privately and institutionally held publishers, some of which are family controlled (Picard & Van Weezel, 2008). This contrasts with the generally higher margins of publicly listed publishers (An et al., 2006). At the same time, the urge to merge and high debt-to-equity ratios concur with characteristics of institutional ownership.

Based on these findings, it is argued that the Flemish newspaper publishers have been conservative by holding on to a strategy that focusses on creating a low-cost position (Porter, 1980). One explanation for resistance to change is the fear of the cannibalisation of existing revenue streams (van Moorsel, He, Oltmans, & Huibers, 2012). Defensive strategies to curb or limit competition from outside the traditional newspaper publishing market are also observed, for example lawsuits against Google and calls upon the Belgian government for regulation to protect their intellectual property rights (Vlaamse Nieuwsmedia, Les Journaux Francophones Belges, & The Ppress, 2014).

What about the future? As demand (i.e. readership) continues to decline, newspaper publishers will have to further downsize their organisations to level costs to revenues, as is currently observed in the Netherlands (NDP Nieuwsmedia, 2004-2016). However, stretching a low-cost position is critical with regard to newsroom investments and holds the risk of a counterproductive effect on sales (Chen et al., 2005; Russi et al., 2014). Based on the available figures, an increase is observed in the percentage of newsroom staff relative to all permanent employees of the Flemish newspaper publishers. This is a positive development, as publishers need to focus on their core competences of creating, selecting, validating, and interpreting content (George, 2015; Hendriks, 1999).

Creation of a strong position in a particular market segment is an alternative strategy (Porter, 1980), the achievement of which requires unbundling the content and targeting well-defined niches (Küng et al., 2016; Napoli, 2010). Trends towards personalised content and a micropayment platform (*Blendle*) are the first signs in this direction, however, full adaption of such a differentiation strategy would require traditional newspaper publishers to radically redefine their processes and organisation to the current value chain of content creation (Berger et al., 2015). According to Karimi and Walter (2015), incumbents should reinvent their IT functions to regain competitive advantage. Others stress the importance of a flexible organisation (with low fixed costs and less fixed assets), for example, through outsourcing the creation of content (Noam, 2009); however, qualitative content (e.g. investigative journalism) requires a lot of effort and its success is uncertain, therefore, it is more likely to remain integrated in publishers' organisations (George, 2015; Krumsvik, 2012).

Although some believe that traditional newspaper publishers cannot

12 Publisher *De Persgroep* has intensified its publishing activities in the Netherlands since 2002 and also expanded to Denmark in 2015. In 2008, 65% of consolidated revenue derived from publishing activities, growing to 86% in 2015. Regarding geographical origin: revenue generated in the Netherlands increased from 42% in 2009 to 56% in 2015. Denmark accounts for 10%. In other words, today *De Persgroep* generates the least revenue in the Flemish market in which it was established.

make such a radical change (Noam, 2009) and tend to hold on to problematic strategies (Rothmann & Koch, 2014), German publisher Axel Springer successfully transformed its business (Corey, 2015). In the Flemish situation, the traditional newspaper publishers reduced their fixed costs but are still locked in by fixed assets and debt loads which were primarily taken up to finance M&As rather than to invest in innovation.

There are at least two alternative explanations for the traditional newspaper publishers' financial performance that require further research. First, the role of direct and indirect government funding has been a consistent factor. Direct government funding needs to be reported in the annual accounts (Ooghe et al., 2012) but indirect measures remain undisclosed and therefore unknown (Picone & Pauwels, 2014). Second, the traditional newspaper publishers' (digital) business activities have been diversified in other sectors through subsidiaries and became incorporated into media groups. The impact of operating synergies and cross-subsidisation is also unknown, which is relevant for the Flemish case because of a regulatory history of (enforced) cross-ownership in commercial television (Saeys, 2007).

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5 The impact of mergers and acquisitions on failing newspaper publishers

EVIDENCE FROM THREE CASE STUDIES[1]

Mergers and acquisitions (M&As) can prevent a market exit of failing firms in declining markets such as the traditional newspaper industry. Based on a wide range of carefully collected data of three such cases in Flanders (Belgium) in the mid-1990s and mid-2000s, it is argued that M&As realised a short-term stabilisation but investments that enable sustainable growth were limited. Post-merger strategies turned these cases into a newspaper (publisher) that either lost, survived, or won the competitive battle. These strategies explain how M&As can have a different impact on diversity. A conceptual framework is developed to analyse the impact of horizontal M&As on performance and business activities. Static merger effects can fulfil failing firms' short-term financial needs by restoring profitability and liquidity, while dynamic merger effects imply long-term capital investments. We stress the need to look beyond profits to understand merger effects.

1 Contributing authors: M. van der Burg, T. J. Klein, and H. Van den Bulk.

5.1 Introduction

Revenues of newspaper publishers are declining around the world and profits are under pressure (WAN-IFRA, 2014). If expenses are not downscaled at the same pace that revenues fall, profits turn into losses, which may in turn cause firm failure when the tide cannot be turned. This is concerning in the news market because bankruptcy of publishing firms may imply a market exit of newspapers and thereby reduce the diversity of news outlets.

Mergers or acquisitions (M&As) are a potential response of failing firms to prevent market exit (Shrieves & Stevens, 1979) because M&As can relieve the target firms' stress through restructuring (Clark & Ofrek, 1994) and improve its post-merger financial situation while the acquiring firm realises growth (Erel, Jang, & Weisbach, 2015). These restructurings enable greater cost-efficiencies and help a firm to deal with negative shifts in demand like readership (Anand, 2005). More generally, efficiencies have always been important in this industry because of the presence of economies of scale and scope (Picard, Winter, McCombs, & Lacy, 1988), and have thus driven the clustering of multiple newspapers in geographically adjacent markets (i.e. horizontal integration) (Martin, 2003). The acquisition of failing firms can, in this context, nevertheless be appealing for acquirers if it enables further maximisation of economies of scale (Bouckaert & Kort, 2014).

Guaranteeing a newspaper publishers' survival goes beyond a short-term relief of its stress – more efforts are required. Capital investments are crucial to enable innovation and long-term growth (Picard, 2006). M&As can help to finance these investments because an enlargement of the firm's absolute size makes it easier to bear the costs for capital (Hendriks, 1999).

Failure among the incumbents of today's news market is often related to fast technological changes, but the inability to invest in and to keep up with these changes also relates to publishers' long-term strategies. Strategic responses, which typically require constant adaption of the internal organisation to the external environment, have been neglected throughout the sector as a cause of decline (Küng, 2016). High costs not only arise from the inability to maximise economies of scale but also from strategic issues like competitive disadvantages, cost disadvantages resulting from diversification, and more generally, poor management (Slatter & Lovett, 1999). These causes of high costs have not been taken into account much but are as important as external factors in understanding the causes of firm failure.

In this contribution, we take a detailed look at three cases to explain *why and how M&As between traditional newspaper publishers affect the performance and business activities of failing target firms.* To this end, a wide range of carefully collected firm-level data is brought together. Measures are related to the newspapers' performance (e.g. demand and pricing) and the publishers'

profitability (including revenue and costs), liquidity, solvency, and investment ratio. This allows us to provide detailed quantitative evidence of the effects of mergers based on three different cases of newspaper publishers in Flanders (the Northern and Dutch-speaking part of Belgium) that were failing at the time of the M&A: *Drukkerij Het Volk* (1994), *De Vlijt* (1996), and *Uitgeversbedrijf Tijd* (2005). The small size of the Flemish market (6.4 million inhabitants in 2014)[2] enabled a comprehensive approach within one specific cultural context (cf. Biltereyst & Van Gompel, 1997). The contextualisation of pre- and post-merger performance based on a case-by-case comparison helps to capture the complexity and dynamics of merger effects (Bengtsson & Larsson, 2012); it allows us to systematically deconstruct and reconstruct the M&A process.

The contribution starts with a conceptual framework of merger effects and forms the basis for our empirical analysis. The framework puts together the different aspects that explain why M&As fulfil the needs of failing firms and can improve their overall performance. Static and dynamic merger effects on performance (Picard et al., 1988; Risberg & Meglio, 2012) and the turnaround process of failing firms (Peace & Robbins, 1993) are combined and integrated in a further developed financing model of newspaper publishers (Lacy, 1989; Litman & Bridges, 1986). This conceptual framework contributes to existing work on M&A performance effects by integrating various aspects and by looking beyond profits. We also believe it aids our understanding of the ambiguity that remains around performance improvements through M&As and turnarounds (Risberg & Meglio, 2012; Schweizer & Nienhaus, 2016).

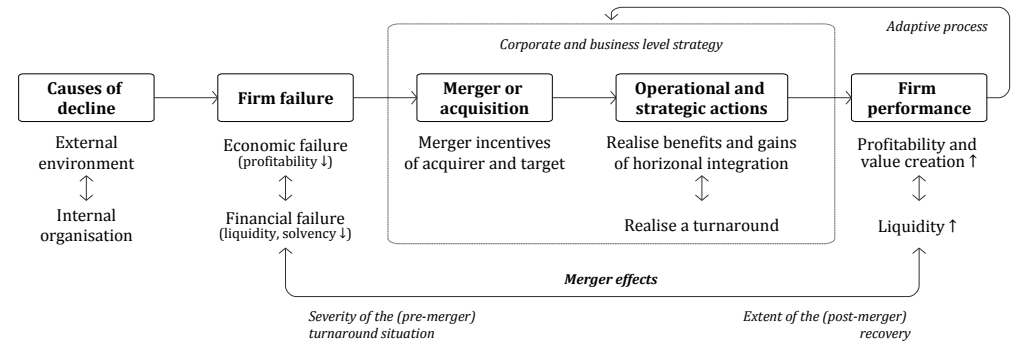
The analysis shows that all three M&As indeed helped to realise a short-term financial relief of three failing newspaper publishers, but also that this is not sufficient to deal with a newspapers' failing performance in the long run; investments in the business operation are crucial to enable innovation. The contribution further elaborates on the post-merger strategies that turned these cases into a newspaper (publisher) that lost, survived, or won the competitive battle, and what the implications are for diversity.

5.2 Conceptual framework of M&A effects on publishers' performance

A conceptual framework is put together to aid our understanding of M&A effects in the context of failure. The first component of the framework describes the process of horizontal M&As between traditional newspaper publishers (cf. Figure 5.1). This process starts with various internal and external factors that may cause economic failure; newspaper sales cannot

2 Data were obtained from *Statistics Belgium's* online sources (http://statbel.fgov.be/nl/statistieken/cijfers/bevolking/structuur/).

Figure 5.1 Process of horizontal M&As a survival strategy for failing firms.



cover production costs, and thus, a newspaper publisher generates losses. This may concur with financial failure, the inability to fulfil current obligations due to a shortage of liquidity (Gaughan, 2002). Driven by different incentives, M&As are followed by a set of actions aimed at, for one, realising the turnaround of the failing target firm, and second, reaping the benefits of the two firms' horizontal integration. These actions (presumably) affect the newspaper's performance (e.g. copies sold) and the publisher's overall financial position through increased wealth and profits (Anand, 2005).

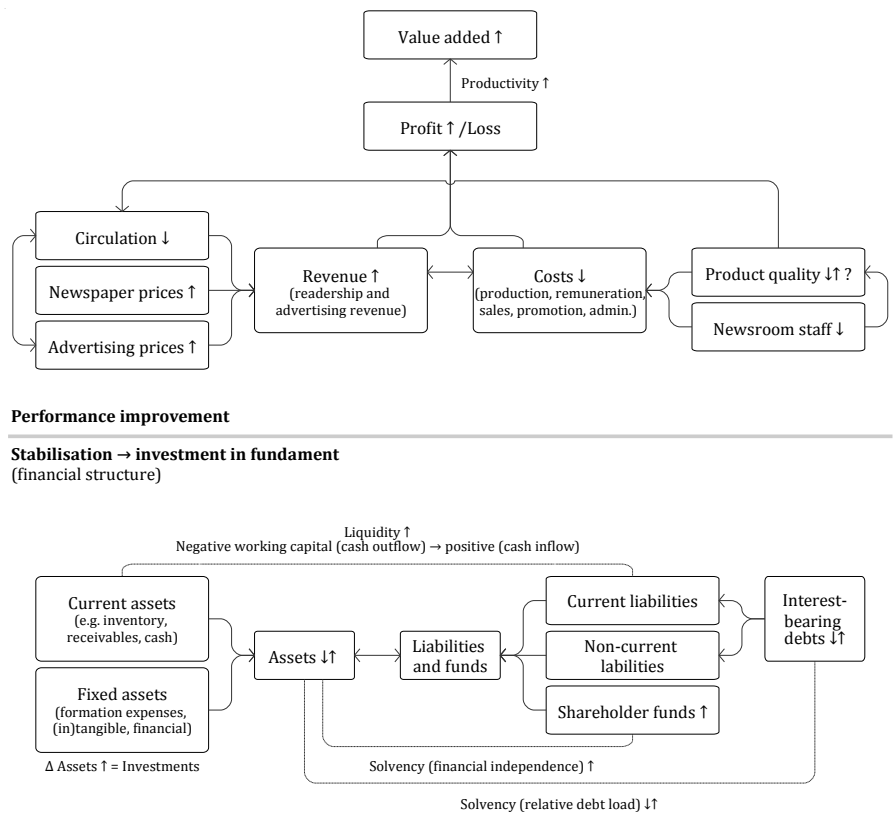
The second component of the conceptual framework organises different merger effects (cf. Figure 5.2) based on a further advanced financing model for publishers. This framework helps to explain how M&As fulfil the short- and long-term needs of failing firms by distinguishing between static and dynamic merger effects. As static merger effects are reflected in a firm's financial performance (i.e. revenue, costs, and profits), we argue that one must also look into a firm's financial structure (i.e. liquidity, solvency, and investments) to review dynamic merger effects. This will be further explained, step-by-step, in the following sections.

5.2.1 Publishers' financing model

The general logic of publishers' financing is explained in two main concepts: the model for news demand and the financial commitment approach (Lacy & Martin, 1998). These are used as a starting point to schematise merger effects on publishers' performance (cf. the upper part of Figure 5.2).

The model for news demand explains how journalistic product quality (e.g. diversity of content) relates positively with readership demand (e.g. circulation). As demand increases on the reader market, publishers can ask a higher price on the advertising market, thereby enhancing their revenues (Lacy, 1989). These network effects in two-sided markets (Argentesi & Filistrucchi, 2007) are traditionally referred to as the circulation and advertis-

Figure 5.2 The impact of M&As on newspaper publishers' financing model.



Note: Distinction is made between relationships (solid lines with arrows indicating the direction) and financial ratios (dashed lines). Assumed merger effects are indicated with small arrows pointing in up- or downward directions.

ing spiral (Blankenburg & Friend, 1994; Furhoff, 1973; Gabszewicz, Garella, & Sonnac, 2007). Following the financial commitment approach (Litman & Bridges, 1986), journalistic product quality increases as greater investments are made in the newsroom (e.g. staff employed), which in turn, leads to more print and online readers (Cho, Thorson, & Lacy, 2004; Russi, Siegert, Gerth, & Krebs, 2014; Tang, Shrihari, Thorson, & Mantrala, 2011) and greater revenues and profits (Chen, Thorson, & Lacy, 2005).

The concept of a spiral implies that the positive relationships can also turn negative and cause decline: a lack of profitability leads to reduced expenditures on content, staff, equipment and marketing, which, in turn, leads to less desirable audiences and less advertising revenue, which further reduces financial resources, and so on (Picard, 2002). This process is assumed to apply to failing newspaper publishers.

5.2.2 M&As can fulfil the needs of failing firms

For failing newspaper publishers to survive, the profitability and liquidity needs to be restored. Stabilisation of such (per-merger) turnaround situation includes restructuring of financing, and retrenchment of costs and assets (Schweizer & Nienhaus, 2016). First, liquidity needs to be improved with cash management. Control of costs may include employee attrition and layoffs (i.e. downsizing), extending the life of machinery (i.e. investment freeze), leasing instead of purchasing equipment, and minimisation of marketing. Asset retrenchment may include the sale of non-essential tangible assets (e.g. land, buildings, or equipment) and (participation in) non-profitable business activities. This is also referred to as downscoping (Peace & Robbins, 1993; Slatter & Lovett, 1999).

Next, actions are needed that realise long-term growth of revenues and ensure sustainable recovery. Internal growth can be realised through investments and external growth through acquisition of new resources (Trahms et al., 2013). Another strategic action is the redefinition of the core business, which may include re-orientation in the product market and (further) downscoping of non-related business activities (Slatter & Lovett, 1999). From a financial point of view, outsourcing of activities and reduction and restructuring of debts (e.g. revision of provisions) are common actions (Schweizer & Nienhaus, 2016).

M&As can contribute to these short- and long-term objectives of failing firms. Static merger effects typically include pricing strategies to boost profits (Crane, 2014) and cost-efficiencies (Anand, 2005). Long-run gains result typically from innovation and the introduction of new technologies, also referred to as dynamic merger effects (Crane, 2014). In contrast to static effects, dynamic effects are more difficult to achieve and are less quantifiable (Shelanski, 2014), which is further explained in the sections below.

5.2.3 Static merger effects

Pricing strategies

Increased market power through M&As can enhance bargaining power with regard to suppliers and buyers (e.g. print vendors and advertisers) and enable a dominant firm to set prices above competitive level (Hendriks, 1999). With respect to this monopoly theory, no (substantive) post-consolidation price increases for subscribers and advertisers were confirmed for the newspaper market in the Netherlands between the mid-1980s and the mid-1990s (van Kranenburg, 2001), nor in Canada in the late 1990s (Chandra & Collard-Wexler, 2009), nor in Belgium from the mid-1990s to the mid-2000s (Van Cayseele & Vanormelingen, 2009). In contrast, regional newspapers in Sweden with low solvency raised their subscription prices during the ear-

ly-1990s recession. As a result, they were able to boost their short-term profits because consumers were locked in (Asplund, Eriksson, & Strand, 2005). Such profit boosts are derived from the revenue side, whereas decreased product quality, an indirect price increase (Motta, 2005), is derived from the cost side. This last scenario is more difficult to verify. One study found that the reduction of a US college newspaper's publishing frequency negatively impacted advertising revenue (Tennant & Chyi, 2014), however, change in the price level was not controlled for. In other words, post-merger pricing strategies may be deployed but their success is context-dependent.

Cost-efficiencies

Cost-efficiencies can be realised through redundancies (e.g. layoffs), which are particularly relevant in markets that deal with negative shifts in demand like readership. Rationalisation or reorganisation, as facilitated by M&As, are ways to further specialise the production process and minimise duplication or overlap (Anand, 2005).

Cost-efficiencies can also arise from maximisation of economies of scale and scope through sharing specialised production processes (e.g. content creation, advertising, newspaper production, printing plant, publishing, research and development), increasing the output of an entire production plant (i.e. optimisation of capacity, for example with multiple products), and centralisation of vital business activities (e.g. financial reporting and payroll processing, ad billing, and marketing) (Martin, 2003). Greater cooperation and centralisation is possible when the markets of clustered newspapers overlap: newspapers can use an internal group wire (Soloski, 1979) and benefit from each other's editorial focus, for example, on politics or sports (Hendriks, 1999). According to Martin's (2003) survey-based findings in the US, clustered newspapers were more efficient; their productivity was higher because smaller newsroom staffs had higher workloads. According to Hendriks (1999), consolidation of processes is an effective way to generate high cash flow margins.

However, diseconomies of scale may arise when facilities are not integrated or divested quickly enough (Gaughan, 2002). For example, US publishers with two newspapers reduced the circulation of the weakest of the two and merged newsrooms to enhance profits between the mid-1970s to the mid-1980s (Blankenburg, 1995). As soon as revenues from a lowered circulation ceased covering production costs, and consolidation could not optimise the economies of scale, the newspaper was terminated. According to Blankenburg, large chains were more alert to signs of decline and acted faster, which is why at the time, newspapers that were not expected to be profitable in the long run were terminated.

5.2.4 Dynamic merger effects

Newspaper publishers are not known for innovation or strategic vision (Hendriks, 1999). If there is no long-term investment plan, it is hard to convince investors to put down money, especially in a market that deals with industry decline. For this reason, investors lost their interest in (publicly traded) publishers in the US and put greater pressure on short-term results. Picard (2006, p. 12) argued that 'capital investment will be essential to their ability to function now and to innovate for future growth [...] keeping revenues stable will not be suffice.' M&As can facilitate such capital investment in different ways.

Investments generally imply the purchase and disposal of fixed assets. These fixed assets can be tangible (e.g. plant), intangible (e.g. goodwill such as a brand name), or financial. It also includes formation expenses, for example, if an organizational restructuring is needed to ensure sustainable profits (Ooghe, Vander Blauwhede, & Van Wymeersch, 2012). Investments in financial assets such as shares, other firms' bonds, and short-term securities (e.g. commercial paper) can be part of a firm's business strategy (e.g. gaining access to new technology), cash management (e.g. short-term investments), and risk protection (Sutton, 2004). Investments can be financed with cash flow surplus, shareholder funds, and liabilities such as interest-bearing debt (Sutton, 2004). In the case of M&As, new money streams are derived from the acquiring firm's reserves (e.g. cash), new shareholders – if willing to put down money – and from a leverage effect that enables the merged firms to get larger loans from the bank. In other words, the financial structure should also be taken into consideration to reveal these money streams and gain insights in dynamic merger effects (cf. the lower part of Figure 5.2).

M&As can also contribute to innovation through revenue-enhancing operating synergies, that is, the strengthening of an existing or the creation of new product or service through the fusion of two distinct attributes of the two firms (Gaughan, 2002). Successful realisation of revenue-enhancing operating synergies, for example publishing and audio-visual activities (Jin, 2012), is more difficult compared to cost-reducing operating synergies (Gaughan, 2002). This also applies to the measurement of the success of both operating synergies (Shelanski, 2014).

Investments require financial policy and control because they can cause decline if not managed properly (Slatter & Lovett, 1999). An example of such managerial failure is the mid-2000s wave of bankruptcies in the US newspaper market (Soloski, 2015). Soloski (2013) explained that heavy debt loads, taken up to finance M&As between the mid-1990s and the mid-2000s, proved fatal for many publishers. When the advertising markets dropped, publishing firms were forced to write off large amounts of goodwill because

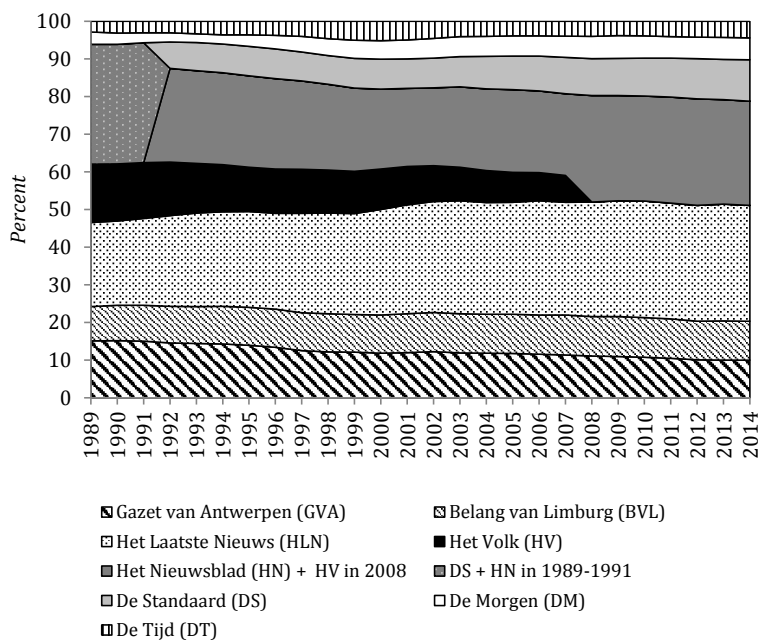
of their vanishing market value. This implied that the firms' book value fell under the level of the debt load, worsening liquidity and leading to bankruptcies. Lacy, Stamm, and Martin (2014) also stressed that short-run profit orientation between the mid-1980s and 2000s caused long-term issues. Such failure also relates to the impact of the shareholders on financial performance (Picard & Van Weezel, 2008; van Weezel, 2009). For example, institutionally owned (and publicly traded) US newspaper publishers were found to be more profit driven (Blankenburg & Ozanich, 1993). However, a more recent study countered this conclusion with the idea that possibly heavy debt loads required these publishers to become more conservative (An, Jin, & Simon, 2006).

The conceptual framework presented here provides guidance to evaluate different merger effects, which will be further operationalised in the methods section after contextualisation of the cases under study.

5.3 Three failing newspaper publishers in Flanders

In 1990, the starting point of our analysis, there were eight editorially independent daily newspapers in Flanders; seven of those are still in the market today (cf. Figure 5.3). Three of these newspapers were classified as popular:

Figure 5.3 Audience shares per newspaper based on paid copies sold (print and digital), 1989–2014.



Note: Figures for *De Standaard* and *Het Nieuwsblad* were not measured individually between 1989 and 1991.

Het Laatste Nieuws owned by *De Persgroep* (formerly *Hoste*), *Het Nieuwsblad* by *Vlaamse Uitgeversmaatschappij* (*VUM*) (renamed *Corelio*) and *Het Volk* of *Drukkerij Het Volk*. Three of these eight newspapers were considered as national elite newspapers: *De Standaard* of *VUM*, *De Morgen* of *De Persgroep*, and business newspaper *Financieel Economische Tijd (FET)* of *Uitgeversbedrijf Tijd* (renamed *Mediafin*). Most of these 'national' newspapers had regional editions, in some cases under a different title according to past acquisitions. Finally, there were two regional newspapers: *Gazet van Antwerpen* of *De Vlijt* and *Het Belang van Limburg*, published by *Concentra*.

Between 1990 and 2014, the number of publishers (all non-publicly traded) dropped from six to two, following two takeovers and two joint ventures. Three of these M&As involved a loss-making target firm: *Drukkerij Het Volk* in 1994, *De Vlijt* in 1996, and *Uitgeversbedrijf Tijd* in 2005. These have been selected as case studies. The recent 2013 merger of *Corelio* and *Concentra* into *Mediahuis* was excluded from the analysis because the motivation for the merger was very different (i.e. failure did not apply). The following section provides further details of each case (for an overview, cf. Annex, Table D.1). For the sake of clarity, we refer to the 1990 company names.

5.3.1 Case I: Acquisition and termination of a weaker competitor

Newspaper *Het Volk* (anno 1891) started as a paper of the Christian labour movement *ACV* and developed into a popular, though serious, newspaper with a focus on regional and sports news. However, by 1990, it experienced difficulties with transforming its profile and reclaiming its share in a de-pillarizing market, while at the same time, its readership aged and declined (De Bens, 1997). It faced considerable competition from *Het Nieuwsblad*, a popular newspaper with strong regional editions that was established by *De Standaard* in 1929 as a form of early market segmentation strategy and that, in the 1990s, managed to shake off its Catholic orientation more successfully than *Het Volk* (Hauttekeete, 2004). Neither *Het Volk's* attempts at content and layout reorientation nor restructuring within *Drukkerij Het Volk* could improve the performance of the newspaper and the publisher. Together with a lack of commercial management, inability to adapt to market trends, and insufficient cooperation and internal communication, bankruptcy was looming in 1994 (De Bens, 1997).

In 1994, *Drukkerij Het Volk* was taken over by *VUM* (De Tijd, 1994a). This allowed *VUM* to strengthen its position in the newspaper market in certain regions – by acquiring the weaker competitor – and to increase its participation in television (*VTM*) and advertising (*RAR*) in which *Drukkerij Het Volk* was involved (De Tijd, 1994b). The competition authority approved the acquisition as the only option to rescue this loss-making publisher, and,

believing that keeping the publisher *Drukkerij Het Volk* on the market would contribute to competition, demanded guarantees for a five-year continuation of the title, profile, and editorial independence of newspaper *Het Volk* (Raad voor de Mededinging, 1995). Although *VUM* agreed to consolidate all regional editions, it terminated *De Nieuwe Gids* in 1995 because this agreement stipulated no specific timespan (De Tijd, 1994b). In 2000, when the remedies no longer applied, all newspaper publishing activities of *VUM* and *Drukkerij Het Volk* were restructured into one division and the newspaper *Het Volk* became a regional edition of *Het Nieuwsblad* (like *De Gentenaar*). A year before the termination of *Het Volk* in 2008, it merged entirely with *Het Nieuwsblad*, which led to an increase of its market share (cf. Figure 5.3).

5.3.2 Case II: Joint venture of two regional newspapers to expand scope

De Vlijt, publisher of regional newspaper *Gazet van Antwerpen* (anno 1891) dealt with similar issues as *Drukkerij Het Volk*, albeit to a lesser extent (Veestraeten, 1997): a vague commercial profile and market position that was 'hovering unconfidently between catering to the 'national' [Flemish] market and being a local, Antwerp daily' (Biltereyst & Van Gompel, 1997, p. 291). Repositioning in 1995 as a 'regional quality newspaper' failed as its quality was argued to have deteriorated, resulting in a further loss in readership (Veestraeten, 1997). This was accompanied by bad management, including problematic investments in new housing and plant facilities, disappointing advertising revenues from regional television activities (*ATV, De Periscoop*), irresponsible expenditures and a lack of financial control. Older employees were laid off collectively to reduce costs (De Tijd, 1995; Veestraeten, 1997).

To remedy the situation, in 1996 *De Vlijt* set up joint venture *Regionale Uitgevers Groep (RUG)* with *Concentra* to strengthen and widen the scope of the readership expansion strategy by targeting different regions. *De Vlijt's* brand new printing facilities were a valuable resource for *Concentra*. Despite the fact that successive losses required urgent re-financing (De Tijd, 1996), the joint venture *RUG* was not (explicitly) recognised as a rescue merger but referred to as a strategic alliance by the competition authority (Raad voor de Mededinging, 1996). Nonetheless, what started off as a *de facto* joint venture turned into a takeover of *De Vlijt* by *Concentra*. The ownership structure of *RUG* was argued to be 'vague' and 'incomplete' by the competition authorities (Raad voor de Mededinging, 1996). While in 1996, the Catholic funds and *Concentra* jointly (i.e. equally) owned and controlled *RUG*, *Concentra* became major shareholder in 1997 and gained full control in 2001, the year that *RUG* was terminated and all operating activities were transferred to *Concentra's* entities.

The establishment of *RUG* saw the immediate termination of *Gazet van Antwerpen*'s local edition *Gazet van Mechelen* (De Bens & Raeymaeckers, 2010). *De Vlijt* became part of the *Concentra* holding but remained a separate entity until 2013 when *Concentra* and *Corelio* brought all their newspaper publishing activities (and classified add platforms) into joint venture *Mediahuis*, which turned into a full merger in 2017 (Mediahuis, 2017). The national competition authority approved the merger under the condition of two behavioural remedies: continuation of all newspapers and their newsrooms, and assurance of local and regional news coverage in *Gazet van Antwerpen* (Belgische Mededingingsautoriteit, 2013).

5.3.3 Case III: Joint acquisition of two business newspapers to monitise a niche

De Financieel-Economische Tijd (FET) (anno 1968) of publisher *Uitgeversbedrijf Tijd* started as a business newspaper for the Flemish corporate sector and targeted a niche audience with financial-economic content (Hauttekeete, 2004). After many years of steady growth, the burst of the Internet bubble in 2000 resulted in a drop in readership. It lost private and professional subscribers, as investors were disenchanted with economic developments and bank mergers led to the closing down of offices (De Tijd, 2004a). In 2003, *FET* was rebranded *De Tijd* and repositioned as a 'full service' business newspaper to reach a wider audience and advertisers. However, the repositioning did not immediately pay off and a reduction of published notices – following a 2005 regulatory change regarding firms' announcements of general assemblies – put further pressure on revenues. This resulted in structural unprofitability, requiring the restructuring of *Uitgeversbedrijf Tijd* (De Tijd, 2005). More generally, there were doubts about the viability of such a small newspaper in an oligopolistic market (De Bens & Raeymaeckers, 2010). As a result, the publisher was put on the market.

In 2005, *Uitgeversbedrijf Tijd* was jointly acquired (i.e. equal ownership and control) by *De Persgroep* and *Rossel et Cie*. This takeover was part and parcel of another joint acquisition of *De Persgroep* and *Rossel et Cie* in 2003: *Editeco*, publisher of French-language business newspaper *L'Echo*. The latter was profitable but dealt with underinvestment (De Tijd, 2003a). The competition authority approved this merger but its approval was annulled by the Court of Appeal, resulting in a legal vacuum until the acquisition of *Uitgeversbedrijf Tijd* in 2005. To gain the competition authority's approval for both deals, a three-step legal plan was launched (Ysewyn & Camesasca, 2008). First, *Rossel et Cie* increased its share in *Editeco*. Second, *Uitgeversbedrijf Tijd* acquired *Editeco* in 2005. Third, *Editeco* and *Uitgeversbedrijf Tijd* merged and were renamed *Mediafin* in 2006 (Raad voor de Mededinging, 2005a, 2005b). Meanwhile, *De Tijd* and *L'Echo* started collaborating in advertising

agency *Trustmedia* in 2005 (De Tijd, 2004b). Since the merger, the financial information services division was sold shortly before the 2008 financial crisis set off, also because of regulatory changes (cf. supra). No major ownership changes have occurred since.

