A SHORT ANALISIS OF THE ECONOMICAL PERFORMANCE IN ROMANIAN TV SECTOR

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Abstract: Preparing for the future, it is essential to understand the flux of the bytes. In the digital world, mass-media market will be different: the receivers will be able to access not only 50 TV channels but 5.000 or maybe even 50.000! The audience rate will be known for each TV show as well as the hosts rating and what other offers there are for the same product segment in the other part of the world. The divergences about the audience survey determined by the advertisement price list will be gone because in the digital system we will be aware every moment of the audience rate. Mass-media consumers will be able to make their own program schedule, chosen from an almost unlimited number of possible offers and available choices. In July 2015, Romania will change the analogic TV emission system with the digital one. We are trying to analyze in this paper work if the economic actors that operate the TV sector in Romanian media market, are ready for this change. Apparently this change is not simple and without risks. Even though it may be expensive, it can be the only surviving solution for all the companies part of this sector.

Keywords: communication; mass communication; mass media.

JEL classification: L82; D83.

1. Introduction

In July 2015, Romania will abandon the analogic TV transmission system for the digital one. In this paper work we are trying to evaluate if and how are the mass-media businesses ready for this transition.
Methodologically, we begin by observing the current situation in mass-media industry and economy and we propose to make an analysis of content. We will talk about aspects that aim the challenges and opportunities in media industry in the digital context, analyzing the opinions of other researchers about these subjects. We are trying to present the concepts we sustain in the light of other important paper works and to exemplify them with realities from the Romanian mass-media economy. In the first part we will present the development of the TV market in Romania and the current trend marked by the change of the analog operational system with the digital one. In the second part we will try to track the economical performances of the main actors that exploit TV licenses, measured in audience numbers. In the last part of the paper work we will focus on the economical results of the main private operators that exploit TV licenses and the results quantified in financial incomes. We will try to see if and how the audience performances are seen in the financial results.

2. The analogic and digital market of the TV sector in Romania

Quality and performance are goals of the market economy, and all the more of the media industry focused on competition, competitiveness and creativity. In the television domain,

we can talk about a market with multiple offers in our country only after year 1992. With the help of the Audiovisual Law established in 1992, it was settled that in Romania juridical persons in the television field may be public or private, and the private ones may have Romanian or foreign capital, integral or partial. These legal articles opened the possibility to develop and to open in Romania private businesses in television. After the entrepreneurship appeared on the TV segment on media market the offer of TV stations grew. This way, the consumers had the possibility to choose from a much bigger package of options. But in the same time it was created a competition market, each tv channel trying to draw as many viewers as possible, as much publicity as possible at the best prices. The experts in the TV field, people that had communicational qualities and that were ready to learn the art of audiovisual, had many attractive offers in the labor market. The need for specialized people in media industry prepared the way for educational institutions in mass-media field to develop.
The quality improvement in Romanian television industry is due to the technological development, as well as in all the other civilized countries. The changes of production and distribution technologies of the TV programs generated new receiving ways. This way, in less than 20 year most households in Romania are connected with cable networks, satellite or IPTV technology.

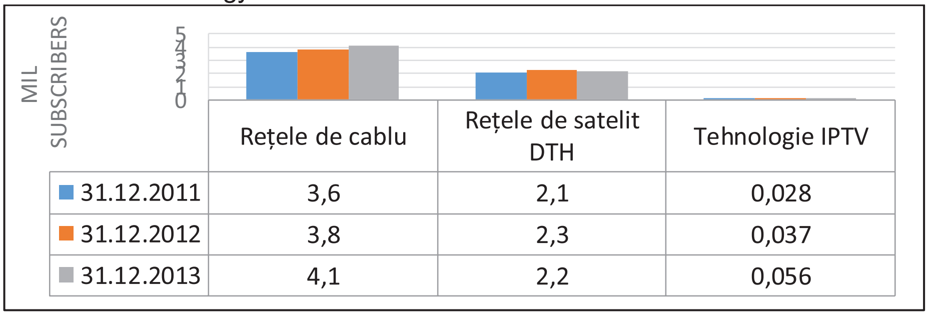


Figure no.1 Evolution of subscribers at the audiovisual retransmission services, depending on the utilized support in the period 2011-2013

Source: Realized by the author based on the ANCOM date available on site https://statistica.ancom.org.ro:8000/sscpds/public/files/81 , accessed in 30th of September 2014.

