Market power of Slovene public television

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Abstract: - Although Slovenia is a small European country, its television market is very dynamic. From monopolist more than 30 years ago, public television in Slovenia is today just one of the participants on the television market. This paper analyses the position of public television Slovenia during the period of last 20 years. Slovenia is a country that today has public television that is not strong, but also not week. The aim of this paper is to show how the audience of public TV channels in Slovenia has been changing and based on this data, author will estimate regression models for future forecasting of audience share for public TV channels.

Key-Words: - television, Slovenia, audience, share, regression model, estimation

1 Introduction

In every European television market, public television was the first one that occurred. At that time, all these televisions were monopolists on the market. They were the only television channels on the national level. In most European countries, late 1980s and early 1990s were characterized by the liberalization of the television market and first private television channels started to appear.

Private televisions broadcast commercials, for which companies pay to appear on the air. Companies are willing to pay more if more people will see their commercial. This leads to the analysis of the audience. More audience means more revenue from commercials, and this leads to the rise of profit. According to EBU's Declaration on the core values of public service media [1], public service media should aim to reach and offer the content to all segments of society, with no-one excluded [2], [3], [4].

On the other hand, public TV channels are usually financed through the government budget or through the obligatory fee paid for having television at home. Public television must be a service for everyone, for every citizen of the country in which it operates, regardless of age, education or purchasing power.

This paper analyzes television market in Slovenia in the period of 20 years, from 1999 to 2018, with the focus on public television.

2 Literature and methodology

Here are some of the most relevant researches of the television markets.

The main objective of Faustino [5] is to measure media concentration of the Portuguese television industry, and to evaluate the extension to which concentration in television companies relates to management strategies. The empirical analysis of the ownership concentration of Portuguese television companies is based on qualitative and quantitative methods. The main information sources were corporate reports, television market reports, specialized books, articles and scientific papers, among other documental sources of information related to this area. In terms of main conclusions, high television ownership concentration levels, which have always been a feature of the Portuguese television industry market, although still high, have been decreasing for the past ten years. However, high concentration levels are observed in media groups, resulting from the convergence of television and other types of media. This is mainly due to bundling strategies of telecom operators (which added pay television services to the traditional telecommunications portfolio) and to diversification strategies from television network players (taking advantage of audience segmentation and easier access to broadcasting space).

The commercial public service broadcasters in the United Kingdom make a significant contribution to the country's public service television system, alongside the BBC. Operating under the UK communications regulator Ofcom, the commercial channels ITV, Channel 4, and Channel 5 are required to broadcast varying levels of public service content. This places these channels in a different category to all other market broadcasters in the UK. Ramsey [6] examines how the regulatory system functions to secure public service provision in television. A particular focus is placed on the first-run originations quotas, which govern the

levels of programming that are originally produced or commissioned by a commercial public service broadcasters, and broadcast for the first time in the UK. It is argued that while fulfilling the public service remit, the commercial public service broadcasters gain significant benefits that contribute to the underpinning of their business models.

Santamaría et al. [7] aim at examining the current situation of Spanish television market in the context of the deep transformations occurred along the second decade of the 21st century. This scenario is determined by the sharp decline of public television (RTVE), the lack of viability of regional channels and the concentration process affecting most private channels. The perspective departs from industrial economy, which allows adopting a microeconomic perspective when interpreting the market operations and the economy of contents.

The media revolution of the last decades has encouraged new formulas to guarantee the public TV's success in the long term. Innovation is key to provide the competitiveness needed. Crespo-Pereira and Legerén-Lago [8] focus on the main innovative formulas used by the British public television BBC to ensure the attractiveness of information and public service content in the face of the strong competition projected by the new television framework. The analysis of public broadcasters makes visible the main strategies in the field of information services and entertainment content. In global terms, public televisions have adopted different strategies to increase their presence in the international context and to distribute public service and distinctive content through all kind of screens.

Spanish public television has suffered a serious loss of audience during the five-year period between 2010 and 2015. This period was marked by the introduction of digital terrestrial television in Spain and the elimination of commercial advertising in public channels, which are aspects that directly affected the television audience. The purpose the Quintas-Froufe's paper [9] is to gain a greater knowledge of Spanish audience and its behaviour with regards to all public channels (La 1, La 2, Clan, tdp and 24 horas) from the year of digital transition (2010) to 2015. The focus is particularly on La 1, as the main generalist network of the group. It is concluded that, if this trend continues, the public television offer regarding audience is on the way to becoming purely testimonial.

Armstrong [10] discusses the merits of public intervention in the provision of television broadcasting services. According to him, intervention was justified in the past, when there were just a few channels and when advertising was the sole source of commercial funds. However, the advent of subscription television overcomes many of the market failures that once existed. Moreover, asymmetric treatment of broadcasters acts to distort the incentives of commercial broadcasters. Finally, viewers have an increasing ability to avoid unappealing, but perhaps socially desirable, content, which further weakens the case for public intervention in the market.

There are no papers like this one that would analyse the market power of television based on the data about the audience share. The data used in this paper were collected from televisions in Slovenia, as well as from European Broadcasting Union. All data represent the share of the total population in the 24-hour period (4+, 0-24). For each set of data, author has tested various econometric trend models. These are:

1. Linear trend
$$y_t = a + b \cdot x_t$$
2. Exponential trend
$$y_t = a \cdot e^{bx_t}$$
3. Logarithmic trend
$$y_t = a + b \cdot \ln(x_t)$$
4. Power trend
$$y_t = a \cdot x_t{}^b$$
5. Polynomial 2nd order
$$y_t = a \cdot x_t^2 + b \cdot x_t + c$$

Based on the results of these models, author has found the model that best fits for each TV channel. The criteria for the selection were coefficients of determination. For each channel, one out of five models was chosen. The models obtained in this way have served as the basis for calculating the future predicted values for audience shares. This analysis will show in which direction the Slovene public TV will develop in next four years.