5.4 Methodology

A wealth of carefully collected firm-level data of these three merger cases is brought together to provide evidence of static and dynamic merger effects. Measures to indicate these effects, as introduced in the conceptual framework, are further operationalised with the aim to gain insight into the impact of M&As on the financial position of failing newspaper publishers and the continuation of their business activities.

5.4.1 Measures of firm performance

There are no standards for measuring firm decline (Trahms et al., 2013), nor for M&A performance (Meglio & Risberg, 2011). For this reason, key financial variables are used as generally applied in accounting (Sutton, 2004), as used in strategic management to assess M&As case-by-case (Thompson & Martin, 2010), and as considered indicators of a turnaround situation (Slatter & Lovett, 1999). These variables relate to profitability, activity, liquidity, and solvency. Definitions and calculations of the measures discussed below are based on accounting practices applied generally in Belgium (GAAP); they are further specified in Annex D (cf. Table D.2).

The newspaper's performance is evaluated using measures of readership demand (i.e. the reach and paid copies sold), gross advertising revenue, and shares in the audience and advertising market. Newspaper prices are included to account for pricing strategies. Advertising prices and net advertising revenue are excluded because of data availability.

Net sales and market share indicate how successfully a firm generates revenue with its main business activities (Risberg & Meglio, 2012). These figures, together with employees and assets, also indicate a firm's size and growth (Jung, 2003). Various operating costs are included, given their importance in turnaround and horizontal integration (Anand, 2005; Schweizer & Nienhaus, 2016).

Profitability, a key measure in M&A studies (Bruner, 2002), is indicated with net operating profit/ loss (i.e. EBIT) and net profit/ loss for period to account for cross-subsidisation of (loss-making) operating activities with financial activities (e.g. dividends). Return on sales is measured with an EBITDA margin, a gross operating profit margin, and allows for comparison across firms (Martin, 1998).

Liquidity within one year, a key issue with regard to failing firms (Schweizer & Nienhaus, 2016), is measured with net working capital. Solvency is indicated with the relative debt load (interest-bearing debt to assets) and financial independence (shareholder funds to assets) (Ooghe et al., 2012).

Investments are measured with a gross investment ratio: annual mutations of fixed assets relative to gross value added (Ooghe et al., 2012). Value added is an indication of wealth creation; it is the difference between a firm's output (i.e. sales) and the inputs it has purchased (e.g. materials and services) (Sutton, 2004). Productivity per employee is excluded because deployment of freelancers biased the results.

5.4.2 Data processing

The starting point consisted of the financial and ownership data gathered by van der Burg & Van den Bulck (2017). For each case, long-term time series were created, using data from five years before to ten years after the M&A. The financial figures of *De Vlijt* are used instead of the jointly established entity (*RUG*) because it was an empty holding. The figures of *Uitgeversbedrijf Tijd* and *Editeco* were summed in the pre-merger years to enable comparability with post-merger years when *Mediafin* was established. Each target firm's ownership structure was mapped out and changes were identified in an upward direction (shareholders) and in a downward direction (subsidiaries) to gain insight into the (dis)continuation of business activities.

5.4.3 Analysis

A target firm's recovery is realised when economic measures indicate that the firm has reached its pre-downturn levels of performance (Peace & Robbins, 1993), or at least that the firm is in positive numbers or above the risk-free rate of return. To this end, average levels and compound annual growth rates (CAGRs) are calculated based on three years before and after the merger. Such medium-term is considered sufficiently long for the acquirer's managers to determine whether an acquisition meets its objectives (Barker & Duhaime, 1997; Ooghe et al., 2012).

CAGRs for pre-merger (t_{-3} to t_{-1}) or post-merger years (t_1 to t_3) both included the year in which the M&A took place (year of reference t_0) and were calculated as: $[(t_{-3}/t_0)\hat{}(1/n)]-1*100$, where n refers to the total number of years. For each phase, average levels were also calculated, using the arithmetic mean. Additionally, geometric means were calculated for CAGRs of ratios, variables with percentages or negative values. To this end, values were transformed: 1+(value/100). At the market level, averages and CAGRs were calculated in the same way for the cases' respective time spans.

Finally, results were contextualised using merger reviews of the Belgian competition authority; annual reports (as included in the annual accounts);

newspaper articles (accessed via database *Gopress*); and literature. These documents were also used for the case descriptions and allow for a contemporary view on the cases. From now on, we use 'merger' for both acquisitions and mergers.

5.5 Evidence of M&A effects in the context of firm failure

Key findings for medium-term merger effects (five years post merger) are summarised in Table 5.1, the market averages against which the results were tested are displayed in Table 5.2. More detailed results per case can be found in Annex D (cf. Table D.3 to D.5). Long-term effects, which only manifest over time (ten years post merger), are shown for profitability, value added, liquidity, solvency, and investments in Figure 5.4 to 5.8.

Table 5.1 Pre- and post-merger performance of the target firm in three M&A cases.

	Drukkerij Het Volk (1991-1994 vs. 1994-1997)				De Vlijt (1993-1996 vs. 1996-1999)				Uitgeversbedrijf Tijd (2002-2005 vs. 2005-2008)			
	Level		CAGR (%)		Level		CAGR (%)		Level		CAGR (%)	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
Newspaper performance												
Readership (th.)	491.2	409.2	-5.0	-5.3	492.2	418.4	-2.6	-3.6	127.1	119.8	-3.5	1.1
Paid distribution (th.)	167.6	145.8	-4.8	-2.6	170.4	150.7	-2.9	-3.5	51.3	47.5	-7.0	0.1
Share in audience market (%)	13.7	11.9	-0.7	-0.3	14.0	12.5	-0.3	-0.4	4.1	3.9	-0.2	0.0
Gross advertising rev. (m. €)	12.6[1]	12.0	-6.3[1]	-0.4	32.8	28.6	2.9	-5.1	14.7	19.0	-0.3	14.5
Share in advertising market (%)	9.1[1]	7.6	-0.9[1]	-0.5	21.8	15.9	-0.5	-2.2	4.3	4.1	-0.5	0.4
Price per single copy (€)	0.93	0.96	1.5	0.7	0.95	0.98	1.8	1.0	1.63	1.65	0.0	2.0
Price per subscription (€)	n.d.	0.81	n.d.	1.7	0.80[2]	0.82	1.3[2]	1.2	1.33	1.46	-3.5	9.2
Operating revenue												
Total operating revenue (m. €)	84.7	82.8	-4.4	0.6	148.8	91.7	-3.3	-16.4	81.0	63.7	-13.6	6.2
- Sales (m. €)	83.2	80.6	-3.7	-0.5	143.1	84.3	-7.2	-14.0	77.3	58.6	-16.7	9.7
Market share (%)	13.5	12.5	-0.7	0.0	22.2	12.8	-1.6	-2.1	10.8	8.1	-1.7	0.6
Operating costs												
Employees (FTE)	575	434	-3.6	-12.3	662	381	-3.3	-21.6	397	232	-12.7	-7.8
Operating costs (m. €)	90.6	84.5	-1.5	-3.8	156.6	92.2	-0.5	-21.3	87.5	65.4	-5.9	-6.5
- Remuneration	35.6	28.1	0.0	-13.0	47.3	28.1	0.8	-23.5	30.4	20.6	-13.1	-2.9
- Goods and raw materials	31.0	30.8	-8.3	-1.7	66.4	20.4	-10.2	-37.8	0.7	10.5	4.6	155.5
- Services and other goods	17.8	21.7	12.5	7.1	30.8	32.4	1.2	-1.9	49.3	29.6	-12.7	-11.3
- Depreciation and amortisation	5.7	4.5	1.44	-11.38	7.3	7.4	17.00	-36.25	2.5	2.6	-41.93	67.98
- Restructuring costs (th. €)	-363.3	-12.4	-76.8	-100.0	-184.2	0.0	n.a.	n.a.	0.0	0.0	n.a.	n.a.
Profitability												
EBIT (m. €)	-5.4	-1.3	0.1	0.8	-7.8	-0.4	0.4	1.4	-6.4	-1.7	7.7	-5.9
P/L for period (m. €)	2.6	0.8	-0.7	0.8	-3.9	-3.7	-6.5	3.3	-7.4	-1.5	4.3	-2.8
EBITDA margin (%)	-0.3	2.3	-3.8	4.3	0.2	8.8	-2.5	5.5	0.5	3.5	63.5	-179.6
Activity												
Gross value added (m. €)	35.8	30.3	-8.3	-2.1	51.6	38.9	1.1	-14.1	31.0	23.2	-15.6	12.6
Gross investment rate	0.14	-0.30	-0.11	0.09	0.02	-0.18	-0.05	0.07	0.55	0.03	0.86	-0.94
Liquidity												
Current assets (m. €)	32.4	43.9	-10.1	14.6	67.0	42.2	-12.7	-5.0	33.1	29.1	-30.9	37.7
Current liabilities (m. €)	27.5	26.4	0.5	-8.9	53.1	37.4	8.9	-17.2	43.8	41.9	17.9	-27.3
Net working capital (m. €)	4.9	17.6	-0.6	0.6	11.1	2.9	-2.8	2.3	-19.9	-16.1	0.3	-0.5
Solvency												
Total of assets (m. €)	74.0	74.5	3.7	-4.1	101.4	65.3	-6.5	-10.1	64.3	75.8	8.8	-7.0
- Fixed assets	41.6	30.6	20.6	-22.8	34.4	23.1	8.8	-19.9	31.1	46.7	51.7	-25.5
- Formation expenses	0.9	0.3	-17.8	-100.0	3.1	4.5	100.0	-77.2	0.0	0.0	n.a.	n.a.
- Intangible fixed assets	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.	n.a.	0.5	20.7	-62.6	726.1
- Tangible fixed assets	33.0	26.5	9.4	-13.3	29.6	15.3	-7.9	-10.5	1.7	1.5	-44.7	38.4
- Financial fixed assets	7.7	3.9	132.3	-64.6	0.5	3.2	25.9	50.2	19.2	24.5	274.6	-63.9
Interest-bearing debts (m. €)	4.9	4.5	46.2	-11.4	30.0	31.0	22.3	-15.8	10.6	11.3	35.3	-32.1
- Long-term debts (th. €)	1.2	0.0	-100.0	n.a.	8.5	8.2	5.1	-4.2	1.9	0.6	-100.0	n.a.
Shareholder funds (m. €)	41.6	43.7	3.7	-0.6	27.3	6.5	-81.3	261.4	13.3	23.9	-125.8	-563.4
Solvency ratio (debt-to-assets)	0.07	0.06	0.01	-0.00	0.31	0.47	0.10	-0.03	0.16	0.15	0.04	-0.05
Solvency ratio (equity-to-assets)	0.56	0.59	-0.00	0.02	0.26	0.11	-0.15	0.08	0.31	0.44	-0.02	0.09

[1] Only based on the years 1993 and 1994, [2] and the years 1994 to 1996.

5.5.1 Newspaper's positioning and performance

All the publishers responded to falling demand with re-styling, re-branding, re-positioning, or re-launching of their newspapers and quality improvements prior to the merger; however, it did not pay off as much or as fast as expected. After the merger, *Drukkerij Het Volk* (DV) continued the format of its popular newspaper as it was, *De Vlijt* (VL) continued its attempt to realise a quality improvement through re-focus on local content in its regional newspaper, and *Uitgeversbedrijf Tijd* (UT) synchronised the format and lay-out of both of its business newspapers.

Compared to the market average, demand based on readership and copies sold declined in the pre-merger years more strongly. This trend of de-

Table 5.2 Market averages for all newspaper publishing entities in Flanders in the respective periods of the three M&A cases.

	Drukkerij Het Volk (1991-1994 vs. 1994-1997)				De Vlijt (1993-1996 vs. 1996-1999)				Uitgeversbedrijf Tijd (2002-2005 vs. 2005-2008)			
	Level		CAGR (%)		Level		CAGR (%)		Level		CAGR (%)	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
Newspaper performance												
Readership (th.)	489.4	464.7	0.7	-3.2	474.9	458.2	-3.2	1.7	513.2	545.6	-2.4	4.1
Paid distribution (th.)	1,207	1,190	-0.7	-0.2	1,197	1,195	-0.5	0.3	1,178	1,137	-0.0	-1.5
Gross advertising rev. (m. €)	132.2[1]	158.9	6.1[1]	6.2	150.3	183.9	5.8	11.5	351.8	463.7	-11.8	4.4
Price per single copy (€)	1.02	1.04	1.1	0.2	1.04	1.06	1.5	1.2	1.18	1.21	-0.6	2.1
Price per subscription (€)	0.84	0.87	n.a.	1.8	0.86[2]	0.88	1.6[2]	1.2	0.96	1.01	0.6	3.7
Operating revenue												
Total operating revenue (m. €)	634.2	672.6	1.8	-0.2	668.7	694.7	3.3	1.8	763.3	778.3	-2.0	0.5
- Sales (m. €)	619.4	646.0	1.9	-0.8	645.9	661.3	2.0	2.3	715.1	718.6	-0.8	1.2
Operating costs												
Employees (FTE)	3,069	2,876	0.0	-6.1	3,001	2,628	-2.2	-3.8	2,342	2,140	2.9	-2.9
Operating costs (m. €)	631.5	667.5	2.1	-1.7	671.3	673.8	3.2	-0.2	737.6	735.1	-1.5	-0.2
- Remuneration	211.1	202.3	0.9	-5.4	210.5	189.0	-1.5	-3.1	177.6	165.5	3.8	-2.3
- Goods and raw materials	184.6	195.9	4.1	-8.3	201.8	177.7	4.1	-5.0	170.6	197.1	-1.4	5.8
- Depreciation and amortisation	40.4	43.5	15.1	-6.3	46.0	38.9	-3.6	-7.3	29.9	26.2	10.1	0.3
- Services and other goods	190.0	217.6	-0.7	8.6	205.4	260.4	7.5	7.7	355.4	341.9	-3.1	-1.0
Profitability												
EBIT (m. €)	6.4	29.5	-5.5	5.9	21.8	19.3	0.9	-1.9	44.0	46.5	0.0	0.0
P/L for period (m. €)	26.3	2.0	-0.6	-0.4	17.8	19.0	-5.0	-0.6	18.5	29.3	-0.2	0.1
EBITDA margin (%)	5.1	7.1	0.7	1.4	5.9	8.7	0.1	1.4	4.5	6.2	-0.4	0.5
Activity												
Gross value added (m. €)	258.7	257.8	1.8	-1.1	260.2	255.7	-0.5	1.2	237.0	238.5	-0.8	-1.4
Gross investment rate	0.03	-0.04	0.01	0.02	0.03	0.02	-0.10	0.02	0.12	0.12	-0.20	-0.10
Liquidity												
Current assets (m. €)	226.5	261.1	9.6	-1.7	254.0	266.0	1.7	8.0	268.5	315.6	-1.2	0.8
Current liabilities (m. €)	204.6	248.3	13.1	-5.4	238.1	245.7	7.3	7.1	273.3	288.8	-7.5	-4.4
Net working capital (m. €)	16.6	6.0	0.7	26.0	7.5	14.0	-0.7	0.6	-17.6	22.1	0.3	-0.3
Solvency												
Total of assets (m. €)	436.6	489.7	12.1	-3.5	491.5	513.2	-1.4	8.9	439.1	572.4	-7.0	5.4
- Fixed assets	210.1	228.5	15.0	-5.5	237.5	247.2	-4.4	9.9	170.6	256.8	-15.4	10.6
- Formation expenses	5.2	6.5	-17.0	15.7	6.3	4.9	38.6	-78.0	0.0	0.0	n.a.	n.a.
- Intangible fixed assets	2.1	0.7	-23.5	-19.5	1.0	0.8	-38.7	21.5	1.6	26.0	-5.6	197.1
- Tangible fixed assets	155.1	129.7	5.6	-15.7	146.9	106.1	-12.6	-0.0	106.2	97.9	0.7	-8.4
- Financial fixed assets	47.7	90.5	72.1	9.2	82.3	135.5	7.4	24.1	53.2	132.9	-53.6	15.5
Interest-bearing debts (m. €)	166.2	164.6	13.0	-5.3	180.2	173.0	-13.5	14.2	101.5	189.5	-9.2	22.7
- Long-term debts (th. €)	34.8	36.7	5.1	4.0	36.0	52.0	0.9	15.7	20.4	56.7	0.6	45.5
Shareholder funds (m. €)	166.2	164.6	13.0	-5.3	180.2	173.0	-13.5	14.2	101.5	189.5	-9.2	22.7
Solvency ratio (debt-to-assets)	0.17	0.17	-0.00	0.01	0.17	0.17	0.00	-0.01	0.17	0.15	-0.01	-0.02
Solvency ratio (equity-to-assets)	0.26	0.25	-0.00	0.01	0.26	0.30	-0.01	0.04	0.28	0.38	-0.00	0.05

[1] Only based on the years 1993 and 1994, [2] and the years 1994 to 1996.

cline continued after the merger (DV) at an even faster pace (VL). This is explained in part by the termination of a regional edition (DV: *De Nieuwe Gids* in 1995), a regional newspaper (VL: *Gazet van Mechelen* in 1996), and the merging of regional weeklies (VL: *De Antwerpse post* and *De Weekkrant*). Only *De Tijd* grew above market average.

A different pattern was found for gross advertising revenues. Decline turned into stagnation (below market average) in the case of *Drukkerij Het Volk*: its joint participation with *Concentra* in advertising agency *Scripta* (as of 1994) did not seem to pay off. In contrast, *Uitgeversbedrijf Tijd's* growth seems related to its collaboration with *Editeco* in advertising agency *Trustmedia*. Successful realisation of the targeted 'synergy profits' of the advertising revenues might be explained by pricing strategies. *De Vlijt* showed a reversed evolution: growth turned into decline, possibly due to reduced advertising space after terminations and mergers of newspapers.

The average share in the reader and advertising market was lower in post-merger years compared to pre-merger years. This applied to all three cases, although *De Vlijt* (-1.5 and -6.0) and *Drukkerij Het Volk* (-1.8 and -1.5) lost more percentage points in the respective markets compared to *Uitgeversbedrijf Tijd* (-0.2 and -0.2). The publishers' average market share, based on net sales (cf. infra), was also lower after the merger compared to before it (DV: -1.0, VL: -9.4, UT: -2.7). All in all, gross advertising revenue improved in most cases under continuous decline of newspaper demand.

5.5.2 Pricing strategies

Net sales of *De Vlijt* showed strong decline (below average) in the pre-merger years and fell even more steeply after the merger due to downscoping. In contrast, new printing facilities with greater capacity were said to contribute to the growth of *Drukkerij Het Volk's* sales: decline turned into stagnation (just above market average). Only *Uitgeversbedrijf Tijd's* sales figures shifted from (below average) decline to strong (above average) growth. Price compensation is a likely explanation but its success varied across cases.

De Tijd's prices for single copies in newsstand sales (CAGR: 0.0 vs. 2.0) and in subscriptions (-3.5 vs. 9.2) increased substantially after the merger. The price increase in newsstand sales concurred with the market average. This did not apply to copies sold in subscriptions, which represent a great majority of the *De Tijd's* readership sales: price evolution was substantially below market average before the merger and above market average after the merger. An indirect price lowering resulted from an increased publishing frequency from five to six days a week prior to the merger, while yearly subscription prices did not change substantially. The absolute prices (after deflation) went from 1.40 euro in 2002 to 1.26 euro in 2005. Soon after the merger, publication frequency was cut back to five times per week because of a lack of success. As a result, the price per copy in a yearly subscription gradually increased to 1.64 euro in 2008. Compared with a price setting at 1.40 euro, it seems that a price compensation strategy was implemented after the merger when demand grew again.

This strategy contrasts with *Drukkerij Het Volk* and *De Vlijt*; the (just above average) price increase of single copies in newsstands was greater before the merger (CAGR: 1.5 and 1.8 respectively) than afterwards (0.7 and 1.0). First of all, informal pricing agreements existed for popular and regional newspapers until 1996 (De Bens & Raeymaeckers, 2010) and explain small differences between these cases. These publishers' strategy was an overall low-cost position, while a business newspaper's advantage is differentiation, for which a premium price can be asked if it is perceived as being unique (van Kranenburg, 2007). Pre-merger price compensation might have been an attempt to boost revenues in a highly severe turnaround situation. However, declining demand tells us that readers were not locked in, which contradicts the findings of Asplund et al. (2005).

5.5.3 Downsizing and centralisation

Downsizing was a prominent cost-reduction strategy in all merger cases and confirms our theoretical expectations. Layoffs, and hence cuts in expenses for remuneration, were very substantive relative to market averages. Pre-merger lay-offs were accelerated after the merger. *Drukkerij Het Volk* further reduced its labour force substantially through restructurings after the merger (CAGR: -3.6 vs. -12.3; market average: 0.0 vs. -6.1), which resulted in a decrease in payroll expenses (0.0 to -13.0; market average: 0.9 vs. -5.4). The number of employees working at *De Vlijt* was but by almost half (-3.3 vs. -21.6; market average: -2.3 vs. -3.8) and remuneration costs shifted from light growth to strong decline (0.8 vs. -23.5; market average: -1.5 vs. -3.1) according to plan. This plan encompassed rationalisation and modernisation of the production process and downscoping.

The number of contracted employees of *Uitgeversbedrijf Tijd* fell steeply in 2005 and continued to decline (-12.7 vs. -7.8; market average: 2.9 vs. -2.9). This resulted from an internal reorganisation in 2002 and 2003, followed by editorial budget cuts in 2004, and another restructuring plan in 2005 and 2006. A similar trend applied to the publishers' expenses for remuneration (-13.1 vs. -2.9; market average: 3.8 vs. -2.3).

Cost-reducing operating synergies were realised between newsrooms in the form of editorial cooperation such as collective news gathering (DV, VL) and sharing expertise (UT), in addition to collaboration in advertising. Only *De Vlijt* aimed to realise synergies between its newspapers and region-

al television activities. While journalists were part of the lay-offs in all cases, we cannot quantify to what extent, because of lack of available data. On the production side, centralised printing facilities occurred in all cases. Centralisation of IT was explicitly mentioned in the case of *Uitgeversbedrijf Tijd*.

Drukkerij Het Volk's expenses for goods and services provided by third parties grew (above average) before the merger because of investments in computerised administration and an electronic editorial system in 1991, in printing facilities between 1992 and 1994, and in marketing of the renewed newspaper in 1993. The growth curve for these expenses was not as impressive after the merger as before it; editorial cooperation between *Drukkerij Het Volk* and *VUM* might have implied a downsizing of freelance journalists. Costs for goods and raw materials such as paper and ink saw a much stronger decline (to below average) before as opposed to after the merger, presumably because of severe cost reductions prior to the merger in response to looming bankruptcy.

De Vlijt's expenses to third parties turned from light growth to decline (both below average), while expenses for goods and raw materials dropped tremendously after the merger (below average) and reduced to zero in 2003. This is explained by the termination of *Gazet van Mechelen* and the downsizing of freelance journalists, but most importantly, it showed the switch over to the use of *Concentra's* printing facilities.

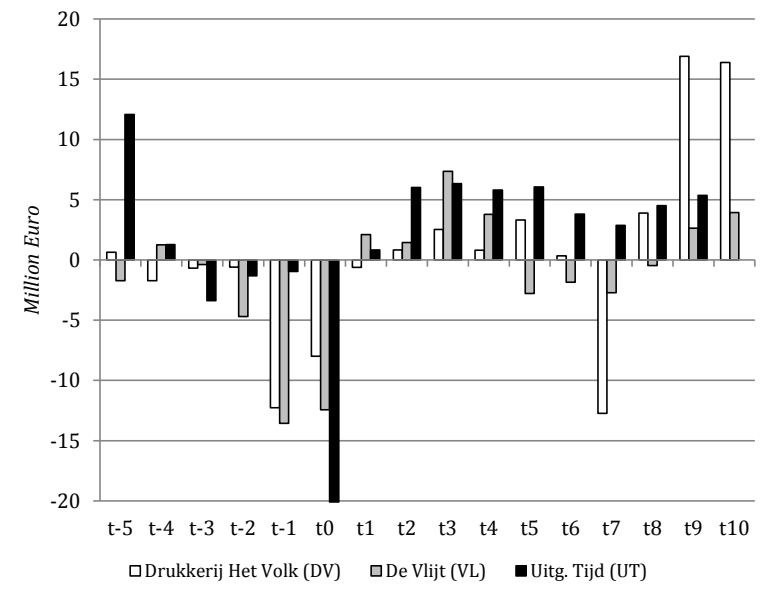
After the merger of *Uitgeversbedrijf Tijd*, the printing contracts of both business newspapers with *Concentra* (i.e. outsourcing) were replaced with the usage of *De Persgroep's* new printing facilities in 2006 (i.e. vertical integration). As a result, expenses to third parties continued to decrease (below average) post-merger, while expenses for raw goods increased substantially (above average).

Overall, the total of operating costs declined further at a faster pace (DV, UT) or fell tremendously (VL) in the post-merger years -- this against average growth or slight decline (due to economic downturn) at the market level.

5.5.4 Profitability and value creation

The above-implemented revenue-enhancing and cost-reducing strategies were aimed at restoring the failing target firm's profitability, a general aim of M&As (Anand, 2005). Indeed, all publishing firms reported net operating losses (EBIT) in three or four constitutive years prior to the merger, but within one (or two) years after the merger, these losses turned into profits, with a clear improvement in growth rates (cf. Figure 5.4). Improvement of the net operating profit was largely derived from controlling costs. The exception to the rule was Uitgeversbedrijf Tijd. Its net sales had exceeded

Figure 5.4 Net operating profit/ loss (EBIT in m. Euro and 2014 constant prices) from five years prior (t_{-5}) to ten years after (t_{10}) the year of the M&A (t_0).



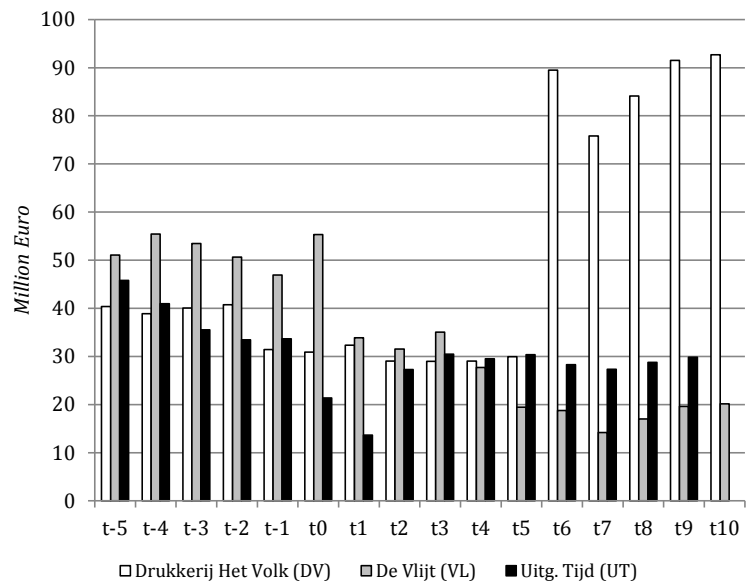
operating costs since 2007, which explained a gradually increasing and relatively high EBITDA-margin: from 8.8% in 2007 to 16.6% in 2010. In comparison, the market average was 7.0% between 2005 and 2010. In contrast to this high performance, De Vlijt dealt with net operating losses again (t_5 to t_8). In contrast to the pre-merger years, these losses concurred with a positive net working capital, which indicates maintainance by parent firm Concentra.

Another strategy to keep up profits was cross-subsidisation of newspaper publishing activities with financial income such as dividends derived from strategic participations, for example in national television broadcasting (*VTM*). This clearly showed from a negative EBIT and net profit for period of *Drukkerij Het Volk* and *De Vlijt* in 1993 and 1994. However, such a strategy did not work out as successfully in all cases, for example *Uitgeversbedrijf Tijd's* investments in *Belgian Business Television* (cf. infra).

Restructurings put pressure on profits but the impact was difficult to verify because these expenses were booked differently. *Drukkerij Het Volk* (1991 to 1996) and *De Vlijt* (1995 to 1999) reported formation expenses and activated restructuring costs (1991 to 1996 and 1995 respectively), while this was not found in the accounts of *Uitgeversbedrijf Tijd*.

While profitability was restored, the total gross added value dropped (further) (below average) in the case of *Drukkerij Het Volk* and *De Vlijt*. In contrast, *Uitgeversbedrijf Tijd's* gross value added increased (above average)

Figure 5.5 Value added (in m. Euro and 2014 constant prices) from five years prior (t_{-5}) to ten years after (t_{10}) the year of the M&A (t_0).



(cf. Figure 5.5) because of revenue growth (cf. supra). If gross value added is interpreted as an indication of the extent to which the horizontal integration of two firms created wealth (Anand, 2005), we conclude that only one out of three merger cases successfully realised this gain.

All financial key figures of *Drukkerij Het Volk* showed drastic changes in the sixth year after the merger (t_6 to t_{10}) when the remedies no longer applied and the parent firm *VUM* brought all publishing activities together in 2000. Resulting from this increase of fixed assets, *Drukkerij Het Volk's* value added was much higher in the following years. Its working capital turned negative again, which indicates financial backing of the parent firm. Moreover, the financing structure shifted from being primarily based on shareholder funds to simply being debt (cf. Figure 5.6 and 5.7).

5.5.5 Financial restructuring

Rescue mergers also stabilise the target firm's turnaround situation through restructuring its foundation, that is, the financing of its assets (Schweizer & Nienhaus, 2016). The severity of the pre-merger situation of all cases was evident from the financial failure that followed the economic failure: net working capital turned negative in the year prior to the merger (DV, UT) or in the year of the merger (VL) (cf. Figure 5.6). The target firms could no longer pay their short-term bills because of insufficient liquidity. According to expectation, their (below market average) declining working capital

Figure 5.6 Net working capital (in m. Euro and 2014 constant prices) from five years prior (t_{-5}) to ten years after (t_{10}) the year of the M&A (t_0).

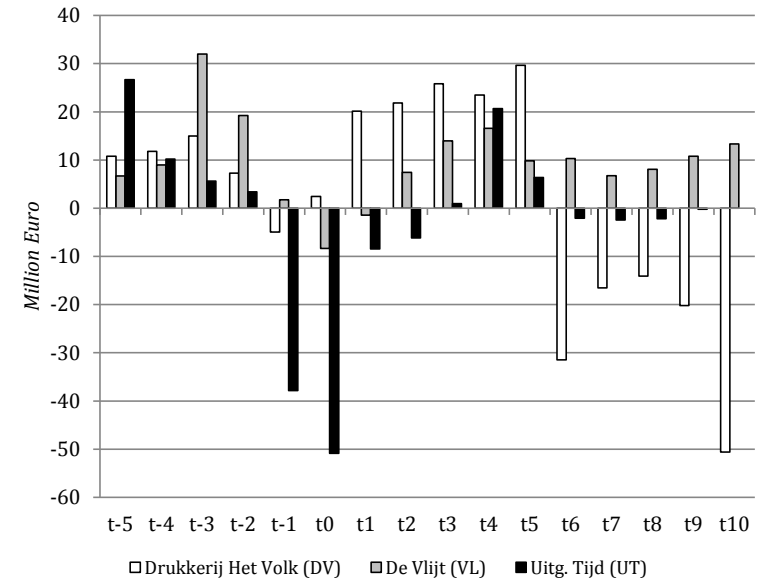
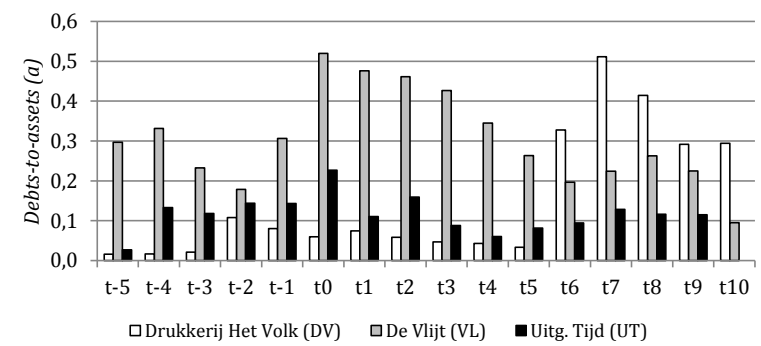
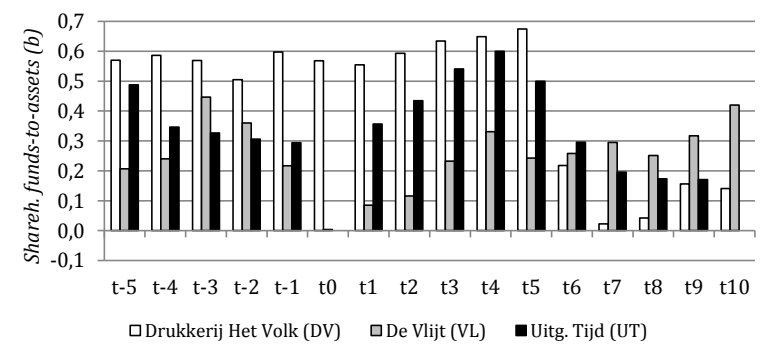


Figure 5.7 Solvency ratios from five years prior (t_{-5}) to ten years after ($t10$) the year of the M&A (t_0): interest-bearing debts (a) and shareholder funds (b) to assets.





grew (above market average) again after the merger. The latter did not apply to *Uitgeversbedrijf Tijd*, whose working capital remained negative until two years after the merger.

