

# Mass Media in Search of a New Management and Business Model

Ion STAVRE <sup>1</sup>

## *Abstract*

*This research presents, in a condensed manner, the evolution of mass media over the past ten years, as a direct result of the rise of digital technologies. These influences can be easily noticed, are highly visible and are exerted in three directions: content-wise, management-wise and business-wise. One can say, metaphorically, that the traditional media moguls are being replaced by Internet moguls.*

*Another consequence of the rise of digital technologies is the convergence of communication means, obvious in our daily lives. Finally, the Internet can also be regarded as a creativity – inhibitor. The „copy-paste” phenomenon has become so widespread that it made elements of originality so much harder to identify. The „copy paste” phenomenon also has another side, as shown by the case of dr. Jekyll and Mr. Hyde: people are, without any trace of doubt, living in an ever more informed world.*

**Keywords** *media convergence, Internet television, GSM television, globalization*

**JEL classification:** L82, L86

## **Introduction**

After 1984, the digital technology expanded tremendously, influencing both the film and mass media sectors on the one hand regarding their content and relationship between media producers and consumers, and on the other hand, regarding the media management and business models.

Already in 2004, a report on the American press sector, “The State of the New Media”, was identifying eight trends for the following years that were announcing major changes. These changes were targeting: a reduction in news audience, changes in the journalistic standards, a reduction of costs which would invariably lead to less news quality, a convergence of communication means and the fact that those entities manipulating the press and the public seem to have gained much influence over the journalists.

Many of the questions that have been raised since, regarding the entire media industry, have been economic in nature rather than technological. This is one of the situations in the history of communication means when the technology has influenced and keeps influencing decisively the content (State of the Media, 2004). “Will the online environment prove to be a less adequate environment for publicity and subscriptions than the written press, in order to be able to offer a solid

---

<sup>1</sup> **Ion STAVRE**, National School of Political and Administration Studies,  
E-mail: ion.stavre@comunicare.ro, Phone: 0040 731 358 200

economic basis for media companies? If so, then the Internet will lead to a general decline of American journalism quality, not so much because the online realm is unsuitable for news, but because it cannot ensure the necessary profit to allow growth”, was stated in 2004 in the report on American press quoted above.

The great changes envisioned in 2004 were not of too much novelty in the evolution of the media industry. Every new communication channel that has been introduced has always been an improvement of something that already existed on the market. The apparition of radio learned from the experience of the written press, but also influenced it. The introduction of television was based on the experience of using images in cinematography, sound in radio, but influenced in return the cinematographic sector as a business. The large American cinema chains, property of the Hollywood studios, have significantly reduced their numbers after the apparition of television, and the famous drive-in cinemas almost completely disappeared. Leong (2001) states that cinema halls became smaller and the classic cinema turned from an institution on its own into a component of shopping malls. Television also influenced the radio, transforming it in a communication means listened to mainly in the mornings. Furthermore, the launch of the Internet fully transformed all the existent communication means: the written press (newspapers) became mainly audiovisual press and further rebranded in the online sphere as news portals, displaying interview recordings and videos. Television also went online, but also, more recently, on mobile phones, through Internet connection. The radio can be found online too, the audio component being sometimes complemented by video, through the introduction of webcams within radio studios. Technology therefore highly influenced the editorial content, the media management and business models altogether.

We will further look more closely and try to evaluate several aspects of these transformations.

### **1. The influence of the digital technology on the editorial content**

In the following paragraphs, we will go through several ways the digital technology has influenced the editorial content, situations which also have had an impact in the media management and business sectors.

1. Live broadcasts have replaced in a significant proportion the pre-recorded news bulletins. This way, the live broadcast has partially replaced the classic production chain: filming, text writing, voice recording, image editing and broadcast. For live transmissions, the signal goes straight from the studio to the viewers (through cable companies or terrestrial broadcast). Beside the classical route of the TV signal, current digital technologies also offer the GSM, 3G or 4G transmission channels. This is a good example of technological convergence of communication channels. The growing popularity of live broadcast has accentuated the importance of location producers in news creation. Edited footages are now less prevalent within classic 40 minutes news bulletins.