Before 1992 in Romania there were only few parabolic antenna used for receiving TV programs from the outside of the country. By the end of 2013 in Romania there were 6,4 million households that purchased subscribed television services. Among these, 2,2 million receive TV services through parabolic antenna, 4,1 million are cable connected and 56.000 have internet connection on smart TV. The graphics show modifications from one year to another, but in our opinion we can talk in this period about the formation of the market rather than the change of it. Nevertheless, it seems to appear new tendencies. Connecting to TV services through IPTV technology brought an important increase rate: 49% in 2013. It is important to mention that the numbers of subscribers to smart services does not overcome in this moment 1% from the total of TV subscribers. On the other hand, we observe that on the IPTV and DHT segment we have almost totally digital services which can be seen in the next table:
Table no.1 Structure of the subscriber number for the retransmission services of the audiovisual programs received in digital and analog format depending on the utilized support, on the 31th December 2013.

receiving TV	total	digital	analog
cable	4.100.000	1.480.000	2.520.000
DTH	2.200.000	2.189.000	11.000

IPTV	56.000	56.000	0

Source: Realized by the author based on the ANCOM data available on site: https://statistica.ancom.org.ro:8000/sscpds/public/files/81 , accessed on 30th of September 2014.

Having in mind that starting from 2015 July in Romania there will be no more emission of TV programs in analog system, in the next period we will witness important purchases of digital televisions or many of the current TV services users will not have access to it anymore.
Regarding the distribution of TV services in Romania according to the place where the consumers live, 3,9 million live in urban environment and 2,5 million live rural environment. As we can see in the data we showed, starting from 1992 till today the television market has known an important growth. Technical and publishing quality has improved very much in this period, and many clients of the TV services entered in the digital world. In the next section we propose to analyze the competition on the main TV channels market in Romania between 2011 and 2014.

3. Elements of performance quantified in TV audience numbers

The aspect that dominated TV market in the last years was the competition that started to be more and more dynamic between the programs diffusers. Because of the increasing number of societies that exploits TV licenses, the channels offer of which the consumers may choose from is much bigger. As we have seen in the previous section, the biggest part of the TV services consumers are cable, DTH or IPTV connected; this means that each of them has available a package of 30, 50, 100 or more TV channels
The generous packages of options available oblige the emission producers to have in mind the expectations of the potentials viewers.
On other hand, for the commercial societies that exploits TV licenses, the audience volume determine on an important level the incomes, because the sums collected out of publicity depend on the number of viewers in the moment when commercials are diffused. Having this in mind, the logic of the system in built on the quality importance of the programs, which brings market success through the growth of audience volume, which means bigger income. ”Gaining a bigger audience insures not only the prestige of the company but also the growth of the incomes that come from the diffused commercials.” (Stanciu, 2001:237) This competitive system between societies and the way these have understood to approach the problems and opportunities in an organizational way, have determined the quality and the performance of each of them and of the whole TV market in Romania.
In 2001 was founded the Romanian Association for Audience Measurement (ARMA), an organization that “has three membership categories: television stations, publicity clients and publicity agents”. (ARMA, General presentation, available on site: http://www.arma.org.ro/ro) In 2015, members in ARMA are 60 television stations, 29 publicity agencies and 12 publicity clients. “In ARMA it is organized The National TV Audience Measurement Service (SNMATV), which represents the barometer of the TV consuming behavior in Romania. In the period 2012-2015, The National TV Audience Measurement Service is supplied by Kantar Media.” (ARMA, General presentation, available on site: http://www.arma.org.ro/ro) The measurement of audience is made with the help of PeopleMeter system, which means that all televisions in the households that are part of the researched group have installed a device that records in every second the programs you visualize. The collected data are transmitted to the research center where these are worked and presented to the companies that benefit, the members of the organization.
In our research, based on the data ARMA provided, we have tracked in the period 2012-2014 the volume and the fluctuation of the TV audience, and we have tried to build up an

annual classification according to the number of the consumers that chose to access the services of the different TV channels.

