



Agencija za elektroničke medije
Agency for Electronic Media

Croatian TV Market Analysis

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1. Introduction

In January 2013, Ipsos Puls was chosen to conduct a comprehensive interdisciplinary study entitled "Croatian TV Market Analysis". The goal of this study was to provide insight into television industry trends, analyse sustainability of local TV broadcaster business models, investigate attitudes on local content and TV stations, and analyse media content available on Croatian TV stations according to given criteria. Findings of this study will be invaluable in coming policy decisions pertaining to further development of Croatian media market, with special accent on local TV stations.

2. Domestic and International Trends in TV industry

Rapid changes in TV broadcast technology are by far to most significant element in the change that has been happening in the media environment for the last 15 years. Complete and far-reaching digitalisation of the production technology chain has resulted in greater productivity, higher quality and cheaper production of content.

In the past ten years Croatian TV market has significantly developed both in Free-To-Air and in Pay-Tv segments. Due to the digitalisation technological capacities for new channels have been expanded, which resulted in a total of seven new thematic channels, one of which has since been taken off the air. At the moment ten FTA channels are available, four of which are properties of the public broadcaster, while the rest are commercial in nature.

Pay-Tv has been developing steadily since 2006 and today holds about 40% of market share, maximum share of pay TV is being projected at about 60%, at which point the market will likely become saturated. The largest pay-tv operator in Croatia is MaxTV, with about 330.000 subscribers, second place is held by VIPNet with about 20% of market share.

Media convergence has become a buzzword in the last few years, and while its definitions may vary it seems that we are in fact living in a converged media world, as smartphones are prevalent and tablets are gaining more and more ground. No significant changes in observed trends have occurred in early 2013 social media users are still increasing, as is total time spent consuming social media. Over 80% of students and young professionals are at least one interrupted by a commercial message over the course of a day. Over 50% of smartphone users watch video on their phones, while over 80% of them use it as their primary news source. In this converged world the biggest loser is print, followed by television and then radio. According to Croatian Post and Electronic Communications Agency in March 2013 broadband internet has reached a penetration of just under 30%, which is still significantly lower than the Western average of 70%. It remains to be seen how traditional broadcasters will cope with this fast paced new media converged world.

Looking forward traditional, exclusive rights, models will likely disappear, and some will abandon traditional, linear TV for good. Content will be available wherever and whenever the user consumes it. While technology can't be regulated what is needed is ensure that domestic TV broadcaster have adequate technology to compete in the evermore competitive media market.

3. Financial analysis

According to the European Audiovisual Observatory twenty of the largest EU broadcaster have managed to grow their revenue despite pan European Union GDP drop of 0.3%. On the other hand Croatian TV market has been in a steady decline over the last three years. According to the available data advertising market has dropped by almost 20% since 2008, in contrast to this TV market is estimated to have dropped by about 12%, in line with these trends further decline is expected in 2013.

While the increase in the number of channels resulted in more available GRPs, this had no perceptible beneficial effect on the market. Quite the opposite GRPs are undergoing a continuous devaluation, so while the absolute number is increasing their total value is decreasing.

Advertising revenues of the public television have also declined in line with market trends, from 220 million HRK's in 2010, to only about 110 million in 2012. Causes of this decline lie in the market economy, but at the same time within the legal framework that has been undergoing significant changes in the past two years.

Changes in the value of the advertising market are most readily associated with Croatian and European GDP. Potential new channels will most likely not have an effect on big advertisers advertising budgets, and will only strain existing broadcasters' sustainability further. Likewise Croatian accession to the EU will have no significant impact on total market value, since no special limitations have existed prior to the accession. On the other hand EU accession could lead to an increase in GDP and thus in purchasing power which could have an effect on advertising budgets.

In line with the current market conditions traditional broadcasters should change its business models in a way to stop or mitigate further audience fragmentation. It is increasingly important to be present in nonlinear environments. More and more IPTV and cable providers are starting their own channel which give them a clear edge, bordering on conflict of interest. Local and regional broadcasters are by and large dependant on state incentives and are hardly sustainable economically, with their ratings low their potential for advertising sales is even lower as big brands are drawn to the high reaching national broadcasters and potential local advertiser don't even have advertising budgets.

Detailed analysis of local and regional TV broadcaster revenues and expenses yields the following. About 56% of revenue comes from advertising, about 23% from various sources, and about 20% from state incentives. Concession and transmission fees are by far the single biggest expense and have increased by about 80% over the analysed period, increase in concession area and analogue switchover are the primary cause of this increase. Unlike national broadcasters that, as a result of the switchover have lower transmission costs, local and regional broadcasters have to deal with significant cost increase.

It is expected that the economy may begin to recover as early as next year. Commercial broadcasters have low profit expectations and are therefore not keen to increase investments. At the same time market is contracting under the pressure of a recession. Local and regional market is largely dependent on state incentives, and EU funds may hold a key to its growth. All in all Croatian market is going through one of the toughest times in history and further opening of the market is to be discouraged, otherwise existence of existing broadcasters could be put at risk.

