

# The European Market and the Need for Economic Success of Public Broadcasters

Suzana Žilič Fišer \*

## SUMMARY

Broadcasting is becoming important actor in the free market. In changed circumstances, the characteristics of public service TV that had formerly been very strict and non-commercial now changed. While it seems that commercial networks and PSB behave as two extremely different models in society, similar principles in their functioning are narrowing the gap between them. It is a fact that the role and position of television as an institution in our society which is changing. Commercialisation is the most common trend in all PSBs in Europe. Public and commercial broadcasters are striving for the same aims.

In the paper I would like to explain the need for new Broadcasting model in Europe. Additionally, the hybrid model of broadcasting would be discussed as one of the possible options in the broadcasting future in Europe. The main research method would be the literature review and the extensive case study of the broadcasting model. The main regulatory framework and the main historical circumstances in Europe would be analysed as well. The result according to the case study could give answers to the above question, if is possible to realise the economic success at the same time when fulfilling the public remit. The results will help to suggest the relevant approaches to broadcasting management in Europe, where the new regulatory framework takes account of the economic incentives of all the broadcasters and the changes in technological development.

The commercial activities of public broadcasters are the only reply to aggressive market demands. It is evident that changes in the media environment will significantly change the PSB and commercial broadcasters from their current status. One possible solution can be seen in new management approaches which shape a new hybrid model of PSB, where a media institution can succeed in satisfying the cultural and economic dimensions of a society simultaneously.

Key words: broadcaster, public service broadcasting, commercial, public, media, regulation, channel

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## **Introduction**

Mass media play an important role in the construction of our present and future situation. Television is now probably the single most important medium of communication. For many, television is the crucial source of information about the outside world, but its importance derives from its role in industrial societies. Unlike many other institutions, television is involved in the processes of change: it is both the creator and the product of changes in a society. In the field of politics, its treatment and coverage of war have had enormous consequences on political organisations and political behaviour. Similarly, its treatment of social issues has provoked many questions about its role in creating, and not merely reflecting, a changing society.

The growing awareness of the nature of the "television medium" and its far-reaching and unquantifiable effects have contributed to a major reassessment of its work. Television's output has ceased to be "a mirror" of a society. However a subtle view sees it as a

"heavily selected interpretation of events, one which structures reality for us, which shapes and frames a world for us to inhabit and accept as real and legitimate, one which sets the agenda within which we are led to discuss the terms of our lives." (Hoggart 1976)

## **Functions of the media**

Media aim is to be welcomed in our homes, day after day, night after night. To do so, they must satisfy our needs to be informed, educated, entertained and provide a picture of the world in our local context. Television is expected to be an important component of the social, cultural, and political system. In the last decade, it has been additionally stressed that electronic media function as an important component of the economic system. To succeed, television should fulfil the special mission that was given to it when established. Therefore, the economic success of television is connected with its mission of public good, which is a basis of its functioning. Broadcasting is becoming one of the main agents of the free market. Accordingly, to function in the public interest of a whole society, television should be governed by political, social and, particularly in the last decade, economic rationale (Van Cuilenburg and Slaa 1993).

To sum up, there are certain trends in the communication arena; from public to private media, from normative to commercial media, from a political system which dictates the rules to the free market, and from national to transnational corporations.

## **Changes in society**

Television has been confronted by many changes in the last decade. Just a decade ago, there was less competition for audience and for advertisers. Regulators imposed many guidelines, including those preventing multiple ownership of stations within the same market and cross- ownership among broadcasters, networks,

cable operators, and telephone companies (Albarran 2002). The potential of new communication technologies, such as broadband distribution, digital television, and direct broadcast satellites, were not understood. Today television is facing a unique and rapidly changing environment.

Political changes have called for re-regulation of the media system as the question of the public role of broadcasting has been re-examined. Economic forces that have provoked changes are looking for de-regulation and the abolition of media ownership rules. Technology has created convergence among media industries, blending computers, programming and distribution systems. As a consequence, modern society is calling for a different system of media regulations.<sup>1</sup> The proposal of new Television without Frontiers Directive took account of changes in the European media market, particularly those arising from technological developments.<sup>2</sup> The development and application of digital technologies, combined with other developments in broadcasting markets are changing the reality of European broadcasting.

