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Original scientific paper

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CHARACTERISTICS OF THE TV MEDIA FINANCIAL OPERATIONS IN MACEDONIA

Abstract

For many years, there was only one medium in Macedonia which was functioning as a public service. However, along with the development of the pluralism, numerous private media appeared and this has resulted in a strong competitive media market. Hence, a great number of questions and problems emerged concerning electronic media, TV and radio stations, their functioning and existing on the media market. One of the key problems that media generally face in their work is the question of supplying funding, necessary both for current functioning and future development, in order to keep pace with the audience's needs, as well as with the new technical-technological innovations and modifications in this scope of socioeconomic living.

This thesis explores the financial outcomes of TV media's work of the Public service broadcasting, or the Macedonian National Television (MTV) on one hand, and the private TV media on the other hand, considering the different structure of funding sources of the public broadcasting services and the private TV stations, that primarily results from the legal provisions for funding methods of these two types of televisions.

Key words: TV media, financial outcome, revenues, expenditures, broadcasting tax.

Jel classification: M20; M30

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Introduction

The functioning of the TV media is generally determined by a lot of factors, such as programme quality, informing method, funding sources, advertising and sponsorship, functioning expenditures etc. Undoubtedly, all these factors are special segments and subject of interest to the TV media's performance in Macedonia.

One of the key problems which the media generally face in their work is the question for providing the necessary funding assets for continuous media functioning.

In order to acquire better financial funding, it is necessary to assess the consistency between the functioning models and the financial work of the TV media in Macedonia, the possibilities, and the methods for increasing the revenues in the part of the existing funding sources, finding new funding sources, as well as decreasing the expenditures to improve the whole media functioning.

1. Analysis of the financial outcomes of TV media in Macedonia from 2007 to 2012

In order to see the results from financial work of TV media, it is necessary to see the revenues as well as the expenditures of that work. The total revenues and expenditures, which TV media in Macedonia had made during 2007-2012, for both MTV and private TV stations, are segmented on 4 levels: national TV service offered through terrestrial transmitter, national TV service through a satellite, regional and local, which are analyzed in this part of the thesis.

From the data shown in Table 1, it can be seen that in the TV industry, the TV media made variable outcomes in their financial working during the analyzed period. It may be stated that there were periods when the financial outcome had negative trends on the TV industry level. For example, in 2009, the cumulative loss was in the amount of 307,550,478 MKD. The best financial outcome was made in 2011, and it was in the amount of 499,430,000 MKD.³

³ Analysis of the broadcasting activity market for 2007, 2008, 2009, 2010, 2011 and 2012, Broadcasting Council, Skopje.

Table 1: Financial outcomes of TV media in the period from 2007 to 2012

TV medium	2007	2008	2009	2010	2011	2012
Public service (MTV)	-52,723,595.00	55,408,515.00	-95,543,789.00	20,540,000.00	382,290,000.00	118,350,000.00
TV on national level	64,232,683.00	176,617,216.00	-17,963,229.00	-23,530,000.00	280,360,000.00	165,020,000.00
TV on national level satellite	non-existent	5,114,308.00	-106,730,506.00	-122,680,000.00	-122,200,000.00	-37,960,000.00
TV on regional level	-15,756,115.00	-82,677,680.00	-103,005,683.00	-41,400,000.00	-68,100,000.00	-29,980,000.00
TV on local level	-230,765.00	7,445,201.00	15,692,729.00	6,030,000.00	27,080,000.00	18,980,000.00
Profit/Loss in the TV industry	-4,477,792.00	161,907,560.00	-307,550,478.00	-161,040,000.00	499,430,000.00	234,410,000.00

Source: Assessed values from the Analysis of the broadcasting activity market for 2007, 2008, 2009, 2010, 2011 and 2012, Broadcasting Council, Skopje

The revenues and expenditures of the TV media are also analyzed on different bases, so we can have a better view of the reasons for financial outcomes in the last period. According to the data shown in Table 2 and Table 3, the loss made in 2009 was primarily as a result of the increased expenditures in the work of TV media (highest in the analyzed period) in relation to revenues, because there were years when the revenues were lower than those made in 2009, but still the loss in those years is lower.