4. Detailed viewing analysis

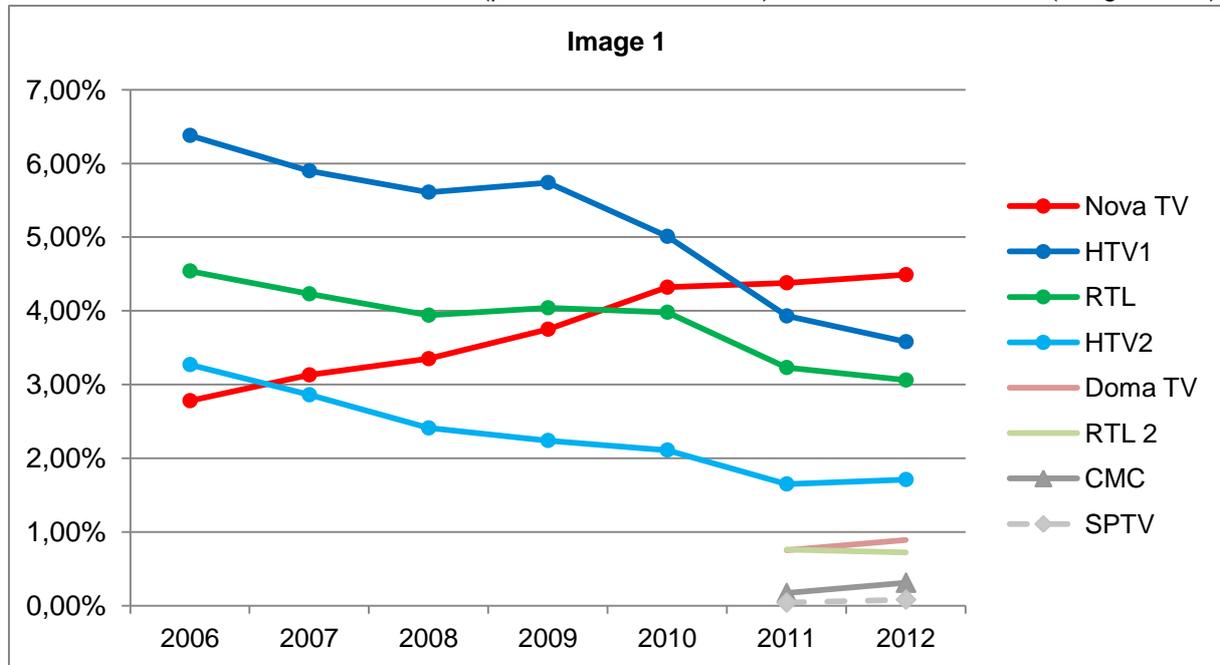
In the past few years the single most significant event has been the analogue switchover in 2010. Croatia was part of the fourth switchover wave, along with eight other countries. According to the available data (Nielsen Media Research, Establishment survey) 2012 was the first year when not a single household still using analogue signal was detected (Table 1).

Table 1	2009	2010	2011	2012
Analogue terrestrial	76,42%	35,95%	3,55%	0,00%
Analogue satellite	9,42%	4,90%	2,00%	2,10%
Analogue cable	8,41%	6,05%	4,25%	3,80%
Digital satellite	11,91%	10,35%	8,65%	7,50%
Digital terrestrial	8,45%	48,15%	74,05%	72,80%
IPTV	8,89%	14,25%	17,85%	20,10%
Digital cable	4,30%	8,90%	11,90%	12,70%

At the moment of writing a total of ten FTA channels is available with about 600 additional pay channels.

In the last seven years viewing of individual channels has changed in many ways. Nova TV (CME group) has become

the number one channel both in prime time and in all day time periods. During this time the biggest loser have been HTV (public broadcaster) and RTL (Image 1).



In 2011 four new thematic channels were introduced to the market, effectively doubling previous channel offer. However none of these managed to uproot large general channels, which is not at all surprising when we know that two of the newcomers are secondary channels of large commercial players (CME, RTL). Another newcomer Sport TV is not popular with viewers primarily because of the lack in quality content, while Croatian Music Channel is able to garner some ratings primarily because of the type of content and specific, passive, way of consumption.

Unfortunately there is little data for most local and regional broadcaster in large part because they do not satisfy basic technological presumptions for TVM research, namely PDC code. From the twenty that are available only nine satisfy this basic condition. Of those nine only one has a rating of over 0.1%. In line with the recommendations of the European Commission local and regional channels with less than 0.3% of viewing share could be exempt from EU content quotas, in 2012 only three channels pass this threshold.

In line with the expansion of pay-tv providers share of pay-tv channels have also gone up, from 8% in 2006 to almost 20% in 2012. This growth cannot go on forever due to the previously mentioned projected pay-tv plateau of about 60% market share of pay-tv providers which would indicate that these 'other' channels have a 30% viewing share potential at best.

Sports and entertainment are the most watched content types with entertainment being far behind, sports is dominated by football and occasionally handball, while show programs dominate entertainment. News programs have reached top programming in parallel with the rise of Nova TV, with their central newscast being the most watched news programme overall.

With current large broadcasters being locked in place it might be time for someone new to enter the market. Of course, the key is the content; it is not important who, but rather what. And with market becoming more and more fragmented the ratings that were once norm are hardly possible. Audience is turning to various niche channels to satisfy its needs, and while those channels can claim fewer viewers those viewers are far more loyal and because of that far more valuable. This fragmentation of viewing, and consequently of advertising spend puts additional pressure on traditional broadcasters, which could try to adapt by changing their business models or by attracting additional advertising revenue into an already very saturated market.

