

MEDIA INDUSTRY IN THE DIGITAL WORLD

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Abstract:

The development of the internet and the expansion of digitalization changed the way society works, especially mass-media. The question is if the internet was an advantage or a disadvantage for mass-media? Apparently, on one hand digitalization determined the reduction of production and distribution costs but also content diversification. At the same time, social media and rapid documentation brought an accession in the quality of journalistic product as well as the entering on the market of multiple actors, in consequence, more ideas more carefully selected. On the other hand, it is possible that the internet may have increased the volume of information, detrimental to its credibility. In other words, the quality of the journalistic act and its results have been altered or at least crippled. Methodologically, starting from the observation of the actual situation in mass-media industry and economy, we propose to make a content analysis. We will talk about aspects concerning the challenges and the opportunities from media industry in the digital context, analyzing the opinions of other researchers about the topic. We are trying to present the concepts that we sustain in the light of some reference works and to give examples from the reality of Romanian and international mass-media economy. The mass-media sector in the digital world is confronting with opportunities and challenges. The change isn't simple and without risks but is expensive and may be the only way of survival for each of the societies in this sector. In order to build successful businesses in media industry just like in any other sectors, sustainable growth has to be the main characteristic. Sustainable development, predictability and upward economic growth are possible only taking into account the context in which the organization operates. Adapting press organization to the external environment, a creative response to market challenges and optimal management of the financial capital but mostly of the immaterial one are some of the challenges for the involved societies in the mass-media digital era.

Keywords: communication; mass communication; mass media.

JEL classification: L82; D83.

1. Introduction

The mass-media sector in the digital world is confronting with opportunities and challenges. The change isn't simple and without risks but is expensive and may be the only way of survival for each of the societies in this sector. In order to build successful businesses in media industry just like in any other sectors, sustainable growth has to be the main characteristic. Sustainable development, predictability and upward economic growth are possible only taking into account the context in which the organization operates. Media industry, at the beginning of the XXI century is in a context marked by digitalization. Convergence, divergence, market or digital economies are words that characterize our world. The European Commission in the 18 December 2012 communication regarding the content of the single market digital frame, shows that „*digital economy* was an important engine of the economic growth in the past decades, and in the coming years it is expected to grow seven times faster than the global GDP of EU.”

(COM (2012) 789 FINAL) This forecast provided by the European Commission must be taken into account by the active economic agents in mass-media. Such an important growth in the economic situation marked by the crisis brings new perspectives for the mass-media sector operators.

The same document of the European Commission supports that the online environment it is expected in the future to offer new ways of creating and distributing valuable content.

„The emergences of new affairs models that are able to take advantage of the internet potential of offering content represent at the same time a challenge and an opportunity for creative industries as well as for authors, artists and other actors of the digital economy. In this context, one of Commission’s objectives is to guarantee that copyright and related practices such as licensing, continues to meet the requirements of this new digital context.” (COM (2012) 789 final) Challenge and opportunity are key words for the creative frame of media industry development in the digital world.

Methodologically, starting from the observation of the actual situation in mass-media industry and economy, we propose to make a content analysis. We will talk about aspects concerning the challenges and the opportunities from media industry in the digital context, analyzing the opinions of other researchers about the topic. We are trying to present the concepts that we sustain in the light of some reference works and to give examples from the reality of Romanian and international mass-media economy.

In the first part we will try to analyze the main characteristics and trends of mass-media production in the digital context. We will make reference to aspects regarding speed, quality, and costs in media production in the digital world. In the second part, starting from the new economic realities we will make a short analysis of mass-media market insisting on the aspects regarding the competition, the diversification of offers, and market division in digital economy.

The development of the internet and the expansion of digitization changed the way society works, especially mass-media. The question is if the internet was an advantage or a disadvantage for mass-media? Apparently, on one hand digitalization determined the reduction of production and distribution costs but also content diversification. At the same time, social media and rapid documentation brought an accession in the quality of journalistic product as well as the entering on the market of multiple actors, in consequence, more ideas more carefully selected. On the other hand, it is possible that the internet may have increased the volume of information, detrimental to its credibility. In other words, the quality of the journalistic act and its results have been altered or at least crippled.