In all cases, interest-bearing debt grew prior to the merger but reduced after the merger's effectuation, this against ongoing increase of debt load at the market level. Hence, the target firms became indeed more solvent after the merger. More generally, *De Vlijt* relied strongly on debts for the financing of its assets (cf. Figure 5.7a). This publisher had ongoing long-term debts while *Drukkerij Het Volk* (e.g. 1989 to 1992) and *Uitgeversbedrijf Tijd* reported these kinds of debts only for a number of years (e.g. 2000 to 2004, 2007 to 2008), suggesting stronger reliance on shareholders' funds for investments, for example, in the renewal of the printing plant (cf. Figure 5.7b). Moreover, the shareholders of *Uitgeversbedrijf Tijd* recovered its negative equity with a capital injection in 2005.

5.5.6 Asset restructuring

Assets were restructured as expected in all cases through a downscoping of business activities. A set of diversified business activities (e.g. magazines, books, and audio-visual) was focused again on publishing and printing. As a result, these target firms' size (i.e. total of assets) shrank after the merger. This process already started before the merger in the case of *De Vlijt*, while *Drukkerij Het Volk* and *Uitgeversbedrijf Tijd* were still acquiring subsidiaries. Fixed assets shifted from (above average) pre-merger growth to (below average) post-merger decline in all cases.

Divestitures of *Drukkerij Het Volk* led to a post-merger decline of fixed assets (CAGR: 20.6 vs. -22.8; market average: 15.0 vs. -5.5). Its bookstores (1992) and shares in national commercial broadcaster *VTM* (1993/1994) were sold before the merger. After the merger, magazines (1995) were sold and comic strips were transferred to a subsidiary of *VUM* (1998).

De Vlijt presents a somewhat similar story (8.8 vs. -19.9; market average: -4.4 vs. 9.9). The distribution of magazines was terminated (1994) and shares in national television broadcasting (*VTM*) were sold (1993/1994) before the merger to invest in regional television broadcasting (1993 to 1997) and in advertising (*De Periscoop*). Shares in the latter were transferred to the joint venture's entity (*RUG*) in 1998.

Acquisitions and divestitures led to even greater increases and decreases of the fixed assets of *Uitgeversbedrijf Tijd* (51.7 vs. -25.5; market average: -15.4 vs. 10.6). Before the merger, the publisher invested in television broadcasting (*Belgian Business Television*) between 2000 and 2002 but sold it because the investment did not pay off. Moreover, magazines and a weekly were also terminated between 2001 and 2003. In the year of the merger, the publisher had almost all shares in *Editeco* as part of the acquisition process (cf. supra). After the merger, the financial information services division (*Tijd Beursmedia*) was sold in 2008.

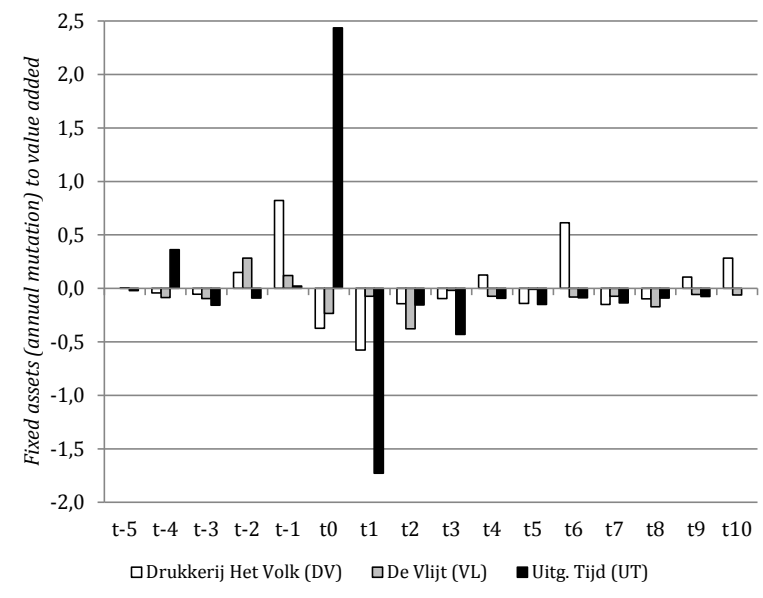
5.5.7 Investments

These divestitures are *defacto* short-term deinvestments that generate cash. Once a turnaround situation of a failing target firm is stabilised (medium-term), we expected to find dynamic merger effects such as capital investments to enable innovation and long-term growth (Picard, 2006). However, little evidence has been found; on the contrary, investments seem to be a cause rather than an effect.

The average gross investment rate, calculated as annual mutation of fixed assets to gross value added, of *Drukkerij Het Volk* (0.14 vs. -0.30) and *Uitgeversbedrijf Tijd* (0.55 vs. 0.03) was above the market level before the merger and fell below the market average after the merger. The gross investment rate of *De Vlijt* (0.02 vs. -0.18) also lowered after the merger and thereafter stayed below the market level.

Investments took place primarily in the four years before as well as during the year of the merger (cf. Figure 5.8). *Uitgeversbedrijf Tijd* invested in financial assets (t_{-4}, t_0, t_1) and intangible assets (t_1). A peak (t_0) and subsequent drop (t_1) of the investment rate was caused by the shares in *Editeco* in 2005,

Figure 5.8 Gross investment rate from five years prior (t_{-5}) to ten years after (t_{10}) the year of the M&A (t_0).



which would be fully integrated into the entity in the year after. *Drukkerij Het Volk* and *De Vlijt* invested in tangible assets (t_{-2} and t_{-1}) (i.e. renewal of printing plant). Against expectation, the gross investment rate was generally negative in the following ten years because of annual depreciation of fixed assets. The exception was *Drukkerij Het Volk*, where investments in tangible (t_4 and t_6) and financial assets (t_{10}) resulted from the organisational restructuring.

5.5.8 M&A effects go beyond profits

Our conceptual framework of the impact of mergers (cf. Figure 5.1 and 5.2) assumed a two-step impact on publishers' financial performance and structure. First, short-term stabililisation of a target firms' turnaround situation would be realised through retrenchment of costs and assets, and revenue-enchancing strategies such as pricing (i.e. static merger effects). Next, dynamic merger effects were assumed to realise sustainable recovery of the target firm through long-term investments.

Static merger effects are confirmed for the case *Uitgeversbedrijf Tijd* (2005) but only in part for the cases *Drukkerij Het Volk* (1994) and *De Vlijt* (1996). In all cases, costs and assets reduced considerably after the merger. Redundancies indicated that downsizing and divestitures of subsidiaries implied downscoping. Cost-efficiencies explained why net operating losses turned into profits with the exception of *Uitgeversbedrijf Tijd*, which realised growth of revenues and value added. In contrast to the other two cases, this publisher's newspaper managed to attract readers again, which enabled successful post-merger price increases. Against expectation, pre-merger price increases were found in the case of *Drukkerij Het Volk* and *De Vlijt*, which is presumably related to the severity of the turnaround situation. In addition to attempts to enhance revenues in the reader market, collaboration in the advertising market seemed another important strategy.

Investments provide an explanation for these varying static merger effects. Investments in the target firm by its acquirers were assumed as soon as the short- to medium-term crisis situation was stabilised, however, the opposite was found. *Drukkerij Het Volk* and *De Vlijt* invested primarily in tangible assets such as housing and a printing plant a few years before the merger; however, these new facilities then dealt with start-up issues, which contributed to the losses. This economic failure worsened the firms' liquidity and solvency (in all cases). Managerial issues are assumed to explain the delayed return on investment. *Drukkerij Het Volk's* commercial management was argued to be poor (De Bens, 1997) and *De Vlijt's* financial management was, among many other things, problematic (Veestraeten, 1997), which manifested in the relatively high debt load compared to the other cases. In other words, in this specific context of failure, it seems that investments caused M&As (Slatter & Lovett, 1999), not the other way around as dynamic merger effects suggest (Crane, 2014), and posed constraints to direct post-merger performance effects.

5.6. Conclusion and discussion

M&As can help failing newspaper publishers to survive (Martin, 2003) but sustainable success requires the right steps. We showed evidence of three cases whereby the short-term financial position of publishers improved, of which the turnaround situation varied in severity. However, one newspaper (publisher) lost, one survived, and one won the competitive battle based on their long-term overall performance. Each of these publishers' post-merger strategy shows the importance of looking beyond short-run stabilisation of the situation. We argue that investments in innovation are crucial to realise sustainable recovery and growth (Picard, 2006).

Three different post-merger strategies led to different outcomes. First, the activities of *Drukkerij Het Volk's* and those of its parent were merged in one business unit (i.e. full incorporation) six years after the merger and its newspaper was terminated after another eight years. The strategy to acquire a competitor with the aim to merge its audience with that of a stronger sister newspaper, and eventually, to terminate it, is not uncommon (Blankenburg, 1985). This illustrates the worst case scenario and confirms concerns about the impact of the concentration of ownership on a plurality of newspapers (Baker, 2007). The second case, *De Vlijt*, dealt with successive losses again from the fifth to the eighth year after the merger. Taking into consideration the possibility of accounting effects, it seemed that this publisher could only continue to exist as a business unit under group ownership; its newspaper was maintained by its parent (Lisby, 1991), which enabled further professionalization (Beam, 2002). However, seventeen years after the merger, *De Vlijt's* parent *Concentra* merged with *Corelio*. *De Vlijt* was fully incorporated in the newly established *Mediahuis*. The competition authorities imposed a remedy to prevent what happened to *Het Volk* from also happening to newspaper *Gazet van Antwerpen* (Belgische Mededingingsautoriteit, 2013). Whether parent *Mediahuis* will continue to maintain *Gazet van Antwerpen* in its current format, if at all, will become clear in 2018 when the remedies no longer apply.

In contrast to investments causing failure, the parent firms of *Uitgeversbedrijf Tijd* (currently *Mediafin*), the third case, directly invested in this failing firm upon acquisition. For one, it seemed they had their plan ready to (further) expand in the business segment of newspaper publishing, having been on the watch for a while. *Uitgeversbedrijf Tijd* was put on the mar-

ket for the first time in 2001 but that was reversed after internal protest (De Tijd, 2003b). Second, there were existing ties (*Rossel et Cie* had shares in *Editeco* since 1995) and planned collaborations (*Trustmedia* since 2005) between the involved parties. Third, *Uitgeversbedrijf Tijd's* newspaper was successful before its readership revenues fell due to economic downturn and regulatory changes. The publisher was one of the pioneers with regard to the adoption of digital opportunities due to its international orientation (Beyers, 2006). An indication of its senior management's leadership, a key aspect for the successful realisation of change (Pérez-Latre & Sánchez-Tabernero, 2003), but also a key aspect of failure (Soloski, 2015), as the two other cases showed. All in all, *Uitgeversbedrijf Tijd's* management successfully extended their focus strategy (van Kranenburg, 2007) and gradually realised a long-term high performance.

The fact that one publisher lost, one survived, and one won the competitive battle through a merger or acquisition, also has implications for the different aspects of diversity (Napoli, 1999). We conclude that in some cases, the decline of supplier diversity caused a reduction of outlet diversity and editorial diversity. It is important to consider the organisation of the editorial process to understand how it may affect the diversity of content. For example, the M&As enabled collaboration between journalists of independent newsrooms (e.g. *Gazet van Antwerpen* and *Belang van Limburg*), geographical centralisation of independent newsrooms (e.g. *De Tijd* and *L'Echo*), or the merging of two formerly independent newsrooms into one (e.g. *Het Volk* and *Het Nieuwsblad*). The key question is how this affects the degree of cooperation between journalists, for example in the exchange of news stories. Several news stories of Flemish newspapers belonging to the same publisher were indeed found to be alike (i.e. overlapping) in 1983, 1993, 2003, and 2013, and showed even greater overlap after the three merger cases (Beckers et al., 2017). It is argued that *De Morgen* relies heavily on sister newspapers of *De Persgroep* for its financial, foreign, and sports news (Boesman, d'Haenens, & Van Gorp, 2015, p. 909). More generally, it was found that the more centralised newsrooms of *De Persgroep's* newspapers *De Morgen* and *Het Laatste Nieuws* used news stories from other media as input for their own articles more frequently compared to the less centralised newsrooms of *Mediahuis'* newspapers *De Standaard* and *Het Nieuwsblad*. All this seems to support the hypothesis that M&As affect the diversity of news stories through the consolidation of editorial processes. Such strategy is not free of risk, however, as it may induce a counterproductive effect on demand -- and thus revenues – if readers see their newspapers' specific profile detoriating.

The assumption that M&As have a positive effect on target firms' performance (Erel et al., 2015) is partly challenged by these cases because short- to medium-term effects can be a result from the past and are not neccesarily long-standing. Hence, time frame and context are important factors; the specific context of firm failure makes this explicit. For example, our expectation that investments would follow once a failing firm's situation is stabilised did not hold up in any of the cases. This might be explained by the conflicting objectives of retrenchment and recovery; a short-term reduction of expenses is needed but does not contribute to long-term revenue growth (Schmitt & Raisch, 2013). This emphasises again the complexity and dynamics of M&A performance effects (Bengtsson & Larsson, 2012) and the need to look beyond short-term profits. A firm's financial performance is as important as its financial structure (e.g. liquidity and solvency), it is the foundation, and therefore, deserves more attention in M&A performance research. Company databases such as *Orbis* of *Bureau van Dijk* provide this data, enabling us to conduct such research with large samples, also for target firms.

6 Economic, political and socio-cultural welfare in media merger control

An analysis of the Belgian and Dutch competition authorities' reviews of media mergers[1]

The premise of consumer welfare in competition law entails that National Competition Authorities (NCAs) weigh both economic and non-economic interests of consumers against those of producers. This contribution distinguishes between economic, socio-cultural and political welfare to evaluate whether NCAs examine a merger's impact against the width of consumer interest. A claim analysis is conducted of the NCAs' formal decisions on eight selected cases of proposed media mergers. The analysis shows that, in recent years, these NCAs pay attention to non-economic interests of consumers, but remain vague as to, first, what interests in particular are at stake; second, who the stakeholders are; and, third, how these interests are weighed. The results suggest potential to increase consumer welfare by safeguarding the media's political and socio-cultural role in particular. To this end, first, the perspective of individuals as citizens must prevail; second, specific tests must review the impact of media mergers on political and socio-cultural welfare; and, third, NCAs and Media Regulatory Authorities (MRAs) must bundle strengths.

1 van der Burg, M. & Van den Bulck, H. (2015). Economic, political and socio-cultural welfare in media merger control: An analysis of the Belgian and Dutch competition authorities' reviews of media mergers. *Information Economics and Policy*, *32*, 2–15.

6.1 Introduction

Both the research field of competition law and of media regulation acknowledge that, beyond economic interests, there can be non-economic interests at stake in media mergers (Baker, 2006; Stucke & Grunes, 2009). Economic interests refer to fair competition and prices, amongst other factors (Motta, 2005). Non-economic interests include the safeguarding of content diversity, access to content, and (editorial) independence from owners, from commercial influences and from the state (Meier, 2007). In media policy, this is referred to as the public interest (Freedman, 2008). The primary goal of competition law is to safeguard consumer welfare. This entails the trade-off of consumer's interests over any producers' interest in evaluating the consequences of a (proposed) merger (Buttigieg, 2009; Van Rompuy, 2012). Therefore, in their merger reviews, National Competition Authorities (hereafter: NCAs) must carefully consider the economic and non-economic interests of consumers. But do they? The question is highly relevant in an era in which technological developments and deregulation push a further consolidation in the media industry (hereafter: media or ownership concentration) (Iosifidis, 2014), especially in countries like Belgium and the Netherlands with small geographic markets (Puppis, 2009). For these reasons, the question is: *to what extent are economic as well as non-economic criteria taken into account by National Competition Authorities (NCAs) in reviewing media mergers?*

The debate about the need for restrictions to media ownership is complex and characterised by divergent interests and a lack of consensus amongst stakeholders (Komorek, 2013). Most fundamentally, the concepts of consumer welfare and of public interest lack conceptual clarity (Feintuck, 2010; Stucke, 2012). Both are vague about who has what interests, and if and how they should be safeguarded in one way or another. Competition law is said to provide insufficient guidance for the trade-off of consumer and producer interests (Drexl, 2011). Furthermore, there is empirical uncertainty about the assumed causal relationships. For example, the relationship between diversity of content and media ownership concentration is not necessarily linear nor systematically proven (Karppinen, 2013). The impact of competition in audience and advertising markets (i.e. two-sided markets) on the accuracy of news coverage is also not straightforward (i.e. media bias, cf. Gentzkow, Shapiro & Stone, 2014).

There is a need for further clarification of consumer interests to better understand what interests are potentially at stake. To this end, we use van Cuilenburg and McQuail's (2003) concept of the public interest. It distinguishes between economic, socio-cultural and political welfare as sub goals of total welfare. This approach is different from the understanding of welfare in economics. First, it focusses on what welfare instead of whose

welfare. Second, it aims to be more specific regarding what total welfare entails. Central values in economic welfare include, for example, competition, consumerism and innovation. Political welfare includes freedom of expression and publication, access, and diversity. Values resulting in socio-cultural welfare include choice and quality, amongst others. van Cuilenburg and McQuail's approach thus allows for an analysis of consumer's interests that goes beyond fair prices.

These three welfare perspectives guide this contribution's analysis of economic and non-economic interests in the Belgian and Dutch NCAs' formal decisions or merger reviews (hereafter used interchangeably). The analysis uses a claim analysis (Koopmans, 2002) which aims to explore what arguments are weighed by NCAs in their formal decisions about a selection of merger cases and what type of welfare they reflect. This claim analysis provides a perspective on merger cases that differs from most economic (e.g Budzinski, 2007; Chandra & Collard-Wexler, 2009; Crawford & Yurukoglu, 2012) and legal analyses (e.g. Castendyck, Dommering, & Scheurer, 2008).

The results shows that a majority (92.3%) of claims in merger reviews exclusively reflects economic welfare in their topics (e.g. definition of relevant market, competition and market power). A minor share (0.7%) of the claims contains exclusively political and socio-cultural welfare topics (e.g. consumer choice, editorial control, content diversity). These non-economic welfare topics occur mostly in combination with economic welfare topics (7.1%) and tend to argue against more than in favour of a merger case.

This contribution concludes that NCAs pay attention to the non-economic interests of consumers but are not specific enough about the interests at stake, about who the stakeholders are, and about how these interests are weighed. It is argued that the concept of consumer welfare has greater potential to safeguard the media's political and socio-cultural role than it currently does. To this end, first, primacy must be given to the perspective of individuals as citizens; second, specific tests must review the impact of media mergers on political and socio-cultural welfare; and, third, NCAs and Media Regulatory Authorities (MRAs) must join forces. This contribution thus supports a call for a more comprehensive review of media mergers that takes both economic and non-economic interests into account.

6.2 Literature review

6.2.1 Business as (un)usual

The academic and public debate on the potential (dis)advantages of media mergers, and the approach to media mergers they evoke, roughly shows two lines of thinking. On the one hand, media constitute a business like any other and there is no need, therefore, to treat media mergers differently

from other mergers. Market mechanisms and competition law safeguard diversity of suppliers, outlets and content. The latter here refers to the diversity of issues, viewpoints or opinions and actors in media coverage (Napoli, 1999). This viewpoint fits more general economic theory, in which (sector specific) regulation in addition to competition law is in principle considered undesirable (Veljanovski, 2010). This market approach argues that the public policy approach, which dominated media regulation for a long time (Iosifidis, 2011; McQuail, 1992), is outdated in light of recent media industry developments. First, digitisation generates a plethora of platforms through which media content can be distributed. This makes the traditional spectrum scarcity argument obsolete (Compaine, 2000). Second, the Internet makes an abundance of information and voices accessible to all (Baker, 2007). Third, contemporary media users have an individual responsibility to development skills to access, select, process and review information (Valcke, 2011). Fourth, the use of ownership caps restricts benefits from positive externalities and economies of scale and scope, and is therefore too static and backward-looking (Hope, 2007). These arguments have led to persistent and successful calls from the industry for deregulation (Komorek, 2013) and to the conviction that competition law can be applied to media mergers as it aims to safeguard competition and to prevent abuse and/or creation of dominant positions in any industry (De Streel, 2008).

On the other hand are those that claim that media can only partly be treated as a business like any other because of their dual interests: media are economic entities with a certain exchange value but also socio-political entities with a certain use value (Van Gompel, Van den Bulck, & Biltereyst, 2002). This implies that media perform simultaneously in an economic market and in a marketplace of ideas (Stucke & Grunes, 2001). From the perspective of media as economic entities, the general concern regarding ownership concentration is that media firms can abuse their dominant position, either to raise prices for their products and services above the competitive level, or to increase profits by cutting costs which results in the deterioration of product quality, for instance the homogenisation of content through editorial cooperation or standardisation of the production processes. There is further concern that certain (not profitable) genres, ideological groups, minorities and geographical areas (e.g. local communities) can be underrepresented (Iosifidis, 2014; Meier, 2007; Ungerer, 2014). The latter can undermine the media's role in democratic societies: media constitute a public sphere where a diversity of voices is heard, where information is freely disseminated and discussion aids to opinion formation (Dahlgren, 1995). This refers to the media's socio-cultural and political use value for citizens and wider society, referred to as the public interest (McQuail, 1992).

From this point of view, competition law is insufficient to address the impact of media mergers because it is concerned with the dominant positions of firms in economic (media) markets but not in the market place of ideas where users' exposure to a media firm's products results in a dominance of ideas and opinions expressed in these products (this is also referred to as the concept of opinion power) (Baker, 2007; Komorek, 2013). The issue of access to content and platforms gained considerable attention within the practice of competition law (cf. section 6.2.4), yet this in itself does not guarantee content diversity (Ungerer, 2014). As a result, various regulatory solutions are forwarded to safeguard the media's non-economic interests (e.g. Baker, 2007; Levi, 2008).

6.2.2 Concept of consumer welfare

A potential bridge between proponents of the market approach and proponents of the public interest is the concept of consumer welfare. This recognises consumer interests as an important goal of competition law, which aims to prevent 'increases in consumer prices or restrictions of output due to the exercise of market power by dominant firms or colluding firms' (Van Rompuy, 2012, p. 48). The consumer is seen as 'the weaker party acting outside his trade or profession who needs protection against economic power or market failures' (Buttigieg, 2009, pp. 1–2). Consumer welfare is now widely adopted in competition law (Stucke, 2012). Nevertheless, economists traditionally prefer total welfare because this generates the most for society as a whole. It wants to reach efficiency by allocating resources through the price system to those users who value them most. From this point of view, it is irrelevant whether surplus that results from efficiencies, is captured by producers or consumers (Motta, 2005; Van Rompuy, 2012).

In merger control, consumer welfare emphasises consumer interests, whatever they are: fair prices, product variety, or product quality (e.g. Berry & Waldfogel, 2001; Fan, 2013; Gentzkow, Shapiro, & Sinkinson, 2014; George, 2007; Rennhoff & Wilbur, 2012). The notion of public interest can be incorporated into this concept by thinking of media products as merit goods that generate positive externalities for which consumers do not pay (Baker, 2006; Bush & Zimmerman, 2010). In this context, diversity is considered 'instrumental for good citizenship: a better informed citizen generally confers benefits on her fellow citizens, which presumably benefits all' (Levy, 2015, p. 278). An individual's ability to access various media outlets, to gain critical and diverse information, to form an opinion, to take part in public debate, and to cast a vote, all affect wider society. Therefore, issues such as diversity of content or exposure diversity (i.e. distribution of audience's preferences for media outlets (Napoli, 1999)) are essential by-products of every television or newspaper subscription and should be taken into account in merger reviews.

However, a lack of conceptual clarity regarding consumer welfare leaves much room for interpretation (Stucke, 2012; Van Rompuy, 2012). For example, NCAs hold different definitions of whom the consumer is considered to be. It is clear that looking at the consumer as an individual or rather as anyone who uses economic goods (e.g. firms) has implications for the definition of consumer interest (Buttigieg, 2009). A broad definition of consumers implies total welfare instead of consumer welfare because no distinction is made between different beneficiary groups (Stucke, 2012). A view on consumers as individuals is equally complex, considering that consumers can have concurring interests (Drexl, 2011), whereas seeing them as individuals demands that one take into account their possibly conflicting interests with respect to their different roles in society as citizen, consumer, employee, etc. (Livingstone, Lunt, & Miller, 2007; Vanberg, 2011). These conflicting interests, also referred to as the consumer welfare paradox (Orbach, 2010), refer to – amongst others – the fair prices the consumer wants to benefit from versus the citizen's demand for diverse and high quality media content, which is expensive to produce and therefore requires a higher consumer price.

For the purpose of this contribution, the most important shortcoming of the concept of consumer welfare is that it focusses on who benefits but does not make explicit what specific benefits are aimed for. This contribution's primary focus is not to determine the interested parties (beneficiaries/victims), but the interests (benefits/disadvantages) of media mergers.

6.2.3 Welfare perspectives

We start from van Cuilenburg and McQuail's (2003) approach to the public interest to define the different interests at stake in media mergers. They distinguish between political, socio-cultural and economic welfare as three main goals, each with their own distinct values and criteria, which together make up the public interest. The distinction between these three welfare perspectives is thus based on different interests (i.e. what welfare), whereas the focus in the concept of consumer welfare lies on beneficiaries (i.e. whose welfare).

Van Cuilenburg and McQuail associate political and socio-cultural welfare goals primarily with individuals' interests as citizens. Political welfare's key values include freedom of expression and publication, access, diversity, information, and control or accountability. These are conditions for equality and participation. Values leading to socio-cultural welfare include choice, identity, interaction, quality and cohesion. Socio-cultural welfare is

thus interpreted differently from economists' understanding of social welfare – as public aid to the needy in society.

Economic welfare goals from van Cuilenburg and McQuail's point of view are related primarily to corporate interests and those of individuals as consumers. Central to attaining economic welfare are competition (i.e. efficiency and profitability), development, employment, consumerism, innovation and interconnection. Van Cuilenburg and McQuail's interpretation of economic welfare differs from how it is generally used. In economics, economic welfare (or shortly: welfare) is a measure for the performance in an industry, i.e. total welfare generated by economic activity (Motta, 2005). The authors view total welfare as political, socio-cultural and economic welfare together, and hence, interpret economic welfare more narrowly than it is generally understood in economics. With the three welfare perspectives, van Cuilenburg and McQuail take a broad view because, as they point out: 'a matter of public interest is one that affects the society as a whole (or sections of it)'.

6.2.4 Regulatory background

Trend towards deregulation

Against this theoretical background, this section zooms in on how things were and are arranged in practice. In the past decade, the number of European countries that regulate media ownership concentration has dropped (Meier, 2011). As of 2013, a majority of EU-Member States, including the Netherlands and Belgium, have no specific or very limited rules for media mergers (Komorek, 2013). Frequently cited examples of countries where specific rules within competition law exist and/or where media mergers are subject to media regulation are the USA (Napoli & Gillis, 2008), the UK (Craufurd-Smith & Tambini, 2012),Italy and Germany (Iosifidis, 2010; Just, 2009). Authorities in these countries test the possible economic impact of mergers but also evaluate the potential effect of a merger from a non-economic perspective. Examples include the US' diversity index and the UK's plurality test. These tests have come under methodological criticism (cf. Barnett, 2013; Hill, 2006) but are praised because they approach a merger's impact from a comprehensive point of view and take into account both economic and non-economic aspects.

In countries with small geographic and highly concentrated media markets like Belgium and the Netherlands (Chameleau, Lauf, van Santen, & Sierhuis, 2014; Vlaamse Regulator voor de Media, 2014), general competition law applies to mergers but no rules (any longer) exist with regard to media ownership concentration (Lauf, Negenborn, & van der Burg, 2011; Lefever, Wauters, & Valcke, 2012). The economic characteristics of media, such as economies of scale and scope (cf. Doyle, 2013), make small geographic markets particularly susceptible to high levels of media ownership concentration (Puppis, 2009). As a consequence of the legal framework, the non-economic impact of media mergers is not assessed by any specific means. The next section zooms in further on this framework in the Netherlands and Belgium, especially on the (formal) responsibilities and practices of NCAs and Media Regulatory Authorities (MRAs).

Regulatory authorities' remit

The *Belgische Mededingingsautoriteit* (Belgian Competition Authority, hereafter: BMA), named *Raad voor de Mededinging* (RvdM) until 2014, verifies compliance with competition law in all Belgian administrative communities, including Flanders (the Northern, Dutchspeaking part of Belgium). In the Netherlands, this is done by the *Autoriteit Consument en Markt* (Authority for Consumers and Markets, hereafter: ACM), named *Nederlandse Mededingingsautoriteit* (NMa) before it merged in 2013 with the regulator for post and telecommunications and with the authority for consumer protection. Cross-border mergers are reviewed by the *European Commission* (hereafter: *EC*) (Motta, 2005). Both in Belgium and the Netherlands, ex post monitoring of media concentration is left to the MRAs: the *Vlaamse Regulator voor de Media* (Flemish Regulator for the Media, hereafter: VRM) and Dutch *Commissariaat voor de Media* (Dutch Media Authority, hereafter: CvdM) respectively. They monitor media concentration and advise the media minister in this regard but have no binding competences (Lefever et al., 2012).

In recent years, the notion of consumer welfare became a topic of NCAs' discussions regarding the goals of competition law (Parret, 2009). It became an explicit goal of the Dutch and Belgian NCA in 2008 and 2009 respectively (Nederlandse Mededingingsautoriteit, 2009; Organisation for Economic Co-operation and Development, 2009). Today, consumer welfare is part and parcel of their strategy and priorities. Both NCAs explicitly stress the importance of merger effects on product quality and public interest (Autoriteit Consument en Markt, 2013b; Belgische Mededingingsautoriteit, 2015). With regard to the public interest, ACM points out that collaboration can be conditionally approved if it guarantees certain positive externalities such as innovation.

The *EC's* competition policy is widely acknowledged for its inclusion of consumer welfare (e.g. Van Rompuy, 2012). Its merger guidelines, used as a frame of reference by NCAs, stress the importance of merger effects on pricing, quality of goods and services, access, and innovation, amongst other things (European Commission, 2004b, 2008). The *EC* formulated several priorities of its competition law in media industries, including the preven-

tion of gatekeepers' control over bottlenecks and the safeguarding of access to content and platforms (Ungerer, 2014; Van Rompuy, 2012). The *EC* treats media mergers differently by using narrow market definitions and imposing behavioural remedies to ensure access to content and platforms (Komorek, 2013; Ungerer, 2014). Moreover, in recent years, the *EC* has created direct and indirect opportunities to bring non-economic issues into competition law. First, the legitimate interest exception in the *EC Merger Regulation* (European Commission, 2004a) allows Member States to prohibit or impose remedies to media mergers which are considered detrimental for pluralism (Komorek, 2013). Second, and more fundamentally, Article 2 of the *Treaty on the Functioning of the European Union* (TFEU) explicitly mentions pluralism as one of the values in Member States' societies (Drexl, 2011).

In the Netherlands, regulation of media ownership was repealed in 2011 (Lauf et al., 2011). Under the *Temporary Act Media Concentrations* (2007-2011), the Dutch MRA advised the NCA on seven merger cases based on post-merger audience shares. It gave a positive recommendation in each case (Scheurer, Bachmeir, Rock, & Schmeyer, 2012), whilst the Dutch NCA imposed structural remedies in at least two of these cases. The process of deregulation happened more gradually in Flanders, which has media policy as an exclusive competence (De Bens & Raeymaeckers, 2010).

6.3. Research design

6.3.1 Method and operationalisation

The analysis of arguments used in the Belgian and Dutch NCAs' decisions in a sample of proposed mergers (for sampling, see below) is based on (part of) Koopmans' claim analysis (2002), a particular form of content analysis (Krippendorff, 2013). An instance of claim-making, or a claim, is defined as a unit of strategic action in the public sphere (Koopmans, 2002). It consists of the expression of an explicit opinion by some form of physical or verbal action, regardless of the form this expression takes (e.g. a formal decision or via a market interrogation) and of the nature of the actor (e.g. a political or economic actor, or agent). The unit of analysis, a claim, can consist of one or more sentences. Koopmans (2002) identifies seven elements of a claim: who makes the claim (subject actor), how the claim is made (form), whom the claim is directed (addressee), what the claim is about (issue), at whom the claim is directed (object actor), and why the claim is made (justification). This study used three of the seven elements: the actor, the issue, and the justification of the claim. Additional variables include Koopmans' variable for a (presumed) causal relationship in a claim's justification and a variable that addresses the source or sponsor used by an actor to underpin a claim (cf. Entman, 2004). The categories of Koopmans' selected variables are adjusted to the specifics of merger reviews and to the actors and sponsors that occur in them. These adjustments are based on merger guidelines (European Commission, 2004b, 2008), national procedures (Autoriteit Consument en Markt, 2013a; De Pree & Evans, 2014; Favart & Bailleux, 2014) and the literature (Björkroth & Grönlund, 2015; Filistrucchi, 2010; Neven, Nuttall, & Seabright, 1993). The categories were refined during the coding process. The categories of the variables 'issue' and 'justification', and of 'actor' and 'sponsor' are identical.[1]

Descriptive variables that aim to explain variation in the nature of the claims include welfare perspective (cf. infra), integration (i.e. horizontal, vertical, diagonal), product market (publishing, audio-visual, distribution), dual market (audience and advertising market), and evaluation (pro merger, against merger, neutral/ambivalent). Next to variables at the level of the claims, three decision-level variables are included: the merger case, outcome of decision or recommendation (law not applicable, approval, conditional approval (behavioural or structural), second phase investigation, prohibition, positive recommendation, negative recommendation), and the responsible NCA or MRA.