Along with many dynamic changes in the media field, the question arises, how to regulate the convergence. And above all, how to regulate efficiently and at the same time offer media contents of a high quality? Accordingly, the organisational structure and the mission of television are going to change in the multichannel environment.

### **Television as a private or public institution**

Television was a twentieth-century media. It began its life three decades into the twentieth century; its growth was interrupted by a world war, yet its subsequent progress was rapid and, from the 1950's onwards, there was one in nearly every home. A dominant medium, it has had many "forms" because it has taken over a wide spectrum of functions. Television, like nothing else before, was a true "mass" medium. Consequently, it was granted a specific position in a situation which differed from print. There was an expectation to have its position preserved and it was "granted" the mission of public good. The special position of the medium was transferred into the special position of the institution – the public service broadcaster. Private broadcasters have been functioning in Europe for almost half a century and the question of the legitimacy of the special position of public service broadcasting is very often posed today.

The private sector is confronting public service broadcasters at three levels: opposing it in principle, seeking to have it more tightly regulated, or attacking specific examples of behaviour. However, I am not prepared to open the question of justification of public service broadcasting but prefer to look at the trends which influence today's television. Accordingly, I believe that there is not a state or a wider (European) legal institution which plays the most important role; it is the market and the economy which lead the activities of the state, single institution, or individual.

The old media systems of the early years of the twentieth century were efficient until the 1980's. In that period television had a national, public, political and non-commercial character. In Europe a period of de-regulation and re-regulation

started. This was caused by new media systems with pure commercial aims that substituted for previous media systems with aims for public television only. In this way a dual system was formed. It is characterised by the activities of public television as well as private commercial stations. In changed circumstances, the characteristics of a public service broadcaster that had formerly been very strict and non-commercial have been modified. The process of concentration, which took place in many other industries, can also be observed in the mass media. In the process of convergence, the number of economic subjects that work in the field of media have decreased while at the same time the existing bigger companies tended to own and control a majority of production and distribution.

In European societies, there is a prevailing dual system of broadcasting, presented by a clear distinction between public and commercial broadcasters. However, according to the literature dealing with the public media or specific public radio and television systems, it is obvious that the definition of public service broadcasting is not an easy task (Bašič Hrvatinić 2002). There is no clear public service model in Europe which would be looked upon as a model for all the PSBs in European countries.<sup>3</sup>

Accordingly, there is Channel 4 in the UK which represents the hybrid model of broadcasting, as it combines the characteristics of public service broadcasting with the characteristics of commercial broadcasting. It is a single broadcaster which acts as a public and commercial broadcaster at the same time. It has to fulfil special remit as a public service broadcaster - to satisfy the public good. However, it has to be widely accepted and confirm its success in the market every day to compete for revenue with commercial broadcasters.

How does it perform in today's multichannel era? Is this hybrid model a future model for European Broadcasting? Can it fulfil the aims of the commercial broadcasters (profit) and public broadcasters (public good) at the same time? Actually, the thesis that social responsibility in broadcasting and profit seeking are incompatible should be examined.

### **Channel 4 – the British commercial public service model**

In 2001, the *Times* described Channel 4 as “a British experiment in broadcasting, envied and admired throughout the world”.<sup>4</sup> It works because, as a corporation with no shareholders, it can take greater creative risks with its programmes which attract viewers sought after by advertisers. They then recycle the profits directly back into programmes and new services. It is seen as a major cultural asset for a culturally diverse Britain, commercially financed without public funding.

As a television company Channel 4 has several unique features. It is:

- The only national 24 hour commercial broadcaster reaching nearly every home in the UK
- The third largest media entity in terms of sharing all media voice
- It is the only broadcaster which does not produce its own programmes, whereas BBC, ITV and Channel 5 produce their own broadcasting material

- Compared to ITV it has distinct advantages such as: fewer programming regulations, it does not suffer from massive duplication of overheads and it is run by a smaller management group
- Compared to the BBC it has advantages such as: smaller and more efficient organisational structure, it shows greater growth in hours of programming, generally better audience share than BBC 2, more hours of programming than BBC 2 and a more admirable demography.

