REGIONAL TV MARKET REPORT 2010.

(Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro)

MediaHub

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INTRODUCTION

The regional broadcast and TV distribution industry segments witnessed many dynamical processes over past 2 years.

Fuelled by digitalisation, transposition of the AVMS directives into local regulatory framework and significant growth of interactive platforms with triple-play offerings, electronic media market embarked into new adventures. We do not expect them to be ever returned.

Using advantages of the technology there are many new IPTV operators launched its services across the region offering over 100 channels bouquet and leaving traditional cable operators with headache.

This year *MediaHUB Regional TV Report* brings you updated database of all major cable, IPTV and satellite DTH operators in regards to subscribers and TV channels available.

Overview of digitalisation process in each regional country together with developments in regulatory sector will bring you up to speed with emerging TV markets of Croatia, Slovenia, Bosnia & Herzegovina, Serbia and Montenegro.

We believe that trends in TV viewings across region as well as booming multichannel penetration opens a number of strategic questions about the broadcast future. Some other more difficult questions about survival in fragmentation might have already been answered during the last 2 years of economical decline.

However, a few new distribution platforms and many more new TV channels have been introduced to the market since our last report.

MediaHUB team of experts who produced this extensive report assures you that in this report you will find useful data for your broadcast, telecom, regulatory or other media business.

Executive Summary

I do not think that the internet and other new media platforms would kill television off.
TV has kept its leading position in terms of media consumption and map of the largest broadcasters in Europe has not changed dramatically in recent years.

Public service broadcasters continued to account for the largest part of the broadcasting budget. Nevertheless, change is sweeping through television, and its future has never been so hard to predict. Traditional ways of watching television have seen a steep decline, especially among younger viewers. The largest channels in each country have seen their ratings fall. Public service television, in particular, saw a decline in ratings – in most countries, a substantial decline. Although it increased its aggregate revenue across Europe, over the past three years, the public broadcasting sector has seen a drop in its total market share, while the commercial sector has grown modestly. As they attempt to keep pace with their publics' changing preferences, traditional broadcasters in Central and Eastern Europe, as well as those in Western Europe, are offering video content via the internet to keep up with the trend. Meanwhile their output is made available by the "aggregators", which stream channels and programmes from multiple sources all over the world, over the internet.
New technologies are also transforming broadcast journalism. Start-up costs for electronic media are lower than ever, because distribution of television content via the internet or mobile telephone needs no traditional infrastructure. However, amid all this fluidity, business models that can sustain electronic media – and allow them to grow, while preserving professional standards – are elusive. The dispersal of advertising revenue hits production budgets at the very time that new platforms are opening up, demanding new content.
The barriers between 'professional' and 'amateur' journalism are becoming more porous than they have been since the rise of the modern media industry a century ago.
This process is signalled by the jargon associated with networked media: user-generated content, citizen journalism, blogging, blogosphere, podcasting, and so forth. These developments bear rich potential for civil society; for example, online community driven news and discussion forums can enhance communication among citizens over real social issues.
On the other hand, while internet search engines and other news-aggregators increase the availability of news and information, they contribute nothing in terms of reportage or editorial assessment. More information does not necessarily make people better informed. Some observers fear that the internet encourages distracted and superficial habits of news-consumption, based on browsing, SoundBits and sensation; if these fears are valid, we may be growing less able to absorb the more demanding genres of journalism – the same genres which broadcasters are anyway less inclined to provide, for economic reasons.
Amid these fluctuations, several key patterns can be identified. The trend in audiovisual consumption is fragmentation – as more and more people gain access to more and more ways to consume audiovisual products. The key trend in ownership is consolidation – reducing the number of suppliers of media content. The key trend in technology is convergence – telecommunications, cable, satellite, mobile operators and traditional broadcasting are merging, with consequences for traditional media structures. Audiences fragment,

owners consolidate, and technology converges: the new 'political economy' of Europe's audiovisual industry is the product of these dynamic processes.

