

Footprint of the Financial Crisis in the Media

Czech Republic country report

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Economy

The economic crisis in the Czech Republic became evident in the changes in some general economic indicators, for example negative growth of -4.1% in the 3rd quarter of 2009, an increase in the unemployment rate (up to 8.6 per cent, twice what it was in 2008) and the lack of increase in average wages. Secondary indicators providing information about living standards and their access to information from the media, such as coverage of high-speed internet connection, the number of televisions per 100 households, or the number of mobile phones per 100 inhabitants do not show a downward trend, rather they are increasing. It thus appears that the ownership of these commodities, due to their widespread distribution even before the crisis, their low prices and relatively low operating costs, has not been substantially affected or limited. This result, of course, can still change, because some data for 2009 are not yet available. However, it can be assumed that it will not be dramatic.

The media sector

The economic crisis in the Czech Republic has not shown any significant decline in the number of titles in any of the monitored groups. Only some weekly papers ceased activities in 2008, the lifestyle and tabloid titles *Nedělní svět* (*Sunday World*) and *Ring*, and their demise does not have a direct connection with the economic crisis, but was caused by changes in the business plans of their publishers.

However, the crisis led to budget cuts in the digital television stations that had only recently begun telecasting, namely Z1 newscast TV channel and the entertainment TV channel, Barandov. Due to the low revenue from advertising, these stations were forced to cut spending significantly, which was reflected in both the reduction in the number of employees and in the programmes offered in 2009. In 2009, as shown in Table 2, the growth in gross advertising revenue from advertising dropped or diminished in all observed groups, with the exception of internet media titles.

It should be noted that the gross advertising revenues do not reveal a realistic picture of the market, as they are based on price lists, and participants give massive discounts. According to experts, the overall decline in net advertising revenue in all types of media in 2009 was about 25–30 per cent. The reduced advertising investment in the Czech Republic in 2009 was caused largely by foreign companies, which are big advertisers in the Czech market, trying to optimise and implement cost-saving measures.

The collected detailed data concerning individual media show that in case of the nationwide dailies in 2009 all the three representative titles (*MF Dnes*, *Hospodářské noviny*, *Právo*) recorded a significant

decline in sales of goods and in revenue from advertising. In the case of the bestselling newspaper *MF Dnes*, the number of copies sold decreased by more than 20 per cent compared with 2006. The newspapers *Hospodářské noviny* and *Právo*, which sell fewer copies, recorded about a one-third decline in advertising revenue compared with 2006.

We can therefore say that the quantitative data show that the economic crisis affected the economy of most of the media, as was reflected primarily in lower income from advertising. For printed media, losses came to sometimes more than one-third. In TV and radio, some analysts estimate the losses in 2009 were roughly 25 percent. The decrease in sold copies of the printed media is a long-lasting problem the media have to deal with. The crisis clearly demonstrated its adverse effects.

The question of whether the deterioration of the financial situation of the media was somehow reflected in the content, that is, in the quality (breadth and depth) of coverage of major current events is much more complicated. The answers can be judged only by a qualitative analysis of interviews, which is the subject of the material below.

Media content

All respondents were aware that the media are losing advertisers and thus the funds for daily operations are decreasing. According to them, this does not result in the media's independence being limited on some political and economic fronts, but rather in an increased shallowness and tabloid content. So, on the one hand, there is pressure to speed up editing and to decrease the demands on personnel (reducing costs), and on the other hand, there are the efforts to adapt the content to the tastes of the majority and to capture the attention of the reader at first sight, for instance in scandalous headlines which increase the marketability of the title). The bestselling national newspaper *MF Dnes* is repeatedly presented as an example of this trend.

One respondent, who has experience with editing a webzine published by a non-profit organisation and funded by grants, said that the problem of limited access to grant resources in the last two years was connected with the government trying to find savings in the state budget, which significantly affected education, science and research.

None of the respondents indicated that he/she felt sufficiently informed by the Czech media as they currently exist. In most cases, the respondents settle the problem by combining various news sources, including foreign ones. Information about events abroad is mentioned by some respondents as a major weakness of the Czech media. Due to financial constraints and pressures on marketability,

the media pick only news that has some connection with the Czech Republic; moreover, even this news is presented rather superficially.