3 TV market in Slovenia

The first TV channel in Slovenia was launched in 1958 uder the name Television Ljubljana. In 1970, Television Ljubljana started its second TV channel. In 1971, Television Slovenia started the local channel TV Koper for Italian minority, which was broadcasted in Italian language. From 1991 Television Ljubljana changed the name into Radiotelevision of Slovenia (Radiotelevizija Slovenije – RTV SLO). The first private TV channel in Slovenia was Kanal A, which started in 1991. In 1995, two further private stations appeared - Pop TV and TV 3. RTV SLO currently operates 3 TV channels (SLO 1, SLO 2, SLO 3) and the main

competitor is CME group with 5 TV channels (Pop TV, Kanal A, Kino, Oto, Brio).

Figure 1 shows the market share of Slovene public TV channels from 1999 to 2018, and Figure 2 shows the same for main private TV channels for the period from 2004 to 2018. Kino, Oto and Brio are shown together, as they have small share separately.
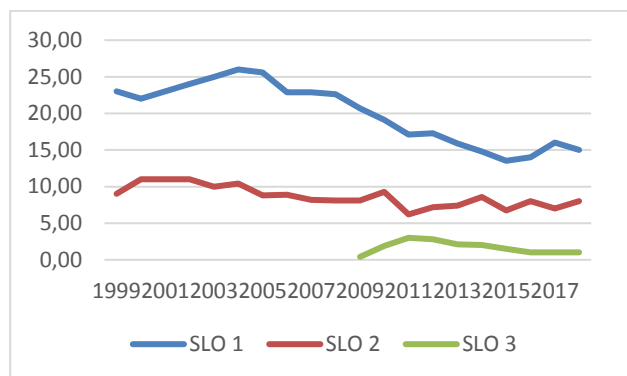

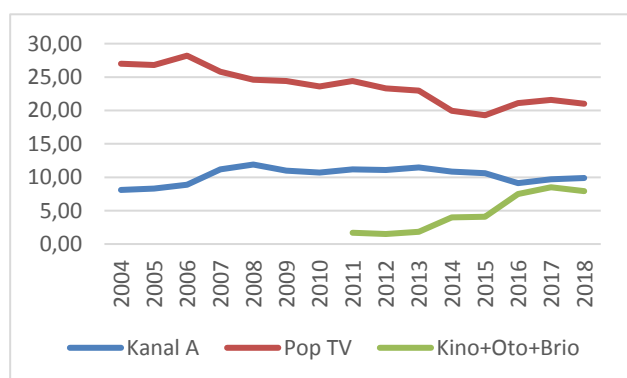Fig. 1. Audience share of Slovene public TV channels 1999-2018 [11, 12]

Fig. 2. Audience share of main Slovene private TV channels 2004-2018 [11, 12]

The total share of all RTV SLO channels was 32% in 1999 and it went down to 24% in 2018. In this period, the number of national public TV channels changed from 2 to 3. As the liberalization of the market in Slovenia started earlier than in Croatia, the fall of the share of public TV was faster. The monopoly in Slovenia ended 9 years earlier than in Croatia. Using the data about the audience shares, next trend models were tested and chosen.

Channel	Model	
SLO 1	$y = 27{,}603e^{(-0{,}033x)}$	$R^2 = 0{,}78$
SLO 2	$y = 0{,}0091x^2 - 0{,}3802x + 11{,}332$	$R^2 = 0{,}63$
SLO 3	$y = -0{,}0903x + 2{,}1667$	$R^2 = 0{,}11$

Fig. 3. Estimated trend models for RTV SLO channels

From these models, Figure 4 shows the estimated values for audience shares of RTL SLO channels in the period of next four years, from 2020 to 2023.

Channel	2020	2021	2022	2023
SLO 1	13,36%	12,92%	12,50%	12,10%
SLO 2	7,37%	7,40%	7,45%	7,51%
SLO 3	1,08%	0,99%	0,90%	0,81%

Fig. 4. Estimated audience shares for RTV SLO channels for 2020-2023

The data in Figure 4 show the predicted values for audience share for RTV SLO channels from 2020 to 2023, under the assumption that the trend remains the same. The total share of RTV SLO channels is expected to be 20.42% in 2023, which is lower than in 2018.

4 Conclusion

This paper presented the market position of public television in Slovenia over the period of 20 years, from 1999 to 2018. As Slovenia had monopoly on the television market before the liberalization, private competitors have significantly lowered the market share for public televisions. As a response to that, public televisions is trying to keep the audience.

Public television in Slovenia has lost the audience in the analyzed period. Based on the data for market share (audience share), author has developed different trend models for predicting future audience shares. These trend models give the prognostic values for market shares for public television in the period 2020-2023. It is expected that in Slovenia RTV SLO keeps the market share of 20% in 2023.

The limitations of this analysis are the lack of the data before 1999 as well as the lack of the official data for 2019 at the time of writing. For further research, it would be interested to include more countries into the analysis. Additionally, including other (private) television channels into the analysis would enable the calculation of the market concentration and its change over time.

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