5. Viewers' attitude and needs regarding local TV content analysis

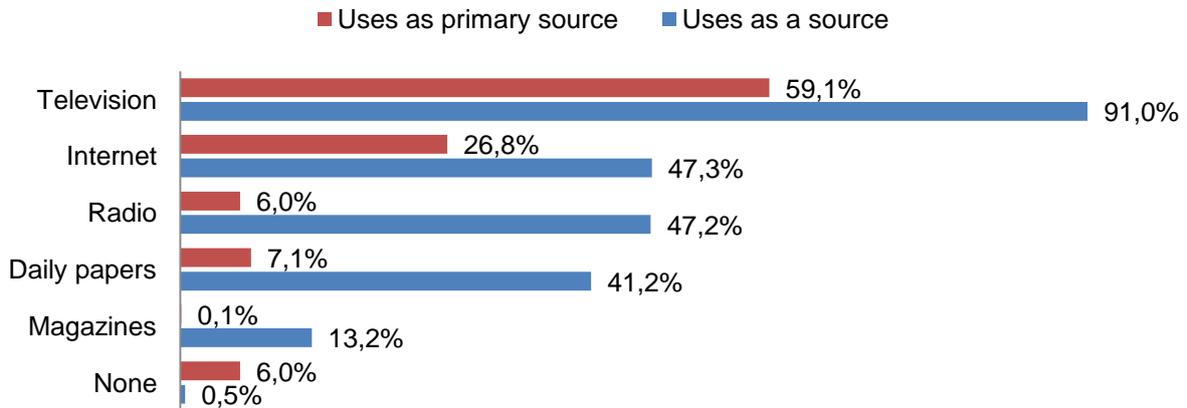
Research project was conducted using survey and focus group methodology. Primary goal was to gather data about viewing habits regarding local media, especially TV stations, as well as gain insights into viewers' attitudes about local TV programming.

Survey was conducted on a nationally representative sample of 1.512 participants older than 15 years, using face to face interview method. Average survey duration was 35 minutes. The sample was nationally representative with regard to sociodemographic criteria; gender, age groups, education, settlement size and region. Deviations from the official data (Croatian Bureau of Statistics) were corrected using RIM weighting. Focus groups were conducted in Zagreb, Split and Rijeka, eight in total.

These methods combined ensure that a maximum insight into most important aspects of research goals can be gained. In this particular case survey allowed for the collection of quantitative data regarding the attitudes towards local media, i.e. what media do participants follow, what level of trust do they have, what topics they prefer, what their viewing habits are etc... On the other hand qualitative methodology enabled a high level overview of the various motives for following local media, allowed interpretation of specific attitude components, and made analysis of various local media experiences possible.

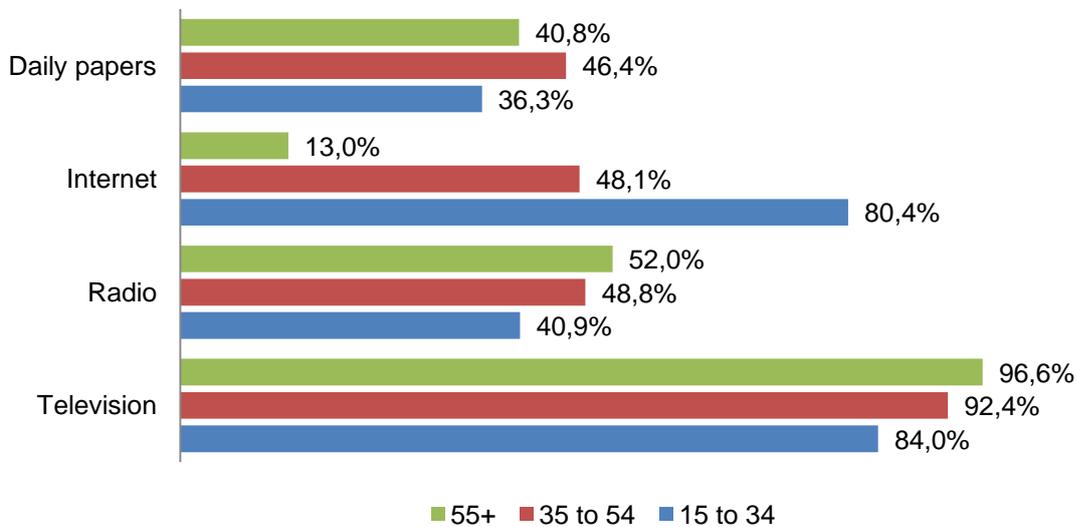
When it comes to primary sources of information TV still has the upper hand, however Internet is gaining ground fast, followed by radio and daily papers (Image 2).

Image 2
Media as source of information about domestic and international affairs



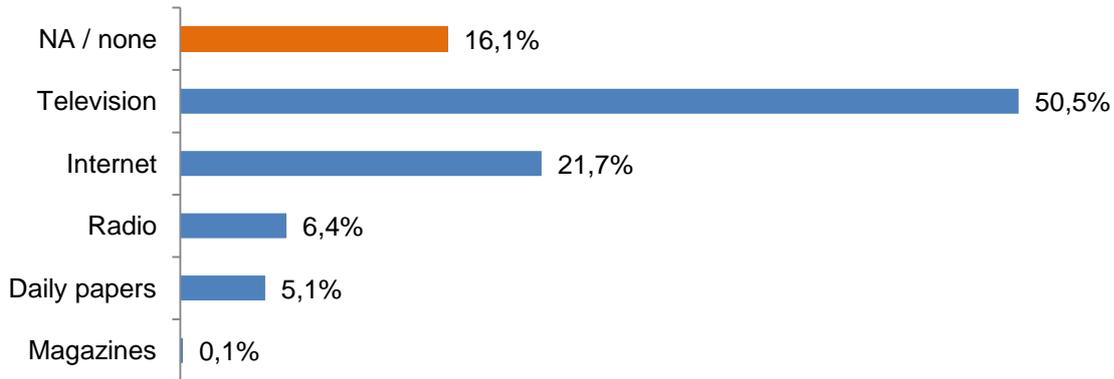
With regard to age the results are somewhat surprising as Internet dominates 15 to 34 groups, almost surpassing television, this trend was apparent for some time now, and if it persists we can expect Internet to best television very soon, especially as broadband and mobile penetration increases (Image 3) in line with expectations Internet usage decreases with age.

