

Romanian Media Industry – A Look Back at Responses to Crises and Disruptive Changes

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Abstract

The media industry is generally a cyclical industry and reacts the fastest to an economic downturn: when everything goes well the industry flourishes, while when things turn bad the industry loses jobs very fast. During the recent economic and financial crisis the Romanian media industry was severely hit but somehow managed to survive by embracing new technologies.

The so-called new media is already present in Romania, while the penetration of new technologies on the local market has still room for progress since the country is at the bottom of all related rankings in the European Union.

The current paper looks to present the evolution of the Romanian press in the years post-crisis and makes the correlation with the advances in technology made by the telecommunications sector, showing that the media market has adapted very well to disruptive changes and could attract in this evolution the whole Romanian society.

Key words: media industry, new technologies, disruptive changes

J.E.L. classification: L82

1. Introduction

The Romanian media industry has been dramatically affected by the recent economic recession: many jobs have been cut off in the press and in advertising (between 2009 and 2012), while some newspapers gave up on their printed editions. Bankruptcy was the ultimate option for many businesses in this industry. Maybe the most resounding case was that of “Realitatea TV”, the first Romanian news channel, which was close to dissolution but found a new owner as well as a new management team in order to continue its activity. Therefore can we say that the media is the industry that reacts the fastest to important changes in the economy and in the business landscape?

Hamel (2007, p.15) stated that the 21st century external environment is changing more rapidly than ever before: industries disappear more rapidly (like the newspapers industry), organizational leaders change spots more frequently and the erosion of competitive advantage is at higher levels.

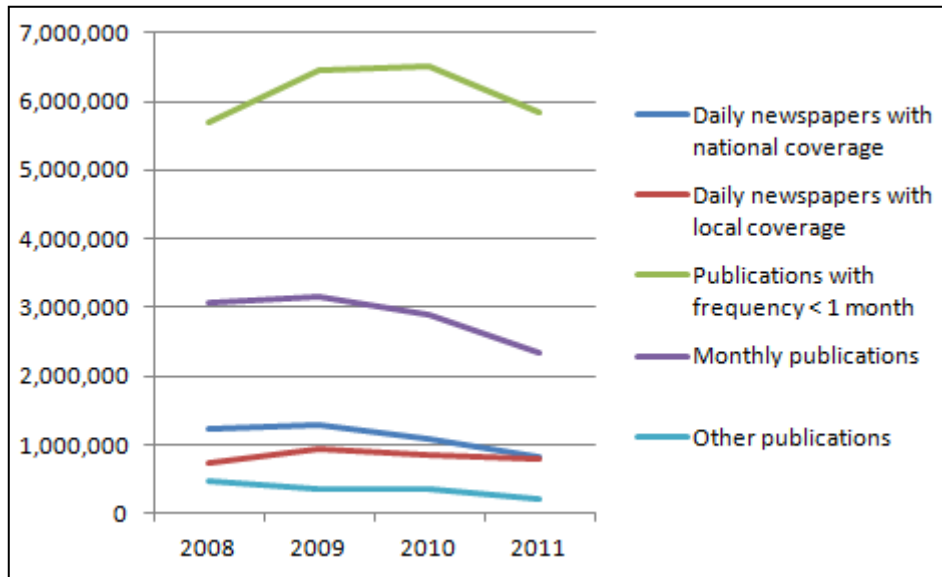
While in some Romanian economic sectors the presence of the authorities is still an important factor, local private actors and other groups from foreign countries have managed to build solid businesses in advertising, television, radio, and publishing. Pre-crisis everyone was selling very well on the market, helped by the expansion of cable operators and press distributors in peripheral parts of Romania (like small towns and even villages). But as soon as the figures of the crisis were evident, most of the media groups decided to stop their activities in smaller regions of Romania and keep only their core staff in order to cope with the massive decreases in revenues (from 2009 and 2010). As an example, Media Pro – a leading media group in Romania – had fired 10 percent of its employees outside Bucharest and has concentrated its activities on the online division.