The NCAs' formal decisions and MRA's recommendations were analysed by one coder between June and September 2014. All legal-technical parts of the decisions (e.g. legal quotes, summary of correspondence) and identical texts were excluded from analysis. Descriptive analyses were performed using statistical package SPSS (version 22). Variables for actors, issues, justifications and sponsors were regrouped into overarching categories. Issue and justification variables were also regrouped based on van Cuilenburg and McQuail's (2003) definitions of economic, political or socio-cultural welfare (i.e. the norms and values they relate to the respective welfare goals) with one exception: employment in this paper is considered as a socio-cultural rather than economic welfare value because of the impact of lay-offs on the journalistic quality of media products. Additionally, an aggregate variable is created to indicate whether a claim's issue(s) and justification(s) reflect exclusively one or a combination of welfare perspectives.

6.3.2 Sampling

Two main selection criteria were used to guide the sampling of cases reviewed by the Flemish and Dutch NCAs. The first selection criterion is a target firm's (i.e. the acquired or merged firm(s)) business activities and distinguishes between publishing, i.e. (sub) markets for publishing and distribution of (online) newspapers, excluding books and magazines, and audio-visual media, i.e. (sub) markets for radio and television broadcasting

1 The analytical tools can be provided by the authors upon request

and content production. Distribution is excluded as a selection criterion for target firms because it is considered a different, though closely related, domain. However, one case involves distribution markets (e.g. telecom, cable) due to the acquirer's activities. The second selection criterion of the sampling refers to the integration strategy and distinguishes between horizontal and vertical integration. Diagonal integration, or cross-media mergers, was not included.

To select eight cases, all merger reviews in the relevant sectors carried out by the Dutch and Belgian NCAs were mapped out over a twenty year period from the establishment of the authorities (BMA: 1993, ACM: 1998) until 2013. The Dutch ACM and Belgian BMA reviewed 28 and 15 cases respectively. The *EC* reviewed one case (before NMa was established). This list of merger reviews was compiled based on information from the NCAs' annual reports, sectorial reports provided by MRAs and the literature (Ysewyn & Camesasca, 2008).

The eight selected cases as well as the 13 formal decisions and recommendations are displayed in Table 6.1. In addition to the cases' fit with the theoretical sampling criteria, some practical criteria were taken into account. First, a level of data richness is required to enable a claim analysis. Therefore, formal decisions of NCAs should be available and include substantive considerations. Decisions with a short description of the notified merger or just a final conclusion were excluded from the sample because there was no overlap in these cases between the activities of the target firm and acquirers (and hence no concentration). Second, when multiple cases fit into the same quadrant, the degree of overlapping business activities, impact or significance of a case (from a legal point of view, as indicated by NCAs upon the author's request), and recentness were taken into account.

6.4 Results

The decisions of the NCAs and *EC* (*N*=11), and the recommendation of the Dutch MRA (*N*=2) with regard to the selected eight cases, consist of a total of 1048 claims. The majority (54.8%) of claims relates to a rather long review of the *Mediahuis* case, which included an economic analysis that was much more extensive than in other cases. This was the result of legal adjustments leading to organisational changes within the Belgian NCA in 2013 (cf. Ysewyn, Van Schoorisse, Mattioli, & Van Keymeulen, 2013) and may further be explained by the fact that the merger led to a duopoly in the newspaper market (cf. Table 6.2).

First, the argumentation in the NCAs' reviews is analysed, providing a general exploration of the claims in the sample, their welfare perspectives, and the claimants or actors. The subsequent sections zoom in on claims in

Table 6.1 Sampling of media mergers

Integration strategy	Business activities of target firm	
	Publishing	**Audio-visual**
Horizontal	Joint venture Mediahuis by Corelio N.V. and Concentra N.V.* *(national and regional newspapers)*	Takeover of ENG Videohouse N.V. by Nederlands Omroep Bedrijf* *(content production)*
	Takeover of PCM Holding B.V. – De Persgroep N.V. *(national and regional newspapers)*	Joint venture Holland Media Group (HMG) by RTL 4 S.A., Vereniging Veronica Omroeporganisatie, and Endemol Entertainment Holding B.V. *(television and radio broadcasting, content production)*
Vertical	Takeover of Uitgeversbedrijf Tijd N.V. by De Persgroep N.V., Rossel and Cie N.V.* *(link business information to national newspapers strengthened)*	Takeover of Canal+ N.V. by Telenet Bidco N.V.* *(television broadcasting linked to distribution)*
	Takeover of Koninklijke Wegener N.V. by Mecom GroupPlc. *(link publishing to distribution strengthened)*	Takeover of SBS Broadcasting B.V. by Sanoma Corporation WSOY and Talpa Holding N.V *(content production linked to television broadcasting)*

Note: The flagged mergers are Belgian (i.e. Flemish) mergers and the remaining merger cases are Dutch.

which economic consequences of a merger are addressed or political and socio-cultural consequences. Who (actors) claims what (issues) in favour or against the merger under review is discussed for each of these welfare perspectives. Next, the (presumed) causal relationships expressed in claims are explored further. The final results section zooms out again and looks at the structure of the analysed merger reviews; whether particular welfare perspectives occur in the context of particular relevant markets, integration strategies, mergers cases, decision outcomes, and responsible authorities.

6.4.1 Argumentation in merger reviews

Exploring the sample of claims

The nature of the claims in NCA's merger reviews is used to refer to who says what and why. The actors or claimants in the sample (*N*=1465, mean of 1.40 actors per claim) can be divided into four general groups: authorities (i.e. NCAs, MRA, *EC*) (33.4%), notifying parties (i.e. acquiring and target firm(s)) (39.9%), market players (e.g. competitors) (24.7%) and scientists (1.9%). The last two groups are consulted through the market interrogation held by the NCA. Consumers as individual stakeholders are absent or, at least, their role in the reviewing process is not explicit. About a quarter of all claims (24%, *N*=251), relies on jurisprudence and the *EC's* merger guidelines (31.1%). 'Sponsored' claims consist of opinions of notifying parties (20.6%), market players (14.6%) and (academic) research reports, literature, and facts and figures (21.7%). Like actors, multiple sponsors (*N*=350) tend

Table 6.2 Analysed decisions and recommendations

Merger case	Decision/recommendation				
	Authority[1]	Reference no.	Outcome	Date	Pages[3]
Mediahuis	BMA	BMA-2013-C/C-03	Conditional approval	25-10-2013	116
PCM	NMa	6666/76	Conditional approval	1-7-2009	23
	CvdM	17724	Positive recommendation	23-4-2009	2
Tijd	RvdM	97-C/C-38 97-C/C-47[2]	2nd phase investigation Conditional approval	17-7-2005 26-9-2005	6 34
Wegener	NMa	6114 /230	Conditional approval	24-10-2007	41
	CvdM	B&P-004037-sv	Positive recommendation	3-7-2007	2
Videohouse	RvdM	97-C/C-15	Law not applicable	10-7-1997	2
HMG	EC	96/346/EC 96/646/EC[2]	2nd phase investigation Conditional approval	20-9-1995 17-7-1996	20 4
Canal+	RvdM	2003-C/C-78 2003-C/C-89[2]	2nd phase investigation Conditional approval	1-10-2003 12-11-2003	6 7
SBS	NMa	71826	Conditional approval	17-7-2011	37

[1] The original name of the authority is displayed, [2] second phase decision, [3] excluding appendices.

to occur in one sponsored claim (mean of 1.39 sponsors per claim). In some cases, reference is made to authorities (8.6%), especially in Belgian cases where the NCA's board refers in the formal decisions to the findings and opinions of the 'Auditor'. However, the board of the Belgian NCA and the Auditor's findings and conclusions are not necessarily in agreement.

Authorities (53.4%) and notifying parties (46.0%) together are responsible for (almost) all sponsors or sources (*N*=502). Scientists and market players rarely refer to sources to justify their opinions in a (written) interrogation, whilst notifying parties and authorities quote academic research (classified as 'sources') to defend their claim. Authorities and notifying parties frequently cross reference each other.

Both issues (*N*=1460, mean of 1.39 issues per claim) and justifications (*N*=1259, mean of 2.02 justifications per claim) in the analysed claims address a wide range of topics (cf. infra). Of all claims in the sample, 59.4% are justified (*N*=623), another 9.4% are supported by means of jurisprudence or another type of sponsor. The remaining 31.1% of the claims are not justified or sponsored.

Topics of the issues and justifications clearly reflect the structure of merger reviews, and the reviewing procedure and are regrouped accordingly. [2]First, the merger case and the notifying parties and described, for example motives to merge (grouped in 'market and developments' and 'strategic'), business activities, and ownership structure. Followed by the definition of and selection of relevant markets. Then, for each separate

2 A detailed overview of all topics that are assigned to one of the three welfare perspectives can be found in Annex E (cf. Table E.1).

market, a proxy of market power is calculated based on market shares and the potential merger effects are explored: impact of the merger for competing firms or customers (grouped in 'merger effects'), pricing ('financial'), consumers ('consumer and citizen'), and the internal organisation of the target firm ('organisation'). In their conclusions, NCAs state whether the merger proposal complies with competition law, whether a second phase investigation is needed, or remedies are imposed ('reviewing process'). The largest topics groups are 'merger effects' (*N*=782), 'relevant market' (*N*=454), 'products and services' (*N*=357), 'reviewing process' (*N*=264), and 'strategic' (*N*=201).

Welfare perspectives and actors

The different welfare perspectives in the investigated claims reveal mainly exclusively economic welfare perspectives, both in terms of issues (96.5%) and justifications (91.5%). Combinations of welfare perspectives occur relatively more in claims' justifications (6.6%) than in issues (2.2%). An exclusive focus on political or socio-cultural welfare in a claim is rare: 1.3% and 1.9% in terms of issues and justifications respectively. Although the composition of claims' issues and justifications differ somewhat, the distribution of the various (combinations of) welfare perspectives shows a similar pattern. For subsequent analyses, therefore, issues and justifications are taken together and referred to as 'topics'. As a result, fewer claims reflect only one welfare perspective (economic: 92.3%, political: 0.5, socio-cultural: 0.2%) and more combined welfare perspectives (7.1%) appear with economic-political welfare claims occurring most frequently (3.9%) (cf. Table 6.3).

Looking more closely at the claims that reflect one or multiple welfare perspectives, a distinction is made between claims that either reflect just one of the three welfare perspectives and those reflecting any possible combination of perspectives. Results show that notifying parties' and authorities' claims are mainly economic (42.5% and 52.2% of all claims respectively) or a mix of welfare perspectives (3.8% and 3.6%). Market players (1.4%) and scientists (0.5%) make mixed welfare claims to a lesser extent. Claims reflecting either political or socio-cultural welfare are stated by authorities (0.4%), market players (0.2%) and scientists (0.1%), but not by notifying parties (cf. Table 6.3).

The largest share of the claims takes a neutral (or ambiguous) stance (45.6%), 31.9% are classified as pro merger whilst 22.5% argue against the merger under review. Whereas more economic welfare claims argue for rather than against the merger (29.2% and 19.6% respectively), the opposite pattern is found in mixed welfare claims (2.8% pro versus 2.3% con). Interestingly, the small number of political or socio-cultural welfare claims

Table 6.3 Composition of claims in terms of welfare perspective(s) based on their issues, justifications separately and all topics together.

Welfare perspective(s) in claim	Issue		Justification		Topic	
	N	%	N	%	N	%
Economic	1011	96.5	570	91.5	967	92.3
Political	8	0.8	8	1.3	5	0.5
Socio-cultural	6	0.6	4	0.6	2	0.2
Economic + political	12	1.1	27	4.3	41	3.9
Economic + socio-cultural	7	0.7	8	1.3	19	1.8
Economic + political + socio-cultural	4	0.4	6	1.0	13	1.2
Political + socio-cultural					1	0.1
Total (claims)	**1048**	**100.0**	**623**	**100.0**	**1048**	**100.0**

argue more frequently in favour of (0.4%) rather than against the merger (0.2%) (cf. Table 6.4).

Authorities (64.2%), together with market players (35.0%), are responsible for almost all claims arguing for prohibition, whilst notifying parties (61.9%) are found at the other side of this spectrum, arguing for merger approval. Arguing against a merger, authorities are found to use the most mixed welfare perspectives in their claims (8.5%). Interestingly, notifying

Table 6.4 The evaluation of different welfare claims by various actors.

Evaluation of the claim	Actor	Welfare perspective(s) in claim			Total
		Economic	Political or socio-cultural	Mixed	
Against merger	Authorities	55.7		8.5	64.2
	Market players	31.3	0.8	2.8	35.0
	Scientists			0.4	0.4
	Unknown/unspecified	0.4			0.4
	Total (%)	**87.4**	**0.8**	**11.8**	**100.00**
	Total (actors)	**215**	**2**	**29**	**246**
	Total (claims)	**205**	**2**	**29**	**236**
Neutral/ ambivalent	Authorities	32.7		1.7	34.4
	Notifying parties	29.4		0.5	29.9
	Market players	32.4		1.1	33.5
	Scientists	1.7	0.2	0.3	2.2
	Total (%)	**96.2**	**0.2**	**3.6**	**100.0**
	Total (actors)	**615**	**1**	**23**	**639**
	Total (claims)	**456**	**1**	**21**	**478**
Pro merger	Authorities	17.1	0.7	1.4	19.1
	Notifying parties	61.9		6.0	67.9
	Market players	10.5		0.2	10.7
	Scientists	1.9		0.3	2.2
	Total (%)	**91.4**	**0.7**	**7.9**	**100.0**
	Total (actors)	**530**	**4**	**46**	**580**
	Total (claims)	**306**	**4**	**24**	**334**
Total (actors)		**1360**	**7**	**98**	**1465**
Total (claims)		**967**	**7**	**74**	**1048**

Note: Percentages are based on claims (*N*=236, *N*=478, *N*= 334).

parties (6.0%) are responsible for the largest share of mixed welfare perspectives in claims advocating a merger. Market players use political and socio-cultural welfare claims to argue for prohibition (0.8%) and authorities to defend approval (0.7%). Scientists use mixed welfare claims both to argue against (0.4%) and advocate the merger (0.3%), but they mostly apply an economic welfare perspective pro merger (1.9%). In sum, relatively more economic welfare perspectives are found in claims that favour merger approval rather than prohibition (91.4% versus 87.4%). Claims in which also non-economic welfare perspectives occur (i.e. political or socio-cultural and mixed), tend to argue more often against than in favour of a merger (12.6% versus 8.6%).

Economic welfare claims

The claims reflecting economic welfare contain mostly issues about merger effects (76.6%, *N*=967), such as the level of competition in the post-merger situation, whether competitors will be able to encounter the market power resulting from the merger, and all sorts of coordinated and non-coordinated effects (cf. Table 6.5). Further, claims are made about the level of concentration in a relevant market based on audience shares. It is repeatedly stressed that these are a proxy, not a proof, for market power. This concurs with the *EC's* merger guidelines and with theoretical insights (cf. Motta, 2005).

The second largest group of topics in economic welfare claims (45.9%) involves the definitions of the relevant market(s) and the selection of those that will be reviewed (the Belgian NCA applies a threshold) (cf. Ysewyn et al., 2013). These definitions of the relevant market(s) strongly rely on jurisprudence in neighbouring countries and the *EC*.

The third largest topic category in economic welfare claims involves (advertising and consumer) pricing, product characteristics, content and product demand (36.9%). References to content should be understood in the context of discussions about relevant markets (i.e. media products are heterogeneous and therefore not substitutable) or discussions about access to content.

The fourth category of topics in economic welfare claims involves the reviewing procedure (24.6%). This includes statements about market analyses, competition rules, whether or not remedies should be applied and if applied, how it should be done, and the final decision of the NCA.

Political, socio-cultural and mixed welfare claims

Claims addressing either political or socio-cultural welfare (*N*=7) are grouped in 'consumer and citizen' (71.4%) and in 'policy and regulation' (57.1%). All other political or socio-cultural welfare topics occur in combi-

nation with economic welfare topics (*N*=74). These non-economic topics, which are categorised in 'organisational' (47.3%), 'consumer and citizen' (63.5%), and 'products and services' (77.0%), occur predominantly in combination with (economic) merger effects (55.4%) (cf. Table 6.5).

Claims typified as reflecting political welfare are those that claim influence of the merger under review on content or content diversity, consumer access and universal provision, opinion formation and power, editorial control and independence, and autonomy from the parent firm. Although these issues correspond to some of the theoretical concerns (cf. Meier, 2007), it is seldom discussed in length how exactly the merger under review will influence the issue of concern and how it can be safeguarded. Diversity of outlets and content are often used interchangeably, whereas they are essentially different (cf. Napoli, 1999), and it is easily presumed that a variety of media outlets automatically guarantees diversity of ideas and opinions. The presumed relationship is, however, not self-evident (cf. Iosifidis, 2014). The claims regarding opinion power and ownership thresholds are those of the Dutch MRA's assessment as commissioned by law (until 2011).

Socio-cultural welfare claims are classified as such if the claimant addresses possible influence of the merger under review on product quality, consumer choice, culture, and employment or human resources related issues. The review of *Mediahuis* is the only case in which the need for journalists and editors is emphasised in order to maintain a certain product quality – which is in none of the cases described in greater detail than journalistic product quality. In other words, it is claimed that a merger may have a negative impact on product quality, but it is not made clear what that quality entails, or, should entail after the merger.

In all cases (i.e. seven) to which competition law applied (cf. section 6.4.2), there is in one way or another attention for non-economic risks of media ownership concentration. Though this attention is very limited, the attention for product quality (including content diversity) and access is in line with (some of) the priorities of the Belgian and Dutch NCAs (Autoriteit Consument en Markt, 2013b; Belgische Mededingingsautoriteit, 2015). Concerns that are seldom or not at all addressed are independence, for instance from owners, potential homogenisation of content, and the representation of political or ideological groups and minorities (cf. Iosifidis, 2014; Meier, 2007).

Presumed causal relationships

In some claims, actors justify their claims by linking topics to each other in a causal relationship (*N*=43).[3] As these relationships are not always substantiated, these are referred to as presumed causal relationships. About one quarter of these relationships includes (at least) one non-economic topic which appears mostly in claims against the merger under review. Although there is great variation amongst the presumed causal relationships in the analysed claims, similar lines of argumentation are used both against (32.6%) and in favour of a merger (55.8%) (the remaining 11,6% are neutral). The most frequently used (economic) argument points out that price increases are unlikely because they would keep customers away, and hence, decrease income (*N*=8). The economic crisis is mentioned as a reason behind the decreasing (advertising/consumer) sales and as an argument to maximise economies of scale. These economies of scale are also seen as necessary to finance investments. High entry barriers are justified by the sunk costs and minimum optimal scale that naturally hinder entrants. The last three arguments relate to the specific economic characteristics of media business (cf. Doyle, 2013). A considerable number of presumed causal relationships in favour of the merger address (in different ways) the impact on or causes of changes in (consumer or advertising) pricing.

Claims against the merger are found to argue that synergy or any other standardisation strategy as well as impediment of editorial autonomy (in any way) all lead to less content diversity and consumer choice (i.e. a reduction of media outlets) (*N*=5). These claims concur with critiques with regard to the (in)effectiveness of synergies (cf. Jin, 2011) and the conclu-

3 An overview of the presumed causal relationships can be found in Annex E (cf. Table E.2).

Table 6.5 Topics occurring in different welfare claims.

Topic	Welfare perspective(s) in claim			Total	
	Economic	Political or socio-cultural	Mixed	(%)	(N)
Merger effects	76.6		55.4	74.6	782
Relevant market	45.9		28.4	44.4	465
Products and services	36.9		77.0	39.5	414
Reviewing process	24.6		35.1	25.2	264
Strategic	17.8		39.2	19.2	201
Consumer and citizen	13.8	71.4	63.5	17.7	185
Financial	13.8		13.5	13.6	143
Market and developments	7.1		12.2	7.4	78
Merger case	6.8		5.4	6.7	70
Organisational	0.7		47.3	4.0	42
Market players	3.0			2.8	29
Acquirer and vendor (or shareholder)	2.6		4.1	2.7	28
Policy and regulation		57.1	18.9	1.7	18
Total (%)	**249.6**	**128.6**	**400.0**	**259.4**	
Total (topics)	**2414**	**9**	**296**		**2719**
Total (claims)	**967**	**7**	**74**		**1048**

Note: Percentages are based on claims (*N*=1048).

sions of some empirical (case) studies on a newspaper's news coverage after it merged (e.g. Wagner & Collins, 2014). Advocates, conversely, argue that synergies create new opportunities for journalism, allow to cut costs, and thus mergers safeguard consumer choice by taking over a media outlet that would not survive on its own (i.e. rationale of the failing firm defence, cf. Polo, 2007). It is further argued that the target firm will not benefit from reducing the product quality after the merger, as consumers would not accept such indirect, de facto price increases, thus putting the firm's income at risk. Two other, not fully economic, lines of argumentation found against a merger are the claim that ownership of print media tends to influence the general orientations of the media (despite existence of editorial statutes), and the implication that a decrease of content diversity means less choice for consumers. The presumed causal relationships mostly seem to be experience-based, whilst only a few are supported by, for example, literature or another source.

6.4.2 Structure of and differences across merger reviews

Differences across relevant markets and integration strategies

Next, we analysed if the occurrence of welfare claims differs for various product markets, audience versus advertising markets, and integration strategies (cf. Table 6.6). First, the distribution of claims across product markets is highly skewed due to the size of the review of merger case *Mediahuis*, with about three quarters of all claims relating to a (sub)market for publishing. Although political or socio-cultural claims only occur in publishing markets, mixed welfare perspectives occur more often in audio-visual markets (11.6%) than publishing markets (4.4%). This can be explained by the fact that diversity issues are more prominent in publishing and access issues in audio-visual merger cases. Consumer's access to content can be at stake or competitor's access to platforms or markets (i.e. input or output foreclosure) (cf. Ungerer, 2014). Opposed to the former, the latter is related to economic welfare.

Second, an economic welfare perspective occurs relatively more often in claims addressing an advertising market (98.9%) than an audience market (89.2%). A reversed pattern is found for non-exclusively economic claims, which mostly relate to audience markets (10.8%) and hardly to advertising markets (1.1%).

Third, claims more often address horizontal integration (60.7%) than vertical integration (30.8%) in general, also due to *Mediahuis*. Political or socio-cultural welfare claims occur exclusively in the context of horizontal integration and mixed welfare claims show a rather even distribution between horizontal integration (8.1%) and vertical integration (9.0%).

Table 6.6 Welfare claims related to different product, audience or advertising market, and types of integration.

		Welfare perspective(s) in claim			Total	
		Economic	Political or socio-cultural	Mixed	(%)	(N)
Product market	Publishing	95.2	0.5	4.4	100.0	643
	Audio-visual	88.4		11.6	100.0	198
	Distribution	100.0			100.0	6
	Multiple markets	85.7		14.3	100.0	7
	Total (%)	**93.6**	**0.4**	**6.1**	**100.0**	
	Total (claims)	**799**	**3**	**52**	**854**	**854**
Dual market	Audience market	89.2	0.9	10.0	100.0	351
	Advertising market	98.9		1.1	100.0	374
	Both markets	95.8		4.2	100.0	24
	Total (%)	**94.3**	**0.4**	**5.3**	**100.0**	
	Total (claims)	**706**	**3**	**40**	**749**	**749**
Integration	Horizontal integration	91.4	0.5	8.1	100.0	396
	Vertical integration	91.0		9.0	100.0	201
	Diagonal integration	94.5		5.5	100.0	55
	Total (%)	**91.6**	**0.3**	**8.1**	**100.0**	
	Total (N)	**597**	**2**	**53**	**652**	**652**

Note: For several claims, the product market (N=854), dual market (N=299) or type of integration (N=396) could not be identified.

Differences across merger cases

With regard to the eight selected cases, it transpired that political or socio-cultural welfare claims in recent years occur exclusively in publishing cases: *Wegener* and *PCM* in the Netherlands and *Mediahuis* in Belgium with the largest number of welfare perspectives (4.0%) occurring in the latter. In the merger cases *HMG* (15.7%), *Canal+* (10.3%), and *Mediahuis* (7.3%) the most mixed welfare claims, and hence, less exclusively economic claims compared to other cases are found (cf. Table 6.7).

Differences across decision outcomes and responsible authorities

Four merger cases are approved under the condition of behavioural remedies (i.e. *HMG*, *Canal+*, *Tijd*, and *Mediahuis*), all Belgian cases with the exception of *HMG*. All merger cases approved under the condition of structural remedies are Dutch (i.e. *Wegener*, *PCM*, and *SBS*). This concurs with the NCA's preference for structural remedies over behavioural remedies (Nederlandse Mededingingsautoriteit, 2007). In NCAs' decisions, political or socio-cultural welfare claims occur exclusively in conditional approvals whilst mixed welfare claims occur most frequently in decisions announcing a second phase investigation (14.7%) and in conditional decisions imposing behavioural remedies (6.6%). In the case of *Videohouse*, the Belgian NCA concluded that competition law does not apply because the market share

threshold is not met in the relevant markets under review. The remaining political welfare claims derive from the Dutch MRAs' positive recommendation with regard to merger cases *Wegener* and *PCM*.

As said, all cases are conditionally approved. The remedies give an indication of what merger effects are considered harmful but possible to safeguard. Most remedies directly protect competitors' interests. The Dutch NCA imposed a structural remedy to prevent abuse of the target firm's dominant position (e.g. price increase or deterioration of product quality) (*PCM*), to prevent information asymmetry resulting from a strategic minority share in a competing firm (*SBS*), and a behavioural remedy to limit a firm's position in local advertising markets (*Wegener*). The Belgian NCA imposed behavioural remedies to prevent exclusion of producers, to prohibit bundling of products and services (*Canal+*), and to prevent discriminatory practices (towards producers) (*Tijd*). In two merger cases (*Mediahuis, HMG*), NCAs aim to safeguard consumer interests that could be typified as political and socio-cultural welfare. In the case of *Mediahuis*, the Belgian NCA aims to safeguard the occupational representation in a newspaper's editorial board and the geographical distribution of that same newspaper. The *EC* required exclusion of one of the notifying parties for reasons of foreclosure and exclusion, and imposed a behavioural remedy to ensure genre diversity (*HMG*). The latter is a typical example of protection of access to platforms

Table 6.7 Welfare claims related to merger cases, decision outcome and responsible authority.

		Welfare perspective(s) in claim			Total	
		Economic	Political or socio-cultural	Mixed	(%)	(N)
Merger case	HMG (1995-6)	84.3		15.7	100.0	89
	Videohouse (1997)	100.0			100.0	6
	Canal+ (2003)	89.7		10.3	100.0	116
	Tijd (2005)	97.9		2.1	100.0	95
	Wegener (2007)	93.1	3.4	3.4	100.0	58
	PCM (2009)	93.1	6.9		100.0	29
	SBS (2011)	97.5		2.5	100.0	81
	Mediahuis (2013)	92.2	0.5	7.3	100.0	574
Decision outcome	Conditional approval (behavioural)	93.0	0.4	6.6	100.0	724
	Conditional approval (structural)	96.4	1.2	2.4	100.0	166
	2nd phase investigation	85.3		14.7	100.0	150
	Law not applicable	100.0			100.0	6
	Positive recommendation		100.0		100.0	2
Authority	BMA	92.5	0.4	7.1	100.0	791
	ACM	96.4	1.2	2.4	100.0	166
	EC	84.3		15.7	100.0	89
	CvdM		100.0		100.0	2
Total (%)		**92.3**	**0.7**	**7.1**	**100.0**	
Total (N)		**967**	**7**	**74**		**1048**

(cf. Komorek, 2013).

Merger reviews of the *EC* (15.7%) and Belgian NCA (7.1%) contain relatively more mixed welfare claims compared to the Dutch NCA (2.4%). However, claims with an exclusively political or socio-cultural welfare perspective do not show up in the *ECs'* decisions about *HMG* (because access to platforms is considered an economic issue), only in decisions of the Dutch and Belgian NCA, as well as of the Dutch MRA (i.e. CvdM) (0.2%) (cf. supra). The large share of claims in decisions of Belgium's NCA compared to other authorities is caused by the size of merger case Mediahuis (cf. Table 6.7).

6.5 Conclusion and discussion

The premise of consumer welfare in competition law entails that NCAs weigh both economic and non-economic interests of consumers against those of producers (Buttigieg, 2009; Van Rompuy, 2012). Elaboration on the public interest provides three welfare perspectives that help to clarify which interests can be at stake when media firms merge: economic, political, and socio-cultural welfare (van Cuilenburg & McQuail, 2003). In this, a different perspective on welfare is applied than generally used in economics. The analysis provides evidence that, in recent years, the Belgian and Dutch NCAs indeed pay attention to non-economic interests of consumers, but remain vague as to, first, what particular interests are at stake, second, who the stakeholders are and, third, how these interests are weighed.

First, findings show that the great majority (92.3%) of claims in merger reviews exclusively reflect economic topics. This is largely and quite self-evidently explained by the reviewing process and the examined merger effects on competition. A minor share (0.7%) of the claims exclusively addresses political or socio-cultural welfare topics such as a merger's impact on access to content, consumer choice and editorial control. More often (7.1%), non-economic welfare topics occur in combination with economic topics in claims that argue against a merger case or that justify remedies. In accordance with the NCAs' priorities, the reviews refer to merger effects on product quality, access to content, and public interest (Autoriteit Consument en Markt, 2013b; Belgische Mededingingsautoriteit, 2015; European Commission, 2004a, 2008). In some cases, it is recognised that these issues need to be safeguarded by means of remedies. In most cases, however, it remains unclear what exactly the notions of content, diversity and quality entail, and how they should be safeguarded.

Second, in their formal decisions, NCAs pay considerable attention to consumer welfare but consumers are absent from the actors (i.e. claimants), or, at least, their role in the reviewing process is not made explicit. This im-

plies that consumer interests are presumed or estimated and that they are approached as a homogeneous group without divergent interests (Drexl, 2011; Vanberg, 2011). In particular, the distinction between an individual as consumer and an individual as citizen is crucial to understand the media's political and socio-cultural responsibilities, yet this distinction is rarely made in the reviews.

Third, the study results do not allow us to draw conclusions regarding how NCAs negotiate trade-offs between (merger effects on) consumer interest and (on) firm interest. Some indications are provided by the remedies NCAs have imposed. In most cases, the remedies safeguard economic welfare of competitors. In two of the seven investigated cases, consumer interests that reflect political and socio-cultural welfare are safeguarded: i.e. genre diversity, occupational representation in an editorial board and geographical distribution. This reflects a recent trend at the European level as the *EC* approved most media mergers under the condition of remedies (Komorek, 2013).

The concept of consumer welfare in competition law is promising because it gives primacy to the interests of consumers over those of producers, regardless of what these interests are (Buttigieg, 2009; Van Rompuy, 2012). The distinction between economic, socio-cultural and political welfare, as derived from the public interest, helps to evaluate whether NCAs examine a merger's impact on the full width of consumers' interests. Considering these three welfare perspectives, the results suggest that NCAs neglect crucial aspects or approach issues in a rather simplistic fashion.

This can be explained, first, by the fact that regulation, and competition law in particular, is founded in economics (Hope, 2007). As such, national governments define the framework in which NCAs work within an economic tradition. Second, compared to well-developed mathematical models of merger effects on, for example pricing, there is relatively little agreement on what the public interest entails, how it can be delineated and, crucially, how it can best be measured (Feintuck, 2010). This conceptual and empirical ambiguity hampers a more prominent place in merger reviews for the safeguard of political and socio-cultural welfare (Hewitt, 2003).

Notwithstanding these conceptual and practical issues, the example of the UK shows that there are tools available for a sophisticated measurement of a merger's impact on political and socio-cultural welfare (Komorek, 2013; Whish, 2008). The German collaboration between NCAs and MRAs (*Bundeskartellamt* and *KEK* respectively) brings sector specific knowhow into the process of reviewing mergers (Berg, 2014). Other examples of specific tests for media mergers occur in countries that have converged their regulatory authorities. These regulators control compliance with competition law and sector regulation, for example the US' *FCC*, UK's *OFCOM* and Italy's *AGCOM*.

