

Footprint of Financial Crisis in the Media

LATVIA country report

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Economy

Latvia, arguably, has made more international headlines in one year, 2009, than it had done in the entire period since regaining its independence in 1991. Students of business schools who, two years ago, would have had trouble placing Latvia on the map, now study it closely as the most striking example of a burst bubble in a small, open economy – GDP that had been growing at a double-digit rate prior to the crisis, nosedived to minus 19 per cent in 2009. With the government up to its neck in debt (Latvia has borrowed seven billion euros from IMF and EU), unemployment hitting the record level among the EU countries, 20 per cent, and outward migration of the workforce exceeding 11 000 in just eleven months of the year¹, the outlook, and general mood, is bleak.

Media marketplace

The financial crisis that has brought the country to a virtual standstill has affected mass media particularly hard. Advertising revenues across all media have dropped by 42 per cent year on year², reaching unparalleled levels in print media, 54 per cent in newspapers and 59 in magazines (*Telegraf*, a Russian-language daily even reported a 70 per cent drop). Two more factors aggravated the financial strain of the print media. Firstly, there was a rapid plunge in disposable income among media consumers: in addition to the wage cuts by up to 30 per cent, compared to 2008, and pension cuts by 10 per cent the number of hours worked in the third quarter of 2009 fell by an annual 27.3 per cent with more and more public institutions and businesses employing people part-time. The financial strain on household budgets has led to newspapers “ceasing to be essential goods”³ and many long-time subscribers giving up their newspaper and magazine subscriptions, as well as choosing not to buy press from a newsstand (*Diena* daily estimates up to 50 per cent fall in retail sales, compared to January 2009⁴). Secondly, internet usage has continued to grow (by annual 8 per cent)⁵, particularly among the older generation bringing new audiences to online media. The combination of a dramatic drop in revenues and aggravated changes in media consumption habits has led to deep transformations in print media market, the most shattering event being the departure of the Bonnier Group, a major foreign investor, which will be discussed in more detail later. As a media executive put it, “if we look at it from the point of view of the systems theory, any drop of income that exceeds 30 per cent starts generating changes of a fundamental nature.”⁶

¹ Report by Olegs Krasnopjorovs, Bank of Latvia Economics Expert; http://www.bank.lv/eng/main/all/sapinfo/commentary/unemployment_emigration/

² Data for the first six months of 2009. Source: Latvian Advertising Association; <http://www.lra.lv/main.php?item=134>

³ Interview with Olga Proskurova, editor-in-chief of the News Media Group

⁴ Interview with Gastons Neimanis, CEO of Dienas Mediji

⁵ TNS Latvia Media Research, autumn 2009; <http://www.tns.lv/?lang=lv&fullarticle=true&category=showuid&id=3037>

⁶ Interview with Arvils Aseradens, deputy chairman of the Latvian Press Publishers Association

Television that, traditionally, had had a lion share of the media advertising (40 per cent, in 2008) has experienced a significant fall in advertising revenue, too. In the first six months of 2009, the annual plunge was minus 36 per cent and, by the end of the year, it was projected to reach 40, or more. Commercial television channel TV3, the home of an influential investigative program Neka personīga (Nothing personal), saw a 40 per cent annual drop⁷. The fall in income in radio was almost the same, minus 35 per cent. In addition, the government funding for public broadcasters was cut by one fourth, adding strain to their already depleted financial resources.

The internet suffered least in terms of lost income (minus 24 per cent of advertising revenue, year on year), however, this figure does not tell the whole story. Unlike the traditional media, online publications did not have much room for manoeuvre when it came to cutting costs, since their costs were already low. Some advertising executives even argue that the internet was a bigger victim of the crisis than print. "Internet media owners did not foresee that the recession will hit internet advertising too. And [...] they do not have much to cut. They are the biggest victims."⁸

Media and advertising executives forecast further hardship for all types of media in 2010. "I think that the end of the downward movement will only come in the third or fourth quarter of the year," says an advertising executive⁹. There is not much hope that media consumption will pick up either. "We can see urban environment deteriorating by day, cafes are getting closed and shops, too. The same is happening, and will continue to happen, in the media business," says a press publisher.¹⁰

