

CROATIAN MEDIA MARKETS: REGULATION AND CONCENTRATION TRENDS

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Executive summary

Context

- Media pluralism and diversity are in the centre of contemporary European media policies. The obligation of the states to promote and support media pluralism is based on Article 10 of the European Convention on Human Rights, and in this way linked to the right of citizens to freedom of expression, as well as to the contribution of the media to democracy.
- Media pluralism and diversity are protected by a complementary set of measures and regulations. These include transparency of media ownership data, transparency of information on media programmes, audiences, and revenues, measures to control concentration in the media, as well as different positive measures to promote production and distribution of diverse media and media content.
- There is no European model for the protection of media pluralism and diversity, and European countries differ in ways of controlling media concentration, based on the differences in their media markets, media cultures and political traditions.

The Croatian legal framework for the protection of media pluralism

- Croatia has, after the year 2000, introduced a new set of media legislation, which includes measures to control mono-media and cross-media ownership concentration and ensure transparency of data on ownership and functioning of the media. The Media Law (2004) limits concentration in the printed media and establishes transparency rules for all media (printed and electronic), while the Law on electronic media (2003) limits cross-media ownership.

Transparency

- Although these media laws in principle ensure transparency of ownership and other media data, an in-depth analysis of the legal provisions finds a number of contradictions:
 - electronic media broadcasters have to supply the information on ownership to the Ministry of Culture by 31 January of the current year and publish the same data in the Official Gazette (time and frequency not specified) (according to the Law on electronic media, 2003);
 - all media publishers (print and electronic) have to supply information on ownership to the Croatian Chamber of Commerce by 31 January of the current year and publish it in the Official Gazette by 28 February of the current year (according to the Media Law, 2004);
 - all media publishers have to publish information on total revenue, circulation, listeners and viewers in their own media by 30 April of the current year (Article 34 of the Media Law);
 - the same information and information on the ownership in the media, shall be published in any media, at least once in the calendar year (Article 14 of the Media Law);
 - all media publishers have to supply the information on their revenues, market shares in readers/listeners/viewers as well as advertising,

names of advertisers or advertising agencies through which more than 10 per cent of the revenues are gained , to the Croatian Chamber of Commerce by 30 April of the current year (Article 34 of the Media Law).

- These inconsistencies make it difficult to ensure implementation of transparency requirements, they do not clearly set out the duties of the institutions involved in collecting the information on the ownership and functioning of the media, and generally make it difficult to access all the data that is, in principle, in the public domain.
- The Law on the protection of market competition and the Law on the right of access to information, in their separate provisions, clearly define that all information that is in the public domain, or must be in the public domain or in the possession of the public bodies following provisions in other laws, cannot be treated as restricted information and must be provided to the interested party. According to this, all the information on media ownership, as well as business information on media revenues, audiences, advertising, are clearly in the public domain.
- The implementation of the Law on the right of access to information has not been tested in Croatia.

Concentration

- Concentration in the media sector is regulated by a general Law on the protection of market competition (2003) and in the Media Law (2004) and Law on the electronic media (2003).
- The Agency for the Protection of Market Competition reviews all planned concentrations in the media sector (according to the Media Law), regardless of the total revenue of the companies (in the media sector usually smaller than the general threshold of 100 mil. Kuna).
- The Media Law prohibits concentration in the markets of general information dailies or general information weeklies if the market share of the participants after concentration exceeds 40 per cent of the total copies sold of the general information dailies or weeklies in Croatia.
- The Law on electronic media prohibits concentration in the radio and television sector, as well as cross-media concentration. The law defines the following forms of media concentration as impermissible:
 - a broadcaster with a concession at state (i.e. national) level, and shares exceeding 25 per cent in another broadcaster who has the same kind of concession, and vice versa;
 - a broadcaster with a concession at state level, and shares exceeding 10 per cent in another broadcaster who publishes daily newspapers with a print-run over 3,000 copies, and vice versa;
 - a broadcaster with a concession at state level, and shares exceeding 10 per cent in a legal person who performs the activity of a newspaper agency, and vice versa;
 - a broadcaster with a concession at state level who simultaneously publishes daily newspapers with a print-run of over 3,000 copies;

- a broadcaster with a concession at the local or regional level, and with shares exceeding 30 per cent in another such broadcaster with a local or regional concession in the same area;
- a broadcaster with a concession at the local or regional level who simultaneously publishes daily newspapers of local importance in the same or in the neighbouring area. (Article 46).