#### **Success of Channel 4**

The audience seemed to be not the primary issue for Channel 4 in the late 80s. However, it should have been the most important issue for the channel in the late 90s when the funding formula was abolished. The audience share of Channel 4 can be seen from two perspectives. On the one hand, it decreased during the last five years. On the other hand, it stabilised in comparison with the “bigger channels”, BBC 1 and ITV.

Additionally, what seems to be dangerous for Channel 4 is the increase of “smaller channels” such as Channel 5. It can be said that a stabilised audience is a great advantage for a channel but the multichannel dynamic market seems to disable stabilised share in the long run. Therefore, audience and advertising shares are the primary issues of commercial public service broadcaster, Channel 4. Channel 4's strategy and current market pressure are evidence that the Channel is aiming for the largest possible audience. At the launch of the Channel in 1982, ratings were not an important factor, but now and in the future, the Channel 4 is being forced to consider them.

It is evident from the data that Channel 4 Corporation plans to fulfil certain audience and programme gaps in the broadcasting environment and thereafter it is looking for a “quality demography”. Viewing, which is one of the main indicators of a market success, is stable in the most desirable category (ABC1). The viewing data show us: 1.) overall viewing for the main Channel 4 program has slightly decreased. 2.) the other main broadcasters, BBC and ITV, have lost far more viewers than Channel 4. 3.) when looking at all the data for terrestrial and all digital channels, it can be concluded that Channel 4 has increased viewing in a whole family of channels (including E4 and FF). In today's multichannel era, it is necessary to take into account the success of the corporation together with all digital channels. Accordingly, the results are very optimistic for Channel 4.

Nowadays Channel 4 is still promoted as a creative, cultural and innovative channel, but in the 90's it was also promoted as a minority channel that stood out from the crowd. Recently, its commitments to innovations on the technological side have changed. Accordingly, Channel 4 places itself among UK media companies that take advantage of new media platforms. To serve the demands of the audience better it is used as an argument for building new cross-platform brands. Furthermore, the commitment to innovation is a justification for exploring the potential of new platforms in a more effective and imaginative way than its competitors (e.g., *the Big Brother*).

Therefore, what was promoted as innovation and creativity in its early years (minority programmes, art programmes, documentaries and marginal topics) differs from today with the exploration of technological developments and the use of synergy with traditional and new media.

From a relatively small organisation, Channel 4 grew into a big corporation by the 90's. It is evident that it does not have a clear public service organisational structure but it is more like the commercial broadcaster Channel 5, ITV. However, the organisation was rational from its early years when "outside resources" (independent producers) played an important role. As it became established as a publisher, the organisation has been rational and effective in acquiring and appraising what is of great value for the programme. Thus the additional costs of research and creative talents are being evaluated according to the effect they have on the programme and their final results.

It was clear from the very beginning that it would be costly to hire expensive talents (creative industry) without knowing the result of their work. The independent producers can better manage the creative talents and offer their projects to the broadcaster (publisher). Therefore, being a publisher rather than a broadcaster seems to have greater effects on a successful schedule. The independent production companies took over the responsibility for the quality of the programmes and consequently have to manage their budgets on their own. The publishing company commissions the projects (final products) that are suitable its programme schedule. The publishing company, Channel 4, must have a clear idea about what kind of program it wants to have in the schedule and how much it is prepared to pay for it.

The publisher-broadcaster is concerned with only two factors: clever content and a managed schedule. This includes deciding which programme is to be broadcast at what time, which is directly related to the preferences of the targeted audience.

A hierarchic, bureaucratic institutional structure would not be effective in the creative broadcasting market. Therefore, a modern structure is effective for the public-commercial publisher Channel 4, which helps to support British independent production and works efficiently in the market.