In other words, maximisation of consumer welfare is likely to be generated when regulatory authorities join forces. This observation suggests that countries should ensure a more comprehensive review of media mergers which accounts for both economic and non-economic interests. The cases suggest this is particular urgent in small countries like Belgium and the Netherlands. More generally, it is urgent for small geographic markets for several reasons, regardless of whether these are nations, regions or local communities. First, media markets in these countries are small and already highly concentrated (Chameleau et al., 2014; Vlaamse Regulator voor de Media, 2014). Second, there are examples of small European countries – like Ireland – that have managed to develop a specific legal framework for reviewing media mergers (Komorek, 2013). Third, the EU's recent recognition that media pluralism is of vital importance for society at large (Drexl, 2011) and that mergers can be prohibited on this ground (Komorek, 2013), further emphasises the legitimacy of taking non-economic interests seriously. These arguments further underline the desirability to expand the remit of NCAs and MRAs to ensure that media merger reviews help safeguard economic as well as non-economic interests.

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7 Discussion

Are mergers and acquisitions (M&As) in media industries good or bad for society at large? This dissertation showed that media mergers can both boost and terminate a newspaper business; it largely depends on the acquirer's post-merger strategy (e.g. investments and the organisation of editorial processes) and whether competition authorities' impose remedies to their approval of the merger. The findings support different multidisciplinary perspectives. Economists tend to take a positive stance on the impact of M&As by perceiving them as a survival strategy in a declining industry such as newspaper publishing. Communications scholars tend to be more pessimistic and remind us of normative dimensions such as the democratic importance of a variety of news outlets and diversity of content. The assumption that market concentration has a negative impact on diversity has dominated media policy for a long time but is supply-oriented market intervention legitimated when intrinsic demand for diversity by news users is questioned in an era of information abundance? Greater exchange of insights between economics and communications is argued to contribute to our understanding of this fundamental issue.

7.1 Pros and cons of media mergers

Based on the findings of three studies, this chapter starts with a review of the main conclusions. These will be reflected upon theoretically in the subsequent section, looking at three theoretical perspectives on the relationship between the consolidation of ownership and diversity. Next, the regulation of ownership is reviewed, followed by the practical implications of the findings for the survival of news media. The last two sections contain some methodological reflections and final remarks.

7.1.1 Mergers as a means to survive in an declining industry

The Belgian (i.e. Flemish) newspaper industry, used as an example to study the consolidation of ownership from the business perspective, shifted from maturity to decline. This is similar to many other countries. Such an evolution in the product life cycle implies that firms have to adapt their strategies to the new terms and conditions in the market (Porter, 1980). Following the decline in demand and available resources, the only means for a firm to realise (substantial) growth, is through M&As or through a downscaling of its businesses, which implies re-levelling costs to declining revenues (van Kranenburg, 2007).

Performing a longitudinal market analysis of the past 25 years (1990–2014), the financing of the sampled Flemish publishers were related to Porter's (1980) generic strategies – cost-leadership, differentiation and focus. Deconstruction of their revenues, costs, profits, assets, shareholder funds, and liabilities, revealed both structural change and conservatism. Contrary to the discourse of 'crisis' (Zelizer, 2015), an average EBITDA-margin of 5.9% was realised through price compensation and, most importantly, controlling costs. This normal profit margin for small to medium-sized newspaper publishers was kept up by holding on to the traditional print-based business model. Cost leadership remains a popular strategy; a causal relationship was found between operating costs and net operating profit. In other words, publishers focussed on scale enlargement through M&As in order to maximise economies of scale and to realise cost reductions, for example through laying off contracted employees. These firms have become more flexible as they increasingly rely upon freelancers and outsourcing, however, they are still locked in by fixed assets and heavy debt loads, which were primarily taken up to finance foreign expansion, especially into the Netherlands.

Following monopoly theory, a publisher's strong market position enables price compensation (Busterna, 1988); however, market structure (measured with a normalised HHI-index) held no causal relationship to any of the investigated indicators of firm performance. One explanation for

this is a degree of stability of ownership consolidation between publishers in this market, whereby the market structure does not substantially affect conduct. Another explanation relates to exogenous factors that were not part of this study. This includes, amongst others, an indirect price increase through a reduction of product quality such as the diversity of content.

General economic developments, such as economic downturns, did not have the expected causal impact on financial performance. Publishers seemed to anticipate general economic developments with cost reductions. At the same time, the economic climate explained M&A behaviour. All this supports the idea that relationships in the SCP-model are bidirectional.

7.1.2 Mergers fulfil short- and long-term financial needs of failing firms

Firms' capabilities to adapt to changing conditions in the external environment relates to the second study that showed that M&As can prevent a market exit of failing firms in a stagnating and declining industry. Based on three such cases in Flanders in the mid-1990s and mid-2000s, the analysis suggests that M&As realised a short-term stabilisation but that long-term investments in the innovation of the business operation were limited.

Post-merger strategies turned these cases into a situation where one newspaper (publisher) lost, one survived, and one won the competitive battle. The merger case of *Het Volk* was the 'loser' because its parent firm acquired a competitor with the aim to merge its audience with that of a stronger sister newspaper, and eventually, to terminate it (Blankenburg, 1985). Publisher *De Vlijt* could probably only continue to exist as a business unit under group ownership; its newspaper was maintained by its parent (Lisby, 1991), which enabled further professionalization (Beam, 2002). The merger case of *Uitgeversbedrijf Tijd* was a success story: its management successfully extended their focus strategy (van Kranenburg, 2007) after it was merged with another business newspaper, and a long-term high performance was gradually realised.

Based on the developed conceptual model, the impact of horizontal mergers on the financing of failing publishers was analysed in greater detail and related to the (dis)continuation of newspaper publishing activities. Static merger effects fulfilled these firms' short-term financial needs by restoring profitability and liquidity. Key strategies were refinancing, asset restructuring through down-scoping (to improve liquidity), cost reductions through downsizing (i.e. layoffs), cost-efficiencies through the centralisation of facilities and services, and editorial collaboration. Dynamic merger effects imply long-term capital investments. These investments were expected to take place after the stabilisation of the short-term (crisis) situation. However, investments were made directly after the merger or had taken place before the merger. The latter is illustrated by the acquirers of *Uitgeversbedrijf Tijd,* which had their plan ready, having been looking for an opportunity like this for some time. In the case of *Het Volk* and *De Vlijt*, financial and commercial mismanagement were a key cause of failure.

These publishers' urge to merge was clearly due to the severity of their pre-merger financial situation. Declining demand together with managerial issues, drove economic failure, which in turn, caused financial failure. These publishing firms would most likely not have survived. From this perspective, one could argue that the mergers prevented market exit and enabled smaller newspapers to survive and benefit from the parent firms' financial resources (van Cuilenburg et al., 1988). However, this decline of supplier diversity caused, in some cases, a reduction of outlet diversity (e.g. newspaper *Het Volk* and several regional editions) and of editorial diversity.

The organisation of the editorial process, i.e. the extent to which it is centralised (e.g. from collaboration to fully merged newsrooms), is crucial to understand how M&As may affect the diversity of content. On the positive side, money is saved through the syndication of contracts with news agencies (Soloski, 1979) and production overlap (Gamson et al., 1992; Gitlin, 2003). Content exchange between newsrooms is not only efficient, it also enables newspaper brands within a group to benefit from each other's resources (i.e. strengths). For example, it is argued that *De Morgen* relies heavily on its sister newspapers (including *De Tijd*) from *De Persgroep* for its financial, foreign, and sports news (Boesman et al., 2015, p. 909). On the negative side, such collaboration or centralisation of editorial processes within a group may lead to more of the same content at market level (Dailey et al., 2005; Dupagne and Garrison, 2006). In the Flemish market, it is shown that more centralised newsrooms more frequently use news stories from other media as input for their own articles (Boesman et al., 2015). Moreover, news stories of Flemish newspapers belonging to the same publisher were found to be more alike in 1983, 1993, 2003, and 2013, and to show greater overlap after the three merger cases (Beckers et al., 2017).

7.1.3 Non-economic effects of media mergers remain a challenge

The above studies explained the causes and effects of M&As from a business perspective. The third and last study approached media mergers from a regulatory perspective, i.e. from the perspective of the National Competition Authorities (NCAs) in Belgium and the Netherlands and, in the latter case, also the Media Regulatory Authority (MRA). The arguments (i.e. claims) of NCAs in their reviews of merger proposals were analysed to understand these authorities' perspective on the causes and effects of media mergers. More specifically, the aim was to evaluate whether NCAs examine a merg-

er's impact against the range of consumer interests. To this end, claims were classified as reflecting economic, socio-cultural and political welfare (van Cuilenburg & McQuail, 2003).

The analysis of eight merger cases, all conditionally (i.e. with remedies) approved by the NCAs, showed that, as expected, a vast majority (92.3%) of claims in merger reviews exclusively reflect economic topics. In accordance with the NCAs' priorities, also identified as the 'consumer welfare standard', the reviews also refer to merger effects on product quality and access to content (BMA, 2015; ACM, 2013b; EC, 2004b, 2008). In some cases, it was recognised that these issues need to be safeguarded by means of remedies. In most cases, however, it remains unclear what exactly the notions of content, diversity and quality entail, and how they should be safeguarded. Moreover, it remained vague who the stakeholders of these interests are, and, how these interests are weighed. In other words, the authorities lived up to the consumer welfare standard by weighing both producers' and consumers' interests, but left considerable room for improvement (cf. section 7.3.2).

7.2 Can consolidation and diversity go hand in hand, or not?

Based on the above conclusions, this section returns to the broader theoretical framework of the dissertation.

7.2.1 Evolving thought on the impact of ownership consolidation

The relationship between the consolidation of ownership, or, more broadly, competition and diversity in media markets, is explained in the literature from three perspectives. Analysis of the literature revealed four theoretical scenarios, based on the SCP, Steiner, and Hotelling models (cf. section 2.4.4). Each scenario relates to hypotheses that have been formulated (and some verified) by scholars based on their observations of developments in the media industries since the 1980s.

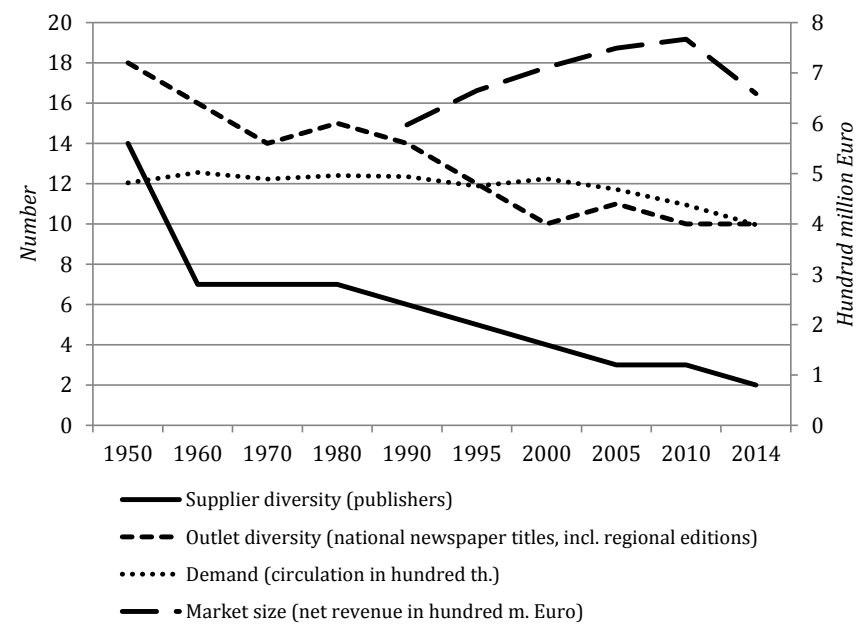
In the first scenario, based on classic market theory, many suppliers produce a wide variety of news goods. This is an optimistic scenario, developed from the 1980s, that expected the substantial increase in supply, enabled by the rise of the Internet in the late 1980s and early 1990s, to boost diversity. Noam (2009, p. 34) referred to this as 'destiny to diversity'.

Competition in the media industries became fiercer, following a wave of digitisation in the mid-1990s, with media industries expanding more rapidly than ever before. Some firms managed to keep up with technological changes while others could not bear the costs of capital investments that come with digitisation. As a result, media markets became more concentrated, also in Flanders (cf. Figure 7.1), as the first study showed. Noam labelled this second scenario as 'doomed to concentration' (Noam, 2009, p. 34), which is based on monopoly theory; less product diversity was assumed as the number of suppliers dropped (de Jong, 2012).

Contrary to expectation, mergers prevented market exits in the Dutch newspaper market between the 1960s and mid-1980s by absorbing smaller firms and safeguarding their business activities, and presumably, their diversity of content (van Cuilenburg et al., 1988). This is based on the idea of a certain level of within-firm outlet diversity (Steiner, 1952) and relates to a third scenario of 'audience maximization': few suppliers' news goods serve the full scope of audience preferences. The argumentation, brought forward by van Cuilenburg et al. (1988), concurs with the 'rescue-merger'-logic that was assessed in the second study.

Scholarly thought on the relationship between market concentration and diversity further evolved when the real impact of convergence and the 'abundance' of information on audiences became clearer in the 2000s. Audience fragmentation implied even stronger competition amongst numerous competitors in the media industries. Media markets were still expanding but fierce competition led to imitation behaviour and, thus, to more of the same goods (Hotelling, 1929). Paradoxically, more diversity implied less diversity,

Figure 7.1 Market size, demand, (supplier and outlet) diversity in the Flemish newspaper market (1950–2014).



Note: Additional data of demand and outlet diversity are derived from De Schryvere (1992, pp. 9, 18, 38) and Vlaamse Mediaraad (2002, pp. 33–34).

also coined as 'excessive sameness' of media content (van Cuilenburg, 1999, p. 195). This is the fourth scenario, in which many suppliers produce news goods with very little variety. Indeed, the second study showed that acquirer's post-merger strategies are crucial in understanding the 'rescue-merger' rationale – because the impact on diversity of content can turn in both positive and negative directions. The crux is the extent to which editorial processes within the group are centralised. In a decline in the newspaper market, businesses need to be downscaled. The strong cost-reducing orientation observed amongst Flemish newspaper publishers raises the question whether this industry is indeed 'doomed to concentration'.

7.2.2 Does diversity derive from market structure?

The SCP-model is widely adopted by communications scholars, and in part, also in this dissertation. Market analyses based on this model tend to suggest that competition is a function of the market structure (i.e. structuralist approach). However, market players may undermine this market structure with their strategic behaviour such as M&As (i.e. behavioural approach) (Uzunidis, 2016). In its application to media, the SCP-model has been criticised for ignoring a wider (ecological) context and for being hard to apply in a market with boundaries that are blurred through convergence (Daidj & Jung, 2011; Dimmick, 2006). Others have pointed out that the model is mistakenly interpreted as being one-directional, whereas the 'renewed' model assumes bi-directionality (cf. Figure 2.2) and is applied to the firm instead of to the market level (Fu, 2009). As a result, there are 'mixed findings related to the consequences of ownership on conduct and performance variables', which 'make it difficult to anchor arguments solidly against or in favor of consolidation' (Chambers & Howard, 2006, p. 378). This might be explained by a more fundamental problem.

Fu (2009) explains that communications scholars interpret performance from a social-political perspective (i.e. 'media performance') (e.g. McQuail, 1992), while the model's logic is purely economic, as it is based on the assumption of price competition (media compete largely on product differentiation). Firms can lower their price and/or increase quality to make their products more attractive, and hence, compete for consumers with greater value for money. This yields better (i.e. efficient) economic performance. Different market structures impose varying levels of rivalry to serve potential consumers' demand and, subsequently, various levels of economic performance. Rivalry can thus advance qualities that are demanded by consumers, but the question is whether consumers demand diversity. Fu (2009, p. 277) continues:

> **We know very little about how important social quality is in individuals' decisions regarding media viewing, listening, and purchasing. Does one really prefer a television program that promotes 'public order', all other things being equal? Do individuals actually receive utility (or enjoyment) from consuming media goods that score high in 'social fairness'? If the answers are negative, possessing social quality or not is not a factor in the competition between media firms. It, then, will challenge or even overthrow such S-C-P applications.**

This issue is not new. Picard (2000a) perceived this as a 'structural limit' to diversity, stating: 'behavioural scientists have clearly established that the public – for the most part – is uninterested in diversity and will typically reject it through selective perception and recall even if they are exposed to it' (p. 185). This relates to 'preference externalities' on content. If a certain type of content is demanded by a number of individuals, media firms are likely to supply the desired product (Bush & Zimmerman, 2010, p. 105). This mechanism drives the targeting of large audiences. In reverse, if diversity or other non-economic interests of media goods do not derive from demand, it is an externality, a side effect from media firms' business operation. From a business perspective, minimisation of negative externalities (e.g. protection of minors from harmful content) and maximisation of positive externalities (e.g. diversity of content) do not contribute to profits and thus cause market failure. Regulation can enforce firms to take non-economic side effects of their business operation into account in their decision-making. However, this only works to a certain extent, which will be further discussed in the next section.

7.3 Regulation of ownership

Regulation of positive or negative externalities can be arranged by means of general competition law (i.e. merger control) and by sector-specific regulation (i.e. media policy). In the context of diversity, there is some regulation that prescribes a diversity of genres represented in the content of public service media (PSM).[1] This way, PSM serves as a counterweight, a 'safe harbour', to the supply provided by commercial news media (Iosifidis, 2011). In contrast to the public domain, regulatory interference into media content in the private sector is a very sensitive topic. However, NCAs have found creative ways to ensure consumer choice and diversity. This is illustrated in the next section using two merger cases in the Dutch and Flemish publishing industry.

1 For example, performance contracts of PSM in the Netherlands and Flanders include rules about a variety of genres that should be represented in the broadcasted content (Minister van Onderwijs, Cultuur en Wetenschap, Stichting Nederlandse Publieke Omroep, & Commissariaat voor de Media, 2010; Vlaamse Gemeenschap & VRT, 2016).

7.3.1 Regulation of mergers' externalities

The first case is the acquisition of *VNU Dagbladen* by *Wegener* in 2000. The Dutch competition authority required, among other things, a guarantee of editorial and operational independence of two local newspapers (*Provinciale Zeeuwse Courant* and *BN/De Stem*). For one, news coverage of the overlapping region of Zeeuws-Vlaanderen had to be ensured; editorial statutes had to be changed in order to formally arrange this (Nederlandse Mededingingsautoriteit, 2000). Second, operational independence implied that each newspaper entity was in control of its own pricing strategies and would have a board of directors (van Ginneken, 2000). Imposing changes to an editorial statute may imply interference in the editorial independence of a newspaper, which goes against freedom of the press (article 7.1 of the Dutch constitution) (Nieuwenhuis, 1999). If these changes relate to the ideological orientation of the newspaper, it could be considered unlawful. However, if these changes serve purely economic purposes, such as ensuring competition in a geographical area (i.e. an antitrust issue), exceptions can be made under Dutch law.

The acquiring parties normally propose solutions to eliminate the expressed antitrust concerns by the NCA, and so did *Wegener*: They opted for these independence-remedies, which can be considered a lighter measure compared to the divestiture of one of the two newspapers (van Ginneken, 2000). *Wegener* did not comply with the remedies – articles were shared and news gathering was coordinated. The NCA concluded that the two newspapers did not compete because it became one news organisation. The NCA took this reduction of consumer choice and deterioration of content diversity as a serious violation and imposed a penalty with a maximum of approximately 20 million Euro in 2010 (Nederlandse Mededingingsautoriteit, 2010, p. 20). *Wegener* disputed the practical implementation of the independence-remedies, claiming that the newsrooms of the two newspapers were merged in 2002 but that each had its own editor-in-chief. The latter was not considered to be sufficient by the judge. *Wegener's* objection was partly recognised and, in 2012, the penalty was lowered to 2 million euro because of legal uncertainty (i.e. the NCA should have been more clear about the practical implementation of the remedies) (Korsten, 2012).

The second case is *Mediahuis*, a joint venture in which the Flemish media groups *Concentra* and *Corelio* brought together their publishing activities in 2013. Two behavioural remedies were imposed to ensure diversity for a 5-year period (until 2018). First, all newspapers and newsrooms had to be maintained, to be staffed sufficiently with journalists and/or correspondents, and to be led by an editorial team that consisted at the very least of an editor-in-chief, commentator, managing editor, political/regional editor, and a chief design editor. Second, the distribution of local newspaper *Gazet van Antwerpen* had to be ensured to both readers and advertisers, for example, through the assurance of local and regional news coverage in the newspaper (Belgische Mededingingsautoriteit, 2013). The Belgian NCA's decision can in part be seen as a response to the merge-and-terminate strategy of a weaker newspaper with its stronger sister, as observed after the takeover of *Het Volk* in 1994 (cf. section 5.6). To my knowledge, *Mediahuis* did not request any relaxation of the imposed remedies (in contrast to *Wegener*).

These examples show that competition authorities can create more far-reaching measures if desired. There are a few legal routes available in European law to ensure pluralism (Arena et al., 2017), but these examples seem somewhat unusual; most European case law includes examples of behavioural remedies that relate to access issues in broadcasting, for example to ensure genre diversity (e.g. the *HMG*-case, cf. section 6.4.2) (Komorek, 2013). There are at least three explanations why cases like *Wegener* and *Mediahuis* are exceptional. The first relates to the effectiveness of such behavioural remedies in realising the pursued goals, i.e. in preventing the deterioration of news content. The answer to this question is negative for the *Wegener*-case and has yet to be answered for the *Mediahuis* case. Second, behavioural remedies cause a certain amount of (extra) administration for the authority, the acquiring and the target firm. Such practical considerations also count. Not to mention the legal risks and trail costs, a third possible explanation. The NCA in the Netherlands favours structural remedies (Autoriteit Consument en Markt, 2013a, 2013b), while the Belgian colleagues favour behavioural remedies. Divestiture of a subsidiary can be arranged at once, while behavioural remedies require frequent follow-up for the duration of five to ten years. However, the latter is more flexible (also in the degree of a measure) than the former. This preference might also be explained by the NCAs' theoretical understanding of the market (i.e. a structuralist or behavioural perspective on market theory).

Next to strategies of competition authorities and substantive or practical considerations, their responsibilities and powers are (largely) commissioned by national law. The degree and nature of state intervention is one of the dimensions that shape media industries, and can thus to a certain extent explain differences across countries (Hallin & Mancini, 2004). Explanation of national differences in state intervention falls beyond the scope of this dissertation but Flanders' specific history in the regulation of M&As will be elaborated on in the following section.

7.3.2 Sector-specific regulation of media ownership

In 1989, the Flemish government launched a law to *enforce* cross-owner-

ship of publishers in the newly introduced commercial national broadcasting channel *VTM* (Libert, 1992). At least 51% of the shares in *VTM* had to be owned by Flemish publishers, which turned out to be 100% in practice (Vlaamse Mediaraad, 2002, pp. 23–24). This way, publishers (e.g. *De Vlijt* and *Het Volk* in 1993 and 1994) could compensate for any loss of advertising revenues to the start of commercial television with dividends from the successful performance of *VTM* in 1989 (cf. section 5.5.4). While other European countries took an opposite stance on cross-ownership by restricting it (e.g. the Netherlands, cf. section 6.2.4), the Flemish government justified this protective measure, pointing to the small geographic size of the user and advertising markets. *VTM* was given a monopoly on commercial television advertising, which lasted until the provision was overthrown by the *European Commission* in 1997 (Vlaamse Mediaraad, 2002). Since 1998 and up to today, *VTM* is owned 50/50 by media groups *De Persgroep* and *Roularta*, both with roots in printing activities.

Today's sector-specific regulation of ownership consolidation in the Flemish media industries is limited to monitoring (cf. section 6.2.4). In Wallonia, the French-speaking part of Belgium, some ownership restrictions exist (Lefever et al., 2012). The above discussion on market structure and diversity suggests that a variety of market players is important but that product variety may also originate from within-firm differentiation (George, 2007). In other words, restrictions in the form of thresholds to audience or market shares are too simplistic and too rigid (Polo, 2007).

Instead, I believe it is more fruitful to further develop approaches and techniques to evaluate the effects of media mergers on socio-cultural and political welfare. *OFCOM's* methodology can serve as an example (Komorek, 2013; Lefever, Wauters, & Valcke, 2013; Ofcom, 2012); their 'share of reference' in a news market is a measure of exposure diversity. This type of measure with respect to demand adds to traditional side-oriented analyses of merger effects with respect to supply. Maximisation of the full scope of the consumer welfare concept is likely when regulatory bodies, national competition authorities (NCAs) and media regulatory authorities (MRAs) join forces, for example in the form of structural collaboration and an advisory role of the MRA in the merger review process of NCAs. A multidisciplinary and multi-method approach is essential in both academia and practice to further improve the understanding of economics applied to media industries, and hence, to back up decision making in regulation.

7.4 Lessons from the past for the future

The above sections addressed theoretical and regulatory perspectives on the ownership issue. This sections turns back to the newspaper market and, somewhat more broadly, the news media: Can legacy news media survive if their habitat is disrupted? And what exactly is the role of governments?

7.4.1 Future scenarios for newspaper publishing

Based on the findings in the first and second study of this dissertation, this section will lay out some future scenarios for news media.

Squeezing out the print-based business model

Newspaper publishers' revenues are still strongly based on the sales of printed newspapers. Further decline of the market might imply that the surviving firms will try to further exploit a harvest or defence strategy (Küng, 2016; Porter, 1980) (cf. section 3.3). Further consolidation in the European publishing market may provide opportunities but is subject to the *EC's* approval (i.e. merger control). Another option is collaboration. For example, publishers in the UK, Germany, and the Netherlands have increasingly centralised their distribution and printing facilities through collaboration and joint ownership. It is argued that divestiture of printing plants would imply greater flexibility, both asset- as well as cost-wise (Hendriks, 1999). However, the prerequisite for such a move is that demand for digital news goods be high enough to cover operating costs for the digital production process with the revenues derived from these goods. However, printed newspaper demand at the moment is such that it pays off to keep these activities 'in house'.

In this scenario, publishers are likely to continue to ensure additional revenue streams, for example form diversification into small-scale though valuable businesses (i.e. focus strategy), digital marketing services (agency services is considered a growth market), events, e-commerce, and video (WAN-IFRA, 2016).

The most prominent question is how far cost efficiencies can be stretched. The impact of severe cost reductions is probably most evident in the regional news markets. A commonly implemented strategy is zoned editions of one newspaper brand because money can be saved on the national news section. However, centralisation of newsrooms led to a reduction of the number of reporters assigned to a particular region. As a result, many countries suffer a lack of regional coverage and newspapers in some areas, which is viewed as a worrisome development (Nielsen, 2015; Ramsay, Jackson, & Thorsen, 2017; van Kerkhoven, 2016).

The zoned editions seems to a certain extent to be also applied to national newspapers. News stories are to a greater extent shared between newspapers within Flemish publishing groups, including the exchange of news articles between Flemish and Dutch newspapers (Beckers et al., 2017; Boes-

man et al., 2015). Such an exchange is also observed across borders; for example, some publishers acquire articles from *The New York Times* and translate them in the local language. Just like at the regional level, the question is to what extent severe cost reductions will affect diversity of content.

Full digital switchover in content production

A second potential scenario for the future is based on 'digital first' strategies (WAN-IFRA, 2006) (cf. section 3.3). This implies a full switchover to digital. The fact that the print-based business model still makes up a solid base of publishers' revenues suggests that a full digital switch over implies major self-cannibalisation of revenues; a scenario that seems an unlikely strategy at the moment. Only a few newspapers like *The Independent* decided to switch to digital-only – a move that was believed to 'capitalise on *The Independent's* position as the fastest growing UK quality newspaper website, and will ensure a sustainable and profitable future' (The Independent, 2016). So far, it seems successful.

There are publishers such as the German *Axel Springer* (Corey, 2015) and Norwegan *Schibsted Media Group* (Sjøvaag, 2014) that derive their revenue structure largely from digital publishing activities but so far, they are exceptions to the rule. *Axel Springer's* strategy is to realise external growth with acquisitions or investments in digital news innovators, such as *Business Insider*, *Politico*, and *Blendle*. M&A strategies of publishers to move into information technology services firms has been a profitable strategy in the past and still seems successful (Duchessi & Biswas, 2013; Uhlenbruck, Hitt, & Semadeni, 2006).

Publishers that aim at internal growth are likely to rely on the sales of user data. This has become an increasingly important revenue stream for online newspapers, in addition to the usual readership and advertising revenues (Beyers, 2006; Gallaugher, Auger, & BarNir, 2001). These data serve targeted marketing at niche audiences, amongst other things.

In this scenario, publishers face fierce competition from digital-only players (or 'digital pure plays'), whose IT-based resources tend to be the company's core such as *BuzzFeed*, *Netflix*, and *Vox Media* (Küng, 2016). Competition with digital-only players requires publishers to invest more in editorial analytics; the 'systematic analysis of quantitative data on various aspects of audience behaviour aimed at growing audiences, increasing engagement, and improving newsroom workflows' (Cherubini & Nielsen, 2016, p. 7). Another option is to gain expertise from outside the organisation through collaboration with intermediaries (e.g. social media platforms). However, there is a 'significant strategic risk of losing control' over editorial identity, access to data, and revenue (Nielsen & Ganter, 2017, p. 15).

The impact on the editorial identity unfolds via algorithms behind search engines and social media platforms. Declining control results from much greater availability of detailed individual-level data on direct traffic and on-site audiences in comparison to data on referrals and off-site audiences. As mentioned in the introduction, digital advertising expenses already largely go to these intermediaries (Nielsen & Ganter, 2017).

From an organisational point of view, it is likely that publishers will further develop as network organisations whereby human capital is fully outsourced (George, 2015). *De Correspondent* is an (online-only) example hereof in the Netherlands.

Redefinition of publishers' role in the value chain of content

A third and by far most challenging scenario would require a radically different strategy; redefinition of the publishers' role in the value chain of content creation. Such a scenario implies that publishers find new ways to increase value creation for (news) users. The second study showed that creating more added value (in financial terms) requires long-term orientation and vision, taking publishers out of their comfort zone. Value creation can take very different shapes in the context of convergence (Rolland, 2003), however, which in turn creates ample opportunities.

This strategy would require radical innovation and a much better understanding of the digital needs and preferences. These needs may go beyond our current understanding of 'news consumption', which tends to be incidental and of short duration amongst the youngest generations (Boczkowski, Mitchelstein, & Matassi, 2017). Although their interest in news is considered to be limited (Wadbring & Bergström, 2017), research in the Netherlands suggests their news interests are both citizen- and consumer-oriented (Drok, Hermans, & Kats, 2017).

It is suggested that publishers should shift from a product- to a customer-oriented business level strategy. In this type of customer-oriented approach, 'journalistic content provides a customer relationship between media companies and their readers or users' (Barland, 2013, p. 107). This 'customer journalism' requires a thorough understanding of the needs of core customers. More generally, the ability of newspaper publishers to successfully build digital platforms to serve any and all consumer needs depends on their dynamic capabilities to change, extend, or adapt their resources, processes, and values (Karimi & Walter, 2015). This dissertation's studies, however, revealed high levels of conservatism among Flemish publishers.

New players take over the game

The key question, then, is whether publishers or news organisations can make such a deep transformation. Disruptive innovation suggests that newcomers will take over, coming in with new goods that make the old redundant; this implies the beginning of a new product life cycle (Küng, 2016). It is argued that inertia, inflexibility, fears for self-cannibalisation, a lack of long-term visions, etc. will prevent incumbents from making the radical transformation that is needed to navigate the [near] future (Hendriks, 1999; van Moorsel et al., 2012). On the positive side, so far, each new medium that has enriched the communications sector has proven to be complementary rather than to eliminate legacy media.

Some have described the situation of the newspaper industry as 'torn between indifference and cautious apprehension caused by the difficulty in marrying the journalism profession's carefully guarded gatekeeping practices with the revolving doors of open innovation' (Thoren, Agerfalk, & Edenius, 2014, p. 780). Managerial denial of the fact that there is a problem is a commonly recognised cause of firm decline and failure (Slatter & Lovett, 1999). This certainly applies to the publishing industry (Picard, 2006a). An essential question is, therefore, whether there is willingness to radically change the organisation.

7.4.2 Review of regulatory considerations

Insecurity about future developments in the media industries and in media use raises the question about the role of governments. Should they pursue the survival of legacy media (Picard & Lowe, 2016; van Cuilenburg et al., 1992)?

Government support for the printed press was one of the alternative explanations provided for the survival of newspaper publishers in Flanders (cf. section 4.5). Government support of the press is commonly perceived as something desirable (Murschetz, 2014; van Kranenburg, 2015). For example, indirect government support (cf. infra) for the press creates, from an international point of view, a competitive advantage for Flemish publishers over their competitors in the Netherlands, who became increasingly consolidated through Flemish ownership. Different from the Flemish case, for example, newspaper distribution is entirely paid for by the Dutch publishers.

However, government support should not stand in the way of innovation by preserving the old (van Cuilenburg et al., 1992). One such example in Flemish government support for the press, is the rates of value added tax (VAT). There is a long tradition of zero percent rate that applies to printed newspapers but not to digital newspapers, which fall under the 19% rate.