Legislation

None of the respondents mentioned even one example of an economic legislative measure taken in connection with the crisis that would have affected the functioning of media in the Czech Republic. Majority of the respondents cited the recent so-called "muzzle law" as the main legislative restriction, which came into force on 30 March 2009 and prohibits the media from publishing the names of specific litigants in court cases.¹ The law, which was originally designed to protect victims of crime, was enlarged by the provisions prohibiting the media from publishing police wiretaps, which dramatically reduces the possibility of the media monitoring the cases involving politicians, often linked to suspicion of political corruption and lobbying.

Editorial independence

The majority of the respondents did not feel very competent to speak on this subject because they did not have any current experience from the work of an editor or editor-in-chief. Those who had fresh experience of the media, rather than political pressures or other interests in editorial decisions, talked about the economic restrictions that are reflected in the staffing of editorial offices, short deadlines for processing reports and limited finances for news services (e.g. limited business trips due to cut fuel funds).

Separation of advertising from the content of information is not perceived as a major problem. Some respondents mentioned an extension of product placements in television programmes. They say that in the Czech Republic, unlike in the other countries, the news delivery is not yet directly affected. Other respondents mentioned, again as a marginal phenomenon, the format of printed advertisements whose design, layout and wording look like a newscast. Only tiny letters on the edge of the text say that it is an advertisement.

The relationship between politicians and the media in the Czech Republic has been hostile for a long time already. The mass media are not hand in glove with politicians, which is reflected in the political rhetoric. The media are often accused of lack of professional ethics, incorrectness, siding with one or

¹ The law is printed in the *Collection of Laws of the Czech Republic* no. 52/2009 (5 February 2009), which, since 1 April 2009, amends Act no. 141/1961 Coll., on criminal court proceedings (Criminal Code), the Act on Misdemeanours and the Act on Protection of Personal Data. The full text of the law in English, together with the official statements of the main Czech media, can be found on the website: <http://prisonforjournalists.com/EN/>.

another. However, it happens across the whole political spectrum and the respondents perceive it as a rather positive phenomenon and evidence that the media fulfil their public function.

Media ownership

Foreign owners are usually perceived positively. They are far from the daily editorial work; they have neither opportunity nor motive to interfere with it; they are experienced and conservative. But some of the domestic owners are perceived as problematic, for instance the former owners, Josef Kudláček (*Český Deník, Czech Daily*) and Fidelis Schlee (*Večerní Praha, Evening Prague*), and current ones (Zdenek Porybný, *Právo*, commercial television companies owned by financial groups). The influencing of mass media in these cases is speculation only; the respondents do not have any proof. An ideal model of the relationship between the owner and the editor is where the owner does not interfere in the daily operations or its content at all and the editorial office has complete independence from the owner. Foreign owners (Vltava Labe Press, regional newspapers, Ringier, Lightning, Reflex) are given as examples of such an arrangement. But the situation where the owner resides in the same building as the editorial office and he can come into the office and have a voice in the content of the reports at any time is described as problematic. An example of this is the left-wing daily *Právo*.

Labour

At the beginning of the 1990s, the majority of the editorial offices started from scratch, so they completely missed the middle generation of experienced journalists who were discredited because they had worked under the past regime. Today, there are again middle-aged journalists aged 40–50 years. Young journalists, of course, form an important part of the editorial staff, particularly because their wages are lower. However, unlike in the 1990s, they are not in leadership positions. The crisis acts as a positive force in the sense that it increases competition in the labour market. While previously the media engaged almost all job-seekers who had at least some of the right qualifications, today they can choose from several candidates.

New media

There is a very strong link between traditional and internet media in news services. The Czech Republic has only one news server, which creates its own content (it has its own investigative journalism, comments, etc). This is the *aktualne.cz* portal, which is owned by the multinational group, Centrum Holdings. All other portals either take their content from printed media, or are directly owned by the companies that dominate the media. The majority of respondents perceive this situation as a

clear limitation and take use the internet as an alternative source of news, which is independent of traditional media in the Czech Republic.

Blogs are not perceived as an alternative news service, but rather as their complement, which is sometimes useful, sometimes not. One of the respondents characterises the situation thus: while the news service brings good news, blogs run stories. Respondents also mention different levels of blogs. There is only a very small number of really independent bloggers who have a real impact on public opinion in the Czech Republic; we can specifically mention only Ondrej Neff and his *neviditelnyypes.cz* server, but he is more of a pioneer of the genre than an actual ideological leader. V.I.P. blogs linked with large news service webs of traditional printed media are the most popular in the Czech Republic. However, some respondents consider it a problem that the bloggers are not independent, but in many cases are politicians, businessmen and analysts who are personally engaged in the events they are writing about. In the case of financial analysts, one respondent mentioned the paradox of when the experts are commenting in their blogs on events (e.g. the financial crisis) caused directly or indirectly by them.