2. Mass-media production in digital context

Last century was called *the century of speed*. In the attempt of conquering space and time, man accelerated as fast as possible in all areas to gain the biggest speed. The records have always been broken: from the jet engine discovered in 1910 by Henri Coandă to nowadays supersonic airplanes, from the animal-drawn carts to cars that reach over 100km / h in less than five seconds, from the newspaper that could only be read after a few days or even weeks after they appeared to information transmitted instantly using digital technologies. A famous journalist pleased by the speed of communication said: „Among the remarkable achievements of human genius nothing can exceed in importance the triumph over space and time, materialized in the human’s ability to communicate even if they are far away from each other.” (Bryant, J., Thompson. S. 2002:68) Reading this affirmation we may believe he is talking about the internet, but the words have been written in 1872 by the journalist Horace Greely who was excited by the possibilities and the transformation brought by the telegraph in those days mass-media.

Speed and precision are mass-media characteristics in the digital context. Even though the first step in the speed of collecting and communicating information was made through the apparition of telegraph, the internet and the digital world accelerated this way of communication. The possibility of redactions to collect fast and precise information brings freshness, clarity and attractiveness for the program content in audiovisual or the articles in newspaper. Often, before having these modern ways of communication, uncertainty flew over some information gathered and transmitted through media means either we are talking about the written press or audiovisual. The world of internet developed even more the possibility of checking the information.

The speed that helps today to obtain and to transfer the information generated important changes in the growth of journalistic product quality.

The quality is another consequence of digitalization. A quality business in mass-media implies that the operator move fast on all fronts. To be the first that has the last hour technology in order to accomplish the most professional audiovisual program or the best publication. Quality and trust are the two hands that build together the relationship between the transmitter and the receiver, more precisely, the press institution and the beneficiary client. The media product or service that helps the consumer live the experience he desires and that brings him into a new reality is the product or the service that has quality. We all desire quality in mass-media and digitalization is a way of achieving this objective.

Digitalization brought the reduction of production costs. Modern technologies have taken an important part of the work undertaken by people before. Let's remember the classic photographs that needed a complicated process: developing, processing and printing the image on the "revealing" paper. The newspaper's text had to be written by hand, that it had to be typed on the printing machine, corrected, typographic take over, formatting the molds and the hole typing industry, than the transportation of newspapers to distribution points, kiosks sellers, ambulatory sellers or the postman that completed the chain until the product arrived to the final consumer.

Digitalization changed everything. It is no more needed the movement of all correspondents because a part of the documentation and verification is made through the internet. The work of an entire "army" has been taken by just a few. Analyzing this phenomenon, Robert Picard says that "production and distribution economy after digitalization are huge and bring a cost reduction of 80-90%." (Picard R. 2011:12) The rationality of passing to digital technologies is obviously an economical one. Fewer employees, less expenditures, but higher quality seem to be the ingredients for the best businesses. In terms of production, digitalization definitely brought major benefits for media industry. There are some justified criticisms regarding the risks brought by internet documentation or regarding the subjectivity of the journalist that writes about an event without actually be on the sight. There are vulnerabilities also regarding the imaged that can easily be edited. Even having these disadvantages, digitalization changed forever the product and the way of production in media industry.

3. Media products and services distribution in the digital world

The way media products and services are produced, distributed, commercialized and conserved changed a lot in the past years. Active societies in media market have the natural tendency to practice the same commercial behavior as in the XIX-th century or the XX-th. The market reality is different today, fact that requires a different behavior on a marked transformed by the new communication technologies. In the new frame there is a bigger competition, diversified offers and a divided market.

Digitalization raised competition. By reducing the production costs as a result of digitalization, more societies considered opportune to enter the mass-media market.

Alongside the cost reduction another factor that determined competition to grow where the political changes in the East European countries. After these changes was created a favorable legislative frame for new actors to enter the media market. After 1990 in Romania and in all the other communist countries, media industry had known a strong development motivated by the lack of diverse offers in the communist period. If the first independent newspapers in Romania appeared in the revolution days, audiovisual sector was regulated by the Audiovisual Law no, 48/1992 which entered into force on 25 May 1992.

The first Audiovisual Board was constituted on 15 July 1992 when took place the first meeting of the 11 members. In the 30 July 1992 meeting, C.N.A adopted the decision no.2/04.08.1992 regarding the available frequencies for radio and TV transmissions that were to be given for the competition of obtaining a license in the 1992 session. Until the year 1992 ended, CNA accorded 31 radio licenses in 9 localities, 20 licenses for television in 10 localities and 51 licenses for television through cable in 35 localities; In the next 22 years that passed audiovisual sector in Romania had known an important quantity raise. In 2014 we have 750 societies that have audiovisual licenses having a total of 2569 audiovisual licenses in 8114 localities. (CNA http://www.cna.ro/IMG/pdf/Statistica_SITE-3.pdf)

This big number of 750 societies present on the audiovisual market in Romania is due to the possibilities offered by the digital technology. Performance equipment, the possibility of collecting, processing and transferring fast information, as well as the favorable legislation made competition to grow on Romanian mass-media market. The situation is similar to other countries where legislation allows the operators to participate actively on mass-media market.