Table no. 2 The situation of the medium audience of the first ten TV stations in Romania in 2012.

	Rtg		Rtg%		Share	
Post TV	National	Urban	National	Urban	National	Urban
Pro TV	422.000	227.000	2.2	2.2	11.9	11.4
Antena 1	347.000	193.000	1.8	1.8	9.8	9.7
Antena 3	286.000	206.000	1.5	2	8	10.3
Kanal D	198.000	99.000	1	0.9	5.6	4.9
TVR 1	183.000	82.000	1	0.8	5.2	4.1
Realitatea TV	138.000	70.000	0.7	0.7	3.9	3.5
Prima TV	115.000	59.000	0.6	0.6	3.3	3
Acasa	113.000	69.000	0.6	0.7	3.2	3.4
B1TV	113.000	74.000	0.6	0.7	3.2	3.7
National TV	113.000	56.000	0.6	0.5	3.2	2.8

Source: Realized by the author based on the data The Romanian Association for the Measurement of the Audience (ARMA) provided, available on site: http://www.arma.org.ro/ro/news/indicii-anuali-de-audienta-1 accessed on the 10th of January 2015.

Pro TV occupied again the first position with a rating of 2,2%, a market share of 11,9% and had an average for the whole day of 422.000 viewers per minute. Antena 1 kept the second position, with a rating of 1.8% and a market share of 9.8%, having a total of 347.000 viewers per minute. The third place was occupied by Antena 3, with a rating of 1,5% and a market share of 8%, having 286.000 viewers on average each minute of the day. TVR 1 was ranked on the fifth place with a rating of 1%, a market share of 5,6% and an average of 183.000 viewers each minute of the day. On the tenth place was ranked National TV with a rating of 0.6%, a market share of 3,2% and an average per day of 113.00 viewers each minute.

We can see that Pro TV has kept the first position in the ranking; Antena 1 had a huge growth with almost 100.000 viewers each minute of the day, reaching to an average on year 2012 of 347.000 viewers each minute of the day. An important growth recorded as well Antena 3 that occupied the same position that Realitatea TV occupied in 2011. In exchange, Realitatea TV reached very low, losing the average values from 2011, almost 60.000 viewers per minute each day. In the top of the first ten televisions selected by the audience performances we have three news televisions, two thematic film televisions and five generalist televisions.

In 2013, the ranking has changed again, the economical agents taking steps to obtain bigger shares of the TV market in Romania. We present in the next chart the situation of the average audience of the first ten TV stations ordered by the market share:

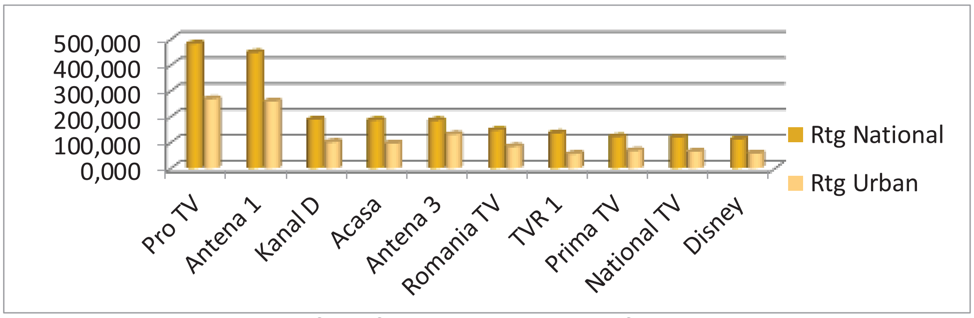


Figure no. 2 The ranking of the first ten TV channels from Romania according to the audience in year 2013