The majority of the respondents thought that the readers' discussions following the articles on news servers were very poor quality. They did not perceive them as expressions of independent thinking, but as spaces for the ventilation of emotion, mob behaviour and social pathology. Therefore, they understood the efforts of publishers to control these discussions, for example by limiting the anonymity of contributors, paradoxically, not as a curb of their freedom of expression, but as a positive effort.

Conclusions

Financial constraints have a limited impact on the current state of the mass media in the Czech Republic. The situation is long-lasting rather than a consequence of the current financial crisis. The lack of depth and breadth in the news delivery is perceived by the respondents as a steady state having its roots in the 1990s, rather than a consequence of the crisis. None of the major media has constrained its activities significantly due to the crisis, although all of them are facing lower revenues from advertising and a decline in readership and ratings.

Although the Czech media have to defend their editorial independence in relation to politicians and other influential interest groups, this problem has not been significantly aggravated by the present economic crisis. However, the editorial offices are becoming more dependent on earnings, which may result in efforts to comply with the tastes of as high a number of readers as possible.

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

Population, total (30 September 2009)	10,501,197			
Working population (Q3 2009)	4,216,486			
	2006	2007	2008	2009
GDP per head (\$)	17 083	18 641	19 252	n.a.
GDP growth	6.8	6.1	2.5	-4.1 (Q3)
Unemployment %	7.1	5.3	4.4	8.6
Gross nominal average wage (\$)	1063	1140	1235	n.a.
Internet users (per 100 people, age 16+)	41	45	54	56
Broadband availability (% of households)	15	26	33	44
Mobile telephones (per 100 people, age 16+)	83.1	85.5	87.9	91.0
Number of TV sets per 100 households	127.5	129.5	131	n.a.

Table 2. Main economic indicators of the media sector

	2006	2007	2008	2009
Dailies	6	6	8	8
Regional newspapers	73	73	73	73

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

Weeklies ²	9	14	12	12
No. public TV channels	4	4	4	4
No. public radio channels	22	22	22	22
Commercial TV stations	2	3	4	7
Commercial radio stations	63	63	63	63
News websites (unattached to the traditional media) ³	1	1	1	1
Advertising revenue in print media (% compared to 2006)	100	101	105	90
Advertising revenue in TV (% compared to 2006)	100	102	112	110
Advertising revenue in radio (% compared to 2006)	100	102	97	90
Advertising revenue in all Czech web sites (% compared to 2006)	100	170	251	275

Methodological note

The objective of this report is to answer the following questions based on an assessment of the situation in the Czech Republic:

- Have the financial constraints affected the news delivery to citizens, the breadth, depth and overall quality of media coverage of current affairs?
- Have the financial constraints affected editorial independence?
- Are media consumers, or citizens, particularly vulnerable groups as defined by the Emergency Fund (young voters, middle-class) receiving enough information to make informed decisions?

² This category includes the titles that appear in the yearbook of the Czech Union of Publishers, in *Společenské časopisy (Social Journal)* and the national *Zpravodajské týdeníky (News Weekly)*.

³ The only representative news server in the Czech Republic, which is not connected with any of the traditional media, is the server *aktualne.cz*, the operator of which is Centrum Holdings.

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

In the collection of quantitative data, we worked with the statistics regularly published by specialised institutions (Czech Statistical Office, the Union of Publishers, TNS Media Intelligence, OmnicomMediaGroup, OMD). Some data were recorded directly from the information from individual owners and media publishers, and from the information presented by experts in the press (estimates of future development).

The qualitative data consist of the findings from individual in-depth semi-structured interviews with representatives of target groups specified in the research. We performed in-depth semi-structured interviews with representatives of academia in universities (sociologists, political scientists, doctoral students of media studies), with representatives of non-profit and commercial organisations (spokespersons, co-owners of marketing agency), people who live in Prague, representatives of regions, including people who are engaged and involved in regional policy. The respondents involved representatives of the internet community who regularly publish their contributions online (blogger, editor of webzine). We selected our respondents from among the group of people whose typical characteristic is that they are interested in the media and, in accordance with the aims of the research, who operate in multiple spheres simultaneously (e.g. in academic, commercial and non-profit outfits), or over time have worked in several of them. A total of eight interviews took place, each lasting between approximately 45 minutes and one hour.

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NEWTON Media is the largest Central European company monitoring the media market. The company specializes in media monitoring, media analysis, sector digests and early warning reports.

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