Offer diversification is the creative response of the media sector due to digitalization. Once the number of active societies in media industry grew, these created a diverse offer of media products and services. Creativity is a main characteristic of mass-media workers. Actually, at the European level as well as in United Nation perspective, mass-media is part of the creative industries sector. The passion, the talent and the creativity of mass-media workers have been capitalized through the usage of digital technologies. The text and the images in digital format are transferred on the fiber with the speed of light to the consumer that opens the newspaper on the cellphone, on the tablet, on the smart TV or on the computer. Just as Ahlers says: "in the news press, a lot of newspapers and televisions have extremely cheap online versions. These appear as substitutes of traditional press and similar to the baking phenomena of ATM (bank machines)." (Ahlers, D. 2006:32) Ahlers's message is true. Not just the written press passed to digital format but also the audiovisual. "Television is not just a simple images receiver, but a multifunctional machine that through the videotext connected to data banks and services, it becomes a receiver of programs transmitted through satellites." (Drăgan I.1996:74). Probably the biggest discovery and transformation of the communication ways through the internet was determined by the apparition of chat. This changed the world, the way of communication, mass-media and determined the apparition of *social media* system or the *new media*. At the end of year 1996, Aril Vardi, having the support of his father Yossi that gave him 10.000 USD opened the firm Mirabilis. Erik and his three friends from high school created a system that helped them to talk on the internet. More precisely, they were able to transmit data and messages. They named it ICQ which is in fact an abbreviation for the game of words "I Seek You". "For the beginning only the four were communicating this way, but only after two months 65.000 persons had downloaded the program. Two years later Mirabilis was bought by the AOL for 287 million dollars. At the end of 1998, the service was called AOL Instant Messenger and had twenty five million downloads, after less than twenty six months from the program debut." (Scolbe R., Israel S. 2008:47) What came after is history. The message communication systems developed

more and more. From SMS to Facebook, all communication offers worked on this principle of instant and free message transfer for a modest price. Communication broadening between people and institutions brought uncounted financial benefits because the trust was bigger and the communication-socialization nets grew exponential. As an example we present the evolution of Facebook users in Romania.

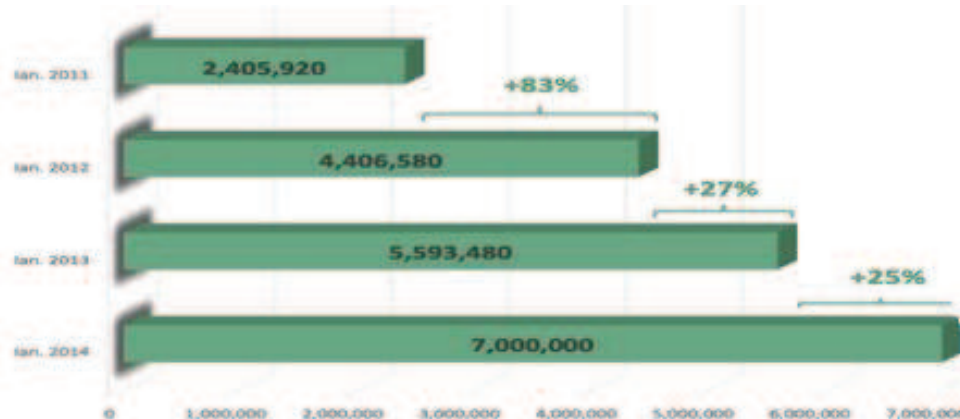


Figure no.1 Evolution of Facebook users in Romania
Source: Facebrands.ro

The possibility of keeping in touch with the whole world arouses passion, opening and development. This raise caused the insertion of cheap or free publicity and an important competition in contradiction to the traditional mass-media system. Thereby, at the beginning of April 2014 in Romania, according to the data offered by Facebook, there were 7.200.000 users of this socialization network. We have a spectacular growth in the number of those who use the Facebook services but at the same time we find that we are almost on the point of saturation whereas in Romania, according to the data offered by The National Authority for Communication Administration and Regulation we have 12 million internet connections. Among these, 3,8 million are fixed connections and 8,1 are mobile connections. (ANCOM 2014) This growth of the users of socialization networks and the participation of each one of them in the quality of producer and consumer of virtual information challenged the societies that traditionally produced media content for the written press and for the audiovisual.