Media content

As established before, the crisis has put an unprecedented financial strain on all media businesses, both traditional and new. However, as interviews with media executives and the focus group of media consumers revealed, in terms of damage to news delivery and accountability journalism, quality daily newspapers (or those aspiring to be) and, by extension, their readers, received the heaviest blow. "There are virtually no profit-making newspapers in Latvia today," said a veteran of press publishing in Latvia¹¹. And, for unsubsidized papers, profit had been an essential safeguard against political or other unwelcome influences on editorial content. A Russian-language media executive used an expressive metaphor to describe the current state of print media: "we used to stand on both feet, but now we are balancing on one toe,"¹² which is particularly worrying in the light of upcoming parliamentary elections in the autumn of 2010.

⁷ Interview with Evija Tigule, program director of TV3

⁸ Interview with Girts Ozols, chairman of the Latvian Advertising Association

⁹ Interview with Girts Ozols, chairman of the Latvian Advertising Association

¹⁰ Interview with Arvils Aseradens, deputy chairman of the Latvian Press Publishers Association

¹¹ Interview with Arvils Aseradens, deputy chairman of the Latvian Press Publishers Association

¹² Interview with Olga Proskurova, editor-in-chief of the News Media Group

In order to keep themselves afloat, virtually all media had to cut costs. Most of them started by reducing the number of staff in non-editorial departments such as marketing, administration and advertising. But these cuts were not sufficient. Salary cuts among the editorial staff followed, ranging from 10 to 15 per cent, the number of news sources used was also reduced. *Diena* daily, which also publishes a business magazine, had to give up its *Bloomberg News* subscription, and the Latvian Public Radio had to cancel all daily newspaper subscriptions with a notable exception of the openly politically engaged *Neatkarīga*, which continued deliveries free of charge. The range of products, the coverage of international news and events in rural areas, the labour-intensive stories, the number of pages or original programs, as well as regularity was reduced – for example, *Latvijas avīze*, a conservative daily, is now published five times a week, instead of six. Staff cuts were made, too, up to 15 per cent of journalists lost their jobs in some cases. According to the media executives, the redundancies affected mostly the less experienced and least productive members of the editorial staff. “We kept the most capable and valuable ones,” said a TV executive¹³ and others, too, claimed that they were primarily looking at experience and efficiency. However, one editor admitted that “some subjectivity was inevitably involved in these decisions, too.”¹⁴

The view of the majority of the respondents surveyed in this study (also shared by some media professionals), is that the combination of the aforementioned crisis-related financial decisions has aggravated several worrying trends in media content:

- the tabloidization of news media, in other words, bringing entertainment, sensationalist stories and celebrities to centre stage at the expense of current affairs issues (“there is an overwhelmingly large proportion of ‘yellow’, irrelevant information”)
- a disproportionate coverage of minor events in politics and immaterial, frequently incompetent comments by politicians (an example of a headline quoted: “Crisis will be over soon, says a politician”)
- lack of scrutinizing attention to significant political events (“When [former prime minister and, arguably, one of the ultimate decision-makers in Latvian politics] Skele announced his return to politics, which is a big event with serious consequences, *Diena* printed a tiny news story somewhere on page 5”¹⁵)
- a reduced diversity of opinions, stories are often based on one interview with no opposing view offered

¹³ Interview with Evija Tigule, program director of TV3

¹⁴ Interview with Linda Rasa, editor-in-chief of *Latvijas avīze*

¹⁵ Interview with Anita Brauna, former editor-in-chief of *Diena* daily

- increasing reliance on PR products and on unconfirmed reports on the internet (the most prominent example quoted is the story of a supposed meteorite in Latvia, which was reported as genuine news by mainstream media, but turned out to be a marketing spoof)
- “the race for higher rankings” among the television stations, including the public broadcaster, resulting in the aforementioned tabloidization and main news programs turning into infotainment shows
- a dire lack of analysis and context in the media, particularly on the crisis-related issues
- increasing lack of diversity of topics covered, particularly culture, education, civil society and social issues
- cuts in regional and international coverage resulting in a more isolationist and Riga-centred reporting
- blatant hidden advertising
- increasing glorification of the last pre-war president Karlis Ulmanis¹⁶ and promotion of the idea of the ‘great leader’ (“this ‘great leader’ [...] idea is being fed to us”).