Image 3
Different media types usage with regard to age



As image 4 illustrates TV is still the most trusted media, as over half of the participants trust it the most, quite surprisingly, and possibly worryingly Internet is second with over 20% of participants placing most of their trust there. The most trusted TV stations are Nova TV and HTV.

Image 4
What type of media do participants trust the most



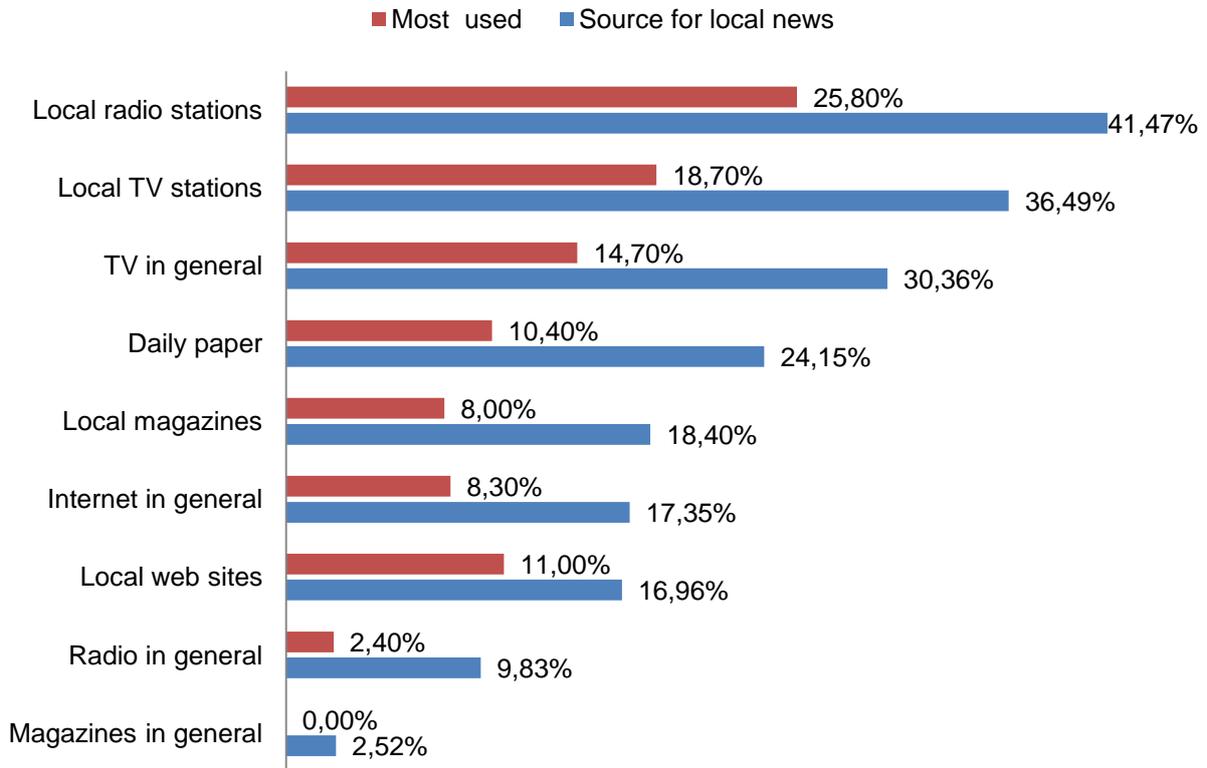
With regard to specific type of information (Image 5), most participants are highly interested in domestic and local information. With regard to various sociodemographic segments, persons over the age of 35 and employed persons have expressed greatest interest in domestic and local topics.

Image 5
Interest for specific type of information



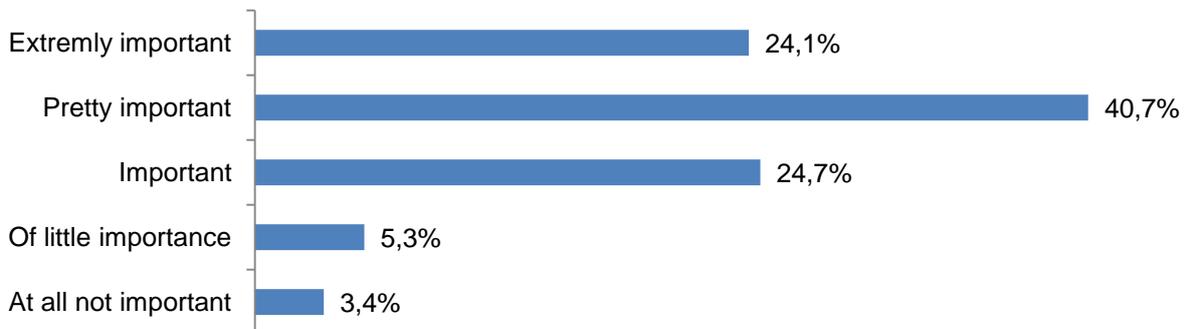
When it comes to local information, radio takes over as the primary source (Image 6). As the image shows local information consumption patterns are the reverse of those we find at general level. Whereas television and internet dominate general segment, local segment is dominated by radio, followed by television (primarily local channels), and followed by print and internet. Therefore we can conclude that Internet is most important for information gathering about national and international affairs.