2. Press looked at decreasing figures and turned digital

The daily newspapers with national coverage have registered decreasing circulation figures as soon as the effects of the crisis struck the market. According to the Romanian Audit Bureau of

Circulations (BRAT), the overall circulation was down 14 percent in 2010, and a further decrease of 25 percent was experienced in 2011. All the daily newspapers with national coverage have registered lower sales in 2011 with respect to 2010 (minus 24 percent on average), including tabloids (the main driver of growth in the last years before the crisis).

Figure no. 1. Press circulation data in Romania



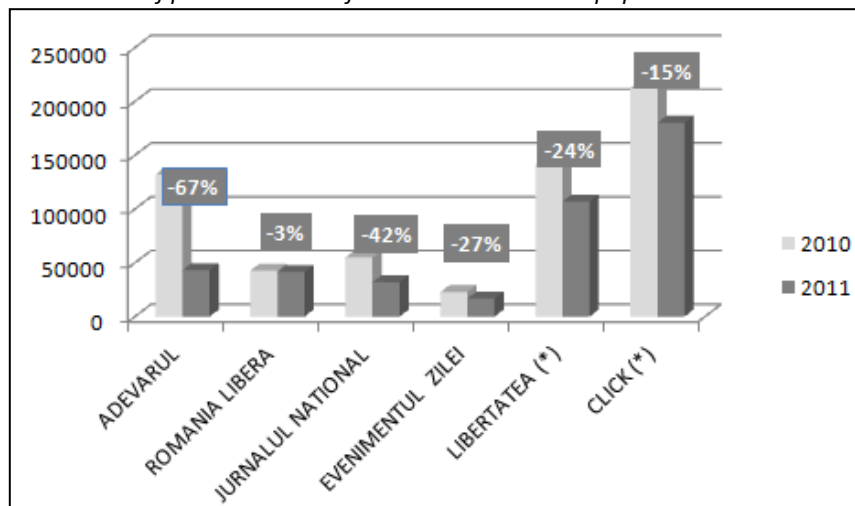
Source: (Romanian Audit Bureau of Circulations – BRAT, 2011)

Because of the increasing difficulty to sell printed editions, several publications have moved exclusively online; “Gândul”, one of the newest and most influential newspapers in Romania, was also the first one to stop printing its editions on paper and post its articles only on the Internet. Downes et al (2014, p.130) highlight the fact that, in United States, newspapers have reached advertising revenues at the level of 1950 and continue to lose readers in their written form.

If we take into consideration that the circulation figures are the main factor in setting the advertising rates for the written press, and that, in Romania, more than 70 percent of the industry's revenues come from advertising, we can understand why the overall evolution has been negative throughout the crisis, with immediate social consequences.

The written press has tried to attract readers by adapting to new technologies (the sport newspapers, for example, have released their first 3D editions on the Romanian market and have offered special glasses along with their publications), but the effects were minimal for the performance of the printed editions.

Figure no. 2. Evolution of printed editions for main national newspapers



Source: (Romanian Audit Bureau of Circulations – BRAT, 2011)

On the magazines' market, the crisis also produced effects in the concentration of the actors. The difficulties experienced on this segment have facilitated the acquisition of Edipresse A.S. by Ringier AG, one of the largest media corporations in Switzerland. This meant that only two major actors remained active on this market at the time (2011): Ringier-Edipresse and Sanoma Hearst.

Intact group is another major media group that has suffered from the economic crisis: approximately 20 percent of the employees have left its television channels in 2009, while the decision for the most important newspaper (“Jurnalul Național”) has been to cut wages and keep a limited number of professionals. Other publications (like "Săptămâna Financiară" - a newspaper focused on financial and economic aspects) have also stopped their printed editions.

This switch from paper to digital was somehow accelerated by the poor performance of the advertising industry. Procter & Gamble, the world’s biggest advertiser, dominated the Romanian communication industry in 2011 (in terms of budgets invested in advertising); this group was on the first place of the rankings for the previous three years as well, followed by the mobile telecommunications companies. However, in terms of relative performance, the figures were not good at all.