Digitalization determined the extension and the division of mass-media market. Traditionally, the global economic system was organized around material, energy and work. The new digital technologies extended a lot the variety of applications and brought significant changes in the approach of economic chain. More and more we have today a system focused on information, communication, machines work and the participation of the robots. Mass-media makes no exception for this transformation. Moreover, the main raw material in media is information. Thereby, digitalization and internet caused the markets extension for this industry. The diversification of transmission and package of the information were a part of the strategic response of the media companies for the market demand. Communicational variance and offers of written press and audiovisual in the digital world brought the market fragmentation. "Audience was fragmented and differentiated as the number of available media was proliferated. Starting from an era with a limited number of TV networks, video machines or DVD's, a limited consumption of computer and other communication systems, the lack of mobile media, we find now a penetration like never before of all types of media in our daily lives". (Rotaru Ileana 2010:128) One hundred years ago, the newspaper was the most important channel for mass-media information to be transmitted. The market was afterward divided with the

radio than in three (print, radio and television) and in the last ten years, the last player on the market, the internet, conquered more and more of it. In the next figure we observe the evolution and the reposition in the market of the main actors of media industry in the last ten years.

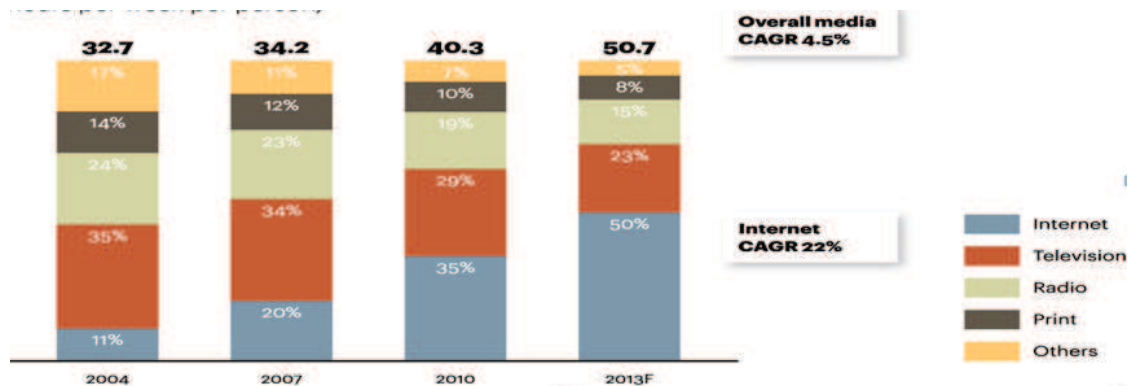


Figure no.2 The channels for mass-media access in the West of Europe
Source: PWC, Atkeamey

In 2004, the segment in mass-media market occupied by the internet represented 11%. In 2013, we had a share of 50%. We have a compound annual growth rate of 22%. We also remark a decrease of other mass-media segments: television drops from 35% in 2004 to 23% in 2013, radio drops from 24% in 2004 to 15% in 2013 and the written press drops from 14% in 2004 to 8% in 2013. If we analyze more carefully the trends in mass-media market we notice that the trend of relocation of the actors in this market will continue the same way. Young consumers use very little of the old communication means preferring the information in the digital format offered by the new on line channels. In the next figure we present a comparison on age groups of the consumer preferences for mass-media on line or TV.