Image 6
Media as a source of information about local affairs



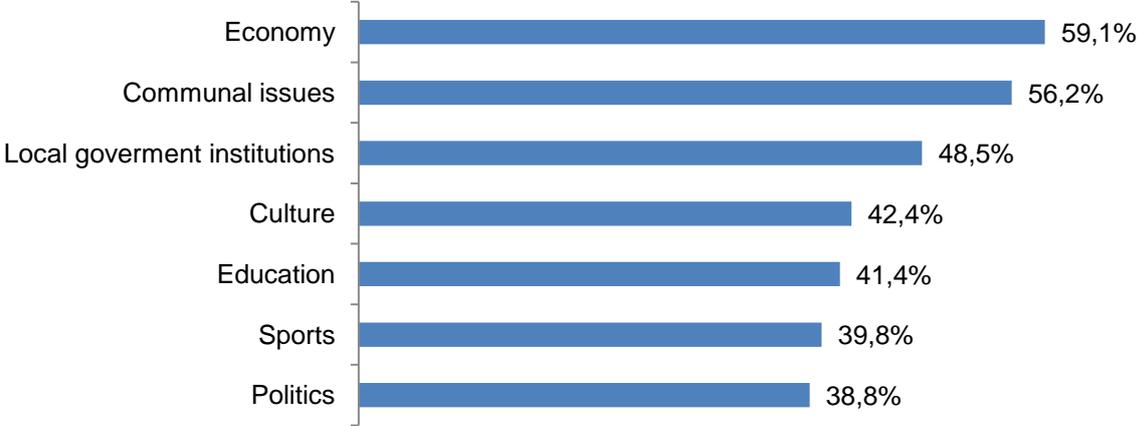
In general several important facts have been observed with regard to local media. First and foremost all local media are experiencing funding problems, which results in lower production quality, and in turn lower viewer attraction and information value. There is also the problem of information timeliness, while national media work at an extremely fast pace, local media are generally behind when it comes to news. Focus group participants attribute this to lack of funding. There is also the question of independence when it comes to local media, question if there are under various forms of pressure from local interest groups is always lingering. As for advantages local media are perceived as less formal, which seems to appeal to viewers, on top of that local media convey useful information with regard to specific service information and local communal issues. Keeping all this in mind it is no surprise that local media are considered important part of the local community (Image 7).

Image 7
Importance of local media



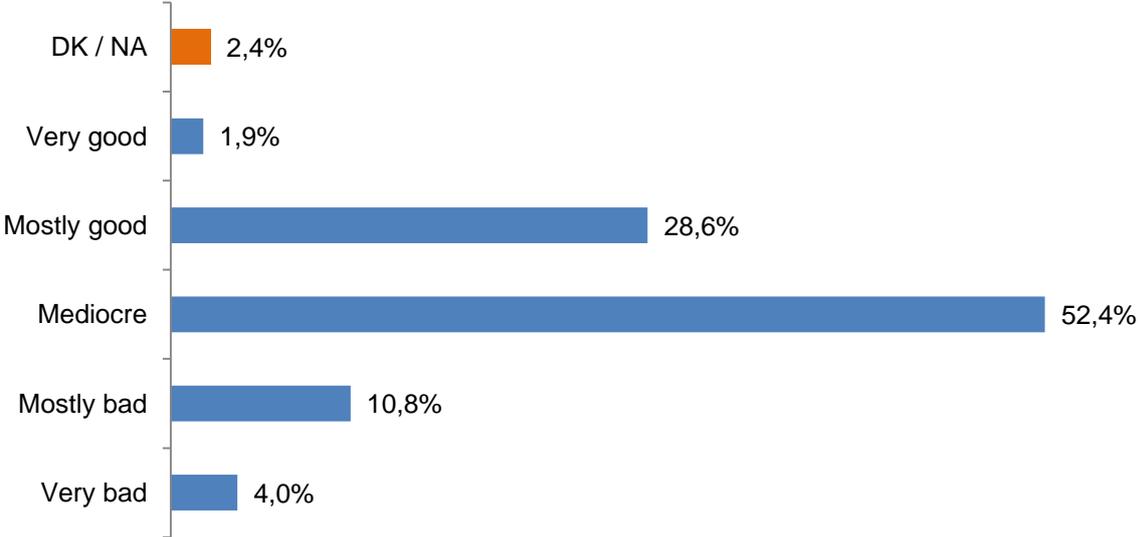
When it comes to specific topics a large fragmentation is observed, from education to politics and economy almost all are perceived as almost equally interesting (Image 8).

