The Swiss model of the press: concentration and digital diversification

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Abstract
The presentation deals with the Swiss model of the press, the crisis of the Swiss press, the strategy of concentration as well as the strategy of digital diversification.

Reference
1. Introduction: the Swiss model of the press

2. The crisis of the Swiss press

3. The strategy of concentration: the Swiss daily press

4. The strategy of digital diversification: analysis of the main Swiss press groups

5. Conclusion
1. Introduction

The Swiss model of the press

Press landscape

Switzerland is a press country: a high per capita print circulation and readership for newspapers

Long tradition of local newspapers: media are considered as essential for democracy

Diversity: languages, regional and local newspapers

But: the decline of the print paid-for press in Switzerland
Time dedicated to read newspapers per day (2010-2011)

SWITZERLAND

Utilisation des différents médias en minutes (2013)
SWITZERLAND: the main daily newspapers (2014)

Die 15 grössten Tageszeitungen 2014

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The press crisis

The Swiss press is faced to a strong crisis

406 paid-for newspapers in 1939
232 in 2000
and only 181 in 2014
Recent trends

- Concentration in the paid-for press
- Development of the free press

The free daily press

*20 Minuten* (Tamedia), *Blick am Abend* (Ringier), *20 minutes* (Tamedia)

More than 1/3 the total circulation of Swiss dailies in 2014

Readership of *20 Minuten* = 1.5 million
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Concentration: importance of the topic

Doyle, 2002:
- Pluralism/democracy
- Economic efficiency

Value conflict in public policy (Just, 2009):
Safeguarding competition ≠ Ensuring media plurality/diversity/pluralism

Concentration of ownership may not be synonymous with concentration in controlling activities, particularly editorial controlling, with regard to the media
Media concentration: debates

- Theoretical literature: concentration may either increase or decrease media market performance
- Empirical works: complex effects

In Switzerland: Bonfadelli and FÖG (various studies): decrease of quality

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Measures of concentration

- Which index?
- Which relevant market?
- Specificities of the media sector

We use: C4, HHI and Noam Index (Noam 2009)

We calculate indexes by taking into account owners
Concentration in the Swiss daily press

Between 2005 and 2014, concentration increased and became strong for the Swiss daily press

- The C4 increased from 54% to 82%
- the HHI increased from 1,105 to 2,583
- The first company, Tamedia, represented 45% of the total circulation in 2014 (free and paid-for daily newspapers)

Concentration in the Swiss daily press
Analysis

- Some important mergers: in 2011 Tamedia-Edipresse Suisse
- Strong development of free news: free print dailies and Internet news
  But: some dailies have kept a faithful readership
- Decline in advertising revenues: financial difficulties in the press, particularly the daily paid-for press
  Net advertising resources in the daily press :
  ➢ 1 232 million CHF in 2005
  ➢ 689 million CHF in 2014
Concentration in the Swiss daily press

The Swiss market is very small (now only 8 million inhabitants)
From an economic point of view high concentration indexes are natural

But concentration is not the only strategy of the main press groups to overcome the crisis

Press groups are developing strong digital strategies

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The Tamedia digital strategy

The new strategy of Tamedia is no longer a strategy focused mainly on print activities.
Of course, Tamedia has always an important activity related to production of news and information.
But, for several years the diversification of Tamedia has been based on the new uses of Internet and thus has led to a digital strategy.

The Tamedia digital strategy

Tamedia has online platforms dedicated to online news: 20minuten.ch, 20minutes.ch, tio.ch, newsnet.ch

Moreover Tamedia has horizontal online platforms with four great platforms: search.ch, local.ch, tutti.ch and doodle

Tamedia has also a portfolio of vertical digital platforms which concern various segmented markets (homegate, car4you, auto.ricardo, ricardo.ch, Jobs, Fashionfriends, starticket, Olmero and renovero, zattoo)
The Tamedia digital strategy

The revenue of the digital activities is increasing. It amounted to 221 million CHF in 2015. Thus in 2015 digital offerings represented 21% of the total revenue of Tamedia and 31% of the EBITDA. The digital sector is highly profitable with an EBITDA margin equal to almost 32% in 2015. The digital sector, after its important difficulties in 2012 (with a negative EBITDA margin) is now one of the motors of development of Tamedia.

Without any doubt the development of mobile services will reinforce this tendency.

The strategy of the Ringier group

Marc Walder, the CEO of Ringier / Eric Schmidt, the Executive Chairman of Google: “the internet will disappear!” Schmidt added:

“The internet per se will disappear, because everything will be connected: the clock, the refrigerator, the car, the thermostat, the TV. Literally everything.”

Indeed for the recent years the strategy of Ringier has been marked by a considerable development of digital activities. In 2014 digital revenues represented 32.1% of total revenues of Ringier, while it represented only 8.5% in 2008 and 18.3% in 2012. And in 2014, nearly 50 percent of the group EBITDA was generated by its digital operations.
The strategy of the Ringier group

Digital activities included in 2014 the four following segments:

- By developing services offered in the automobile and real-estate sectors, Ringier has become a leader in the Swiss online classified-advertising market.
- E-commerce: cash.ch, deindeal.ch, geschenkidee.ch, geschenkidee.de, geschenkidee.at, ideecadeau.ch, ideecadeau.fr, parfumidee.ch, qualipet.ch
- Digital Marketing: omnimedia.ch
- Mobile Apps: MotoScout24, ALPHA, Anibis, AutoScout24, cash, DeinDeal, Geschenkidee, ImmoScout24, jobs.ch, JobScout24, jobup.ch.

Besides, a joint venture with Axel Springer Switzerland (to create “Ringier Axel Springer Medien Schweiz”) was approved in August 2015 by the COMCO- the Swiss Federal Competition Commission.

The focus on digital business is also the main reason of the agreement between Ringier Digital and the American investment company KKR (near 100 billion dollars of assets in March 2015) which took 44-percent stakes in Scout24 Switzerland AG and Omnimedia AG in August 2014.
The strategy of the Ringier group

The Ringier-Swisscom-SSR (Société suisse de radiodiffusion et télévision - Swiss Broadcasting Corporation -) advertising joint venture was approved in December 2015 by the COMCO.

Source: Badillo, Amez-Droz, Bourgeois, & Kempeneers. 2015, p. 3 (our translation)
Conclusion

The Swiss model of the press is evolving:
- Big Swiss press groups
- Agreements with other Swiss groups, but also with foreign groups
- Decreasing costs: integrated newsrooms
- Focus on digital activities

The press remains a strong industry:
- “Information media” remain essential for democracy: political debates
- High readership
- Tamedia and Ringier, but also many “voices”
- Now discussions about media regulation issues

THANK YOU!

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