Table no. 1. Top 10 companies investing in communication (EUR - rate card budgets)

	Advertiser	2011	Evolution from 2010
1	PROCTER & GAMBLE	251,417,310.70	-30,25%
2	ORANGE (MOBIL ROM)	190,090,978.60	-8,90%
3	VODAFONE (MOBIFON)	160,259,136.00	-12,72%
4	COSMOTE (now TELEKOM)	148,097,534.60	-18,09%
5	UNILEVER	127,722,434.10	-17,66%
6	BEIERSDORF ROMANIA	118,010,247.00	-18,96%
7	L'OREAL ROMANIA	110,341,999.40	-17,30%
8	HEINEKEN ROMANIA	102,323,734.0	-16,11%
9	FERRERO	99,597,304.0	-15,17%
10	KRAFT FOODS ROMANIA	99,290,942.0	-14,50%
	Others	3,202,587,781.30	-11,34%

Source: (GfK Romania/AlfaCont, 2011)

3. A very active online press

With the power of Internet and social media, consumers gain faster access to products and services, as well as faster access to information on such offerings and news in general; all of this brings out new perspectives in most industries.

Powered by a flourishing online community, the online press was very active during the recent recession (as new and cheaper ways of communicating with the clients were needed): in the “Top 10” rankings of the most accessed Internet sites in 2011 we find some online editions of national newspapers (like “Adevărul”, “Gândul”, and “Click”), as well as television news sites (for example, “Știrile ProTV” and “Realitatea”).

Table no. 1. Most accessed Romanian websites in the second half of 2011

Rank	Internet site	Category	Organization	Monthly traffic
1	www.sport.ro	Sports	Pro TV	14 935 056,67
2	www.gsp.ro	Sports	Convergent Media	12 617 569,17
3	www.cancan.ro	Tabloids	Cancan Media	10 949 243,83
4	www.prosport.ro	Sports	Mediafax Group	11 716 330,50
5	www.libertatea.ro	Tabloids	Ringier Romania	10 390 111,17
6	www.stirileprotv.ro	News	Pro TV	8 741 356,17
7	www.trilulilu.ro	Web services	Trilulilu	7 095 691,67
8	www.realitatea.net	News	Q2M	7 683 903,00
9	www.adevarul.ro	Newspapers	Adevarul Holding	7 092 459,00
10	www.gandul.info	Newspapers	Mediafax Group	6 517 570,83

Source: (Internet Audience and Traffic Measurement – SATI, 2011)

The recent increase in mobile web usage looks promising for the Romanian market; while the numbers are still low this segment has also helped the media companies to maintain a close contact with an important segment of their clients. The most accessed mobile websites in 2011 belonged to the following categories: newspapers, TV news, and sports.

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4. The switch to digital powered by telecommunications

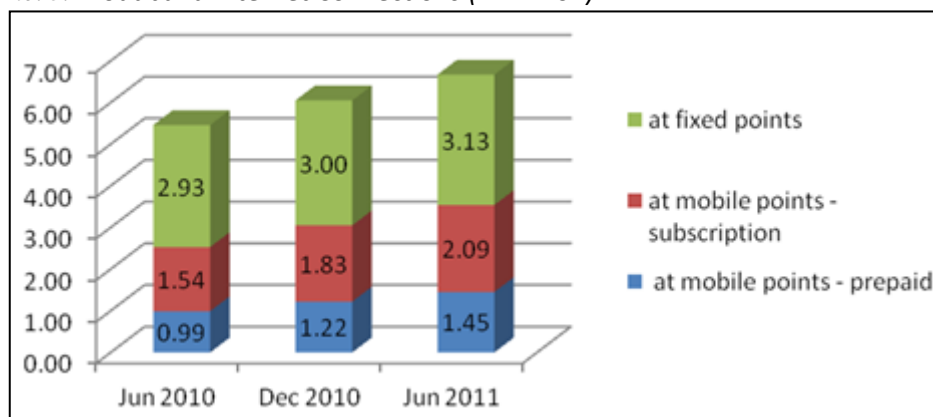
In the telecomm industry, the fierce competition has brought companies on the run for clients – which meant lower prices and unlimited access to voice and internet services. This in turn can translate into highly-stressed networks, so there are questions about the sustainability of the current offers. For example, Cosmote (currently Telekom), the first actor in the mobile communications sector to have promoted unlimited offers in order to attract clients, had important problems due to the failure of its networks; and in the Internet connections sector, the technical incidents are becoming more frequent.

