

Footprint of Financial Crisis in the Media

LITHUANIA country report

Compiled by Vaidas Bucys, Lukrecija BBDO

Commissioned by Open Society Institute

December 2009

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

General state of the media sector

Lithuanian media industry has been growing constantly for the past several years. For example, the total gross income from advertising in 2006 was 124 million euro. In 2008 total gross income reached 154 million euro. TV is still a major player in media market, with 42,6 per cent market share (2008).

The financial crisis has hit Lithuania particularly hard. Media is one of those industries which suffered perhaps harder than others. Lithuanian government has changed tax environment in the beginning of 2009 which was also very challenging for Lithuanian media. For example, the reduced value added tax (VAT) rates of five per cent for press have been abolished and new VAT rate (21 per cent) came into effect.

In 2009 we can monitor a huge advertising revenue drop in all media sectors. Exact numbers are still not available, but results for 3rd quarter show that, in some cases, media sector has got 60-70 per cent drop in advertising revenues. Lithuanian print media (newspapers, magazines) is probably under the most serious strain financially.

Labour and output

2009 was a year for Lithuanian media to cut costs. Although exact statistics is still to come, it is noticeable that a number of magazines and newspapers have been closed, a large number of journalists have been laid off, their wages declined. Printed media cut size, their circulation dropped and some supplements were abolished. For example, one of the biggest dailies Lietuvos rytas closed a number of supplements. Free daily Miesto ziniuos finished existence while the most popular free daily 15min. now is published only three times a week. A number of specialized magazines have also been closed, including Istorijos (general and analytic), TM (popular engineering and science), Kompiuterija (IT), Scientific American (science), MM, Sveika (women's magazine). It is worth mentioning that popular youth TV channel MTV Networks Baltic has ceased operation of its local language and replaced it by MTV Europe.

State-funded Lithuanian National Radio and Television (LRT) has sacked 75 workers, approximately 12 per cent of all employees in 2009. Among the dismissed – nine employees who have worked for LRT for more than 40 years, 17 employees – for more than 30 years. This year the salaries of the LRT employees were cut by more than 20 per cent. The budget of the new season's TV programs were cut by approximately 40 per cent. LRT has taken such measures due to the decrease of both funding sources – the decrease of state budget and the dramatically declining advertising revenues. In 2008 LRT commercial revenues from advertising aggregated 39 per cent of total income. Currently,

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

the LRT is broadcasting three television and three radio channels and managing news portal www.LRT.lt LRT is a member of the European Broadcasting Union, and its budget (EUR 26,4 m in 2008) is one of the lowest among the European public service broadcasters.

New media are doing relatively well as it had „only“ 16 per cent drop in advertising revenue first nine months of 2009. More and more people in Lithuania spend more and more time on the internet and are getting more information on the web. The transformation of the media in general resulted in a shift of advertising to the Internet. Naturally this is having a huge negative effect on the print media.

Media ownership and editorial independence

Lithuanian printed media market development is in a highly competitive environment at local and national levels. All newspapers are private in Lithuania. Concentration in the media market deals with the issue of transparency, since media ownership is still one of the most hidden types of data in Lithuania. Lithuanian (especially newspapers) are still not up to the western standards in terms of transparency and accountability.

Influential business corporations (MG Baltic and Achema) are among the biggest Lithuanian media owners. Both are active supporters of the current conservative government. Scandinavian media groups (MTG/Viasat, Bonnier, Schibsted) are also very active in Lithuanian media sector. They brought new Western standards in Lithuania media sector.

There are indications that sometimes local media owners use their owned media channels to deal with opponent corporations, politicians, etc. It is possible that editors feel pressure in order to keep their independence.

The distinction between advertising and reporting was always an issue in Lithuania. You could not say that this distinction became more blurred since last year. There was always lack of transparency event in times of economy growth.

2009 was marked with very important development – local bank Snoras acquired 34 per cent of the authorized capital of the largest Lithuanian mass media group Lietuvos rytas and became the largest shareholder. This investment started discussions whether it is an end of era and there will be no longer independent media or not. However it is still early to make conclusions how new influential owner affected editorial independence.

Lithuanian National radio and television (LRT) is still trying to pursue public interests and functions. LRT operates three national television (LTV, LTV2, LTV World) and three radio (LR, Klasika, Opus3)

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

channels. Other TV and radio stations in Lithuania are commercial. Nonetheless, the national broadcaster (administration) periodically encounters attempts by politicians to influence its policy by using. Journalists and editors are not targeted directly.

Media content

It is essential to state that financial downfall affected the news delivery to the citizen in the most negative way. Overall, media content is getting superficial, tabloid oriented. Tabloid journalism has penetrated to the serious media. It is obvious on the selection of pictures and headlines.

There is a lack of analytic approach in Lithuanian media. Media landscape is missing really influential journalists, who would be capable to be opinion leaders and change the attitude of the general public.

Financial crisis forced media to cut costs. Fewer reporters and journalists are available. That means less first-hand knowledge, journalists have content priorities now. There is simply not enough staff to write about everything and generate comprehensive, analytic content.

An average Lithuanian journalist is younger than his or her colleagues in the 'old' western democracies. There is perception in society that journalism is for young people. Former journalists relatively early leave media industry to join the „other side“ (PR market) and simply cannot seek perfection as journalists. This is the reason for rapid staff turnover in editorial offices and that is why we cannot expect high quality content.

TV is very influential communication channel in Lithuania, but it is busy to entertain people right now. Only 2-3 per cent of overall broadcasting time is dedicated to serious content – news, current affair issues, and analytical broadcasts.