Image 8
Intereset for specific local topics

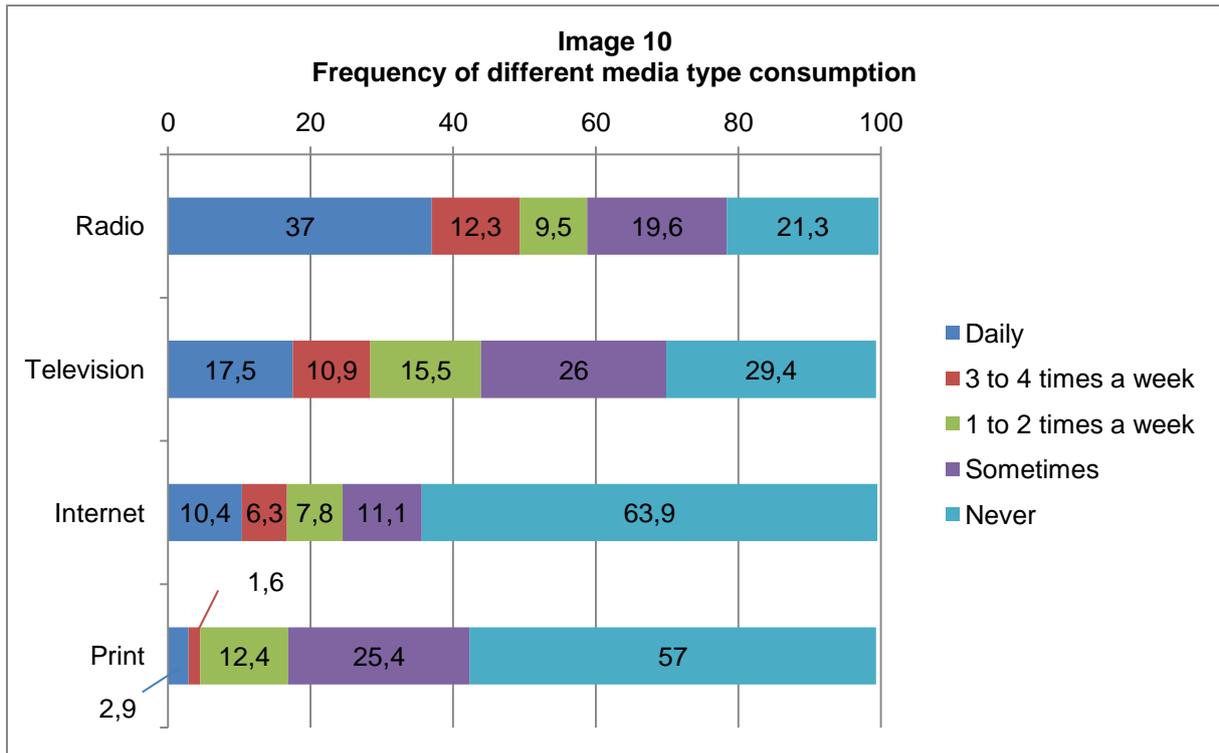


While the need certainly exists, and interests are diverse it seems local media struggle to meet them, as only 65% of participants consider to be adequately informed about local topics and issues, 34% feel they are under informed, while 1% think they are over informed. It is no wonder than that local media are perceived as mediocre by most (Image 9).

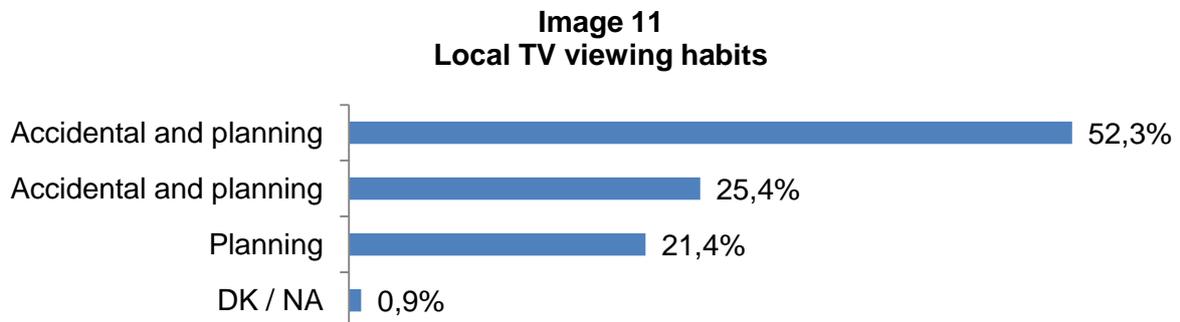
Image 9
Percieved quality of local media



When it comes to frequency of consumption, not surprisingly, radio takes lead, followed by television, internet and print (Image 10).



When it comes to viewing habits local TV stations are mainly consumed “accidentally” (Image 11), meaning that most viewer make no plans to watch local TV stations. As for the viewing hours most viewing of local TV stations happens between 20 and 23, which is pretty standard viewing pattern.



When asked what type of content they find most interesting, participants answered local news, followed by news in general and music (Image 12). This data was confirmed during focus group discussions, where participants stated that their primary reason for watching local TVs stations is local news seeking. In other words local TV station viewers most often seek specific service information concerning their neighbourhood, city or county as well as local news that are expected to be more detailed than those available on national TV stations. Image 13 illustrates various reasons for watching local television stations. Lastly, the thing viewers find most annoying is large number of commercials, and not enough original or premier programming and suspected dependence on local power centres (Image 14)