Today Channel 4 is a general entertainment channel specialising for the audience under 50's outside peak. It has the youngest audience and is the most upmarket of the commercial sector. It sells the audience that is 16-34s, men and upmarket adults. Since early 90's Channel 4 has maintained viewing share at over 10%. In 1999, Channel 4 earned 10.3% of all viewing and 19.0% of advertising revenue (Table 1, Table 2). In 2000 it achieved 10.5 % share of all viewing. It is important to stress that viewing in multichannel homes increased evidently at Channel 4 (with comparison to the BBC and ITV) and advertising share for Channel 4 remains the same all years, whereas for the ITV is decreasing in last three years.

Table 1. Share of net advertising revenue; (Zenith Media)

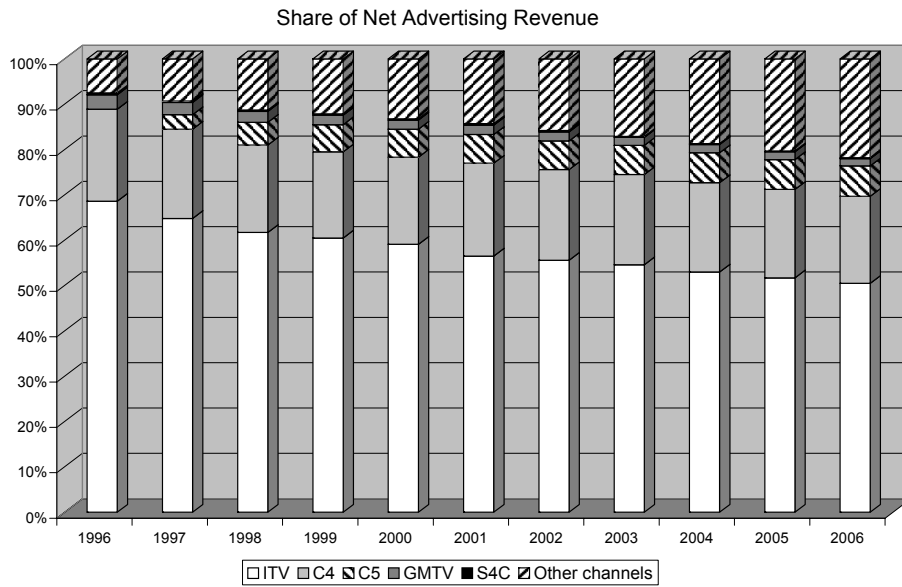
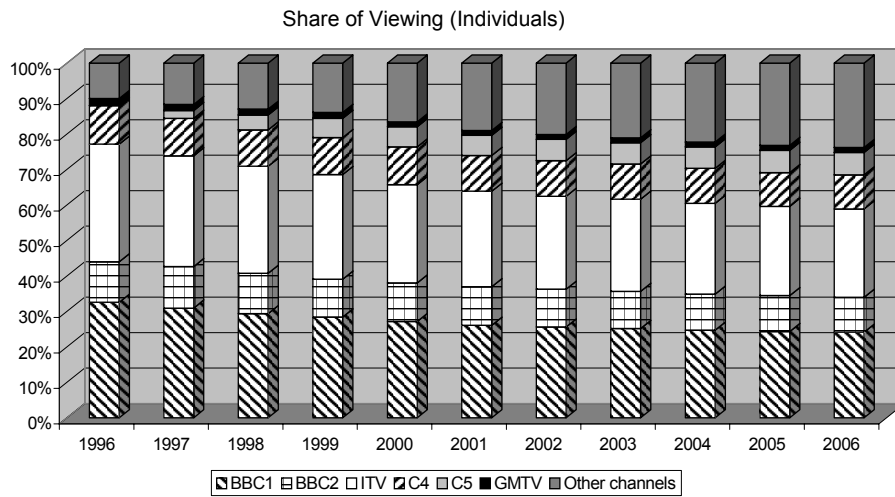
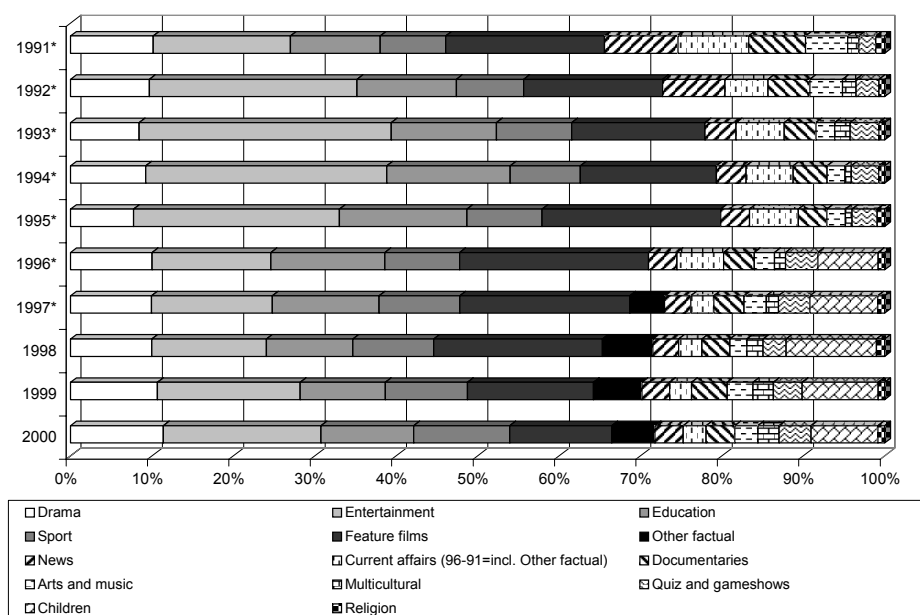