The aforementioned changes in media content have led to decreased regularity in media consumption, even among media professionals, and amplified disillusionment with media in general. “I am sceptical with *everything* that is written or broadcast,” said a focus group participant, and this view was mirrored by several others. Even media professionals admit that they consume traditional media irregularly now, they are increasingly sceptical and “there is not one media that provides a reasonably clear picture of all crucial issues.”¹⁷ Several respondents suggested that reading a dozen sources daily is the only way to be sufficiently informed. “If one has enough time and ability to read all the papers, to look at the cube from all sides, and then sit down and analyze it all, then he could get the general idea.”

Legislation

In the late autumn of 2008, when Latvia had already knocked on the door of the IMF asking for a loan, one of the first cost-saving government decisions was to raise the V.A.T. on the press. The government decided to quadruple the rate from 5 per cent to 21. In an unprecedented move of unity, all daily newspapers joined in protest and, on 11 December, 2008 were published with an identical cover page, the words ‘Press 2009’ accompanied by a picture of a black cross.

The proposed V.A.T. figure was later lowered to 10 per cent, but it still considerably increased the financial strain on media businesses and had an impact on media consumption, because non-

¹⁶ In 1934, Karlis Ulmanis dissolved the parliament, established an authoritarian rule and became a self-proclaimed ‘great leader’

¹⁷ Interview with Anita Brauna, former editor-in-chief of Diena daily

subscribers now have to pay more. “We raised the retail price, but we could not do the same with the price for the subscribers, because it had already been fixed, so the rest of the difference had to be shouldered by the newspaper.”¹⁸

Editorial independence

As observed by media consumers and confirmed by media and advertising professionals, the media, weakened by the crisis, have become more susceptible to influences on editorial decisions and more lax about the standards of quality journalism¹⁹. In media with clear political leanings, such as daily *Neatkarīga* or commercial TV station LNT, the political opinion has remained prominent and media consumers take their products with the habitual pinch of salt (“If I switch on LNT, I know what will be their take on the news, slightly orange [the brand colour of the ruling People’s Party]). *Neatkarīga* was also known among the advertising professionals as an outlet prone to hidden advertising (“They have a standard practice not to indicate advertising”²⁰)

But a worrying trend has emerged in other media, too. According to the Advertisers Association, in the last six months, bought content in media has become a standard service offered by advertising agencies. “This trend has become very strong. It seems that, in media, [...] there are no more constraints, ethical or otherwise.”²¹ The surveyed media executives deny that the line between advertising and editorial content has become more blurred, but media consumers detect an increased trend and sources in advertising industry claim that, today, there are virtually no media in Latvia that do not mislead their audiences by presenting advertising as journalism (“Broadcasters, too, are doing it, including, I am afraid, the public television.”²²).

So far, there has not been increased prominence of one-sided political opinions in supposedly neutral media. However, media executives and consumers alike point out that the upcoming elections may change the picture. “Frankly speaking, I am concerned about the upcoming elections. The owners may decide to support a certain political party,”²³ says a media executive and her view is mirrored by consumers’ comments: “There will definitely be increase in hidden advertising before the elections, definitely.”

Media ownership

¹⁸ Interview with Anita Brauna, former editor-in-chief of Diena daily

¹⁹ The self-regulation of media in Latvia is close to non-existent – after the breakup of the Soviet Union, the Journalists Union failed to reform and has virtually no authority among the media professionals. Moreover, the current chairman represents a media outlet with clear political affiliations, *Neatkarīga*. There is no ethics code in Latvian journalism that the majority of media would subscribe to.