Initially, the Flemish government allowed for a zero percent rate but was overruled by the *EC*; the European VAT policy only allows such a rate for printed newspapers. Representative organisations of digital news media (e.g. *Media21)* have objected to this rule demanding technology neutral legislation (Hojnik, 2016). In their arguments, they refer to the book publishing industry, where e-books and printed books are treated equally in terms of tax. They claim the 'social function of e-books is exactly the same as that of paper-printed books', namely the promotion of the circulation of culture (Cannas, 2017, p. 108). It is further argued that the current policy in Flanders, like EU regulation, does not reflect the current state of affairs: content is increasingly accessed on mobile devices (European Newspaper Publishers' Association & European Magazine Media Association, 2017). In response, the Council of the European Union proposed the modernisation of the *EC's* VAT policy in light of further development of the digital economy (Council of the European Union, 2016). Besides creating a more level playing field, this update is expected to 'drive innovation and investment in creative content and thus improve overall access to cultural goods and educational materials' (Zdrojewski, 2017, p. 3). This implies that the current policy is not perceived as a driver of innovation and investment in the publishing industry.

The transition of the Flemish market for newspaper publishing into a new phase of the product market life cycle (decline) implies that some economic laws may no longer apply (cf. Chapter 4). As illustrated with the VAT debate, this generates a more general question regarding other government support measures for the Flemish press, such as direct funding of newspaper groups through government investment in public advertising as well as indirect funding through preferred distribution tariffs, free public transport for journalists and the like (De Bens & Raeymaeckers, 2010; Picone & Pauwels, 2014). Many of these support measures go back several decades to a radically different, pre-digitisation market (Picone & Pauwels, 2014).

The magnitude and impact of the support measures of the Flemish press is largely unknown. Indirect support accounts for at least 300 to 410 mil-

lion Euro per year,[2] and further includes (a level of) support for magazines and weeklies. This is a rough estimate because available data are not specific enough to calculate, for instance, the value of preferred distribution tariffs of the national postal operator *BPost* or the zero tax rate for newspaper publishers. Twice, Belgian retailers filed a complaint with the *EC* for market distortion, however, the *EC* approved this form of state aid (European Commission, 2013, 2016).

In others words, there are no public data available to calculate the real costs of producing and distributing printed newspapers. On top of that, *Nielsen MDB* only provides gross advertising revenues, not allowing any insight into the total actual (i.e. net) revenues from advertising and, thus, into revenues segmented for classified and retail advertising. In other European countries and the US (Niewold et al., 2010; Picard, 2008), net advertising revenues at the market level are publicly available and more detailed data can usually be obtained upon request. There were net figures for the Flemish market in the past (De Bens, 1997), until one of the publishers (*Corelio*) pulled out (Ernst & Young, 1991).

The effectiveness of these cost-reducing support measures cannot be evaluated because actual production costs nor actual advertising revenues can be verified. In contrast to an examination of the effectiveness of innovation-support, cost-reducing support measures can be quantified in a relatively straightforward way. This lack of market transparency is an important obstacle to government policy reform. Information is crucial for a fact-based discussion amongst industry, practitioners, and policy makers about the market's development, including the impact of digital media. Governments could make it mandatory to make these publicly available.

7.5 Methodological reflection

The central aim of this dissertation was to bring causes and effects of M&As in media industries together from a business and regulatory point of view. This way, a contribution was made to the larger question regarding the impact of consolidation of ownership on diversity. As in any research project, a number of shortcomings can be identified which we like to consider as invitations for future research.

The findings of the studies discussed in this dissertations could have benefited from an additional qualitative dimension to the strategic component. As argued, strategy is difficult to capture and research insights are highly fragmented. The first and second study showed that a thorough financial analysis provides information about generic strategies such as cost leadership in the traditional newspaper market. Many sources were used to cross-verify and to contextualise the findings. However, such a 'back-to-front' analysis and argumentation is much less evident for revenue-generating operating synergies and investments. Interviews with practitioners and media firms would be a way to add another interpretative layer to the findings. However, confidentially constraints apply as much to financial-economic as to interview data and would be a considerable hurdle.

From a theoretical point of view, the integration of the SCP-model and resource-based view (RBV) provides opportunities to better understand how firms' internal resources determine the ability to adapt to change (Chambers & Howard, 2006; Huang & Sylvie, 2010). For example, RBV provides a framework for understanding how a set of news brands within the portfolio of one media group can benefit from each other's strengths (e.g. specialised staff, image, capital, etc.) from an economic point of view.

Since this dissertation was part of a wider project that aimed to connect ownership and outlet diversity to content diversity, an additional study would be to integrate the financial-economic data with data of content analyses for the 25-year period (e.g. Li & Thorson, 2015). This would allow for empirical verification of the impact of M&As on the financing of news media and on their product quality (for the conceptual model, cf. section 5.2). Content analyses are still fairly labour intensive, in particular those on viewpoint diversity and discourse. However, this practical constraint will fall away, at least in part, as automated content analyses further advance with the help of machine learning (Boumans & Trilling, 2016; Chuang et al., 2014). Moreover, different measures and methods to analyse diversity have been proposed by economists in recent years (e.g. George, 2007; Rennhoff & Wilbur, 2012). Greater crossover of theoretical ideas and methods between the involved disciplines will provide ample opportunities for future research, and will generate new perspectives on the relationship between ownership and diversity.

7.6 Some final remarks

A popular belief is that media mergers have a deteriorating effect on content because fewer firms are assumed to produce less product variety. As

2 Until 1997, the Belgian newspapers publishers jointly received 2.3 million Euro of direct subsidies per year to ensure pluralism (De Bens & Raeymaeckers, 2010: 265, 286). Subsequently, direct government funding amounted to approx. 2 million Euro in 2009, 2010, and 2011 (Lieten, 2013). The government spends approximately 100 million Euro in newspaper advertising (De Bens & Raeymaeckers, 2010: 269; Picone & Pauwels, 2013: 156). The zero percent tax rate for daily and (free) weekly newspapers represented 190 million Euro in 2012 and 159 million Euro in 2014 (Belgische Kamer van Volksvertegenwoordigers, 2016: 62). Since 1992, print media distribution in Belgium is carried out by the national postal operator *Bpost* for a tariff below the marginal price (De Bens & Raeymaeckers, 2010: 114, 262). For this service, it received an annual subsidy of 120 million Euro in 2011 and 270 million Euro in 2015 (VRM, 2015: 56). In sum, indirect measures count for at least 380 million Euro. Others have calculated approximately 300 million Euro (Callewaert, 2014).

such, media mergers are seen to have a negative impact on society's democratic functioning. However, this is not incontestably proven. In fact, mergers may have a mitigating effect on market forces: they can protect and maintain smaller firms, for instance those that target smaller audiences. Public debate tends to focus on the number of players, whereas competition is driven by several factors. Debate further tends to ignore diversity within the firm, and to frame mergers solely as an act of profit seeking through 'efficiency'. The responsibility for diversity seems to be in the hands of content providers – but insofar as supply is always a function of demand, how can firms be held accountable for producing popular goods if 'responsible' goods are not (intrinsically) in demand? Moreover, media are public goods, which implies that society at large is responsible for the media.

At the moment of writing this dissertation, there is no clear consensus regarding the relationship between consolidation of ownership and content diversity, neither in communications nor in economics. Economists seem to take a positive stance, while communications scholars tend to be more pessimistic and to remind us of normative dimensions. Multidisciplinary research on this relationship and the nature of news demand, aided with new techniques, will contribute significantly to our understanding of this conundrum in the future.

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ANNEX A

Profiles of the Flemish newspapers (1990 – 2014)

CHAPTER 3

Table A.1 Profiles of the Flemish newspaper publishers.

Newspaper title	**DT**	**DM**	**HLN**	**DS**	**HN**	**HV**	**BVL**	**GVA**
	De Financieel-Economische Tijd (°1968)/ **De Tijd** (>2003)	**De Morgen** (°1978), successor of De Volksgazet (°1914)	**Het Laatste Nieuws** (°1888)	**De Standaard** (°1918)	**Het Nieuwsblad** (°1929) – established by DS to reach wider audience	**Het Volk** (°1891-2008)	**Het Belang van Limburg** (°1933)	**Gazet van Antwerpen** (°1891)
Regional title *(regional editions)*	–	De Antwerpse Morgen (°1983-1993) – edition Antwerp Vooruit (°1884-1991) – edition Gent	De Nieuwe Gazet (°1897) – edition Antwerp	–	De Gentenaar (°1879) – edition Gent	De Nieuwe Gids (°1944-1995)	–	Gazet van Mechelen (°1896-1996)
No. editions *(in 2017)*	–	–	25	7	16	15-16 (1993-1996)	8	7
Circulation *(print, in th.)*	1990: 37.8 2014: 34.8	1990: 46.0 2014: 57.6	1990: 288.5 2014: 323.9	1992: 83.2 2014: 101.4	1992: 287.1 2014: 272.2	1990: 186.6 2007: 78.4	1990: 106.2 2014: 101.0	1990: 191.3 2014: 105.1
Paid distribution[1] ***and share*** *(in %)*	1990: 31.6 (3.1%) 2014: 40.1 (4.4%)	1990: 30.9 (3.0%) 2014: 53.1 (5.8%)	1990: 228.9 (22.4%) 2014: 280.8 (30.8%)	1992: 70.1 (7.0%) 2014: 100.3 (11.0%)	1992: 248.4 (24.9%) 2014: 251.9 (27.60%)	1990: 155.1 (15.2%) 2007: 67.0 (7.2%)	1990: 95.8 (9.4%) 2014: 94.1 (10.3%)	1990: 155.2 (15.2%) 2014: 91.1 (10.0%)
Ideological orientation *(in 1990)*	'Neutral'	Socialist	Liberal	Catholic	Catholic	Catholic (unions)	Catholic	Catholic
Commercial orientation	Business newspaper	Elite newspaper	Popular newspaper	Elite newspaper	Popular newspaper	Popular newspaper	Regional newspaper	Regional newspaper
Geographical era *(provinces with strategic advantage)*	National	National + East Flanders (i.e. Gent) + Antwerpen	National + Antwerpen	National	National + East Flanders (i.e. Gent)	East and West Flanders (incl. Gent)	Limburg	Antwerpen and East Flanders (i.e. Waasland)
Substantive foci *(topics, perspective)*	Inter(national) financial-economic, political, and socio-cultural news. Scope content broadened to a 'full service elite paper' (incl. sports, culture, science, tech, media) and rebranded into *De Tijd* in 2003. Distinction between news facts and opinions.	Inter(national) economic, political, social, cultural, and sports news. Progressive and independent signature and claims to provide critical reflection and in-depth approach to news.	Inter(national) and regional news, sports, and entertainment. Accessible news (i.e. tabloid-style) with (in the past) a Flemish, liberal, and freethinking signature.	Inter(national) economic, political, social, cultural, and sports news. Analytical focus (Christian to leftist signature), providing nuance and critical reflection, and opinions.	Focus on regional news (but also offers national), sports, and short news items. Style shifted between serious (Christian-liberal) and tabloid-style, and focusses more on general news these days.	General news, sports, and regional news. Newspaper of the people with accessible news (shifted between serious and tabloid-style when imitating HN). Traditionally a social-democratic signature.	Focus on regional news (incl. general news, approx. 50% in 1990) in Limburg. Independent and Christian signature.	Focus on regional news (incl. general news) in Antwerp. Flemish, socialist and catholic profile. Targets a wide audience nowadays (shifted between regional and national content foci).
Target audience *(socio-demographic)*	Entrepreneurs, managers, and investors.	Popular among young urbans.	Wide audience	Higher educated.	Wide audience, middle-class.	Wide audience ('working class'), all social classes and ages.	All social classes.	Wide audience, popular among Catholic middle class.
Ownership	<2004: Vlaams Economisch Verbond, various funds and investors 2005: De Persgroep (50%), Rossel & Cie (50%) 2006: merged with Editeco (L'Echo) into Mediafin	<1988: Progressief Persfonds 1989: Hoste (owned by Van Thillo family) 1990: Hoste increased ownership (100%), renamed in De Persgroep	<1986: Uitgeverij J. Hoste (owned by Hoste family) 1987: Hoste (renamed in De Persgroep in 1990)	<2012: Vlaamse Uitgeversmaatschappij/ VUM Media/ Corelio (owned by family Leysen and institutional investors) 2013: joint venture Mediahuis		<1993: Quadragesimo Anno, ACV National and various ACV-organisations (i.e. Christian labour union) 1994: Corelio	<1990: Concentra Uitgeversmaatschappij (owned by Baert family and institutional investors) 1996-2001: joint venture Regionale uitgeversgroep 2013: joint venture Mediahuis	<1995: Katholieke Propaganda, Katholieke Persfonds (i.e. Catholic funds), and various small shareholders 1996-2001: joint venture Regionale uitgeversgroep (Concentra (50% to 90%) and Catholic funds (50% to 10%) 2013: joint venture Mediahuis
Entity newspaper activities	Uitgeversbedrijf Tijd ('25-'05)/ Mediafin ('06-'14)	1) De Nieuwe Morgen ('87-'97)/ Uitgeverij De Morgen ('98-'05) 2) De Persgroep Publishing ('06-'14)	1) Uitgeverij J. Hoste ('87-'90) 2) Hoste ('91-'99) 3) Aurex ('00-'05)/ De Persgroep Publishing ('06-'14)	1) Vlaamse Uitgevers maatschappij [1] ('76- '99) 2) Vlaamse Uitgeversmaatschappij [2] ('00-'05)/ VUM ('06-'08)/ Corelio Publishing ('09-'13) 3) Mediahuis ('14)		Drukkerij Het Volk (1901-'92)/ Het Volk ('93-'99)/ Vlaamse Uitgeversmaatschappij [2] ('00-'05)/ VUM ('06-'08)	1) Concentra Uitgeverij ('87-'90) 2) Concentra Uitgeversmaatschappij ('91-'12)/ Mediahuis ('13-'14)	1) De Vlijt ('23-'13) 2) Mediahuis ('14)
Entity group	1) De Persgroep [2] ('00-'14) 2) Rossel et Cie ('36-'14)	1) Uitgeverij J. Hoste ('89) 2) Hoste ('91) 3) De Persgroep [1] ('93-'99) 4) De Persgroep [2] ('00-'14)		Vlaamse Uitgevers maatschappij [1] ('76-'99)/ VUM Media ('00-'05)/ Corelio ('06-'14)			1) Concentra Uitgeverij ('89-'90)/ Concentra Holding ('91- '99) 2) Concentra [1] ('00) 3) Concentra [2] ('01-'14)	
Notes	2010: expiration various behavioural remedies					1995: termination De Nieuwe Gids 2000: expiration editorial remedies HV 2000: Het Volk becomes a regional edition of Het Nieuwsblad 2007: Het Volk was merged entirely with Het Nieuwsblad 2008: termination Het Volk		2018: expiration editorial remedies GVA + other behavioural

[1] Paid distribution of printed and digital newspapers.
Note: Information on the newspaper titles and their ideological orientation is derived from: De Bens (1997); De Bens and Raeymaeckers (2010); and De Schryvere (1992). Newspaper's commercial orientation, geographic area, substantive foci, and target audience are based on: De Bens (1997); De Bens and Raeymaeckers (2010); Van den Bulck (2015); PUB (1993–2013); and Media Marketing (1996–2004). Strategies are based on: Bilteryst and Van Gompel (1997); and Van Hauttekeete (2004). Data and information about ownership are derived from: annual accounts (Nationale Bank van België); merger reviews (Belgische Mededingingsautoriteit, 2013; Raad voor de Mededinging, 1995, 1996, 2005a, 2005b); and literature (cf. supra).

ANNEX B

Organisational charts of the Flemish newspaper publishers (1990 – 2014)

CHAPTER 2

Newspaper publishers' ownership structures reveal information about the occurrence of mergers and acquisitions and internal restructurings (which might imply a transfer of newspaper publishing activities). To this end, organisational charts were created by using primarily companies' annual accounts.

Annual accounts and consolidated accounts were acquired from the national bank (*Nationale Bank België*) for the years 1989 to 2003. For the years 2004 to 2014, the national bank's database *Balans Centrale*[1] was consulted. The annual accounts were used for direct shares and consolidated accounts for indirect shares. The latter indicate the total share; directly held and/or indirectly held via another entity. The reference date of all shares is the 31st of December of a book year. Additional data on ownership structures and changes were derived from *Bureau van Dijk's* online company databases *Orbis* and *Zephyr*[2], yearbooks (Media Marketing, 1996–2013; PUB, 1993–2013; Vlaamse Regulator voor de Media, 2008–2014), and literature (De Bens & Raeymaeckers, 2010). These sources were used to cross-verify the data and to fill data gaps. In some cases, the chambers of commerce in the Netherlands and Luxembourg were consulted for company data, respectively: Kamer van Koophandel[3], Registre de Commerce et des Sociétés[4].

The organisational charts of the three main publishing groups in Flanders are simplified; only the ownership structure between the newspaper entity (i.e. with newspaper publishing activities), intermediate entities, and the ultimate owner(s) are shown. Subsidiaries of the newspaper entity and the parent firm are left out.

For each entity, the different company names are indicated (including and the years to which the firm name applied), the year of establishment (i.e. incorporation in *Orbis* or *Amadeus*), the company number, and if rele-

1 https://www.nbb.be/nl/balanscentrale
2 https://orbis.bvdinfo.com/
3 https://www.kvk.nl/
4 https://www.rcsl.lu/

vant, its date of liquidation, merger, or split up[5]. Entities displayed in grey are not studied (e.g. *Rossel et Cie*) but considered relevant. Entities displayed in a bold box are newspaper entities; the newspaper's abbreviation is displayed at the bottom left side. In some cases, the shares are unknown and 'no data' (n.d.) is indicated. In general, data on shareholders and their shares are not exhaustive as a result of highly fragmented data or the provided data was not sufficiently detailed. As a result, the sum of the shareholder' shares might not be 100%.

5 In Dutch: 'sluiting van vereffening' (*Orbis*: dissolved or liquidation), 'fusie door overneming', and 'splitsing'.

Figure B.1 Uitgeverij J. Hoste (1989–1990).

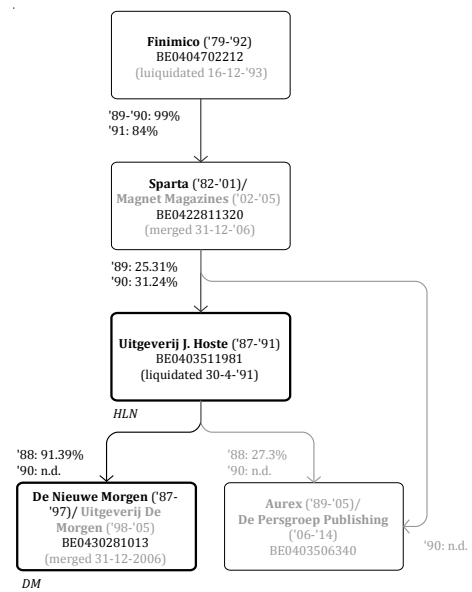


Figure B.2 Hoste (1991–1998).

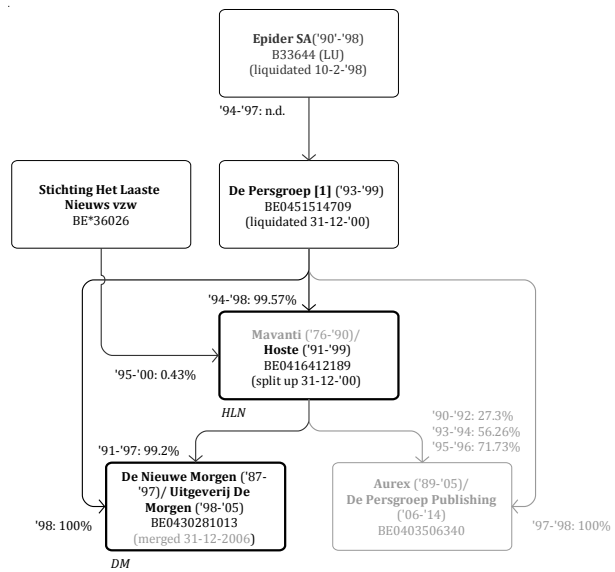
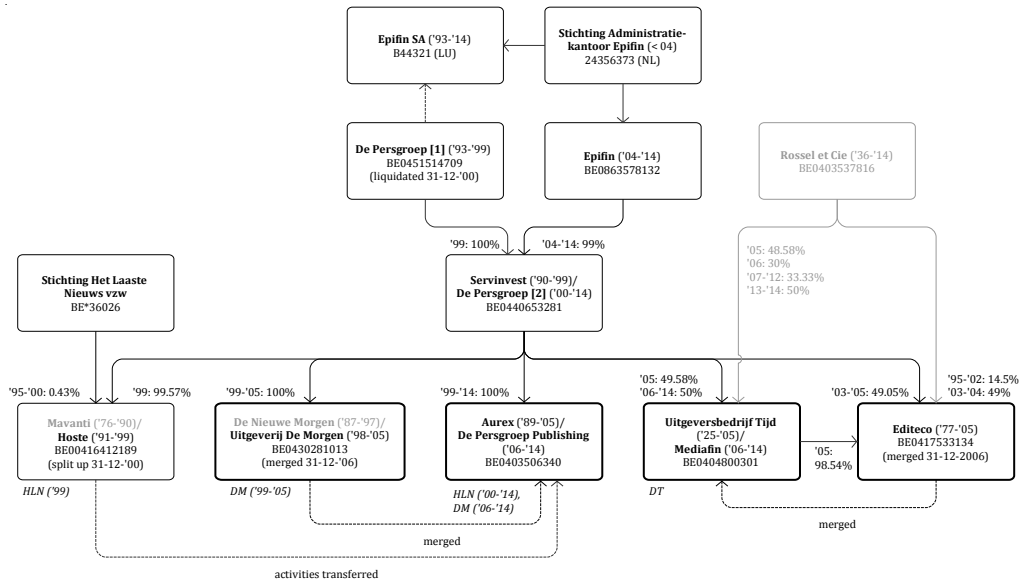
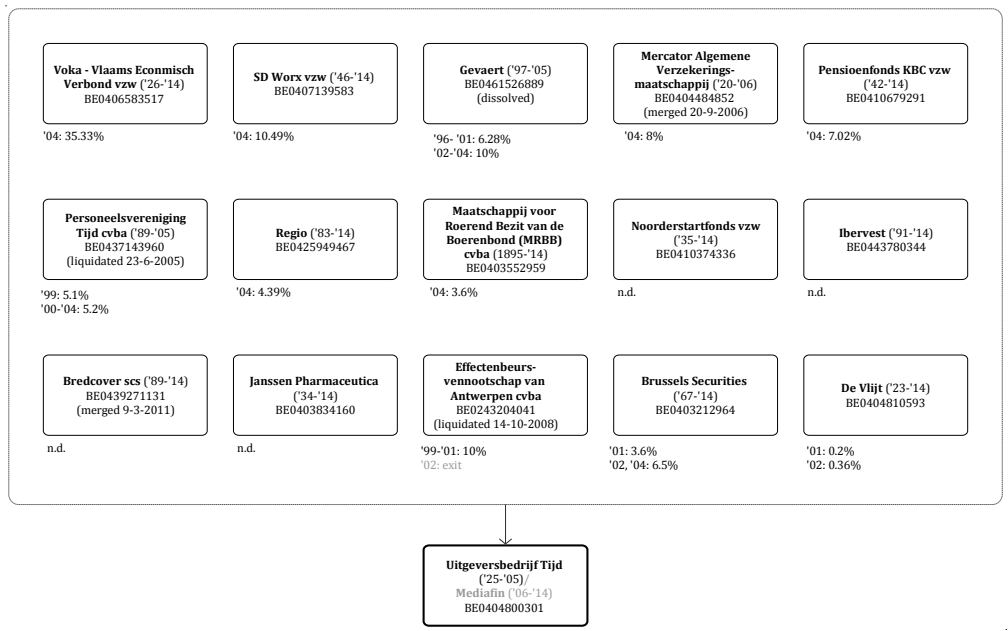


Figure B.3 De Persgroep (1999–2014).



Uitgeversbedrijf Tijd

Figure B.4 Uitgeversbedrijf Tijd (1989–2004).



Vlaamse Uitgeversmaatschappij / Corelio

Figure B.5 Vlaamse Uitgeversmaatschappij (1989–1999).

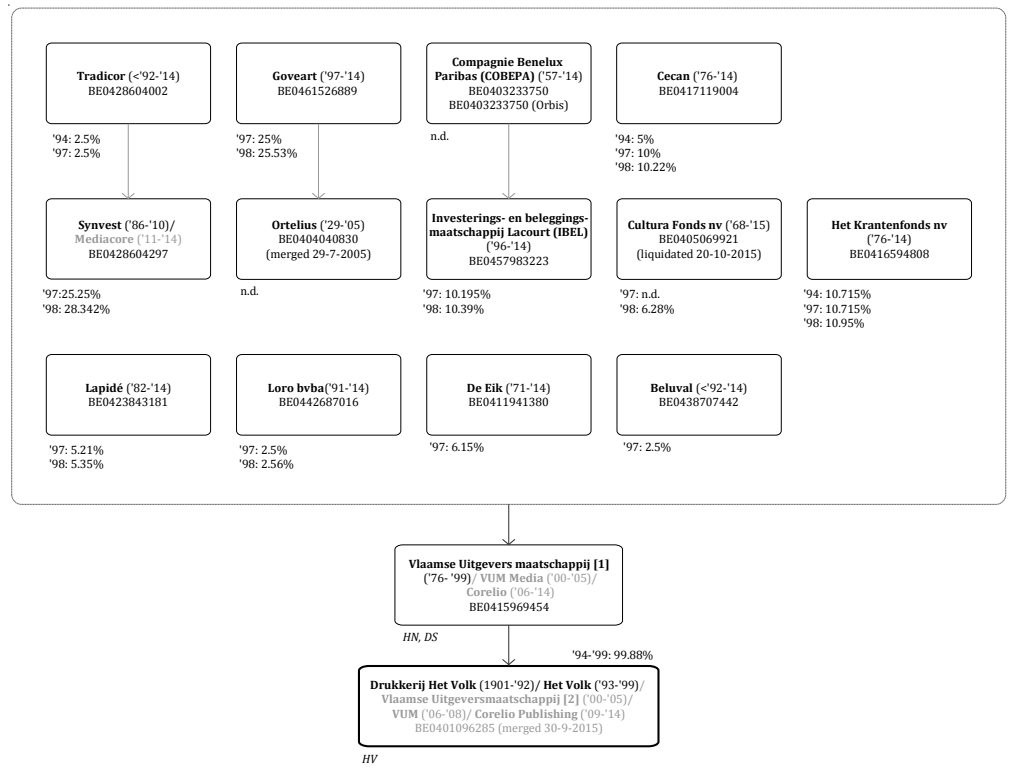


Figure B.6 VUM Media (2000–2005).

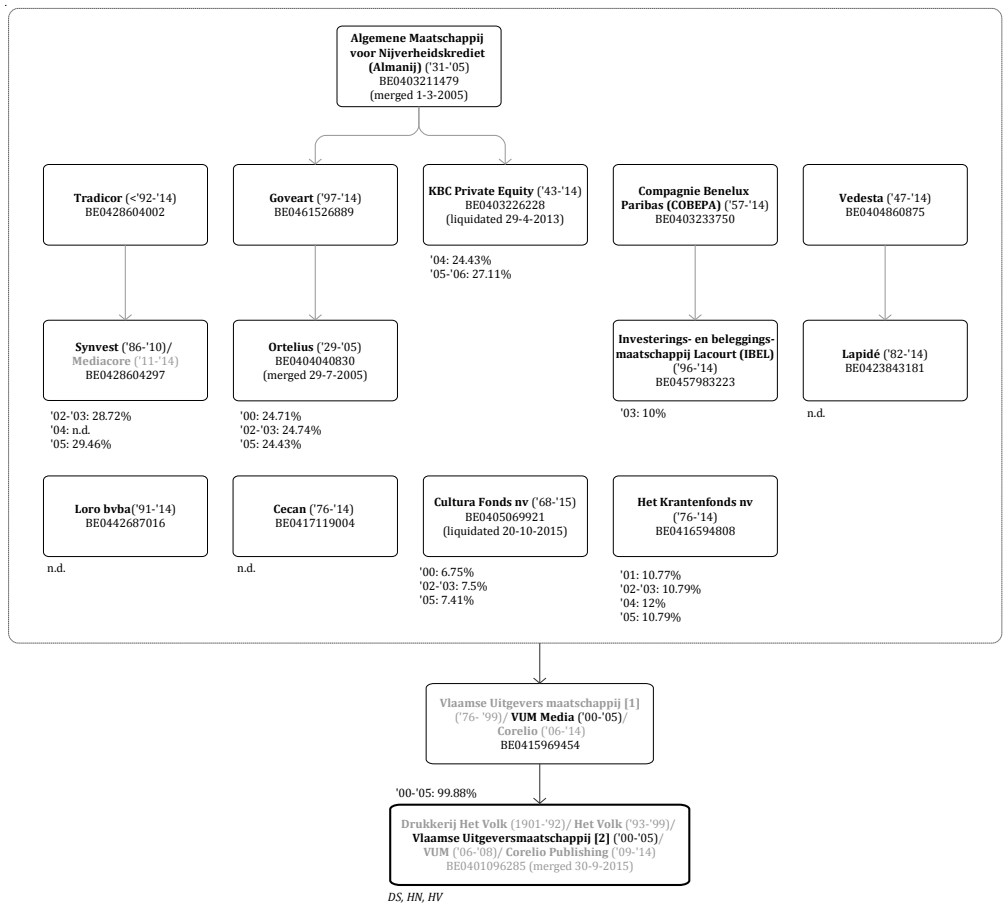
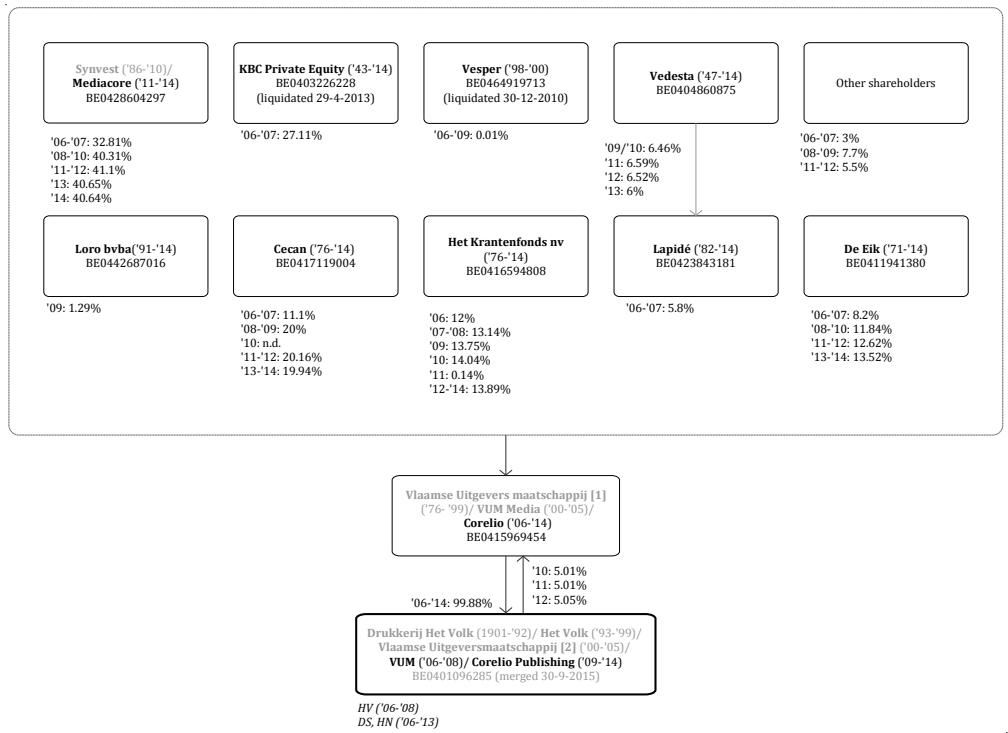


Figure B.7 Corelio (2006–2014).



Drukkerij Het Volk

Figure B.8 Drukkerij Het Volk (1989–1993).

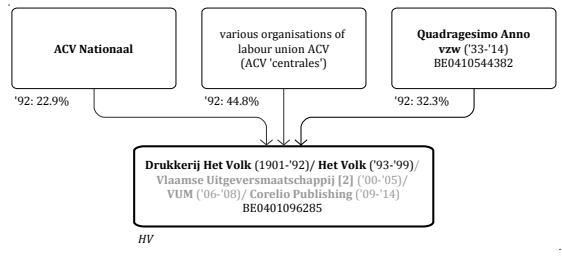


Figure B. 9 Concentra Uitgeverij (1989–1995).

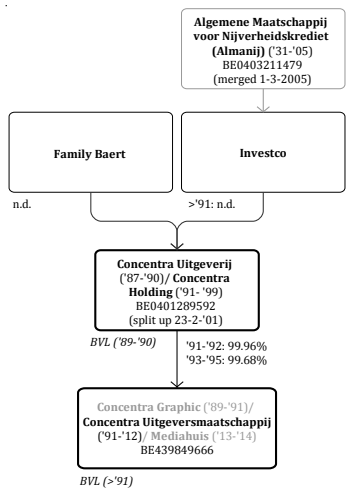


Figure B.10 Regionale Uitgeversgroep (1996–1999).