Source: Realized by the author based on the data offered by The Romanian Association for the Audience Measurement (ARMA) available on site: http://www.arma.org.ro/ro/news/indicii-anuali-de-audienta-1 accessed on 10th of January 2015

Pro TV has occupied the first position with a rating of 2,5%, a market share of 13,1% and had an average of 482.000 viewers for each minute of the whole day.
Antena 1 was ranked on the second position with a rating of 2.4 % and a market share of 12.2%, with a total in average of 448.000 viewers per minute. The third place was occupied by Kanal D, with a rating of 0.9% and a market share of 5.1%, with a total of 188.000 viewers in average for each minute of the day. TVR 1 was ranked on the seventh place, with a rating of 0.7%, a market share of 3.7% and an average for the whole day of 136.000 viewers each minute. On the tenth place was ranked Disney, with a rating of 0,5%, a market share of 3% and an average of 112.000 viewers each minute of the day.
The channels that had the biggest growth in 2013 were Pro TV and Antena 1, each of these two televisions having more than 400.000 viewers in average every minute of the day. It is obvious that these two generalist televisions are leading without big competition, having most of the clients. TVR 1, the public TV station, lost 25% of the viewers in 2013. Apparently the generalist TV stations satisfy better the needs of the active consumers on TV market. The niche TV stations have less audience, but it is mentioned that by audience standard two of these are ranked between the first ten TV channels in Romania.
This classification suffered changes also in 2014, the competition on the Romanian TV market reaching different performances, depending on the capacity of each TV channel to adapt at the consumers demands and to have power to fight back the attacks of the competition. In the next chart we present the situation of the average audiences of the first ten TV stations ordered by market share:

Table no. 3 The situation of average audience of the first ten TV stations in Romania, in 2014

	Rtg		Rtg%		Share	
Post TV	National	Urban	National	Urban	National	Urban
Pro TV	488.000	283.000	2.64	2.8	13.21	13.32
Antena 1	459.000	275.000	2.48	2.72	12.42	12.97
Antena 3	266.000	189.000	1.44	1.87	7.19	8.91
Kanal D	267.000	137.000	1.44	1.36	7.21	6.47
TVR 1	180.000	96.000	0.98	0.95	4.88	4.51
Romania TV	168.000	90.000	0.91	0.89	4.55	4.23
National TV	104.000	57.000	0.56	0.56	2.81	2.69
Disney	101.000	47.000	0.55	0.46	2.74	2.2

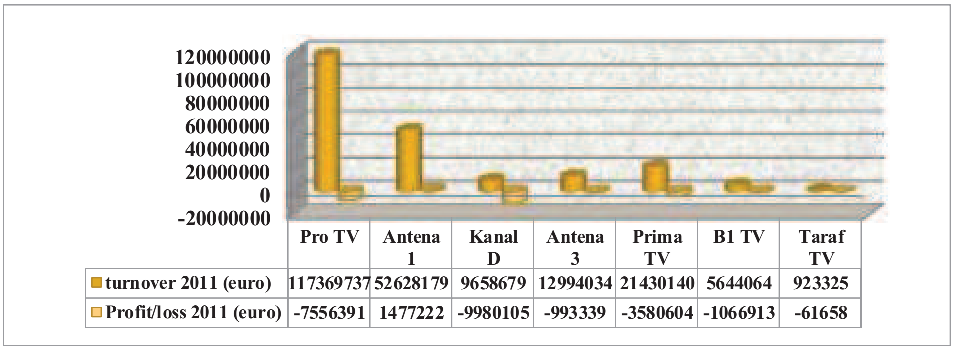
B1TV	98.000	57.000	0.53	0.57	2.65	2.69
Prima TV	90.000	51.000	0.49	0.5	2.45	2.39

Source: Realized by the author based on the data offered by the Romania Association for the Audience Measurement (ARMA), available on site: http://www.arma.org.ro/ro/news/indicii-anuali-de-audienta-1 accessed on the 10th of January 2015.