Analysis of the Croatian media market

- The interest for an analysis of the media markets began at the end of the 1990s in the research community and the first study including market data – shares of the audience (viewers, listeners, circulations in the press), and shares in advertising – published in 1999. Thereafter, several research projects and published texts focused on the issues of concentration of ownership, pluralism and diversity. All were based on scarce publicly available data, and none performed a systematic economic market analysis.
- The aim of this study was to analyze the Croatian markets in the printed press, radio and television in order to establish the levels of concentration/diversity.
- The main outcomes of the study are:
 - relevant markets for the mass media in Croatia have been defined;
 - the levels of concentration/diversity in the relevant markets for the mass media have been determined;
 - the implementation of the legal framework for actual transparency of the data on ownership, revenues, market shares, and audiences has been tested.
- The analysis of the media markets was based on the following criteria/data:
 - share of radio, television and printed press in the audiences (i.e. the viewers, listeners and readers markets);
 - share of radio, television and printed press in the advertising revenue;
 - ownership in the media companies;
 - print runs – share of printed media in sold copies.
- The methodology:
 - Concentration was tested with the Herfindahl-Hirschman indicator and the C 3 test:
 - C3 = sum of three largest market shares where 0-35: low concentration, 36-55: moderate concentration and 56+: high concentration;
 - The Herfindahl-Hirschman index is calculated as the square root of the sum of the squares of market shares of all competitors in the relevant markets.
 - Relevant markets were tested on the bases of substitutability of products (i.e. the main genre or content), geographic dimension,

audience demographics (where possible: gender, age, education) and media type.

- The data were (where possible) compared with those of three countries from Central and Eastern Europe (Slovenia, Slovakia and Austria), and four countries of similar population size (Lithuania, Portugal, Ireland, and Finland - Slovakia is also of similar size).

Findings: Television

- Croatia has the highest daily viewing time for television among comparable countries.
- Number of channels of television with national coverage (4 channels and 3 companies: the public channels HTV1 and HTV 2, RTL Televizija, Nova TV) is the same in Croatia and the countries of the similar size, while this is much lower than the Western European average (14).
- Croatian public television still has the leading market share of television audiences in Croatia, which, in spite of a decline remained the highest among the compared countries.
- Adult audiences (over 34) predominantly watch two public television channels (HTV1 and HTV 2) (59 %).
- Young adults prefer RTL Televizija, followed by HTV 1, HTV 2, and Nova TV.
- Children are true fans of RTL (34.7 per cent), followed by HTV 1, Nova TV and HTV 2.
- Television market at the national level is well structured without a marked concentration, when the relevant market is defined as a national market and only the age of the audience as criterion.
- H index for the national level is 0.54, which is rather high.
- When the program genres are used as the basis for defining the market, the television market is very highly concentrated in the genre of cultural programmes and art, religion (where the HTV has almost 100 per cent market share); and sports, music, information and political programmes, documentaries, science and education programmes (80 per cent to HTV).
- For the above programmes, HTV contributes significantly to the diversity of the television programmes in Croatia.
- In the information genre (news and political magazines), HTV 1 and HTV 2 combined have 80 per cent of the television audiences; followed by Nova TV (14 per cent). The share of RTL in this genre is less than 7 per cent.
- In the entertainment genre, the leader is RTL (almost 50 per cent of the audiences), followed by HTV (25 per cent), and Nova TV with 20 per cent.
- There is a strong competition in the markets of films, series, and to a lesser degree in the entertainment and children's programming.
- There are no significant differences in the distribution of the general audiences by counties.
- The share of audiences of local and regional televisions, including cable and satellite channels, is below 10 per cent. Due to the character of data collected

by the market research agencies and the "people-meter" method, no specific data was available for further analysis of Croatian local and regional television.