2. The high array of television channels, as a direct result of the digital technology (through the same cable one can now transmit eight times more digital

TV channels than analogue ones) has led to smaller production costs. Variety shows for example had to switch from weekly productions to monthly productions after 1992, due to their high production costs. Eventually, as Fonet (2003) points out, these types of shows completely disappeared, becoming unsustainable. They were more recently replaced by entertainment shows and reality TV programs, which require smaller budgets.

3. The influence of digital technology is also manifested in the publicity sector and program promotion.

4. The main transformation was seen in the written press. Newspapers have been forced, from 2000 onwards, to switch to or at least introduce online versions. As Ramonet (2004) shows, “sales of the American daily, the International Herald Tribune, dropped by 4.16% in 2003; in Britain sales of the Financial Times have fallen by 6.6%; over the past five years, newspaper sales have fallen by 7.7% in Germany, 9.5% in Denmark, 9.9% in Austria and 6.9% in Belgium. Even in Japan, with the highest purchase of newspapers in the world per head of population, sales have fallen by 2.2%.

Over the past decade in the European Union the number of papers sold overall has fallen by a million a day. Worldwide, the distribution of purchased (rather than free) papers has been falling at an average of 2% a year. Some people are beginning to wonder whether the printed press is a thing of the past, a relic of the industrial era destined for extinction”. The traditional written press, read during breakfast or at the office, after an entire ritual, began to fade away and move almost entirely online, as audio-visual press. Commercials and movies have been creating real stereotypes in former times, displaying the ritual associated with reading the newspaper, most often during family gatherings. The transition from written to online press has taken place gradually. The main issues that emerged from this switch were: greater consumer mobility – through the possibility of reading the press anywhere, anytime – and the finances necessary for the functioning of the business, finances that had to emerge in one way or another from the end consumers, from the readers. Initially, both types of press – written and online – coexisted. From 2000 onwards, some newspapers chose to send e-mails to their subscribers and potential readers containing articles, providing free access. The following stage was the introduction of partial restrictions for online articles and eventually full restrictions on content, with access allowed only to the news titles. The full access to news was going to be granted only based on a subscription.

This model however, was not met with success and appreciation everywhere. *Le Monde Diplomatique*, for instance, is based on subscriptions, lacks commercials, ads, or audiovisual content. Other publications have chosen a different development model, based on commercials and free (or almost free) access to content. This model is widespread in Romania as well. One of the reasons for this choice is that readers have been unwilling to pay in order to read online news. The Internet was considered a free space and most Romanians refused to pay for online subscriptions to newspapers. Some publications, like *CanCan*, have chosen to associate with a TV channel in order to survive. The association took

place in 2011, and the tabloid has managed to save itself temporarily, with the tabloidization of the respective TV channel (in this case, Kanal D, a TV channel based on Turkish capital). Today, this partnership no longer exists.

The development of online press depends on the mobility of devices the consumer uses. The development of smart phones and tablets has facilitated access and has contributed to the development of online press. Romania has seen a failed initiative of newspaper owners to create partnerships that would stimulate the acquisition of tablets by providing 2-years subscription plans to come along. This model has been borrowed from mobile phone providers which attract customers by subsidizing the price of their devices by offering 2-years subscriptions to various phone network providers. The initiative failed, the Romanian press finding itself in a desperate economic situation judging by its rather poor quality.

Internet press faces now two essential problems:

- The traditional newspaper bought from newspaper stands could not be replaced so far with a viable alternative.
- When it comes to online publicity, the publications face the tremendous competition posed by Google. In the US, Google gains more from publicity than all the American online publications put together. To limit this phenomenon, France and Belgium have introduced laws that transfer part of Google's publicity gains in those countries to the local publications.

As for now, the general information does not seem to be attractive enough to generate a great demand for subscriptions. It is more the niche publications such as economic newspapers or history papers that can succeed in the online subscription department (Ramascanu, 2013).