Pro TV occupied the first position having a rating of 2, 6%, a market share of 13,2% and an average of 488.000 viewers every minute of the day.
Antena 1 comes the second, having a rating of 2.5% and a market share of 12.4% the total average being 459.000 viewers per minute. The third place was occupied by Antena 3, with a rating of 1,4% and a market share of 7,2% having in total 266.000 viewers in average every minute of the day. TVR 1 was ranked on the fifth place, with a rating of 1%, a market share of 4,8%, having an average for the whole day of 180.000 viewers per minute. On tenth place was ranked Prima TV, with a rating of 0.5%, a market share of 2,%% and an average for the whole day of 90.000 viewers every minute.
The first two positions remained the same in the period we are analyzing, 2011-2014. Pro TV was is this period the station that had the most clients, fallowed at a short difference by Antena 1, a TV channel that in this period managed to double it's performance on the Romanian TV market. Important to mention is that year 2014 was an electoral year which contributed to the growth of audience for the niche channels specialized in news programs. This is how Antena 3, Romania TV, B1TV and Realitatea TV grew a lot in this period. We consider that this performance does not reflect the quality growth of the offered products, being a conjuncture growth based on the interest for the presidential elections.
In the next section we will try to track the financial results, if and how these follow the audience results.

4. The economic performance elements of the TV sector quantized in financial results

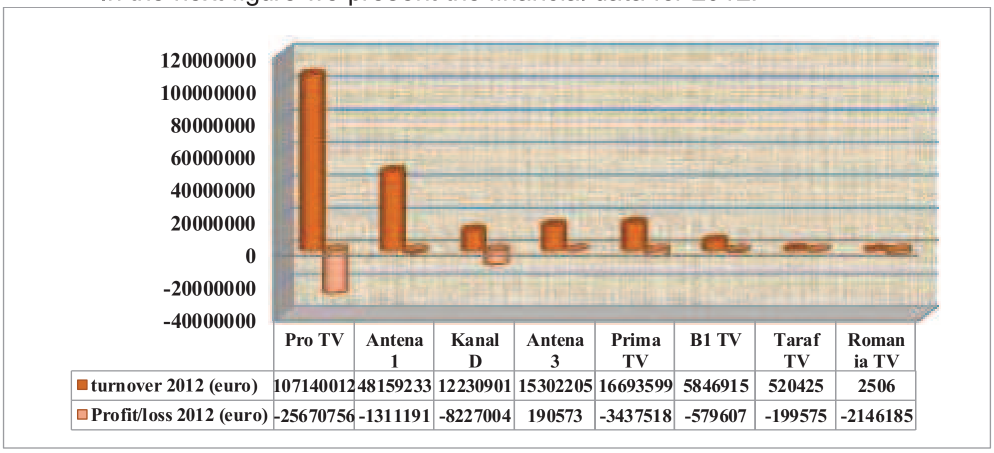
The way markets function determine actions that aim the economic efficiency, because the organizations that operate on these markets must be competitive. "The success of the organizations is based on the capacity to improve what they already do." (Goffee, Gareth, 2011:188) *How can we get better?* – is the question the leading teams of the modern organizations have in mind. Because the financing model of media businesses based on the publicity incomes proved to be vulnerable, the management of economic agents in television tried in the last years to diversify the sources of the incomes. They tried to realize value chains by packing and placing the products on different markets. This way, televisions maximized the possibility to view the programs through the communication ways offered by the internet. Almost all televisions have sites on the internet and pages on the social networks. The economic operators that have business in television diversified the services they offer.
We tried to understand the economic situation of the main operators on the Romanian TV market, and in order to do that we tracked the data presented by the Public Finances Ministry on the site www.mfinanțe.ro, where we find a short balance sheet of the economic agents in Romania. In order to have an overview, we tracked the turnover evolution and the profit and loss account between 2011 and 2013 of the main TV channels in Romania. In the next figure we present the situation in 2011:



	Pro TV	Antena 1	Kanal D	Antena 3	Prima TV	B1 TV	Taraf TV
turnover 2011 (euro)	117369737	52628179	9658679	12994034	21430140	5644064	923325
Profit/loss 2011 (euro)	-7556391	1477222	-9980105	-993339	-3580604	-1066913	-61658

Figure no. 3 The economic situation base on the turnover and the profit/loss account of the main commercial TV channels in Romania, in 2011
Source: Realized by the author based on the data presented by the Public Financial Ministry, available on site: http://www.mfinante.ro/pjuridice.html?pagina=domenii, accessed on 30th of September 2014.

Based on the incomes TV stations obtained in 2011, it seems that it reflects on a high level the audience classification. Pro TV, which was on the first place regarding the audience, had the most incomes: 117 million euros; Antena 1 that was ranked on the second place had incomes of 52 million euros. With all these substantial cash in we can see that in 2011, from all seven stations we analyzed six closed the financial exercise with loses. The biggest loss was recorded by Kanal D, almost 10 million euros and Prima TV – 3,5 million euros. The only society that had positive results was Antena 1 with a profit of 1,5 million euros.
Seeing the financial results for 2011, we can say that mass-media businesses on the TV segment had important incomes but the costs were very high as well. So, in 2011, for the most societies we analyzed the situation seems to be worrying seen from the economic balance aspect.
In the next figure we present the financial data for 2012:

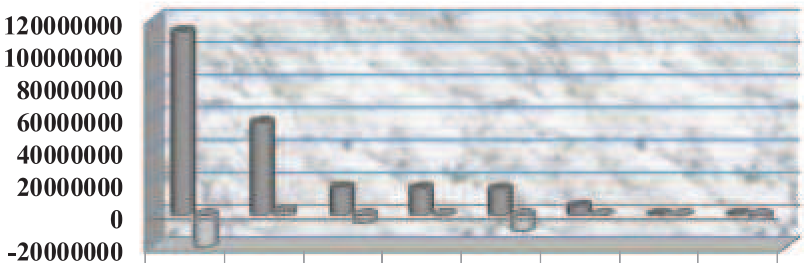


	Pro TV	Antena 1	Kanal D	Antena 3	Prima TV	B1 TV	Taraf TV	Romania TV
turnover 2012 (euro)	107140012	48159233	12230901	15302205	16693599	5846915	520425	2506
Profit/loss 2012 (euro)	-25670756	-1311191	-8227004	190573	-3437518	-579607	-199575	-2146185

Figure no. 4 The economic situation bas on the turnover and the profit/loss account of the first commercial TV channels in Romania, in 2012
Source: Realized by the author based on the data presented by the Public Financial Ministry, available on site: http://www.mfinante.ro/pjuridice.html?pagina=domenii, accessed on the 30th of September 2014.

The reported data at the end of 2012 reflect an even more negative situation than in 2011.

Pro TV had the most incomes among the societies that work on TV market, but comparative to the incomes from 2011, the incomes in 2012 were less with 10 million euros and the losses were bigger with 18 million – reaching in 2012 to 25 million euros losses. Antena 1 had a drop of the incomes with 4,5 million euros and recorded losses of 1,3 million euros. Kanal D cashed more with 2,6 million euros but also had losses of 8 million euros. The recorded losses for Kanal D were less with 1,7 million euros comparative to year 2011. Romania TV, a society that was implemented in 2012, had incomes of 2.500 euros and losses of 3,5 million euros. The only society from our analysis that had positive results in 2012 was Antena 3, which recorded a profit of 190.573 euros.
The societies that operate on the Romanian TV market with high audiences (the ones that dominate the TV market: Pro TV and Antena 1) have to confront with negative economic issues, generated by the drop of the incomes and the growth of the losses. It seems that the phenomena is generalized, by this being suggested that the businesses in this domain need a new vision, need a creative economic approach, a modification of the work system and measurements to stop the losses and to have a durable economic growth. It is not enough to have performance regarding the audience and this performance cannot be kept on a medium and long term; having this in mind, in our opinion measurements to reduce the deficiencies are required; even though it is unpleasant it can't be avoided. In the next figure we present the financial date for year 2013:



	Pro TV	Antena 1	Kanal D	Antena 3	Prima TV	B1 TV	Taraf TV	Romania TV
turnover 2013 (euro)	112553001	56706987	16696098	16117290	15641118	5461944	346949	180528
Profit/loss 2013	-19359958	2090606	-4739833	166971	-9592170	30532	-168309	-2408228

Figure no. 5 The economic situation according to the turnover and the profit/loss account of the main commercial TV channels in Romania, in year 2012

Source: Realized by the author based on the data presented by the Public Financial Ministry, available on site: http://www.mfinante.ro/pjuridice.html?pagina=domenii , accessed on 30 September 2014

It seems that a part of the companies that own TV channels have reduced the losses recorded in the previous years; so we have three channels with positive results: Antena 1, with a profit of 2 million euros; Antena 3, with a profit of 166.00 euros; B1TV, with a profit of 30.553 euros. With less loss are Pro TV and Kanal D, each of them reducing the losses with almost 5 million euros. Prima TV, even though it had high audience and high incomes (15 million euros) recorded losses of 9,5 million euros. Romania TV had high audience and reduced incomes (180.000 euros) and accentuated losses: 2,4 million euros.
In the analyzed period (2011-2013), the first two companies that cashed the biggest incomes are Pro TV and Antena 1, TV channels that also had the highest audience. For all that, the general economic state is not favorable except for Antena 1. Looking at all seven companies with private capital that we have analyzed in the period 2011-2013, it seems that this kind of business has brought almost none financial benefits to the shareholders.

5. Conclusions

After making this research we can notice a growth of the consumer interest for generalist programs and less interest for the niche thematic offers. In our opinion, this aspect is the result of the high quality this type of programs offer and the satisfaction of the expectation in the specialized market. Taking into account the digitalization and the extension of the mass-media offer and consumption in online format, our expectation was that the TV audience will drop on every minute of the day in this period, 2012-2014. But this expectation was quashed. We believe this situation is explained by the consumption of simultaneous media channels. This means less attention and focus and a passive consumption. Economically, this fact will lead to a less efficiency of the advertisement on TV, online or Facebook. It is possible that the trust in advertisement companies will drop as well as the interest for buying this kind of services. In the light of these things, we can assume that the advertisement budgets will drop in the next period or the budgets will remain the same. From our research we can take out the idea that from the economic-financial point of view, the performances of all TV operators from the group we analyzed are dropping.
Nevertheless, “media companies are based on a business way of thinking and survive as long as they produce money that is spent wisely.” (Radu, Preoteasa, 2012:180) Whether we refer to the companies with private capital or the ones own by the state that exploits TV audiovisual licenses; in the actual context of global expansion of the media market, of the many offers we can find on this market, the global competition, in the economic administration is required maximum caution. Changing to the digital system, the operators must demonstrate professionalism, competition, anticipation and precision in the actions they take.

ACKNOWLEDGMENT: This paper has been financially supported within the project entitled „SOCERT. Knowledge society, dynamism through research”, contract number POSDRU/159/1.5/S/132406. This project is co-financed by European Social Fund through Sectorial Operational Programme for Human Resources Development 2007-2013. Investing in people!”.
The present paper is part of the research done for preparing the doctorate thesis: „Innovation and transformation in media industry“, developed with in the Doctoral School of Economics, University of Oradea, under the coordination of Prof. Dr. Alina Bădulescu.

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