Table 2. Share of viewing (individuals), (Zenith Media)



Channel 4 was able to fulfil its special remit and to act as flexible commercial channel. However the programme schedule changed evidently in favour of entertainment and sports programmes (Table 3). It followed the activities needed to stay economically competitive and highly invested in technological developments. Accordingly, development of new products and services and improvement in technologies and services were crucial for the success.

Table 3. Share of output programmes, (ITC, 2001)



Channel 4 programme is financed by advertising but the broadcaster was set up on a “non-for profit” basis. It is expected to pursue a public service remit that involved complementing the services provided by the other three channels. Additionally it would be interesting to see the influences of growth of satellite, digital and internet services upon the old system of national broadcasting where Channel 4 with its inventiveness, cultural programmes, distinctiveness had a very special role. Would it be able to maintain and to justify its special position in the new millennium?



### **Commercial-public service broadcaster as a new broadcasting model in the European media market?**

There is no ideal way of running PSB in any particular country. However, it should be taken into account that media will proliferate in the future, which means there will be an increase in competition for both the audience and financial resources. Also media will increasingly focus on the fulfilment of most basic desires and wishes, but not the needs of audiences. An overview of the media environment in different countries shows that the main source of media funding to come will be commercial funding and direct payment for programmes. It is also predicted that the content will be dispersed across a number of different media platforms.

The public is confronted with the fact that the market creates new forms of cultural practices that differ essentially from the traditional national-elitist definition of culture. PSB should not become a “ghetto” for content that is commercially unattractive. It must endeavour to attract as many viewers and listeners as possible. The audience must be a warrant that the special position of a PSB will be protected in the future (Tracey 1998).

While it seems that commercial networks and PSB behave as two extremely different models in society, similar principles in their functioning are narrowing the gap between them. It is a fact that the role and position of television as an institution in our society is changing. Commercialisation is the most common trend in all PSBs in Europe. Public and commercial broadcasters are striving for the same aims. Treating PSB as a narrow elite and a cultural institution is becoming unrealistic. At the same time, the needs of commercial (non-public) broadcasters have been changed. While commercial (non-public) networks are striving for a stronger position in society and a loyal following, they have realised that their audience wants reliable, entertaining and diverse programming.

The broadcasters have to satisfy the needs of audiences (to inform and entertain), owners (profit) and advertisers (to have access). The main aims in the media environment, which are to realise public good and to be successful in the market, are clearly seen in the Channel 4 broadcasting model. Since it has special public service remits and acts in the market, it can be examined as a new model of PSB in Europe.