The key trend in broadcast licensing is relaxation. With governments keen to exploit the digital dividend, the licensing process in many countries is being converted into a mere registration procedure, similar to satellite or cable operations. The main trends in digital licensing are the same across Europe:

- simplified procedure
- shifts in licensing power
- protection of analogue broadcasters
- privileges for public service broadcasters

Among broadcast regulators, the trend is one of contraction. In general, national media regulation is in retreat as the media market expands and becomes more international.

This trend will create a vacuum that cannot be filled by the European Union's transnational regulatory measures. With the arrival of digitisation and technical convergence, many of the content regulators find themselves overwhelmed. The days of "traditional command-and-control regulation", as it has been called, appear to be gone for good. "Light touch" regulation appears to be the way ahead, combining research functions and responsiveness to public feedback with extensive self-regulation by the industry. However, if it is really to serve the public interest, this kind of regulation will be hard to achieve.

Among public service broadcasters (PSBs), the key trends are over-extension, underfunding and self-doubt. In an era dominated by deregulation and the mantra of "consumer choice", public service broadcasting is often presented as unfashionable; its critics argue that it is unsustainable. The traditional mission of PSBs to inform, educate and entertain the citizens who fund them, directly through the license fee and in most cases also indirectly through advertising, has come under ferocious pressure just when technology has created the opportunity to reach more citizens, in more ways, than ever before.

In order to fulfil their legal remit, PSBs need to be present – and amply productive – on different platforms. Yet their right to do this is constantly challenged by their commercial rivals, while their resources to do this are restricted by a squeeze on both their main sources of funding. Some media pundits argue that digitalisation will make the collectively-financed public service model obsolete, for two reasons. Firstly, it will be (politically) impossible to justify the license fee when audiences access audiovisual productions on other platforms. Secondly, the fragmentation of audiences leads to the decline of mass-oriented advertising. (This decline is already impacting on public service as well as commercial broadcasters.)

The trend in advertising is towards redistribution, as budgets are reallocated from traditional media to the internet. Television has not yet seen large losses against Internet. Yet this pattern will not hold; the online segment will probably overtake the traditional television market within a few years. By 2012, according to one estimate, online will take the largest share of the advertising spend, followed by traditional TV. While European traditional channels are expected to grow up to 2% a year, digital channels are forecast to see advertising growth rates of 20% per annum. This explains why media companies are moving their content online, trying to forestall the exodus of advertisers to powerful newcomers such as Google.

The break-up of Yugoslavia from the 1990s led to the creation of six independent countries, which are set to become seven with the expected separation of Kosovo from Serbia. With Albania (not part of Yugoslavia) these south-east European countries make up a rapidly expanding TV marketplace which has, in many parts, developed rapidly.

Slovenia, part of the European Union since 2004, is a lot further down the line to integration with the rest of Europe. Croatia is next in line for accession and Serbia is also negotiating its entry. In preparation for EU membership, countries in the region have brought broadcasting legislation into line with EU norms and opened up their telecommunications markets to competition.

Yugoslavia's federal political make-up meant that most of the newly independent states had a ready-made public broadcast organisation in place.

In most cases these organisations are still funded by licence fees as well as advertising, and have retained an important position in the market. HRT accounts for 1/3 of the TV ad market in Croatia and was taking a lead role in the introduction of HD channels.

A large number of private radio and TV stations have started up across the region, for the most part anticipating any official licensing process. Serbia's Pink Media Group has emerged as an important player in the region and foreign investors CME, RTL Group, MTG and Antenna Group are all present.

The cable TV market is highly fragmented and in many cases made up of small community systems, but some major operators like SBB in Serbia and Slovenia's Telemach have driven a process of consolidation, and triple-play

Offerings are widespread. IPTV has launched in most markets and has grown at an impressive rate in Croatia and Slovenia.

Despite political separation, ethnic groups are spread across borders and three direct-to-home satellite platforms and numerous free-to-air channels target different communities in the region.

Progress towards digital terrestrial is already completed in Croatia and advanced in Slovenia set to switch off analogue TV in 2011. In other countries transition plans are still up in the air.

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