## **2. Media and Mobile Phones**

The emergence of smart phones and tablets resulted in extending television on mobile phones. According to a study written by the Department of Media and Communication within the London School of Economics and Political Science, people watch various productions on their mobile phones during their journeys (either by train, metro or bus), whenever these journeys take longer than ten minutes.

People also tend to watch productions on their mobile phones while waiting, for instance in airports. At home, people use mobile phone to watch TV or other productions whenever the TV is used by other family members or if the current TV offering is not interesting enough. As noted by Orgad (2006) in her work, mobile phones broadcastings are also watched in schools during recess and at work, during lunch breaks.

GSM technology in the television field is now much more advanced than the business model which links together the program producers, distributors, advertisers and consumers. The fundamental question is: how does one regain from consumers the money that has been invested? For the classic television model, advertising sustains the production and the distribution, and the consumers pay a

fee to the cable TV distributors, the monitoring including the viewership during commercials as well. Due to the fragmented viewership patterns and the small size of the mobile phone screen, advertising for the mobile phone – adapted television displays some particular features:

1. The commercials must be very well linked to the particular brand being promoted and must be humorous.

2. The transmission designed for mobile phones may contain advertising in the form of product placement. This advertising method is compatible with the short duration of the transmission.

3. The specific tags at the end of the transmission are very useful for promoting the programs based on specific patterns for each GSM TV channel.

4. An advertising spot for GSM should be 15 seconds long, with a short version of 7-8 seconds, therefore much shorter than the one used for classic television, where such a spot is now 30 seconds long, with a shorter version of 20 seconds. To be noted that the duration of commercials has been on a constant decreasing pattern, having started from a duration of 45-60 seconds in the '70-'80 (Richter, 2006). This decrease in duration went hand in hand with another phenomenon, which is fast forward editing, with short frames, specific to the MTV generation.

5. Some advertising agencies have created, especially for GSM television, the so-called “advertgames” – interactive games that place the consumer in direct relation with the brand.

To conclude, five features have been identified, which define the influence of the digital technology and of the Internet on television (Noam, Groebel and Gerbag, 2004, p. 65-75).

1. Reduced transmission costs and limited constraints concerning the world wide transmission of the signal. The TV signal transmission requires the transmission infrastructure, the receiver set and various costs concerning the access to information (type of subscription, etc.). The current infrastructure is much less expensive than the classical broadcasting of the TV signal, through analog terrestrial transceivers, and the receiver equipment may have multiple functions (the computer monitor can act as a TV set, and vice-versa, the TV set may be equipped to be connected directly to Internet - the smart-TV).

2. Interactivity is higher than ever. Two kinds of interactivity can be identified: interactivity with the program content itself, and interactivity with other technological equipments, in order to produce *enhanced TV*. The consumer can also change the aspect ratio of the picture, 4:3, 16:9, 14:9 or cinema.

3. Advertising and sponsorship are now much more efficient thorough digital technology. The most important transformation of the advertising distribution is that it can be now personalized in order to address the consumer's Internet persona. Complex software can identify consumer preferences by screening the Internet sites that have been accessed. These data are then used by advertising companies in order to deliver the suitable advertising spot to the right category of consumers.

4. The Internet allows direct pricing methods and better clustering of products to be sold. Apart from the classic subscription, the digital technology has brought new pricing methods for the audio-visual consumers. The video-on-demand method of payment allows the consumer to only pay for what he/she views. Digital technology is also able to identify the client's financial potential. Nowadays, various software allow for a better identification of high versus low value customers, through the so-called dynamic pricing. Other interesting options are also offered by the digital technology: "A variety of other price discrimination devices, such as reduction of prices over time for movies as they become older, or lower prices for repeat viewings, are also efficiently managed on the Internet." (Noam, Groebel and Gerbag, 2004, p. 65-75).