It is important that regulators impose special responsibilities on PSB and that all the rules are strictly established in order not to misuse its advantages in the market. New framework of European regulations which can be seen in the Television without Frontiers Directive shows that there would be more freedom in the movement of broadcasters. However, the only element which can be regulated is the production. Additionally, the co-operation among the national broadcasters in the Europe would be supported. Accordingly, there would be less limits and the obstacles for the broadcasters and we can predict that the market will have even greater role. It is evident that changes in the media environment will significantly change PSB and commercial broadcasters from their current status. The results of extensive case study present the new managerial approaches which are needed to satisfy the needs of broadcasters. One possible solution can be seen in a hybrid

model of PSB where media institution can succeed in satisfying the cultural and economic dimensions of a society simultaneously.

Furthermore, the making of a television programme is not a totally isolated activity. It leads to other activities that are both cultural and economic. We believed that economy and culture can often speak a common language.

### ENDNOTES:

- <sup>1</sup> The biggest issue which provoked new Communication Bill in United Kingdom was the awareness that technology, content and media economy should not be regulated separately.
- <sup>2</sup> The Television Without Frontiers Directive aims to create the conditions necessary for the free movement of television broadcasts within the Community. The scope includes all forms of transmission to the public of television programmes, except communication services providing items of information or other messages on demand. It achieves this by providing that Member States cannot restrict reception or retransmission of broadcast from other Member States. The directive covers the promotion of European works and works by independent producers, advertising, the protection of minors and public order and the right of reply. The directive ensures also that events which are regarded by a Member State as being of major importance for society, may not be broadcast in such a way that a substantial part of population of that Member State is deprived of seeing them.
- <sup>3</sup> According to the financing criteria, the "pure" models of public service broadcasting are Japan's NHK, funded by a licence fee exclusively, Norway's NRK and Sweden's SVT, both funded almost completely through the combination of licence fee and state grants, and BBC relying on a licence fee and commercial sources.
- <sup>4</sup> In *Times* in February, 2001.

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**Suzana Žilić Fišer**

## **Europsko tržište i potreba ekonomskog uspjeha javnih radiotelevizija**

### **SAŽETAK**

Radiotelevizija postaje važan sudionik na slobodnom tržištu. U novonastalim prilikama su se karakteristike javne televizije, koja je u počecima bila vrlo ukrućena i nekomercijalna, promijenile. Čini se da se komercijalne mreže i javna radiotelevizija ponašaju kao dva sasvim drugačija modela društva, no slični principi njihovog djelovanja sužavaju prazninu između njih. Činjenica je da se uloga i pozicija televizije kao institucije u našem društvu mijenja. Komercijalizacija je najznačajniji trend svih javnih radiotelevizija u Europi. Javne i komercijalne radiotelevizije se bore za jednake ciljeve.

U članku sam željela objasniti nužnost novog radiotelevizijskog modela u Europi. Upravo tako bio bi predstavljen hibridni model radiotelevizije kao jedan od mogućih oblika radiotelevizije u Europi.

Glavna metoda istraživanja je recenzija relevantne literature i opsežna studija radiotelevizijskog modela. Analiziram i konstrukciju regularnosti i povijesne prilike u Europi. Sudeći po opsežnoj studiji rezultat bi mogao donijeti odgovore na pitanje, dali je moguće realizirati ekonomski uspjeh ispunjavajući istovremeno i zahtjeve javnosti.

Rezultati bi pomogli predložiti primjerene pristupe programskom upravljanju u Europi gdje je nova konstrukcija regularnosti obračunala ekonomske pobude svih javnih medija te promjene u tehnološkom razvoju.

Komercijalne aktivnosti javnih medija su samo odgovor na agresivne zahtjeve tržišta. Očito je da će promjene medijske okoline značajno promijeniti trenutni status javne radiotelevizije i komercijalnih medija. Moguće rješenje možemo vidjeti u novim pristupima upravljanju koji oblikuju novi hibridni model javne radiotelevizije, gdje medijska institucija može istovremeno uspješno zadovoljiti kulturološke i ekonomske dimenzije društva.

Ključne riječi: javni servis, elektronički mediji, komercijalni mediji, *broadcaster*, regulacija, program