²⁰ Interview with Girts Ozols, chairman of the Latvian Advertising Association

²¹ Interview with Girts Ozols, chairman of the Latvian Advertising Association

²² Interview with Girts Ozols, chairman of the Latvian Advertising Association

²³ Interview with Olga Proskurova, editor-in-chief of the News Media Group

By far, the biggest, and most devastating, crisis-related change in the media landscape in Latvia has been the sudden sale of the biggest daily newspaper *Diena*, “the best newspaper in the Baltic states,” according to The Economist’s Edward Lucas. The owner of *Diena* and its businesses (Dienas Mediji) – a printing house, several regional newspapers, a newspaper distribution company and a magazine division – was the Swedish family-owned media giant, the Bonnier Group. The Bonniers were not just the first big foreign investors in the media market in Latvia, they also played a crucial role in nurturing the first truly independent media outlet and providing training for young journalists based in Western standards of journalism.

When the crisis hit and *Diena* ended the year 2008 with a loss, the Bonniers set cost-cutting targets, which led to some of the aforementioned changes – the paper became thinner (the average number of pages with supplements went down to 30, half of the number in 2006), salaries were cut and staff, mainly in marketing and administration but also some journalists, made redundant. What followed had not been foreseen by anyone: in July 2009, the owners suddenly announced the sale of the newspaper and Dienas Mediji businesses to a Luxembourg-based company Nedela S.A. As former head of the editorial page Pauls Raudseps put it, “they threw us in the trash.”²⁴

The editorial staff’s persistent demands for transparency and disclosure of the ultimate beneficial owners were ignored. The ‘face’ of the new owners, Aleksandrs Tralmaks initially promised that *Diena* will continue pursuing its liberal philosophy and high ethical standards, but later put the sincerity of that statement into question by saying that he has doubts whether “quality journalism is a sustainable business model.”²⁵ By early October, when Tralmaks announced that the true owner of *Diena* is the U.K.’s Rowland family (no proof of that claim was ever made public) it was clear that *Diena*, as it has been known for almost two decades, will cease to exist – Tralmaks demanded cutting editorial expenses by 40 per cent, which, in the view of editorial management, would make it impossible to produce a quality paper. A dozen leading journalists, all brand-name columnists and several editors, including the editors-in-chief of the whole group and the newspaper, resigned in protest.

The new management of *Diena* insists that the newspaper has retained its independence: “Editorial independence is kept as a key operational standard.”²⁶ Media consumers agree that, so far, there have been no signs of political or other influence in the content of the newspaper. However, the majority point out that the content of the paper has deteriorated. “The editorial page was the one that set *Diena* apart and now it is gone,”²⁷ says a media executive. Others are even more critical and say

²⁴ Raudseps, Pauls, *How to Destroy a Newspaper*, citadiena.lv, 3 December, 2009

²⁵ As quoted in the 9 October open letter of Nellija Locmele, editor-in-chief of Dienas mediji, and 10 leading editors and journalists; citadiena.lv; <http://citadiena.wordpress.com/2009/10/09/kapec-mes-aizgajam-nellijas-vestule-lasitajiem/>

²⁶ Interview with Gastons Neimanis, CEO of Dienas Mediji

²⁷ Interview with Linda Rasa, editor-in-chief of Latvijas avize

that “there is simply nothing to read.”²⁸ Consumers note that *Diena*, a one-time leader in accountability journalism, is paying much less attention to significant political events (such as the aforementioned return of Andris Skele into politics) and is noticeably lacking in trusted journalists able to put events into context. Many point out that for those print media consumers who read in Latvian and disagree with the editorial stance of *Latvijas avize* and disapprove of political affiliations of *Neatkarīga*, there is a vacuum of choice and the only remaining alternative is the internet, which is not available to everyone (the internet is used regularly by 57 per cent of the population²⁹), and, in the view of the majority of respondents and media executives, does not provide quality content.

New media

The crisis has accelerated the earlier trend of ever bigger audience relying on the internet as the main source of information. The disillusionment with the mainstream media and financial considerations are two contributing factors, but there is another, perhaps more unexpected one. According to the latest data, in 2009, compared to a year before, there was a rapid increase in internet usage among 50 to 59 year olds, 10 per cent³⁰. One of the top five sites searched was ss.lv, a classified website used heavily by job seekers. With jobless people forced to look for vacancies online, internet literacy is continuing to grow, potentially increasing the ranks of those who rely on online media as their main source of information.