5. Lower costs for copying and for exchanging audio-video productions. The digital technology and the Internet have raised copyright issues. In some cases, the number of paying costumers has declined dramatically. In Romania, the first digital IPTV type platform has been provided by INES in 2006. In the following years, other such platforms have been launched, such as Voyo.ro from ProTV, Antenaplay.ro and, starting in December 2013, Digi Online. With the development of these services, ProTV required that all the websites that provided free online movies be closed down (this was done through the CNA - The National Audiovisual Council – which is the Romanian regulatory authority in the media sector) (ReporteRVirtual, 2013). Although the Internet does not fall under CNA's jurisdiction, the Council noticed the Police regarding those websites that provided free online movies.

Gains can also come from one particular TV channel's archive of video productions. For some platforms, such as INES, browsing through the archive is free of charge. INES offers, in this sense, an extremely valuable service: it can save what has been broadcasted on the first five TV channels ranked by audience during the past 72 hours. Therefore, the consumer is now able to watch anything that has been broadcasted by a particular channel during the past three days.

### **Conclusions**

It is fairly clear nowadays that Internet TV is developing based on two financing options: through commercials and through the direct payment for consumption. We believe that the financing system based on video-on-demand will lead to a new stratification of the paying public. Quality content will become more expensive, available through video-on-demand, while the content available through subscription will be a combination of high and low quality programs. Publicity will become more involved with the production and distribution of programs.

The fact that the Internet now allows for worldwide online distribution will lead to a growing pressure towards the globalization of the audiovisual production. For the time being, the content remains highly localised. The communication barriers can be overcome by directly producing in a different language or by adding subtitles to the existing productions.

The Romanian newspapers have not been able to change their business model once they went online. Written and online press still coexist. There isn't yet a successful business model in place for the online press.

The Romanian media market can be seen from two perspectives: the technological and the content one. From a content perspective, the Romanian media market lacks productions of Romanian movies or documentaries. From a technological point of view, the market is still young and one can see all the current technologies in the field. Technologies are expected to develop even further after the end of digitalization, estimated for 2014. This business sector can be very easily developed on a regional level, from a technological perspective. Couldn't Romania become a regional multimedia provider, in the Balkans? For now, the answer to this question is negative, because the Romanian business media owners do not yet foresee a profitable business environment in this sector. The Romanian media is still regarded as a power instrument, as a tool for maintaining political power and less as a business. This is also partially based on the fact that the movie productions that could be sold on the European markets are quasi-inexistent.

### References

1. Fonnet L., (2003). *La programmation d'une chaîne de Télévision*. Paris: Dixit - Dess Paris 1 Sorbonne, p. 136.
2. Leong, S.T. Gruen Urbanism. In: C. J. Chung, J. Inaba, R. Koolhaas and S. T. Leong, eds. (2001). *Harvard Design School Guide to Shopping: Project on the City 2*. Köln: Taschen, p. 381.
3. Noam, E., Groebel J. and Gerbag D. eds., (2004). *Internet Television*. London: The European Institute for the Media.
4. Orgad, S. (2006). *This box was made for walking: How will mobile television transform viewers' experience and change advertising?*. London: London School of Economics and Political Science. p.10.
5. Ramascanu, L. (2013). Interviu cu Directorul Executiv Kanal D. Interviewed by Ion Stavre. [recorded].
6. Ramonet, I. (2005). Médias en crise. *Le Monde Diplomatique*, [online] January. Available at <<http://www.monde-diplomatique.fr/2005/01/RAMONET/11796>> [Accessed 20.12.2013].
7. ReporteRVirtual, (2013). *DigiOnline, replica lui Zoltan Teszari la Voyo.ro si AntenaPlay, de astazi pe piata*. [online] Available at <<http://www.reportervirtual.ro/2013/12/digionline-replica-lui-zoltan-teszari-la-voyo-ro-si-antenaplay-de-astazi-pe-piata.html>> [Accessed 27 December 2014].
8. Richter, T., 2006. *The 30-Second Storyteller: The Art and Business of Directing Commercials*. Thomson Course Technology.
9. State of the Media, 2004. *Pew Project for Excellence in Journalism. The State of New Media 2004 – An Annual Report on American Journalism*. [online] Available at <<http://stateofthedia.org/2004/>> [Accessed 27 December 2014].