Table 2: Revenues structure of the TV market for the period from 2007 to 2012

Type of revenue	2007	2008	2009	2010	2011	2012
Broadcasting subscription	6,018,184.00	8,116,765.00	39,725,868.00	145,850,000.00	474,460,000.00 * ⁴	724,360,000.00 * ⁵
Advertisements and teleshopping	1,104,001,161.00	1,667,361,080.00	1,562,890,819.00	808,910,000.00	1,480,180,000.00	1,478,010,000.00
Sponsorship	2,421,638.00	3,187,897.00	2,276,512.00	3,280,000.00	360,000.00	38,960,000.00
Revenues from other programmes	8,084,311.00	13,122,356.00	10,461,359.00	9,570,000.00	7,050,000.00	260,000.00
Donations and grants	23,066,857.00	11,501,310.00	7,502,128.00	6,650,000.00	5,030,000.00	2,190,000.00
Sale of programmes	2,574,601.00	10,762,065.00	9,128,479.00	8,960,000.00	7,320,000.00	5,240,000.00
Projects of public interest	7,253,665.00	683,496.00	2,289,571.00	1,350,000.00	650,000.00	0.00
Other undeployed revenues	471,259,327.00	587,693,474.00	335,440,732.00	622,410,000.00	517,180,000.00	381,540,000.00
Revenues from operating activities	1,624,679,744.00	2,302,428,443.00	1,969,715,468.00	1,606,980,000.00	2,492,230,000.00	2,630,560,000.00
Revenues from other activities	42,109,452.00	34,515,279.00	28,173,327.00	22,900,000.00	29,310,000.00	29,010,000.00
Extraordinary revenues	7,752,617.00	4,171,031.00	34,619,615.00	30,670,000.00	6,820,000.00	7,870,000.00
Total revenues	1,674,541,813.00	2,341,114,753.00	2,032,508,410.00	1,660,550,000.00	2,528,360,000.00	2,667,440,000.00

Source: Assessed values from the Analysis of the broadcasting activity market for 2007, 2008, 2009, 2010, 2011 and 2012, Broadcasting Council, Skopje.

⁴ This amount is the invoiced value of the revenues from the broadcasting subscription. According to the data filed by the Macedonian television to the regulatory body – the Broadcasting Council, the paid amount is 232.09 million MKD.

⁵The invoiced value of the revenues from the broadcasting tax as well. The paid amount was 265.93 million MKD.

Table 3: Total expenditures of TV media on TV market made in the period from 2007 to 2012

MTV	2007	2008	2009	2010	2011	2012
MTB	525,242,960.00	556,444,315.00	444,350,096.00	527,780,000.00	571,180,000.00	923,920,000.00
National level terrestrial	994,349,846.00	1,305,674,921.00	1,395,451,291.00	848,560,000.00	921,370,000.00	1,041,620,000.00
National level satellite	Did not exist	44,439,213.00	194,581,038.00	221,330,000.00	287,740,000.00	222,340,000.00
Regional level	65,127,739.00	163,758,235.00	191,231,224.00	127,280,000.00	123,810,000.00	87,370,000.00
Local level	94,299,060.50	108,890,509.00	114,445,239.00	96,640,000.00	124,830,000.00	126,410,000.00
Total	1,679,019,605.50	2,179,207,193.00	2,340,058,888.00	1,821,590,000.00	2,028,930,000.00	2,401,660,000.00
Public service (MTV)	525,242,960.00	556,444,315.00	444,350,096.00	527,780,000.00	571,180,000.00	923,920,000.00
Private sector	1,153,776,645.50	1,622,762,878.00	1,895,708,792.00	1,293,810,000.00	1,457,750,000.00	1,477,740,000.00
Total	1,679,019,605.50	2,179,207,193.00	2,340,058,888.00	1,821,590,000.00	2,028,930,000.00	2,401,660,000.00

Source: Assessed values from the Analysis of the broadcasting activity market for 2007, 2008, 2009, 2010, 2011 and 2012, Broadcasting Council, Skopje.