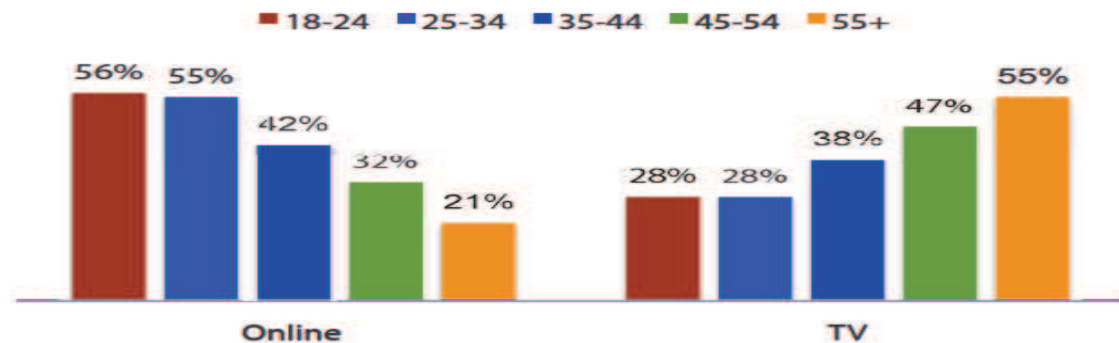


Figure no.3 Consumer preferences on age groups for on line or TV mass-media systems
Source: Reuters Institute, Digital News Report 2013

According to the report presented by the Reuters Institute, only 21% of the persons over 55 years old are consumers on the on line market while 55% prefer TV. On the other side we find the young people with ages between 18-24 years old that prefer in proportion of 56% on line mass-media services compared to 28% that use services offered by the television.

Mass-media market in the digital world is transforming. The tendency of passing by the printing forms, radio, and television to the digital forms is obvious and it seems the trend will continue in the future. Regarding the print, it seems that some publications will pass from the printed product to digital service offered on the internet. It is possible to have a

period in which the newspapers appear both on printing and on line form but is just a matter of time (not too long) until the newspapers will pass almost entirely on the digital form. We can draw the conclusion that digitalization brought a modification of the market, from a market of mass-media products to a market of preponderant mass-media services. On the other hand, the market is more and more divided and the number of those who create content on line is rising. Just as we have shown, only in Romania we have more than 7 million accounts that product daily digital audiovisual content through Facebook network.

4. The trading company having as activity object the mass-media in the digital era

The big changes that took place in the mass-media production which came along with the digital revolution determined inevitably the remodeling of the society that works in this sector. The internet and the digitalization determined a revolutionary raise of the communication systems and of the societies that operate in this sector. Revolution is a change that happens very fast and most of the times it produces turnarounds, imbalance, risks and many times mistakes. "The internet itself represents this kind of fundamental change, visible among other in the way we communicate to one another, in the affairs functioning, in the collapse of business model of mass-media." (Ulmanu A-B 2011:69) Just as Alexandru-Brăduț Ulmanu shows, the traditional business model of media industry has been highly affected by the internet and digitalization.

Reorganization of operating societies in mass-media of the digital era is a necessary and a mandatory condition to continue to activity. The vision, the strategy, the objectives, the personal, the investments and the capital are areas that will not remain unchanged. The vision of the active societies in this sector must orientate according to the behavior of the consumer that chosese daily between the versions and the variable offered by the mass-media market. Gary Vaynerchuk entrepreneur shows that the organizations must be aware of the habit and the expectations of the consumers. These habits don't last forever. "Go to a mall, a cinema, a stadium and look at what the masses do. Good, or wrong, half of the people, if not more, walk with their head down tasting the gadgets in their hands." (Vaynerchuk G.2011:37) Going deeper into this analysis, in the report presented in 2013 by the Reuter Institute from Oxford University we notice the time allocated daily by consumers on age groups in order to access different mass-media forms, analysis that is presented in the next figure.

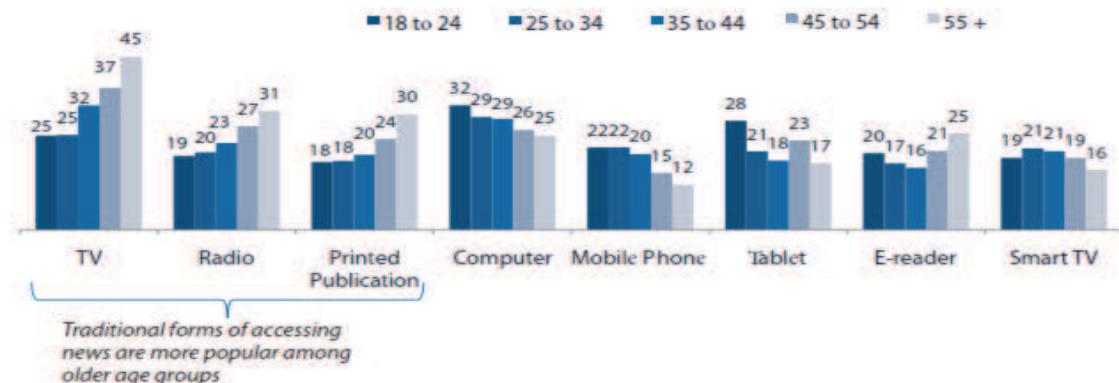


Figure no.4 The daily time allocated by consumers on age groups in order to access different mass-media forms