Findings: Radio

- Radio listening in Croatia is raising towards 250 minutes a day.
- The radio landscape in Croatia includes 3 national public channels (HR 1, HR 2, HR 3), 4 national commercial channels, 7 regional public channels, and more than 130 local and regional radio stations.
- Total number of hours of broadcasted programmes has increased 5 times between 1995 and 2004, to reach almost a million hours of programmes in a year.
- The relevant markets for radio are clearly geographic: 21 regional markets were defined.
- 4 product segments were defined, main genres of the radio stations based on the type of music, and the audience demographics (gender, age, and education): "youth" stations (15 per cent share in total audiences); "country" stations (40 per cent share in total audiences); "middle class" stations (25 per cent share in total audiences), "evergreen" stations (20 per cent share in total audiences).
- Distribution of the stations based on the above categorization differs greatly among Croatian counties: "country" stations predominate (82 per cent) in Virovitičko-podravska county, while making for only 16 per cent in the Primorsko-goranska county.
- Based on the Croatian average, 47 per cent of radio audiences are held by the local station, 18 per cent by the regional station, and 24 per cent by national commercial stations. Three national public channels have a joint share of 10 per cent of radio audiences.
- H index for radio based on genre/audiences demographics in the counties is between 0.50 – 0.71 (youth stations), so the concentration is between medium and high.
- H Index for radio stations in the counties, undifferentiated by the genres, is between a low concentration 0.47 in Zagrebačka county and high concentration of 0.75 in Virovitičko-podravska county, with the majority of the counties falling in the range of 0.55 and 0.67.
- The study identified 5 types of ownership in radio companies:
 - private persons with over 75 share in radio stations have a share of 55 per cent of total radio audiences in Croatia;
 - the three public channels and 7 public regional stations with a 22 per cent share of the radio audience in Croatia;
 - public-private partnerships (i.e. radio stations where the control is jointly held by the private sector and the local governments – cities and counties – with a 15 per cent average audience share of Croatian radio audiences (with marked differences in the counties);

- Radio stations in full control of local governments with an average share of 6 per cent in the Croatian radio audiences (also with marked differences in the counties);
- Radio stations with Church ownership.
- The analysis shows a relationship between the programme genres of the radio stations and the type of ownership.
- From the aspect of ownership control, the study found that the H index calculated on the ownership basis is higher than on the basis of channels only in the segment of evergreen stations.
- The Croatian radio market is strongly segmented; national private stations and strong regional stations are present in some of the counties, but the main basis for the diversity and competition in the radio market comes from numerous local stations geared towards the needs of the local audiences.
- On average, in each county there are two or more strong radio competitors.

Findings: Print media

- Croatian audiences spend 34 minutes a day reading newspapers (18 minutes) and magazines (16 minutes), while they spend 41 minutes on the Internet.
- Number of print media products is rising steadily and has reached 340 titles in 2005. The number of national daily papers was 9 in the same year. In 2004, 64.2 tons of paper were spent on newspapers and magazines.
- There are two main relevant markets in the print media: daily newspapers and magazines (weekly and monthly).
- The market for magazines in Croatia is national, and segmented according to genre and audience demographics (gender and age).
- The daily newspaper market is regionally segmented, and additionally according to genre and audience demographics (gender and education).
- In the largest market segments of national daily newspapers and magazines (women's magazines, car and motor sports, political weeklies) the H index is between 0.31 and 0.53, speaking of moderate concentration.
- In the relevant market of daily newspapers, the study identified three information daily newspapers with national relevance (i.e. consistently used in all the counties), three regional newspapers (i.e. their readership is below 90 per cent in their own county, and is read in the adjoining counties as well), and four local daily newspapers (over 90 per cent of the readership is in the county of publication).
- Two broadsheet dailies (one general broadsheet daily attracts highly educated persons and a business daily) are also national, with a rather small (1.6%) share in total readership of dailies.
- The only sports daily is also national in character, with significant readership of 7 per cent, but segmented by gender (mainly male readers).
- Concentration in the daily newspaper market (all papers combined at national level) is very high in Croatia, and higher than in the comparison countries:

share of two leading papers is 66 per cent, and share of 3 leading papers is 77 per cent.

- H index for the 6 national daily newspapers is 0.54, which is rather high.

Findings: Advertising market in the media

- Share of television in advertising revenues in 2003 was 49.7 per cent, followed by the daily press with 20.1 per cent, magazines with 14.3 per cent, radio with 7 per cent, and internet with 1 per cent.
- Advertising market is growing by 8 - 13 per cent a year, and is estimated at 240 - 390 million euros in 2004 (estimates vary according to the agencies. The exact data on advertising spending was not available to us for this study).