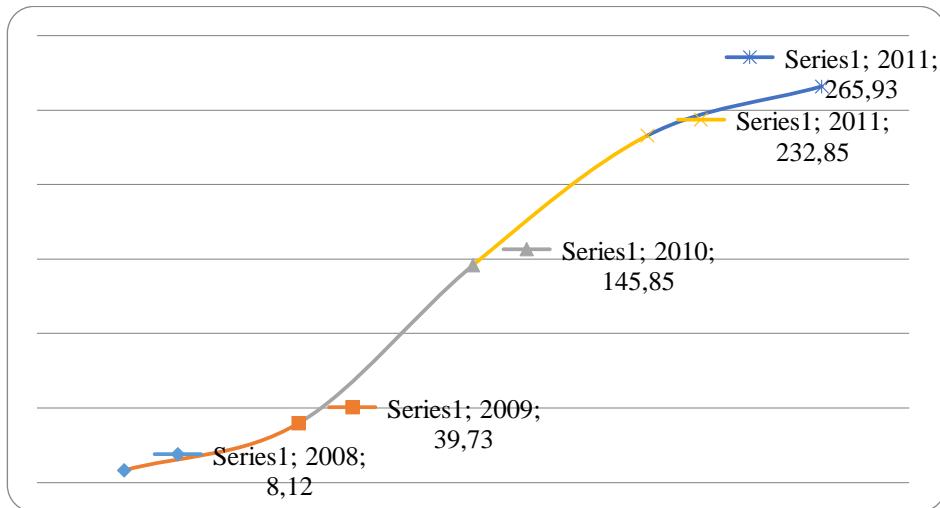
2. Financial outcomes of MTV for the period from 2007 to 2012

MTV, as a public broadcasting service, was reporting a loss at the beginning, as it can be seen from the data in Table 1, due to low revenues made from the broadcasting subscription (tax),⁶ insufficient assets from other undeployed revenues, in other words – lack of opportunity for gaining assets from the Budget of the Republic of Macedonia, (see Table 2)⁷ as well as high expenditures for payments and other compensations to the employees, i.e. over-employment and improper allotment of the working places.

⁶Analysis of the broadcasting activity market for 2012, 2013, Broadcasting Council, Skopje.

⁷Analysis of the broadcasting activity market for 2007, 2008, 2009, 2010, 2011 and 2012, Broadcasting Council, Skopje.

Graphic 1: The flow of the revenues made from the broadcasting subscription in 2008, 2009, 2010, 2011 and 2012



Source: Assessed values from the Analysis of the broadcasting activity market for 2012, Broadcasting Council, Skopje.

Since 2010, MTV has started working with profit, which increased progressively from year to year. It is due to the fact that the broadcasting subscription, as a main source of financing of the public service Macedonian Television, has begun to increase (see graphic 1), through the help of assigning certain financial assets by the Government of Macedonia, from the Budget of Macedonia, in accordance with the amendments of the Law on Broadcasting Activity (Article 145 Paragraph 2)⁸. Considering the fact that the market share in the field of advertising and the sponsorship of programmes was very low, it was necessary to adopt legal measures in the form of broadcasting subscription payment, which have led to strengtheninig and improving of the financial work of MTV. In October 2010 amendments were made in the provisions of the

⁸ Amendments in the Law on Broadcasting Activity, Official Gazette no.07-3406/1 from 01.08.2008.