Image 12
Viewing and viewing preferences on local TV stations

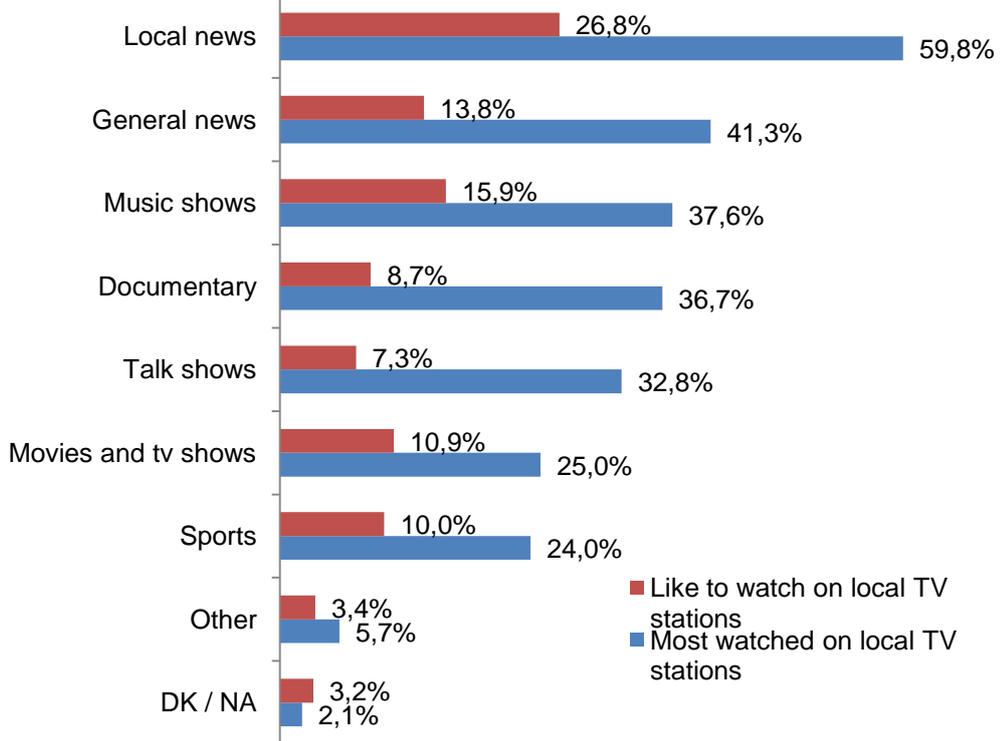


Image 13
Reasons for watching local TV stations

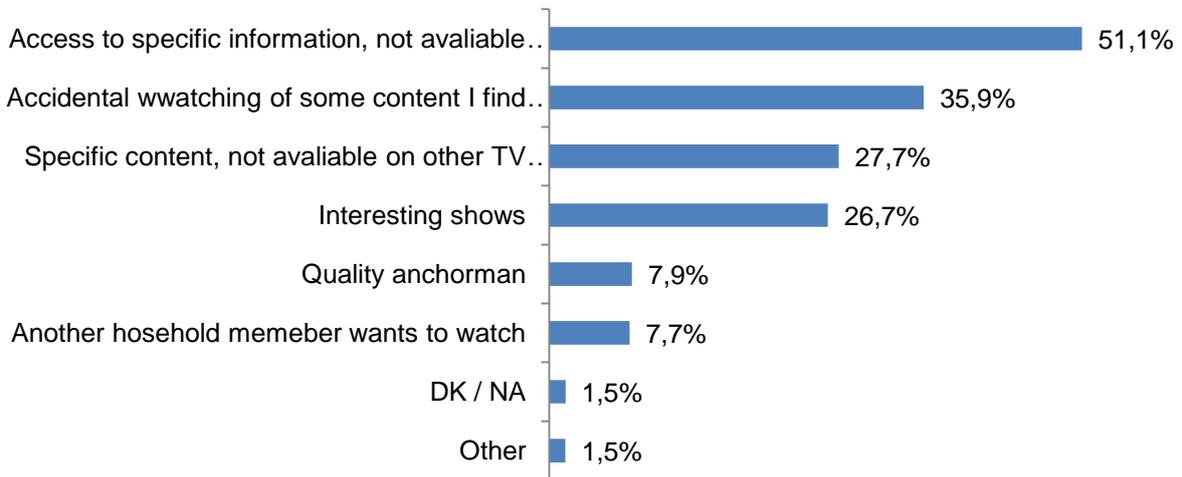
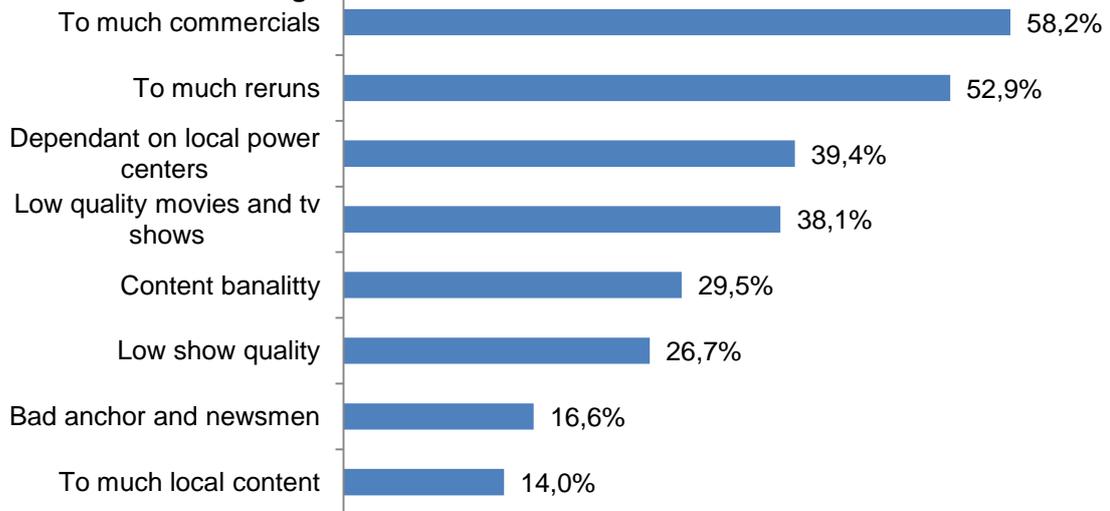


Image 14
Negative characteristics of local TV stations



To conclude, most well-known Croatian local TV stations are Jabuka TV and Z1 television, which are recognized just over half of all participants, third position is held by Net TV (34%), while the rest fall between 10 and 27%. In general viewers have positive impressions regarding local TV stations, highest rated local TV station is Varaždinska TV, with almost 80% of positive or mostly positive impressions. With regard to regional split, TV stations from Slavonia region have gotten significantly higher grades than those from Dalmatia.