Source: Reuters Institute, Digital News Report 2013

We have different preference regarding the access of mass-media services and one of the consequences is the fact that today each one of us keep in our pockets much more performed gadgets than the computers we used to have on our desks ten years ago. According to Reuter Report, most consumers between 18-54 years old use digital instruments in order to access mass-media services. We don't have to neglect the fact that traditional mass-media forms are needed today. Even young people between 18-24 years old allocate more than one hour per day for these information means.

For affairs in media industries "the computer, a connection to the internet and a glimpse of initiative and creativity represent all that someone may need to enter in the economy game." (Tapscott D., Williams A. 2010:33)

Regardless that information is transmitted through old or new systems, the digital element becomes central. In Romania, the process of TV digitalization is ongoing and it's preconized to be over in the middle of year 2015. For radio there still isn't a work plan at the national level but each active society in the market must reorganize in this direction having in mind the consumer tendency on the digital market. Printing had an accelerated crossing in the last years to digital format mainly from economic reasons.

The capital of mass-media industry operates today in a world focused on globalization, technological development, internet, innovation, creativity, dynamism and uncertainty. In this context, "the complexity and the changes in the competitive environment impose the crossing from the principle *seeing and doing*, that works in a secure and predictable market, to a strategy based on the principle *anticipating and preventing*, manifested on a market where change and uncertainty represent the only constant." (Ursăceanu Minodora 2009:41) It seems that in information and knowledge economy the characteristic is rather instability, the unexpected and the uncertainty. "Digitalization is a costing process, especially when we take into account the fact that the actual technique of conversion to the digital format is just a part of the process". (Feijoo et al, 2012)

The capital the firms invest and capitalize in this imperfect market is not just of financial nature, although this cannot be neglected, but is also of immaterial capital nature. The report of the France government, *L'économie de l'immatériel, la croissance de demain* shows that "wealth of today's nations is no longer concrete and abstract. It is not material but immaterial. Immaterial is today the key factor to success in the developed economies. And the economy of immaterial will be the strongest source of society growth in the – XXI-th century". (Lévy, Jouyet, 2006) The material and immaterial capital invested in media industry in the digital context enlist to creative economy investments. There are costs and risks but mass-media will never manage without capital. Once the typography appeared based on Guemberg model, investors acted and the success was big. In the economy that puts accent on performance and competition, the ability of controlling, managing and harvesting economically the information constitute for the mass-media societies the investment way and capital development.

5. Conclusions

The postindustrial period, marked by the *economy of services* brought a plus of force in the expansion, the modernization and the perfection of media products and services. These have seen a spectacular growth through the financial fluxes and especially through political, social and cultural influence at global level. The volume of *mediatized information* to mankind had reached to impressive dimensions. In this situation it seems that we witness saturation and an apogee regarding the traditional forms of mass-media: *the written press and the audiovisual*. Both wings of this industry are today in a reinvention process. Politicians, economists, journalists, IT specialists, talk, plan and act in order to reestablish media industry in the new frame of *creative economy*. Actually, the transformation in media industry is determined by the global relocation marked by digitalization.

Methodologically, starting from the observation of the actual situation in mass-media industry and economy, we propose to make a content analysis. We talked about aspects concerning the challenges and the opportunities from media industry in the digital context, analyzing the opinions of other researchers about the topic as well as documents of the European Union. We tried to present the concepts that we sustain in the light of some reference works and to give examples from the reality of Romanian and international mass-media economy.

In the first part we tried to analyze the main characteristics and trends of mass-media production in digital context. We referred to aspect concerning the speed, the quality and the costs of media production in the digital world. In the second part, starting from the new economic realities we made a short analysis on the mass-media market insisting on some aspects regarding the competition, the diversification of offers and market division in the digital economy.

It seems that on one hand, digitalization determined the reduction of production and distribution costs but also the diversification of content. In the same time, social media and fast documentation brought a raise in the quality of the journalistic product as well as the entering on the market of numerous actors, in consequence of numerous ideas more carefully selected. On the other hand, it is possible that the internet may have increased the volume of information detrimental to its credibility. In other words, the quality of the journalistic act and its results may have been altered or at least crippled.

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