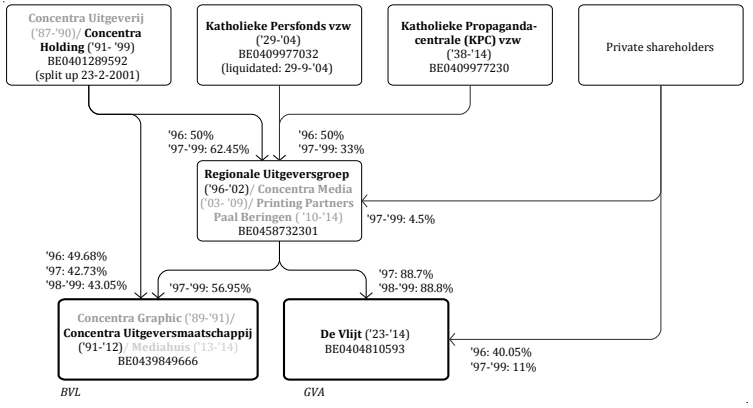
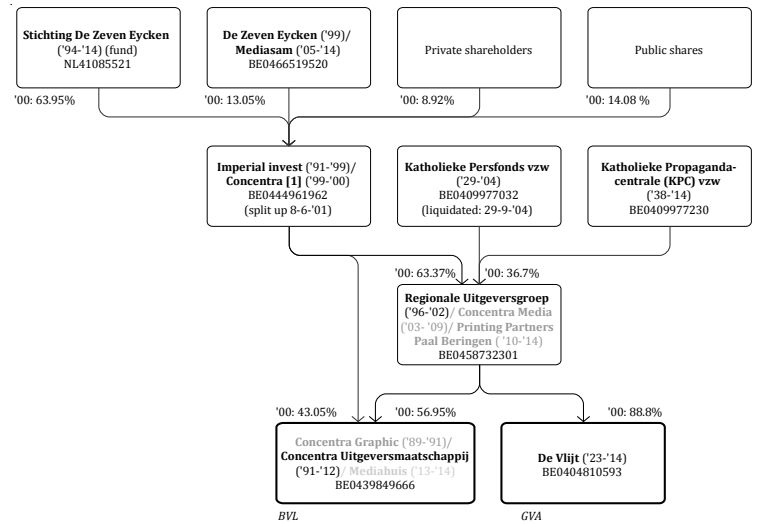
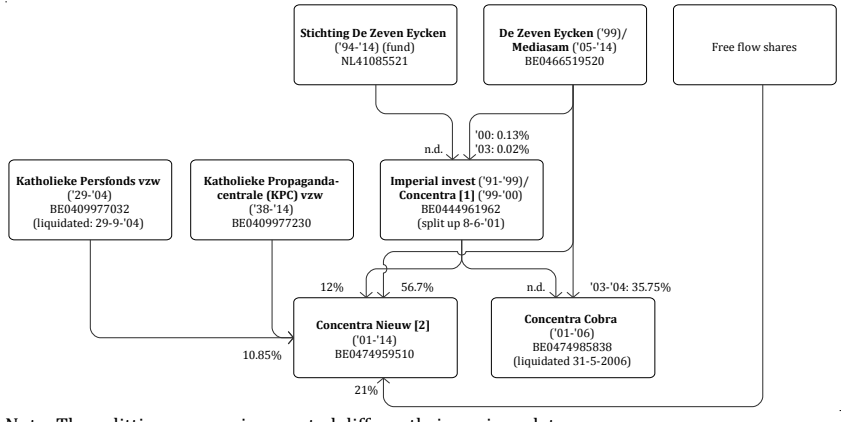


Figure B.11 Concentra 1 (merger with Imperial invest in 2000).



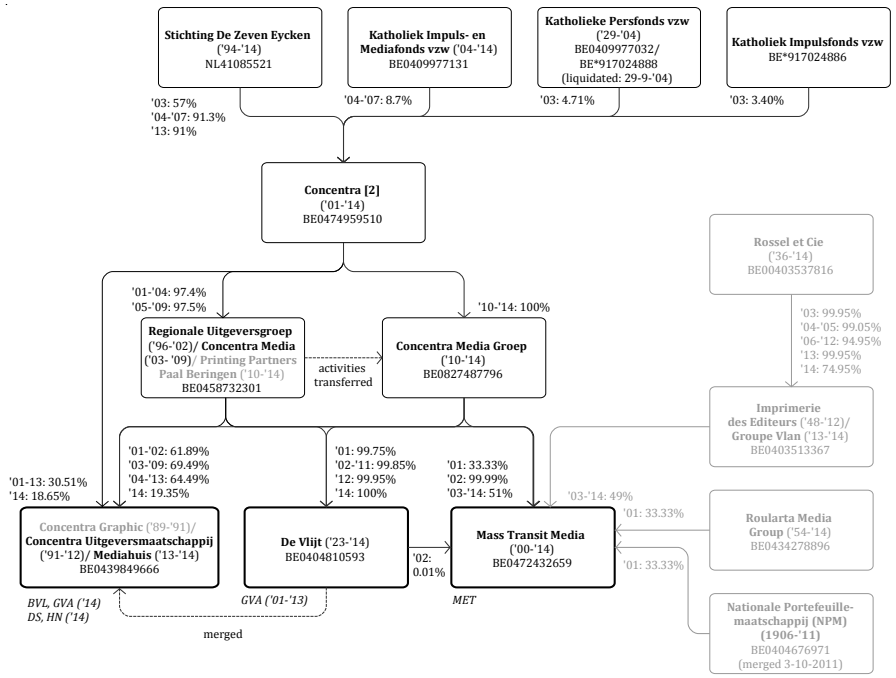
Note: Imperial Invest was Euronext listed.

Figure B.12 Concentra 1 (demerger in 2001).



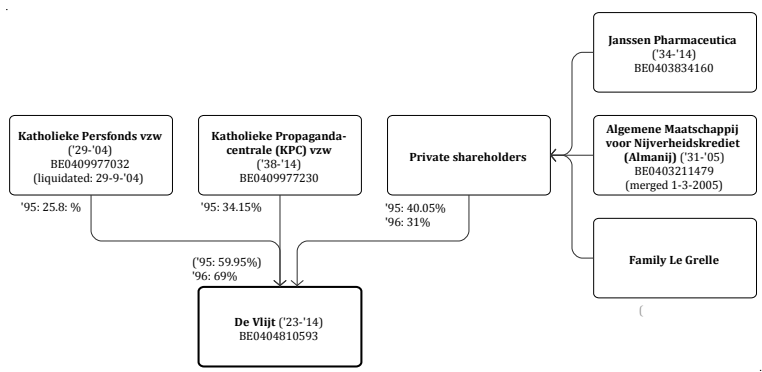
Note: The splitting process is reported differently in various data sources.

Figure B.13 Concentra 2 / Mediahuis (2001–2014).



De Vlijt

Figure B.14 De Vlijt (1989–1995).



ANNEX C
Financing of the Flemish newspaper market (1990–2014)

CHAPTER 4

Table C.1 Revenue by segment of the newspaper publishers.

Year	Estimated revenue (in m. Euro)								Structure (in %)[1]		Net operating revenue (in m. Euro)	
	Readership (gross)					Advertising		Total publishing revenue	Reader-ship (gross)	Advertising (net)		
	Paper		Digital		Total	Gross	Net				Sales	Total
	Per copy	Subscr.	Per copy	Subscr.								
1990	167.4	82.8	n.a.	n.a.	250.2	122.1	100.8	351.0	71.3	28.7	581.1	596.4
1991	172.1	87.6	n.a.	n.a.	259.7	119.1	113.5	373.3	69.6	30.4	584.0	600.6
1992	182.0	92.4	n.a.	n.a.	274.4	131.1	129.3	403.7	68.0	32.0	602.9	613.4
1993	176.3	90.4	n.a.	n.a.	266.7	136.2	151.1	417.8	63.8	36.2	599.9	612.9
1994	175.4	92.8	n.a.	n.a.	268.2	142.3	156.4	424.6	63.2	36.8	612.5	629.9
1995	175.1	99.8	n.a.	n.a.	275.0	161.5	175.2	450.2	61.1	38.9	645.2	664.9
1996	176.5	99.8	n.a.	n.a.	276.3	161.4	182.7	459.0	60.2	39.8	620.4	661.3
1997	172.7	102.1	n.a.	n.a.	274.8	170.3	194.4	469.2	58.6	41.4	602.0	630.8
1998	172.5	105.0	n.a.	n.a.	277.5	180.4	211.9	489.4	56.7	43.3	644.3	675.6
1999	179.1	109.1	n.a.	n.a.	288.3	223.7	264.6	552.9	52.1	47.9	678.2	710.4
2000	175.4	111.2	n.a.	n.a.	286.6	233.2	281.8	568.3	50.4	49.6	675.2	710.9
2001	173.3	111.7	n.a.	n.a.	285.0	217.8	200.0	485.0	58.8	41.2	655.6	691.1
2002	170.0	120.4	n.a.	n.a.	290.4	281.9	274.6	564.9	51.4	48.6	643.9	680.5
2003	175.0	123.5	n.a.	n.a.	298.5	343.9	364.7	663.3	45.0	55.0	682.8	726.8
2004	178.9	126.6	n.a.	0.9	306.4	370.0	349.8	656.2	46.7	53.3	701.9	757.9
2005	167.5	128.2	n.a.	0.9	296.7	411.2	350.3	647.0	45.9	54.1	687.5	749.2
2006	157.5	133.7	n.a.	0.8	292.1	484.6	340.4	632.5	46.2	53.8	682.9	751.5
2007	161.0	136.7	n.a.	0.8	298.5	490.7	375.3	673.8	44.3	55.7	753.7	811.4
2008	156.6	140.7	n.a.	0.9	298.2	468.4	383.3	681.5	43.8	56.2	732.2	781.4
2009	148.5	152.6	n.a.	0.9	301.9	438.1	392.9	694.8	43.5	56.5	700.7	739.7
2010	138.1	158.5	n.a.	1.2	297.8	452.2	355.3	653.1	45.6	54.4	711.7	766.7
2011	128.4	168.3	0.2	3.1	300.0	420.3	341.1	641.1	46.8	53.2	660.2	716.4
2012	121.2	173.4	0.5	5.6	300.6	409.4	292.8	593.3	50.7	49.3	630.6	686.6
2013	110.1	189.5	1.7	7.0	308.2	426.3	292.1	600.3	51.3	48.7	598.7	675.6
2014	102.8	208.8	1.6	11.8	325.0	436.4	307.0	631.9	51.4	48.6	607.7	658.6
Mean (a)	160.5	125.8	1.0	3.1	287.9	297.3	263.2	551.1	53.8	46.2	651.8	692.0
Mean (g)	158.7	121.9	0.7	1.8	287.4	264.1	244.6	540.1	53.2	45.3	650.2	689.6
Change (%)	-38.6	152.1	n.a.	n.a.	29.9	257.4	204.5	80.0	-27.9	69.2	4.6	10.4
CAGR (%)	-2.01	3.93	n.a.	n.a.	1.10	5.45	4.75	2.48	-1.35	2.21	0.19	0.41

[1] Advertising and readership revenue relative to the estimated revenues derived from newspaper publishing activities.
N.a. = Not applicable, mean (a) = arithmetic mean, mean (g) = geometric mean, change = relative change between 1990 and 2014, and CAGR = compound annual growth, calculated as: $[(X_{t25}/X_{t1})\hat{}(1/n)]$-1. Note: All figures are based on in 2014 current prices.

Table C.2 Costs by segment of the newspaper publishers and employees.

Year	Operating costs (in m. Euro)						Employees (in FTE)
	Goods and raw materials	Services and other goods	Remuner-ation	Depreciation	Other[1]	Total	
1990	189.5	154.5	210.3	27.6	6.5	588.5	3,255
1991	180.8	177.3	203.3	30.5	5.9	597.9	3,018
1992	172.7	179.4	202.8	35.9	6.5	597.4	2,969
1993	175.7	182.2	209.1	48.2	4.0	619.1	2,992
1994	199.0	172.9	209.0	46.5	4.3	631.6	3,019
1995	210.4	195.9	203.4	45.4	8.0	663.1	2,915
1996	190.5	220.0	196.6	43.0	12.9	663.1	2,801
1997	156.3	227.7	177.4	38.2	7.1	606.8	2,511
1998	173.1	261.2	180.4	39.2	3.1	657.0	2,493
1999	175.0	281.5	178.4	33.7	7.6	676.2	2,459
2000	156.1	315.9	178.1	35.0	4.8	689.8	2,409
2001	171.0	312.7	178.0	36.2	0.6	698.5	2,437
2002	164.9	304.8	169.6	32.3	-4.4	667.2	2,188
2003	166.8	340.9	155.4	28.2	0.4	691.6	2,068
2004	176.0	358.0	159.3	29.3	1.7	724.3	2,134
2005	172.1	347.5	162.3	25.5	14.0	721.4	2,149
2006	221.0	311.4	157.0	24.9	-3.3	711.0	2,013
2007	189.4	349.2	177.2	28.5	-0.9	743.5	2,242
2008	204.9	348.3	158.0	25.9	3.2	740.2	2,056
2009	177.9	326.8	163.9	27.3	0.8	696.8	2,037
2010	195.3	332.8	153.2	23.1	1.6	706.1	1,905
2011	165.6	330.9	155.8	21.9	1.6	675.9	1,923
2012	159.3	330.0	148.9	24.4	2.4	665.0	1,864
2013	133.0	326.9	164.6	25.7	0.4	650.5	1,898
2014	77.0	360.0	165.0	41.0	-1.1	641.9	1,975
Mean (a)	174.1	281.9	176.7	32.7	3.5	669.0	2,389
Mean (g)	171.3	272.3	175.6	31.8	n.a.	667.5	2,353
Change (%)	-59.3	133.0	-21.5	48.3	-117.3	9.1	-39.3
CAGR (%)	-3.68	3.59	-1.01	1.66	n.a.	0.36	-2.06

[1] Provisions for risks and charges, restructuring costs, and other costs.
N.a. = Not applicable, mean (a) = arithmetic mean, mean (g) = geometric mean, change = relative change between 1990 and 2014, and CAGR = compound annual growth.
Note: All figures are based on in 2014 current prices.

Table C.3 Profitability of the newspaper publishers.

Year	Operating profit		Number of loss making entities based on net profit for year[1]
	EBIT (in m. Euro)	EBITDA margin (firm average, in %)	
1990	8.0	1.2	2 (7, 6)
1991	2.7	2.6	4 (7, 6)
1992	16.0	5.5	3 (7, 6)
1993	-6.2	4.5	1 (7, 6)
1994	-1.7	5.8	3 (7, 5)
1995	1.8	6.8	2 (7, 5)
1996	-1.8	5.9	1 (7, 4)
1997	24.0	9.1	0 (7, 4)
1998	18.6	7.7	0 (7, 4)
1999	34.1	9.4	0 (7, 4)
2000	21.1	7.7	1 (6, 4)
2001	-7.4	2.8	5 (6, 4)
2002	13.3	4.7	1 (6, 4)
2003	35.2	5.8	2 (6, 4)
2004	33.6	5.5	2 (6, 4)
2005	27.8	0.2[2]	2 (6, 3)
2006	40.5	6.8	0 (5, 3)
2007	67.9	9.9	0 (5, 3)
2008	41.2	7.5	1 (5, 3)
2009	42.9	8.0	0 (5, 3)
2010	60.6	9.8	0 (5, 3)
2011	40.5	7.1	1 (5, 3)
2012	21.6	4.8	1 (5, 3)
2013	25.0	4.7	2 (5, 3)
2014	16.8	10.7	1 (3, 2)
Mean (a)	23.0	6.5	n.a.
Mean (g)	n.a.	5.9	n.a.
Change (%)	110.5	776.0	n.a.
CAGR (%)	3.15	9.46	n.a.

[1] Total number of newspaper publishing entities and the total number of independent newspaper publishers in parentheses.
[2] The EBITDA-margin was 7.9% in 2005 if an outlier is excluded (i.e. Uitgeversbedrijf Tijd's margin of -37%).
N.a. = Not applicable, mean (a) = arithmetic mean, mean (g) = geometric mean, change = relative change between 1990 and 2014, and CAGR = compound annual growth.
Note: All figures are based on in 2014 current prices.

Table C.4 Assets by segment of the newspaper publishers.

Year	Assets (in m. Euro)						Capital intensity ratio (firm average)
	Current assets	Fixed assets				Total	
		Intangible assets + formation expenses	Tangible assets	Financial assets	Total		
1990	202.4	3.9	138.2	32.7	174.8	377.2	0.59
1991	196.1	9.7	139.2	13.8	162.7	358.8	0.56
1992	187.2	7.5	149.3	16.7	173.5	360.7	0.53
1993	216.2	6.7	167.0	72.8	246.5	462.7	0.69
1994	261.1	5.2	164.0	81.0	250.2	511.3	0.74
1995	259.2	3.7	143.8	82.4	230.0	489.2	0.68
1996	222.6	13.5	111.0	97.1	221.6	444.2	0.66
1997	249.6	6.6	98.3	104.7	209.6	459.2	0.71
1998	250.4	1.5	102.5	165.7	269.6	520.0	0.72
1999	282.3	0.7	110.5	174.3	285.6	567.9	0.76
2000	242.9	1.6	136.1	62.4	200.1	443.0	0.62
2001	223.1	1.3	125.0	32.1	158.5	381.6	0.61
2002	235.9	1.0	108.6	32.9	142.5	378.4	0.63
2003	231.7	0.7	106.0	50.8	157.5	389.3	0.63
2004	232.6	1.6	99.3	74.9	175.7	408.3	0.61
2005	271.9	1.6	107.5	105.2	214.3	486.2	0.85
2006	384.9	31.5	103.8	61.8	197.1	582.0	0.99
2007	310.9	28.1	97.2	167.2	292.6	603.4	0.84
2008	286.7	42.9	82.8	183.5	309.3	596.0	0.86
2009	244.1	38.9	77.7	321.4	438.0	682.1	0.95
2010	242.2	42.7	54.2	285.9	382.7	624.9	0.87
2011	221.2	36.8	43.2	312.0	392.0	613.2	0.86
2012	193.1	48.2	30.3	309.4	388.0	581.1	0.87
2013	195.4	75.4	33.6	281.4	390.4	585.8	0.97
2014	381.4	191.6	26.5	230.2	448.4	829.8	1.25
Mean (a)	249.0	24.1	102.2	134.1	260.4	509.4	0.76
Mean (g)	244.6	7.8	91.9	95.4	245.0	497.3	0.75
Change (%)	88.5	4825.1	-80.8	604.2	156.5	120.0	112.6
CAGR (%)	2.68	17.63	-6.65	8.47	4.00	3.34	3.19

N.a. = Not applicable, mean (a) = arithmetic mean, mean (g) = geometric mean, change = relative change between 1990 and 2014, and CAGR = compound annual growth.
Note: All figures are based on in 2014 current prices.

Table C.5 Shareholder funds and liabilities by segment of the newspaper publishers.

Year	Liabilities (in m. Euro)					Sharehold-er funds (in m. Euro)	Debt-to-equity ratio (firm average)
	Current		Non-current		Total		
	Creditors and other	Loans	Long-term debt	Other			
1990	184.6	11.2	33.7	19.2	248.7	128.4	2.01
1991	177.9	0.6	28.5	26.9	233.9	124.9	1.86
1992	172.5	0	34.8	32.1	239.4	121.3	2.02
1993	179.0	0	37.4	32.7	249.1	213.6	1.10
1994	252.3	8.8	35.8	32.1	329.0	182.3	1.35
1995	243.7	12.8	30.2	35.5	322.2	167.0	1.37
1996	207.7	10.5	36.8	46.1	301.1	143.1	3.23
1997	188.7	31.3	40.3	44.4	304.7	154.5	2.06
1998	210.7	27.2	69.3	41.1	348.3	171.7	8.32
1999	232.7	38.3	59.6	37.0	367.6	200.2	2.77
2000	199.0	39.1	33.3	42.1	313.5	129.5	2.60
2001	198.3	26.9	31.9	56.3	313.4	68.2	10.18
2002	215.2	19.0	25.2	46.4	305.8	72.6	6.60
2003	227.8	16.0	18.0	39.6	301.3	88.0	4.49
2004	233.1	26.4	13.5	36.9	309.9	98.4	4.13
2005	279.6	31.1	24.7	46.9	382.4	103.9	1.16
2006	265.4	21.1	59.8	38.6	384.9	197.1	2.00
2007	255.7	19.0	65.9	28.3	369.0	234.5	1.66
2008	266.5	10.2	76.2	31.2	384.1	211.8	2.02
2009	292.5	26.2	173.0	28.0	519.6	162.5	3.00
2010	280.5	0	157.2	23.8	461.5	163.4	2.34
2011	301.9	2.4	157.2	20.3	481.8	131.4	3.38
2012	274.3	5.5	149.0	20.5	449.4	131.7	3.82
2013	280.3	22.3	140.4	41.3	484.4	101.4	9.84
2014	271.9	11.5	421.8	25.4	730.6	99.1	6.42
Mean (a)	235.7	19.0	78.1	34.9	365.4	144.0	3.59
Mean (g)	232.3	14.2	53.4	33.6	352.1	136.8	2.89
Change (%)	47.3	2.5	1152.9	32.3	193.8	-22.8	218.4
CAGR (%)	1.63	0.10	11.11	1.17	4.59	-1.07	4.94

N.a. = Not applicable, mean (a) = arithmetic mean, mean (g) = geometric mean, change = relative change between 1990 and 2014, and CAGR = compound annual growth.
Note: All figures are based on in 2014 current prices.

ANNEX D

M&A analysis failing newspaper firms

CHAPTER 5

Table D1 Overview of the investigated M&A cases.

Target firm	Drukkerij Het Volk (DV)	De Vlijt (VL)	Uitgeversbedrijf Tijd (UT)
M&A	Takeover by *Vlaamse Uitgeversmaatschappij (VUM)* in 1994.	Joint venture[1] *(Regionale Uitgeversmaatschappij)* with *Concentra Holding* in 1996.	Takeover by *De Persgroep* and *Rossel et Cie* in 2005 and subsequent merger with *Editeco* into *Mediafin* in 2006.
Deal	25.2 million Euro (estimate).	54.5 million Euro (valuation of capital).	36.3-40 million Euro (estimate).
Business activities target *(pre- and post-merger)*	• Populair newspaper *Het Volk* (°1891–2008) and regional newspaper *De Nieuwe Gids* (°1944–1995). • Commercial printing and distribution, weeklies, bookstores, magazines, comic strips, advertising agency, national TV.	• Regional newspapers *Gazet van Antwerpen* (°1891) and *Gazet van Mechelen* (°1896–1996) • Commercial printing and distribution, weeklies, magazines, advertising agencies, national/ regional TV, regional radio.	• National business newspaper *De Financieel-Economische Tijd* (°1968). • Electronic financial information services, magazines, advertising agency, national business television.
Remedies/ agreements	• Continuation of the title, profile, and editorial independence of newspaper *Het Volk* and *De Nieuwe Gids* for 5 years. • Prohibition of tying agreements (advertising market).	None but changes in the parties' participations in advertising agencies would have to be reported and reviewed.	• Prohibition of tying agreements (reader and advertising market). • Prohibition to merge advertising agencies. • Non-discriminatory behaviour (e.g. price reductions).
Causes	• Declining demand: profile lacked distinctiveness (and strategy), inability to attract youngsters. • Newspaper's renewal did not pay off (1993): stronger focus on general news in a (more) tabloid-style. • Unsuccessful (editorial) restructuring. • Start-up issues in printing plant. • Investments did not lead to a turnaround. • Poor commercial management, inability to adapt to market trends, and insufficient cooperation and internal communication.	• Declining demand: hovered between catering for the national market and being a regional daily. • Newspaper's re-positioning did not pay off (1995): even stronger regional focus ('regional quality newspaper'). • Restructurings (lay-offs) and reduction of editorial autonomy. • Start-up issues of new housing plant facilities. • Lack of financial control, poor financial policy (irresponsible expenditures). • Investments in regional TV broadcasting did not pay off directly.	• Declining demand: termination of subscriptions of private investors and banks due to downturn and legal changes. • Re-positioning and re-branding into *De Tijd* did not pay off (2003): shift to full service quality newspaper. • Investments in TV broadcasting did not pay off.

Strategy and means	• Continuation of newspaper's format.
	• Operating synergies between newspapers (incl. advertising).
	  – Editorial cooperation.
	• Downsizing and downscoping.
	• **Investments**.
		• Renewal of newspaper (adapt better to readers' needs).
		• Operating synergies between newspapers (incl. advertising).
		  – Editorial cooperation (collective news gathering).
		• Operating synergies between newspapers and regional television.
		• Centralisation of printing.
		• Downsizing and downscoping.
		• Increase access to capital through scale **enlargement**.
			• Operating synergies between newspapers (incl. advertising).
			  – Identical format and lay-out of newspapers.
			  – Editorial cooperation (sharing expertise).
			• Centralisation of printing, IT, and (geographically) newsrooms.
			• Downsizing and downscoping.
			• **Investments and development**.

Measurable objectives	• Improve profitability. • Cost-reductions. • Divesting assets.	• Improve profitability. • Cost-reductions. • Divesting assets.	• Improve profitability and sales. • Cost-reductions. • Maximisation of efficiency.

[1] It was referred to as a 'strategic alliance' in the merger review but started off as a *de facto* joint venture that became quickly a takeover.
Sources: Annual accounts, merger reviews of the national competition authority (Raad voor de Mededinging, 1995, 1996, 2005), newspaper articles, and literature (Biltereyst & Van Gompel, 1997; Hauttekeete, 2004; Veestraeten, 1997; De Bens & Raeymaeckers, 2010).

Table D2 Definitions and calculations of the variables

Variable	Definition	Data source	
Newspaper performance			
Readership (in th.)	Readers last period (in th.).	Centrum voor Informatie over de Media (CIM)	
Paid distribution (in th.)	Average number of paper and digital newspaper copies sold per year. At the market level, the first newspaper launched a digital newspaper in 2004, the sampled newspapers only as of 2008 (Gazet van Antwerpen) and 2010 (De Tijd).		
Audience share (in %)	Target firm's number of copies sold relative to all Flemish newspapers' paid distribution.		
Gross advertising revenue (in m. Euro)	Gross advertising revenues per year based on newspapers' gross price cards, advertising quantity and declared figures (i.e. discounts are not taken into account).	Media Mark Belgium, CIM MDB, Nielsen MDB	
Market share in advertising market (in %)	Target firm's gross advertising revenue relative to all Flemish newspapers' advertising revenues.		
Price per single copy (in Euro)	Price of a single copy of a print newspaper on a weekday in January.	Vlaamse Nieuwsmedia, Vlaamse Regulator voor de Media	
Price per subscription (in Euro)	Price of a subscription of a print newspaper on a yearly basis.		
		Code and calculation	
		NNB[1]	**BvD**[2]
Operating revenue			
Total operating revenue (in m. Euro)	Total operating revenue includes: net sales, stocks, produced fixed assets, and other revenues from third parties that do not relate to the business operation (e.g. value added on transferring fixed assets or income from subletting, or government funding or investment grants).	70/74	OPRE
- Sales (in m. Euro)	Net sales or turnover.	70	TURN
Market share (in %)	Target firm's sales relative to all Flemish newspaper publishing entities' sales.	n.a.	n.a.
Operating costs			
Employees (in FTE)	Average number of employees included in the company's payroll during the book year.	9087 (or: 9090)	EMPL
Operating costs (in m. Euro)	Total of operating costs: costs directly related to the production of the goods sold.	60/ 64	n.a.
- Remuneration	Remuneration, social security, and pensions.	62	n.a.
- Goods and raw materials	Costs of purchased goods and raw materials (e.g. paper, ink).	60	n.a.
- Services and other goods	Costs for services or goods delivered by third parties (incl. remuneration of temporary agency workers and billed costs by freelancers).	61	n.a.
- Depreciation and amortisation of fixed assets	Total amount of depreciation and amortization (i.e. writing off) of formation expenses and of tangible and intangible fixed assets. Depreciation is a non-cash expense (Sutton, 2004: 204). In the case of M&As, differences between the deal and book value (i.e. goodwill) need to be amortised (in the consolidated accounts). When the deal value is below book value, negative goodwill is recorded (i.e. negative goodwill) as a deduction under intangible assets (Sutton, 2004: 440).		
- Restructuring costs (in th. Euro)	Costs activated as restructuring costs (by default negative values).	649	n.a.
EBIT (in m. Euro) (i.e. net operating profit)	Net operating profits are earnings before interest and tax (EBIT). It is calculated as: operating revenue – (all) operating costs + government funding or investment grants (which are activated as an extraordinary financial result).	9901 (or: 70/64) + 9125	n.a.
(Consolidated) Profit /Loss for period (in m. Euro)	Net income for the year (i.e. after all taxes related to the accounting period (paid, accrued or deferred)) before the deduction of minority interests if any (profit after taxation + extraordinary and other profit).	9904 (or: 70/67)	PL
EBITDA margin (in %)	Gross operating profits are earnings before interests, tax, depreciation and amortisation (EBITDA) relative to operating revenue. It is calculated as: operating P/L + depreciation and amortisation fixed assets + depreciation of current assets + provisions for risks and charges	((9901+ 630 + 631/4 + 635/7) / 70/74) * 100	n.a.
Activity			
Gross value added (in m. Euro)	Gross value added is calculated as: operating revenue – government funding or investment grants – remuneration – goods and raw materials.	70/74 – 740 – 60 – 61	n.a.
Gross investment rate	According to Belgian GAAP, gross investment ratio is only based on mutations of tangible fixed assets (and excludes intangible and financial fixed assets) and divided by value added (instead of total of assets) (Ooghe et al, 2012: 128-129). It is calculated a bit more simply by using lagged fixed tangible assets (instead of using various codes: 8161 + 8221 – 8294).	(22/27 – Δ 22/27) / (70/74 – 740 – 60 – 61)	n.a.
Liquidity			
Current assets (in m. Euro)	Current assets are stocks, debtors (payable within one year and after one year), money investments, cash in the bank and in hand, accrued income.	29/58	CUAS
Current liabilities (in m. Euro)	Current liabilities are debts payable within one year (incl. loans, creditors, and other current liabilities) and accrued expenses.	42/48 + 492/3	CULI
Net working capital	Net working capital is calculated as: current assets – trade receivables (after one year) (i.e. debtors) – debts payable within one year – accrued expenses.	29/58 – 29 – 42/48 – 492/3	n.a.
Solvency			
Total of assets (in m. Euro)	Total of assets includes: fixed assets and current assets.	20/58	TOAS
Fixed assets (in m. Euro)	Total of fixed assets includes: formation expenses, intangible assets, tangible assets, and financial assets.	20/28	FIAS
- Formation expenses (in m. Euro)	Expenses for formation, capital increase, restructurings which substantially affect the organisation's structure with the aim to improve profitability sustainably.	20	(incl. in IFAS)
- Intangible assets (in m. Euro)	Intangible assets include: Expenses for research and development, patents, property rights, brands, etc., goodwill, and prepayments of intangible fixed assets.	21	IFAS
- Tangible assets (in m. Euro)	Tangible assets include land, buildings, plant, machinery, equipment, inventory, leasing, real estate, and prepayments for the construction of assets.	22/27	TFAS
- Financial assets (in m. Euro)	Financial assets include associated firms, participations and other financial assets such as shares.	28	OFAS
Interest-bearing debts (in m. Euro)	All interest-bearing debts: non-current liabilities (i.e. provisions and postponed taxes + debts payable after one year: financial debts and trade payables (i.e. creditors)) + loans (payable within one year).	16+17+43	n.a.
- Long-term debts (in th. Euro)	Long term financial debts, for example, to credit institutions (loans and credits), bonds.	17	LTBD
Solvency ratio 1 (interest-bearing debts-to-assets)	The degree of a firm's relative debt load. It is calculated as: interest-bearing debts/ total of assets.	(16+17+43) / 20/58	n.a.
Solvency ratio 2 (shareholder funds-to-assets)	The degree to which a firm's assets are financed with its shareholders' funds, a general indicator of financial independence.	10/15 / 20/58	SOLR

[1] Codes of the national bank of Belgium (*Nationale Bank van België, NBB*) for the standardised (unconsolidated) accounts in 2012. If these were changed, the older code is displayed in brackets.
[2] Codes of Bureau van Dijk's (BvD's) database *Amadeus* and *Orbis*.
Sources: Belgian generally applied accounting practices (GAAP) (cf. Ooghe, Bauwhede & Van Wymeersch, 2012) are complemented with BvD's global format definitions and correspondence table for Belgian and Luxembourg companies (user guide consulted in November 2014) and literature on corporate financial reporting (Sutton, 2004).

Table D4 Performance of target firm De Vlijt before and after the establishment of joint venture Regionale Uitgeversgroep (RUG) with Concentra in 1996.