6. Quantitative and Qualitative analysis of general TV broadcasters' content

Keeping in mind legal constraints all premier and rerun emissions during the analysed period (4 February – 5 March 2013) were taken into account. Four general channels were analysed; HTV1, HTV2, NovaTV, RTL, table 2 shows total average daily broadcast time (minutes), gross duration is defined as show duration with all breaks, whereas net is defined as only show duration without any breaks.

	TOTAL BROADCAST TIME	GROSS BROADCAST TIME	TOTAL NET BROADCAST TIME	BREAK	
HTV1	1435		1345	4	Of all analysed channel only NovaTV broadcasts on without any programming breaks, while only RTL has a daily programming break. Two principal program categories were analysed news programs, and so called infotainment programs.
HTV2	1436		1339	3	
Nova TV	1440		1165	0	
RTL	1317		1030	122	

Total broadcast time of various news programs varied between 43 and 360 minutes, which comprise 2 to 26% share in total broadcast time. For the infotainment category duration varies between 16 and 84 minutes which make up 1 to 8% of total broadcast time.

All segments belonging to either news or infotainment programs have been categorized according to topics they cover, a total of 7.120 segments with a total duration of 19.502 minutes were analysed. Most frequent topic was domestic and international politics, followed by cultural segments, lifestyle segments and economics in the fourth place, least frequent topics include service information, automobile, unemployment and technology.

All segments in news programs and documentaries concerning various protected groups and minorities were analysed. A total 670 items of a joint duration of 4.738 minutes were analysed. Most segments, over half, were about children and related topics, least frequent topics were homeless and LGBT groups. As expected public broadcaster had a much bigger ratio of these types of segments, compared to total duration of analysed shows. It is obvious that commercial broadcasters are under too much pressure to deliver ratings to have time for public service broadcasts.

7. Quantitative and Qualitative analysis of local and regional TV broadcasters' content

Analysis comprised a period of one week (11 – 17 February 2013) all segments in all shows were analysed and categorised. If the segment or show in question had any local content, that content was further categorised into 22 categories.

Table 3 shows all categories, their respective item count and duration, a total 6.021 items with the total duration of over 459 hours were analysed. Due to the analysed period there were a lot more cultural segments than expected. Likewise a large proportion of all content belongs to various telecast and informational panoramas, which as themselves can hardly justify either "local" or "content" labels. Between various local TV stations local content duration varied between 8 and 55 hours.

Culture	1.048	73:00:02	15,90%
Infomercials, telecast panoramas	259	62:15:53	13,56%
Politics	462	50:58:38	11,10%
News, other	605	39:09:34	8,53%
Sports	743	37:51:15	8,24%
Music	96	35:26:34	7,72%
NGO, protected groups, minorities	253	31:53:36	6,95%
Communal issues	452	19:01:17	4,14%
Religion	180	12:00:00	2,61%
Health	95	11:55:04	2,60%
Safety and security	335	10:50:42	2,36%
Economy	205	10:43:58	2,34%
Children and teenagers	117	9:58:46	2,17%
Agriculture	101	9:45:02	2,12%
Lifestyle	190	9:00:45	1,96%
Science and education	156	8:43.39	1,90%
Food and drink	54	8:02:23	1,75%
Weather	477	6:02:56	1,32%
Nature, ecology	76	4:55:40	1,07%
Tourism	65	3:55:02	0,85%
Auto, moto, nautics	29	2:34:56	0,56%
European Union	23	1:06:52	0,24%
TOTAL	6.021	459:11:34	

8. Conclusion

This comprehensive study clears the air for future complementary studies each of which should have a more specific market segment in line. All of these should be the basis of new policies and regulation strategies that should provide support to both existing and new possible business models, on local, regional and even national level.

This study came up with several interesting and somewhat unexpected conclusions. First and foremost in the past few years there has been a significant increase in ratings of so called „Other“ channels, these are mainly various niche and specialized channels that are available on pay TV platforms. This development has moved various pay TV providers into a more dominant market position, and this is a trend that will likely continue especially with the proliferation of various OTT services.

Results of the financial analysis show that the Croatian market is not aligned with other European markets, unlike their counterparts in most European countries Croatian commercial broadcasters have not been profitable in 2012. At the same time available GPR pool has been expanded, with predictable results, GRP devaluation. With regard to recession the market has not yet recovered in 2012, and if trends are to be believed initial recovery might start in 2014, however caution is advised.

On the same note content analysis came up with a rather stale picture of current market trends. Serial programming and sports is by far the most consumed content. At the same time one channel has been completely dominant across most demographics, and while a need for additional content specific (specialized) channels is becoming more and more obvious it is questionable whether this can bring more business value to the market.

Analysis of local and regional broadcasters shows that most participants consider local media to be an integral part of their media landscape. Main advantages of local over national broadcasters are perceived to be different informational and organizational style and broadcasting of actionable relevant information.

All in all this study has provided us with valuable insight into the intricacies of Croatian TV market on national as well as on local level, it has also brought to light several issues that are to be addressed in the future, these mostly pertain to content regulation on national and financial support on local level, as well as market regulation as a whole.