The majority of the revenues in the telecomm industry come from mobile communications (57 percent), followed closely by cable. The average duration of a phone call in Romania was of 3 minutes using the fixed networks and of 2 minutes and 23 seconds using the mobile networks (data published by ANCOM – the National Authority for Administration and Regulation in Communications – in 2011).

The total number of broadband internet connections at fixed points has reached 3.13 million in the first half of 2011 (90 percent of them represented by households); taking into consideration the total population, the penetration rate has reached 14.6 percent, well under the EU average of 26.6 percent.

One positive aspect of the Romanian Internet services is the transfer speed: 98 percent of broadband connections have at least 2 Mbps, while 62 percent pass the 10 Mbps mark.

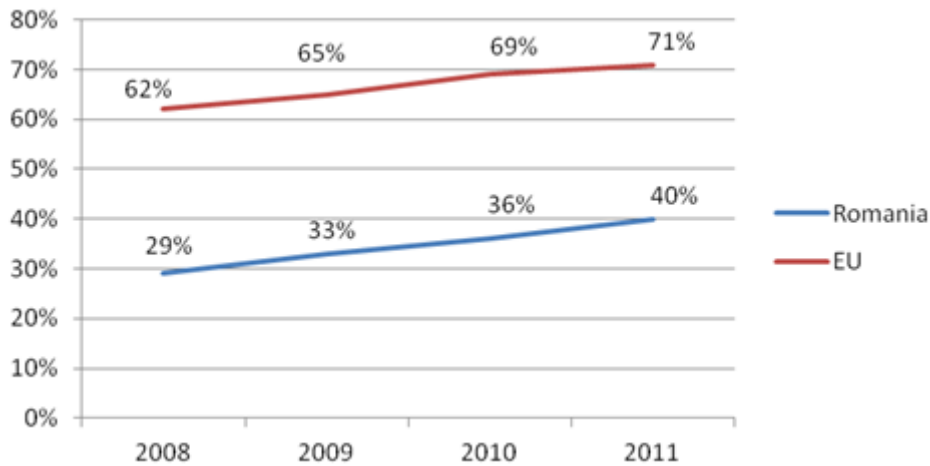
Figure no. 3. Broadband Internet Connections (in million)



Source: (ANCOM, 2011)

The level of Internet usage has increased a lot during the last decade, from 3.6 percent in 2000 to 40 percent of the population in 2011. Despite this exponential growth, Romania is well behind the EU average of 71 percent. Furthermore, only 21 percent of Romanians access the Internet at least once a day (compared to the EU average of 53 percent), according to Eurostat statistics.

Figure no. 4. Individuals using the Internet



Source: (Eurostat, 2012)

If we interpret the statistics of the same organization (Eurostat), Romania is the last country in the European Union at the percentage of households with broadband connections (only 31 percent in 2011, compared to the European average of 68 percent). The same statistics (rank 26 in the EU) are seen in the corporate segment, where only 46 percent of the businesses have broadband connections (compared to the European average of 81 percent).

5. Conclusions

In conclusion, the media industry is very opened to changes and innovations. New media is indeed bombarding us, Hendricks (2010, p.4). It is a part of our everyday life more than traditional media has ever succeeded. We might call it digital technology, or computer-aided communication, but no matter the name we give it we know that it is part of our lives. And most importantly, that is replacing traditional media. Romanian society has embraced new media quite fast and the potential of progress is huge considering that the penetration of modern technology is low compared to the other European Union countries. But new media is also about the people and the changes we see in them: in several countries social media has contributed to the distribution of messages used in electoral campaigns and managed to create unreachable advantages. If Romanian media reacted to change and crisis by redefining its basics, could the Romanian society do the same?

A complete study of the Romanian media industry is beyond the scope of this paper and could be realized in the future, but what it was judged as important here was to show that media is already in a profound change, leading the wave of transformation and attracting other sectors down the digital path.

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