Drukkerij Het Volk (DV)	Pre-merger years					Ref. year	Post-merger years				
	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99
Newspaper performance											
Readership (th.)	568.1	567.7	521.3	506.1	490.8	446.5	419.3	392.1	378.9	363.9	392.8
Paid distribution (th.)	189.4	186.6	179.4	171.3	164.8	154.9	143.3	142.0	143.0	140.6	137.7
Share in audience market (%)	15.5	15.2	14.8	14.2	13.2	12.5	11.8	11.8	11.7	11.5	11.2
Gross advertising rev. (m. €)	n.d.	n.d.	n.d.	n.d.	13.0	12.2	12.5	11.3	12.0	13.5	15.8
Share in advertising market (%)	n.d.	n.d.	n.d.	n.d.	9.5	8.6	7.8	7.0	7.1	7.5	7.1
Price per single copy (€)	0.88	0.85	0.90	0.95	0.93	0.94	0.96	0.98	0.96	0.95	1.01
Price per subscription (€)	n.d.	n.d.	n.d.	n.d.	n.d.	0.78	0.82	0.80	0.82	0.82	0.83
Operating revenue											
Total operating revenue (m. €)	97.2	95.0	92.8	86.7	78.0	81.2	83.8	83.8	82.6	85.1	87.3
- Sales (m. €)	94.1	92.4	90.0	85.7	76.8	80.4	82.3	80.5	79.1	82.3	84.0
Market share (%)	16.0	15.6	15.0	13.8	12.4	12.7	12.3	12.2	12.8	12.4	11.9
Operating costs											
Employees (FTE)	625	615	606	593	556	543	440	387	366	348	338
Operating costs (m. €)	97.0	97.0	94.2	87.6	90.6	90.1	84.6	83.0	80.2	84.4	84.0
- Remuneration	34.3	35.0	35.3	35.3	36.6	35.3	28.8	24.8	23.3	22.9	22.4
- Goods and raw materials	34.9	35.1	38.0	30.7	25.8	29.4	32.8	33.0	27.9	31.3	33.7
- Services and other goods	21.8	20.9	14.6	15.2	20.7	20.8	18.5	21.7	25.6	24.8	23.64
- Depreciation and amortisation	4.9	5.3	5.2	5.3	7.1	5.4	4.6	4.3	3.8	5.1	4.7
- Restructuring costs (th. €)	0.0	0.0	-1,088	-321.5	-29.4	-13.6	-28.3	-7.8	0.0	0.0	0.0
Profitability											
EBIT (m. €)	0.6	-1.7	-0.7	-0.6	-12.3	-8.0	-0.6	0.8	2.5	0.8	3.3
P/L for period (m. €)	1.1	1.1	2.2	-5.1	15.3	-2.2	-1.1	1.9	4.5	8.7	4.6
EBITDA margin (%)	6.1	3.8	5.8	6.2	-7.1	-5.9	3.8	4.7	6.7	6.8	8.1
Activity											
Gross value added (m. €)	40.4	38.9	40.0	40.7	31.4	30.9	32.3	29.0	29.0	29.0	29.9
Gross investment rate	n.d.	-0.04	-0.05	0.15	0.82	-0.37	-0.58	-0.14	-0.09	0.12	-0.14
Liquidity											
Current assets (m. €)	40.2	38.8	44.1	32.8	20.8	32.0	48.9	46.6	48.1	51.4	54.5
Current liabilities (m. €)	29.4	27.0	29.1	25.5	25.7	29.5	28.8	24.8	22.3	23.7	22.1
Net working capital (m. €)	10.8	11.8	15.0	7.3	-4.9	2.5	20.1	21.8	25.8	23.5	29.6
Solvency											
Total of assets (m. €)	71.0	68.0	71.1	65.9	79.7	79.4	77.6	71.2	69.9	76.8	75.7
- Fixed assets	30.8	29.2	27.0	33.1	58.9	47.4	28.7	24.6	21.8	25.5	21.3
- Formation expenses	0.0	0.0	1.1	1.2	0.9	0.6	0.4	0.1	0.0	0.0	0.0
- Intangible fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Tangible fixed assets	29.5	28.0	24.8	30.8	43.7	32.5	28.0	24.2	21.2	25.3	20.6
- Financial fixed assets	1.3	1.2	1.1	1.1	14.3	14.3	0.3	0.3	0.6	0.2	0.6
Interest-bearing debts (m. €)	40.4	39.8	40.5	33.3	47.6	45.1	43.1	42.3	44.3	49.8	51.1
- Long-term debts (th. €)	1.1	1.1	1.5	7.1	6.4	4.8	5.8	4.2	3.3	3.3	2.5
Shareholder funds (m. €)	861.6	5.7	3.2	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Solvency ratio (debt-to-assets)	0.02	0.02	0.02	0.11	0.08	0.06	0.07	0.06	0.05	0.04	0.03
Solvency ratio (equity-to-assets)	0.57	0.59	0.57	0.50	0.60	0.57	0.55	0.59	0.63	0.65	0.67

N.a. = not applicable, n.d. = no data available.
Note: All figures are based on in 2014 current prices.

Table D5 Performance of target firms Uitgeversbedrijf Tijd and Editeco before and after their acquisition by De Persgroep and Rossel et Cie in 2005 and 2003 respectively, and merging into Mediafin in 2006.

Uitgeversbedrijf Tijd (UT)	Pre-merger years					Ref. year	Post-merger years				
	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10
Newspaper performance[1]											
Readership (th.)	137.1	158.4	140.1	128.4	113.9	125.9	122.6	100.8	130.0	138.3	113.4
Paid distribution (th.)	67.2	66.8	59.1	50.1	48.4	47.6	48.8	46.2	47.7	43.8	41.8
Share in audience market (%)	5.2	4.9	4.5	4.1	4.0	3.9	3.8	3.9	4.0	3.8	3.9
Gross advertising rev. (m. €)	19.4	19.2	14.9	14.0	15.1	14.8	19.7	19.2	22.2	21.6	24.9
Share in advertising market (%)	8.33	8.81	5.3	4.08	4.1	3.6	4.1	3.9	4.7	4.9	5.5
Price per single copy (€)	1.50	1.50	1.60	1.60	1.70	1.60	1.60	1.70	1.70	1.70	1.80
Price per subscription (€)	1.30	1.34	1.40	1.40	1.25	1.26	1.39	1.55	1.64	1.69	1.65
Operating revenue											
Total operating revenue (m. €)	111.1	110.8	92.4	84.7	87.4	59.6	54.9	68.9	71.4	65.4	63.1
- Sales (m. €)	108.7	108.9	90.1	82.9	84.3	52.0	47.9	65.7	68.7	63.8	61.8
Market share (%)	15.0	15.3	13.1	11.5	11.4	7.4	7.0	8.7	9.4	9.1	8.7
Operating costs											
Employees (FTE)	309	382	441	426	429	293	173	231	230	224	222
Operating costs (m. €)	99.0	109.5	95.8	86.0	88.4	79.7	54.1	62.9	65.1	59.6	57.1
- Remuneration	27.6	33.5	34.1	31.8	33.3	22.4	17.7	21.9	20.5	20.6	20.5
- Goods and raw materials	2.2	2.7	0.7	0.2	1.0	0.9	15.4	11.6	14.2	12.1	11.1
- Services and other goods	63.1	67.1	56.1	51.0	52.8	37.3	25.8	29.3	26.0	22.7	21.10
- Depreciation and amortisation	5.9	6.0	4.5	3.0	1.7	0.9	1.1	4.3	4.2	4.4	4.6
- Restructuring costs (th. €)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profitability											
EBIT (m. €)	12.1	1.3	-3.4	-1.3	-0.9	-20.1	0.8	6.0	6.3	5.8	6.1
P/L for period (m. €)	8.4	-4.8	-3.6	-4.3	-1.4	-20.3	4.5	1.7	8.3	5.5	4.0
EBITDA margin (%)	16.3	6.7	1.4	1.8	0.4	-1.8	-7.9	8.8	14.8	15.1	16.6
Activity											
Gross value added (m. €)	45.8	41.0	35.5	33.5	33.6	21.4	13.7	27.3	30.5	29.5	30.4
Gross investment rate	-0.02	0.36	-0.16	-0.09	0.02	2.44	-1.73	-0.16	-0.43	-0.09	-0.15
Liquidity											
Current assets (m. €)	63.4	53.1	45.9	38.1	33.4	15.2	34.5	27.0	39.6	44.7	26.5
Current liabilities (m. €)	36.7	42.9	40.3	34.7	34.2	66.0	43.0	33.2	25.4	24.0	20.1
Net working capital (m. €)	26.7	10.2	5.6	3.4	-37.8	-50.9	-8.5	-6.2	1.0	20.7	6.4
Solvency											
Total of assets (m. €)	74.2	78.7	65.9	55.1	51.1	85.0	80.7	69.0	68.4	70.8	48.0
- Fixed assets	10.8	25.6	20.0	17.0	17.7	69.8	46.2	42.0	28.8	26.1	21.5
- Formation expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Intangible fixed assets	1.8	1.6	0.8	0.9	0.5	0.0	31.0	27.7	24.2	21.6	19.2
- Tangible fixed assets	6.0	5.2	3.0	1.7	1.7	0.5	2.4	1.6	1.3	1.5	0.6
- Financial fixed assets	2.4	2.8	1.3	1.9	4.4	69.2	12.8	12.7	3.2	3.0	1.7
Interest-bearing debts (m. €)	36.1	27.2	21.5	16.8	15.0	-0.4	28.8	30.0	37.0	42.5	24.0
- Long-term debts (th. €)	2.0	10.5	7.8	7.9	7.3	19.3	8.9	11.0	6.0	4.3	3.9
Shareholder funds (m. €)	0.9	6.6	3.8	2.5	1.2	0.0	0.0	1.2	1.4	0.0	0.0
Solvency ratio (debt-to-assets)	0.03	0.13	0.12	0.14	0.14	0.23	0.11	0.16	0.09	0.06	0.08
Solvency ratio (equity-to-assets)	0.49	0.35	0.33	0.31	0.29	n.a.	0.36	0.43	0.54	0.60	0.50

[1] Performance indictors only apply to newspaper *De Tijd* and exclude *L'Echo*, n.a. = not applicable, n.d. = no data available.
Note: Consolidated financial accounts of *Uitgeversbedrijf Tijd* are used from 2000 to 2004 and standalone financial accounts for all remaining years (incl. *Editeco*). All figures are based on in 2014 current prices.

ANNEX E
Claims in merger review

CHAPTER 6

Table E.1 Topics assigned to the different (combinations of) welfare perspectives in claims (N).

Topic (main and sub category)	Welfare perspective(s)			Total (topics)
	Economic	Political or socio-cultural	Mixed	
Merger effects	***741***	***0***	***41***	***782***
Advertising price elasticy	1			1
Bundling strategy	42		3	45
Collusive behaviour	1			1
Competition	184		8	192
Conglomeral effects	11			11
Consumer price elasticy	9			9
Coordinated effects	41			41
Countervailing buyer power	47		4	51
Customer foreclosure	8		1	9
Durability concentration	7			7
Exclusion	28			28
Exclusive contracts	21		2	23
Failing firm (defence)	1		1	2
Input foreclosure	16			16
Leverage effects	5			5
Market entry	54		7	61
Market power	89		6	95
Market share or level of media concentration	98		3	101
Market structure	24		2	26
Market/customer information or network	8			8
Non-discriminatory vs. Preferential access	13		3	16
Non-coordinated effects	5			5
Tying arrangements	27			27
Unilateral effects	1		1	2
Relevant market	***444***	***0***	***21***	***465***
Product substitution	65		6	71
Relevant geographic market	130		3	133
Relevant market under review	30			30
Relevant product market	219		12	231
Products and services	***357***	***0***	***57***	***414***
Advertising pricing	45		1	46
Broadcasting rights	10		1	11
Consumer pricing	60		10	70
Content (as product characteristic)	50		10	60
Content diversity (P)			13	13
Decoder/decoding	4			4
Distribution	1			1
Geographic scope/footprint	25		3	28
Medium types	22		2	24
Price reductions	13			13
Product characteristics	52		5	57
Product demand	31		4	35
Product quality (SC)			5	5
Product supply	28		2	30
Product variety	6		1	7

Table E.1 Topics assigned to the different (combinations of) welfare perspectives in claims (N) (continued).

Window	10			10
Reviewing process	***238***	***0***	***26***	***264***
1st phase decision	18		2	20
2nd phase decision	5			5
2nd phase investigation	12		3	15
Behavioural remedies	50		11	61
Fine	2			2
Joint control	5		3	8
Market analysis	53		3	56
Market interrogation	13			13
Procedure merger review	16			16
Remedy compliance	3			3
Remedy conditions	1			1
Review (of 'Auditeur')	7			7
Rules and regulations of mergers	29		1	30
Structural remedies	13		2	15
Timespan remedy	11		1	12
Strategic	***172***	***0***	***29***	***201***
Business models	6			6
Collaboration	18		1	19
Diagonal integration/diversification	7		1	8
Economies of scale	13		2	15
Economies of scope	3			3
Efficiency	6		2	8
Horizontal integration	15			15
Image			1	1
Marketing strategy	5		1	6
Product innovation	9		4	13
Strategic interest	20		1	21
Strategic positioning/survival	34		9	43
Synergy/interconnection	10		3	13
Uniformisation	2			2
Vertical integration	24		4	28
Consumer and citizen	***133***	***5***	***47***	***185***
Audience share	1			1
Consumer access and universal provision (P)			5	5
Consumer choice (SC)		2	19	21
Consumption/consumerism	3			3
Customer loyalty	17		2	19
Democratic role of the media			1	1
Media use	5		2	7
(National) culture (SC)			4	4
Opinion formation (P)		1	8	9
Opinion power (P)		2		2
Reach	45		1	46
Target group	62		5	67
Financial	***133***	***0***	***10***	***143***
Advertising income	31		3	34
Advertising sales	16		1	17
Consumer income	1			1
Consumer sales	19			19
Costs	9		3	12
Income	27		1	28
Investment and capital accumulation	6		1	7
Invoices	2			2
Launch costs	3			3
Profit or dividend	13		1	14
Sales	4			4
Sponsoring	1			1

Table E.1 Topics assigned to the different (combinations of) welfare perspectives in claims (N) (continued).

Transaction costs	1			1
Market and developments	***69***	***0***	***9***	***78***
Commercialisation	2			2
Convergence	2			2
Economic crisis	3			3
Ecosystem	2		1	3
Globalisation	10		1	11
Market saturation	6			6
Market size	2			2
Market transparency	4			4
'New'/other media	15		4	19
Piracy/plagiarism	1			1
Scarcity	1		1	2
Technology	11		2	13
Two-sided market	10			10
Merger case	***66***	***0***	***4***	***70***
Business activities of target firm	30			30
Control of target firm	2		2	4
Financial situation of firm	10		1	11
Stakes of acquirer in firm	11			11
Type of merger	13		1	14
Organisational	***7***	***0***	***35***	***42***
(A)symmetry of firms	2			2
Autonomy of parent company (P)			6	6
Editorial control (P)			13	13
Editorial independence and autonomy (P)			2	2
Employment (SC)			7	7
Human resource management (SC)			3	3
Internal organisation	4		4	8
Professionalisation	1			1
Market players	***29***	***0***	***0***	***29***
Competitor	27			27
Customer	2			2
Acquirer and vendor (or shareholder)	***25***	***0***	***3***	***28***
Business activities of acquirer	17		2	19
Collaborations/participations of acquirer	4			4
Financial situation of acquirer	2		1	3
Type of acquirer	2			2
Policy and regulation	***0***	***4***	***14***	***18***
European policy			3	3
Market share threshold (P)		4		4
Rules and regulations of media policy (P)			11	11
Total (claims)	**967**	**7**	**74**	**1048**
Total (topics)	**2414**	**9**	**296**	**2719**

Note: (P) = political welfare perspective, (SC) = socio-cultural welfare perspective, no indication = economic welfare perspective.

Table E.2 Presumed causal relationships by evaluation of the claim.

Causal relationship	Total (claims)
Pro merger	***24***
Advertising income (-) and media use (-) → consumer pricing (-)	1
Reach (+) → advertising income (+)	1
Competition (+) → advertising pricing (-)	1
Ruinous competition (+) and sunk costs (+) → contestability monopoly (-)	1
Economic crisis (+) → economies of scale (+)	1
Economic crisis (+) → sales (-)	1
Economy of scale (+) → investments (+)	1
Entry barrier (+) → market entry (-)	1
Launch costs (+) → market entry (-)	1
Pricing (-) → customers (+) → add/sales income (+)	1
Pricing (-) → entry (-) and ruinous competition (+)	1
Pricing (+) → sales and customers (-)	8
Financial situation of target firm(-) → consumer choice and content diversity (-)[1]	1
Journalistic product quality (-) OR consumer pricing (-) → advertising income (-)[1]	1
Synergy (+) → journalism (+)[1]	1
Synergy and efficiency (+) → costs (-)	1
Technology (+) → convergence (+)	1
Against merger	***14***
Access to customer/market information (+) → competition (-)	1
Content diversity (-) → consumer choice (-)[1]	1
Economies of scale (+) → marginal costs (-)	1
Market power (+) or competition (-) → advertising prices (+)	1
Ownership (+) → strategic positioning/editorial autonomy (-)[1]	1
Pricing (+) → market entry (-)	1
Substitution (+) → consumer pricing (+)	1
Synergy (+) → market entry (-)	1
Synergy/uniformisation (+) OR editorial autonomy (-) → content diversity and consumer choice (-)[1]	5
Synergy/rationalisation (+) → product innovation (+)	1
Neutral/ambivalent	***5***
Circulation free dailies (+) → circulation paid dailies (-)	1
Economies of scale (+) → consumer choice (+)[1]	1
Pricing (+) → sales and customers (-)	2
Reach (+) → advertising income (+)	1
Total (claims)	**43**

[1] Presumed causal relationships that includes at least one issue which is classified as reflecting socio-cultural or political welfare.
Note 1: Arrows (→) should be read a → b = a is a precondition for b, either in the form of 'a leads to be', 'a makes b necessary', or 'a must be fulfilled in order to achieve b' (Koopmans, 2002).
Note 2: The evaluation (pro, con or neutral/ambivalent) is based on the claim, the context in which it is used. Hence, it does not imply that a given relationship argues per definition in favour or against a merger.

SUMMARY

Mergers and acquisitions (M&As) of publishers have ensured the continuation of news media such as newspapers but have also led to their termination. Examples in Flanders (Belgium) include newspaper *De Morgen* (1990), a failing paper transformed into a success by new owner *De Persgroep*, and the termination of Newspaper *Het Volk* (1994). Cases like *Het Volk* represent the 'worst case scenario' for communications scholars who consider a variety of outlets as representative of different voices in the public sphere, important for the watchdog role of media. These examples show that the consolidation of ownership through M&As in media industries can have contrasting effects. Indeed, there is no clear consensus about the relationship between the consolidation of ownership and diversity, be it from a communication science or economics perspective.

This dissertation contributes to the unravelling of this conundrum by addressing the question *why did media firms merge in the digital era and how was this perceived by the regulatory bodies in charge*. Views and methods from different disciplines – communications, economics, strategic management, and financial accounting – are integrated to obtain a better understanding of the causes and effects of M&As in media industries (Chapter 1 and 2). This Ph.D. research project comprises three studies of which two explain the economic logic behind M&As from a business perspective. To this end, the Flemish market for newspaper publishing between 1990 and 2014 served as a case in point (Chapter 3). The third study highlights public interests of media mergers from a regulatory angle.

The business perspective first sketches the market context to understand what forces drove M&As. Despite rapid technological changes since digitisation took off and resulted in negative shifts in readership demand, it turned out that Flemish publishers realised normal profit margins by holding on to a traditional print-based business model in combination with cost leadership enabled by scale enlargement. The industry is not as 'in crisis' as some suggest; business appears to be scalable and can be adjusted to market decline (Chapter 4). However, M&As were an important survival strategy because they fulfilled the short- and long-term financial needs of failing newspaper publishers in Flanders in the mid-1990s and mid-2000s. The new owners restored profitability and liquidity of the acquired publishers in the short-term through, for example, refinancing, restructuring of assets and costs (e.g. layoffs), and efficiencies like the centralisation of facilities and services. It was clear from the severity of the situation that the publishers *Drukkerij Het Volk*, *De Vlijt*, and *Uitgeversbedrijf Tijd* could not have survived on their own but their rescue did not guarantee maintenance of all newspaper titles because of different post-merger strategies. These strategies emphasise, for one, the importance of long-term investments in innovation to realise sustainable recovery and growth and, second, explain how the centralisation of editorial processes may affect diversity of content (Chapter 5).

National competition authorities (NCAs) need to give their approval before these M&As are allowed to go through. The regulatory perspective widens the scope of this dissertation by reviewing how NCAs perceive and weigh economic and non-economic (e.g. access, diversity, and product quality) merger effects in their approval of M&As in media industries. Although both are taken into consideration, it remains unclear what exactly the notions of non-economic effects like diversity and quality entail, and how they should be safeguarded. NCAs also remain vague about who the stakeholders of these interests are, and, how these interests are weighed in their merger reviews. The authorities lived up to the premise of the consumer welfare standard by weighing both producers' and consumers' interests, but left considerable room for improvement (Chapter 6).

Based on the findings of the Ph.D. research project, this dissertation concludes with four main points of reflection (Chapter 7). The first point of reflection elaborates on the observation that concentration of media ownership in the newspaper market reached its limits. At least four scenarios are defined for the future survival of newspaper publishers, or more broadly, news media. The first option implies maximisation of the existing print-based business model, including further cost-reductions and cross border market concentration. The second scenario is a full digital switchover in content production, one example of which is the UK newspaper *The Independent*. The third option implies a redefinition of the publishers' role in the value chain of content, for example shifting from a product- to a customer-oriented business level strategy. In a final scenario, new players take over, providing new goods that make the old redundant.

The second point of reflection relates to government support as an alternative explanation for the survival of today's incumbents of the Flemish news industry. Although newspaper publishers benefit from various direct and indirect support measures, preservation should not stand in the way of innovation. The radical change in market conditions calls for policy reform, which in turn, requires greater market transparency.

The third point of reflection elaborates on the observation that NCAs found ways to ensure non-economic merger effects like consumer choice and diversity by imposing behavioural remedies (e.g. case law of *Wegener* and *Mediahuis* in the Netherlands and Belgium respectively). Further development of approaches and techniques to evaluate the effects of media mergers on socio-cultural and political welfare is desirable. Maximisation of the full scope of the consumer welfare concept is most likely when regulatory bodies (NCAs and MRAs) join forces.

A fourth and last point of reflection is a fundamental one. Approaches of the relationship between concentration of ownership and diversity, of communications scholars and economists, tend to depart from the supply side and assume that a variety of news sources will stimulate a diverse media diet of users. Yet, younger generations show less interest in news media. This puts the assumption of intrinsic demand for diverse news content into question in an era of information abundance and, hence, the applicability of the structure-conduct-performance model to non-economic product characteristics such as diversity – a challenging question for future research.

In sum, this dissertation proves the importance of looking beyond short-term profits to understand the economic and non-economic impact of media mergers and how society can gain from it on the long-run.

NEDERLANDSTALIGE SAMENVATTING

DUTCH SUMMARY

Consolidatie van eigendom in mediasectoren: Overlevingsstrategieën van dagbladuitgevers en de regulatie daarvan in het digitale tijdperk

Fusies tussen en overnames van mediabedrijven hebben het voortbestaan van nieuwsmedia zoals dagbladen verzekerd, maar hebben in het verleden ook geleid tot de beëindiging van titels. Voorbeelden in Vlaanderen (België) zijn dagbladen *De Morgen* (1990) en *Het Volk* (1994). De nieuwe eigenaar van *De Morgen*, *De Persgroep*, wist het falende bedrijf weer succesvol te maken, in tegenstelling tot *Het Volk,* dat uiteindelijk opgeheven door de *Vlaamse Uitgeversmaatschappij*. Het lot van *Het Volk* is het doemscenario voor communicatiewetenschappers, omdat voor hen een veelheid aan nieuwstitels de diversiteit van ideeën en meningen in de maatschappij weerspiegeld. Opheffing van een titel kan zo een potentieel gevaar vormen voor de waakhondfunctie van de media. De voorbeelden tonen echter aan dat de effecten van concentratie van eigendom in mediamarkten door fusies en overnames tegenstrijdig kunnen zijn. Er is dan ook geen duidelijke consensus onder communicatiewetenschappers noch onder economen over de relatie tussen consolidatie van eigendom en diversiteit.

Dit proefschrift draagt bij aan dit vraagstuk door te ontrafelen *waarom mediabedrijven zijn gefuseerd of overgenomen in het digitale tijdperk en hoe dit wordt gepercipieerd door de betrokken toezichthoudende autoriteiten.* Inzichten en methoden uit verschillende disciplines – communicatiewetenschap, economie, strategisch management en boekhoudkunde – zijn geïntegreerd om beter zicht te krijgen op de oorzaken en effecten van fusies en overnames in mediasectoren (Hoofdstuk 1 en 2). Het doctoraatonderzoek omvat drie studies, waarvan twee de bedrijfseconomische logica van fusies en overnames belichten. De Vlaamse dagbladmarkt tussen 1990 en 2014 is hierbij als voorbeeld genomen (Hoofdstuk 3). De derde studie legt de nadruk op de publieke belangen van fusies en overnames tussen mediabedrijven en vertrekt vanuit regelgeving en toezicht.

Het bedrijfseconomische perspectief schetst, om te beginnen, de marktcontext om de langetermijntendensen inzichtelijk te maken die tot overnames en fusies hebben geleid. Ondanks de snelle, technologische veranderingen die hebben plaatsgevonden sinds de intrede van digitalisering

midden jaren '90 en verminderend leesgedrag, hebben de Vlaamse uitgevers normale winstmarges weten te realiseren. Dit is te verklaren door het vasthouden aan het traditionele businessmodel van papieren kranten, in combinatie met een sterke focus op kostenbeheersing middels besparingen en het vergroten van de efficiëntie. De sector bevindt zich niet in een zodanige 'crisis' als soms wordt beweerd; de bedrijfsactiviteiten zijn schaalbaar en daarmee aan te passen aan de verminderde vraag in deze krimpende markt (Hoofdstuk 4). Fusies en overnames waren echter een belangrijke overlevingsstrategie, omdat deze aansluiten bij de financiële behoeften (op korte en lange termijn) van de falende Vlaamse uitgevers tussen 1990 en midden jaren '00. De nieuwe eigenaren verbeterden de rentabiliteit en liquiditeit van deze uitgevers op de korte termijn door, bijvoorbeeld, herfinanciering, herstructurering van activa, kostenreductie (bijvoorbeeld door massaontslagen) en efficiëntieverhogende maatregelen zoals het centraliseren van faciliteiten en diensten. De ernst van de situatie van de uitgevers *Drukkerij Het Volk*, *De Vlijt* en *Uitgeversbedrijf Tijd* was zodanig dat zij op eigen kracht niet konden overleven. De redding van deze bedrijven heeft echter niet het behoud van alle titels gegarandeerd, vanwege verschillende post-fusie- of post-overnamestrategieën. Deze strategieën benadrukken het belang van langetermijninvesteringen in innovatie om duurzaam herstel en groei te realiseren. Daarnaast hebben deze strategieën mogelijk ook impact op de diversiteit van media-inhoud gehad, als gevolg van centralisatie van redactionele processen (Hoofdstuk 5).

Fusies en overnames dienen voorafgaand te worden goedgekeurd door nationale mededingingsautoriteiten. Het beleidsmatige perspectief verbreedt de context van dit proefschrift door te evalueren hoe deze autoriteiten economische maar ook niet-economische effecten (bijvoorbeeld toegang, diversiteit of productkwaliteit) van fusies of overnames percipiëren en afwegen in het uiteindelijke besluit. Hoewel beide facetten in overweging worden genomen, blijft het onduidelijk wat niet-economische effecten zoals diversiteit precies behelzen en hoe deze kunnen worden gegarandeerd. Mededingingsautoriteiten blijven daarbij vaag over wie de belanghebbenden van dergelijke publieke belangen zijn en hoe deze worden afgewogen ten opzichte van economische (meer kwantificeerbare) belangen. De autoriteiten komen de doelstellingen van consumentenwelvaart na door zowel de belangen van producenten als consumenten af te wegen, al is er nog veel ruimte voor verbetering (Hoofdstuk 6).

Op basis van de bevindingen van het doctoraatonderzoek, sluit dit proefschrift af met een viertal reflecties (Hoofdstuk 7). Het eerste punt van reflectie omvat een viertal scenario's voor de toekomst van uitgevers, of in bredere zin nieuwsmedia, op basis van de constatering dat consolidatie van eigendom in de nationale dagbladmarkt zijn limiet heeft bereikt. Een eerste scenario is verdere exploitatie van het traditionele business model met de bijbehorende kostenbesparingen, in combinatie met verdere expansie buiten de landsgrenzen. Het tweede scenario is een volledige omschakeling naar zowel digitale productie als verspreiding van media-inhoud, zoals bijvoorbeeld de Britse uitgever *The Independent*. Het derde scenario behelst herdefiniëring van de rol van de uitgevers in de waardenketen van media-inhoud. Bijvoorbeeld de transitie van een product- naar een klantgeoriënteerde bedrijfsstrategie. In het vierde scenario nemen nieuwe spelers de markt over met nieuwe producten, die een substituut zijn voor bestaande producten.

Het tweede punt van reflectie relateert aan de steunmaatregelen van de overheid, die een alternatieve verklaring zijn voor het voortbestaan van de traditionele uitgevers in de Vlaamse nieuwsmarkt. Hoewel dagbladuitgevers profiteren van verschillende directe en indirecte steunmaatregelen, moet het behoud van deze bedrijven innovatie niet in de weg staan. Drastische verandering van de marktcondities roepen op tot beleidshervormingen. Beperkte markttransparantie vormt echter een obstakel voor dergelijke hervormingen.

Het derde punt van reflectie bouwt voort op de observatie dat mededingingsautoriteiten manieren hebben gevonden om niet-economische effecten van fusies of overnames, zoals consumentenkeuze en diversiteit, te garanderen middels gedragsverbintenissen (bijvoorbeeld de zaken van *Wegener* en *Mediahuis* in respectievelijk Nederland en België). Verdere ontwikkeling van methoden is wenselijk om de effecten van fusies en overnames op sociaal-culturele en politieke welvaart beter te kunnen evalueren. Krachtenbundeling tussen de betrokken toezichthoudende instanties (mededingingsautoriteit en media-toezichthouders) zal verdere realisatie van de doelstellingen van consumentenwelvaart ten goede komen.

Tot besluit een meer fundamentele reflectie. De relatie tussen consolidatie van eigendom en diversiteit wordt door zowel communicatiewetenschappers als economen vaak benaderd vanuit de aanbodzijde van de markt. Dit veronderstelt dat een variëteit van nieuwsbronnen ook divers mediagebruik stimuleert. Jongere generaties tonen echter minder interesse in nieuwsmedia. Dit stelt de assumptie van intrinsieke vraag voor diversiteit van nieuws of media-inhoud ter discussie, in de context van het huidige informatietijdperk. Dit betekent ook dat de toepasbaarheid van het 'structure-conduct-performance' model voor niet-economische productkarakteristieken zoals diversiteit ter discussie moet worden gesteld. Een uitdagende probleemstelling voor toekomstig onderzoek.

In het kort, dit proefschrift toont het belang aan om verder te kijken dan kortetermijnwinst om de economische en niet-economische impact van fusies en overnames tussen mediabedrijven te begrijpen en hoe de samenleving daar op de lange termijn van kan profiteren.

ABOUT THE AUTHOR

Miriam van der Burg (January 22, 1985) started her academic career as a bachelor (2003–2007) and research master student (2007–2010) of Communication Science at the *University of Amsterdam*. From January to June 2008, she took theoretical courses on the political economy of communication at *Simon Fraser University* in Vancouver, Canada. She wrote her master thesis about the democratic potential of online news media under the supervision of Professor Klaus Schönbach. After obtaining her degrees, she started working for the Dutch media authority (*Commissariaat voor de Media*) as a junior researcher in June 2010. She further developed her interest in media economics and regulation through her contribution to the authority's annual publication *Mediamonitor* and policy memos on various topics. In September 2013, Miriam continued her academic career as a Ph.D. student in the Media, Policy & Culture research group of the Department of Communication Studies at the *University of Antwerp*. In her Ph.D. research project, she zoomed in on the causes and effects of the consolidation of ownership in media industries, in collaboration with Dr. Tobias Klein (*Tilburg University*, Department of Econometrics) and under the supervision of Professor Hilde Van den Bulck and Professor Jan Bouckaert (both *University of Antwerp*, Departments of Communication Studies and of Economics, respectively). The studies she conducted were part of a larger project on the relationship between consolidation and the diversity of content in newspapers. During the Ph.D. project, she was also involved in external projects and activities. She chaired the *Netherlands – Flanders Communication Association's* peer-jury for the Flemish dissertation award, contributed to a benchmark study of public broadcasting in Europe involving various Belgian universities, and carried out the test implementation of the Media Pluralism Monitor in the Netherlands, which is coordinated by the Centre for Media Pluralism and Media Freedom at the *European University Institute* in Florence, Italy. She visited Professor Michel Clement's research group Marketing and Media of the Faculty of Business Administration at the *University of Hamburg* in March 2017. Miriam presented her work at international conferences of the *European Media Management Association* and *International Communication Association*. Moreover, her articles are published in peer-reviewed journals such as *Information Economics and Policy* and *Journal of Media Business Studies*. Since August 2017, she has been working at *Mediahuis*.

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