Lithuanian radio stations are mostly music and entertainment broadcasts with insignificant information packages. Apart from state owned National radio (LR), there is only one private radio station (Ziniu radijas) which is news oriented.

Plunge of overall quality of media coverage does not mean that Lithuanian society unconcerned about quality journalism. A couple of new internationally well known good quality magazines (Lithuanian versions) were presented in 2009 – National Geographic, Intelligent life/The Economist.

Media consumption patterns and new media

Traditionally Lithuanian media has a good rate of public trust. More people trust the media than the government or the parliament. Media is trusted by an average of 54 per cent now.

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

TV is still the most popular media channel in Lithuania. TV guides remain the most read among weeklies, and women's magazines among monthlies. National daily newspapers are more popular in cities and bigger towns while media consumers in regions are more engaged in weeklies and local regional newspapers.

As the rest of the world Lithuania is going digital. Over 55 per cent of Lithuanian households use internet constantly. The exclusion of rural areas regarding Internet actability is also decreasing as broadband technology is being implemented very fast. Therefore new media is now the fastest growing communication medium and has a big potential and advantages.

Majority of the internet users are young or relatively young. Over 90 per cent of young citizens (16-24 years) use the internet constantly. For most of them web is the only information source, they do not read newspapers and do not watch TV. The most frequent use of the internet is for communicating, followed by entertainment and informative and social networking activities/applications. 6 out of 10 the most popular Lithuanian online sites are online news portals. The most popular internet news site (Delfi) generates average 1 million unique users a month.

Lithuania also has mobile penetration rates about 150 per cent, making the country one of the world leaders in mobile telephony uptake. Mobile penetration means new possibilities for media. For example, economy magazine Keliias recently implemented UpCode technology, which enables readers to get articles directly to their mobiles phones and listen its audio version.

One more important issue is that analog TV switchover is planned in 2012. In this case digital TV will be more integrated with Internet in the future. Digital broadcasting provides new opportunities for end-users. Analog TV switchover should bring more digital products to households and this can improve the information accessibility. We notice big movement towards this direction already. On other hand, economic downturn might have a negative impact on the process of digital TV switchover (especially with regards to end users readiness and broadcaster's possibilities). There still could be approximately 65 per cent analogue TV users in Lithuania now. Most of them live in rural parts of the country.

Internet users in Lithuania are very much engaged with online social networking sites and blogs as well. Social networking has become a common source for active members of the society and particularly vulnerable groups to get information and exchange ideas. For example, Lithuania did literally have Facebook blast in 2009. There were only 90 thousand Facebook users last February, now - about 360 thousand.

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

Conclusions

Financial crisis has hit Lithuanian media badly. It is possible that more publications, radio or TV stations will be closed in 2010. In times of financial crisis profit-making media organizations can survive better in comparison with those who have a high sense of social responsibility and are prepared to fight for better journalism. Thus there is not much space for a hope that media content will improve a great deal in the nearest future and that the tabloidization trend will change.

It is still a long way for Lithuanian media to implement the western standards in terms of transparency and accountability. Therefore Lithuanian citizens will be forced to use as many different media channels as possible (local, national and international) in order to be better informed and make informed decisions.

ANNEX: TABLES

Table 1. Main economic indicators

Population	3 329 010			
Working population	1 652.3*			
	2006	2007	2008	2009*
GDP per head (\$)	2417	3136	3831	2969
GDP growth (%)	7.6	8.9	3	- 15
Unemployment (%)	5.7	3.9	5.9	13.8
Average wage (\$)	650	783	1008	931
Internet users (per 100 people)	36	29	44	55
Broadband availability (% of total)	11	17	21	22.6
Mobile telephones (per 100 people)	130	143	150	148
Households with at least one TV set (%)	94	98	98.6	98.8

*Q3 2009

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

Table 2. Main economic indicators of the media sector

	2006	2007	2008	2009
No. dailies	14	14	14	14
No. regional newspapers	n.a.	n.a.	n.a.	137
No. weeklies	85	76	78	n.a.
No. public TV channels (national, regional)	3	3	3	3
No. public radio channels (national, regional)	3	3	3	3
No. commercial TV stations	34	35	35	n.a.
No. commercial radio stations	45	52	52	n.a.
No. news websites (not attached to traditional media)	7	8	9	10
Advertising revenue in print media (% , yoy, compared with 2006)	173 m LT	+8.4%	+18.5 %	-60%
Advertising revenue in TV (% , compared with 2006)	187 m LT	21.4%	23.5%	-40%
Advertising revenue in radio (% , compared with 2006)	28 m LT	+21.4 %	39.3%	-29%
Advertising revenue in new media (% , compared with 2006)	12 m LT	33.3%	150%	-16%

**Advertising revenue for all types of media is for the first nine months of the year*

Sources: Department of Statistics to the Government of the Republic of Lithuania, International Monetary Fund, Eurostat, International Telecommunication Union, TNS Gallup, The Radio and Television Commission of Lithuania, The Communications Regulatory Authority of the Republic of Lithuania, Gemius Baltic, Martynas Mazvydas National Library of Lithuania, The Baltic course

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

Author

Established in 1991 Lukrecija BBDO is a full-service communication agency, associated with BBDO Worldwide since 1998. Lukrecija BBDO offers integrated consultancy and provides marketing communication, advertising, public affairs, crisis management and corporate social responsibility services. The agency has been working with Lithuanian market leaders in telecommunications, finance and retail for many years. Lukrecija BBDO has planned and implemented a number of public information campaigns for government institutions and municipalities. Currently Lukrecija BBDO is also responsible for the local implementation of several information and awareness-raising campaigns run by the European Commission.