2009 saw an explosion of Twitter in Latvia and, asked about the changing media consumption habits, most of the respondents refer to it as the major factor. The media that employ Twitter as a tool receive praise from media consumers: “Panorama [the main news program of the public television] is active at tweeting and it is a good thing - people engage in discussions on a particular topic.” However, the 140 format also contributes to the overall shallowness of reporting. Most respondents agree that, when it comes to online media (which are not regulated by the Latvian media laws), all aforementioned problems multiply in their intensity, with only a couple of exceptions, such as *citadiena.lv*, a website launched by the former employees of *Diena*, and *politika.lv*, a public policy website affiliated with the liberal think-tank Providus. “Latvian internet is full of nonsense,”³¹ says a media professional pointing to the dangers of more and more people getting most of their information online, “how will the young internet user get broad and in-depth information?” Most likely, they just will not.

²⁸ Interview with Aidis Tomsons, a leading political journalist in Latvia and a talk-show host at the Latvian Public Radio

²⁹ TNS Latvia Media Research, autumn 2009; <http://www.tns.lv/?lang=lv&fullarticle=true&category=showuid&id=3037>

³⁰ TNS Latvia Media Research, autumn 2009; <http://www.tns.lv/?lang=lv&fullarticle=true&category=showuid&id=3037>

³¹ Interview with Aidis Tomsons, a leading political journalist in Latvia and a talk-show host at the Latvian Public Radio

Conclusions

The falling advertising revenue and shrinking purchasing power of media consumers has resulted in worrying changes in the Latvian media. Hidden advertising has become commonplace across the board, as have unconfirmed or single-opinion reports, and accountability journalism has “lost its biggest tooth”³², *Diena*, and infotainment has replaced balanced, in-depth reporting on current affairs. More and more people, even among middle-aged population, are relying on the internet as their main source of news and are exposed to unreliable, entertainment-centred reporting and largely unmonitored low quality online discussion. Media executives admit that “it is increasingly hard for media to fulfil their function of the fourth branch of power”³³ and media consumers admit their general disillusionment with media and point out that analysis, which would help them to be informed and make decisions based on that information, has shrunk dramatically. Since 2010 is promising to be another hard year for media whilst also being the election year, the dangerous trends are set to deepen, leaving a Latvian journalist stranded and a Latvian citizen, poorly informed and open to manipulation.

Respondents

Rasma Pīpiķe	NGO sector employee
Signe Valtiņa	Public sector employee, PR
Kristaps Skutelis	Blogger
Iļja Ļenskis	Historian
Daina Bērziņa	Student
Viesturs Plešs	Businessman, IT
Jānis Katkovskis	Public sector employee, banking

³² Interview with Anita Brauna, former editor-in-chief of *Diena* daily

³³ Interview with Linda Rasa, editor-in-chief of *Latvijas avīze*

ANNEX : TABLES**Table 1. Main economic indicators**

Population (thousands)	2249.7			
Working population (thousands)	1168.8			
	2006	2007	2008	2009*
GDP per head (USD)	2542	3333	3633	2845
GDP growth (%)	11.9	10.7	- 5.7	- 19
Unemployment (%)	6.2	5.9	7.2	18.4
Average wage (USD)	596	790	952	855
Internet users (per 100 people)	50.46	52.2	57.0	60.9
Broadband availability (per 100 people)	4.81	6.44	8.85	n.a.
Mobile telephones (per 100 people)	95.78	97.72	98.90	n.a.

*Year-on-year, data for the third quarter

Sources: Central Statistics Office of Latvia, International Telecommunication Union

Table 2. Advertising revenue in media

	2006	2007	2008	2009*
Advertising revenue in print media ³⁴ (% , yoy)	18 927 000 LVL	+ 9	- 15	- 54
Advertising revenue in TV (% , yoy)	27 112 000 LVL	+ 21	+ 6	- 36
Advertising revenue in radio (% , yoy)	8 531 000 LVL	+ 14	+ 9	- 35
Advertising revenue in new media (% , yoy)	3 263 000 LVL	+ 81	+ 44	- 24

*Based on the latest available data

Source: Latvian Advertising Association

³⁴ Newspapers and weeklies