A new paragraph 2 was added, according to paragraph 1 in article 145: "To achieve and maintain higher level of programme and technical-technological development of the public broadcasting service, assets from the Budget of Macedonia can be allocated";

Law on Broadcasting Activity (Article 147 Paragraph 4)⁹, so that the obligations for assessing, determining and payment of the broadcasting subscription were overtaken by the Public Revenue Office.

3. Financial outcomes of the work of private TV media for the period from 2007 to 2012

The analysis of the financial working of private TV stations is segmented on 4 levels: national through terrestrial transmitter, national through satellite, regional and local.

When analyzing the financial outcome of national TV stations (at first five of them, and later in 2011 just four national TV stations), we encountered variable financial outcomes (see Table 4). They made the best positive outcome in 2011 (profit) of 280,360,000.00 MKD, while the worst financial outcome was in 2010 (loss) of 23,530,000.00 MKD.

Table 4: Financial outcomes of the national terrestrial TV media for the period from 2007 to 2012

TV medium	2007	2008	2009	2010	2011	2012
A1	20,214,630.00	32,076,964.00	21,508,675.00	No data	No data	does not exist
Alsat M	912,220.00	14,240,966.00	-67,640,149.00	-77,810,000.00	460,000.00	1,290,000.00
Kanal 5	731,903.00	87,284,216.00	22,179,549.00	20,110,000.00	91,940,000.00	25,810,000.00
Sitel	42,034,464.00	41,546,343.00	2,898,115.00	33,390,000.00	187,280,000.00	137,740,000.00
Telma	339,466.00	1,468,727.00	3,090,581.00	780,000.00	320,000.00	180,000.00
Total	64,232,683.00	176,617,216.00	-17,963,229.00	-23,530,000.00	280,000,000.00	165,020,000.00

Source: Assessed values from the Analysis of the broadcasting activity market for 2007, 2008, 2009, 2010, 2011 and 2012, Broadcasting Council, Skopje

If we look at the results of each TV station separately, it is clear that TV Sitel made the highest profit compared with the other TV stations, except in 2008 and 2009, when the highest profit was made by TV Kanal 5. The only TV medium which showed negative outcome

⁹Amendments in the Law on Broadcasting Activity, Official Gazette no. 07-4451/1 from 28.10.2010.

Article 147 Paragraph 4 is amended as following:

“The Public Revenue Office determines the monthly compensation on the basis of the data from the register of broadcasting subscription obligees, so they have to pay the subscription for the current month by the 15th of the next month, in contrary, for every delay they are obliged to pay interest determined by Law.”

(loss) from all TV media was TV Alsat M. Due to the negative outcome of this television, a negative outcome was also made by all national terrestrial TV media in 2009 and 2010, (see Table 4). The total outcome made by the national terrestrial TV media depended on the high revenues made from advertising and from other undeployed revenues.

Table 5: Financial outcomes of the national satellite TV media for the period from 2007 to 2012

TV stations	2008	2009	2010	2011	2012
TV Sonce	No data	-2,552,279.00	-9,530,000.00	-12,410,000.00	-15,310,000.00
TV AB Kanal	-300,000.00	-23,382,823.00	-27,690,000.00	-22,660,000.00	No data
TV 24 Vesti	did not exist	did not exist	No data	-16,280,000.00	-33,490,000.00
TV Nasha	9,541,955.00	-11,502,253.00	3,280,000.00	31,720,000.00	12,830,000.00
TV Sitel 3	-330,000.00	-3,249,600.00	-10,674,958.00	-23,590,000.00	-2,480,000.00
TV Jangal	-673,066.00	-5,920,181.00	1,240,000.00	No data	No data
TV Era Sat	9,200.00	-9,200,570.00	did not exist	did not exist	did not exist
TV Alfa	-540,300.00	-34,583,795.00	-76,300,000.00	-50,710,000.00	-10,730,000.00
TV Kanal 5 Plus	-1,146,850.00	-13,657,433.00	-7,694,338.00	-16,520,000.00	11,430,000.00
TV Pink	did not exist	did not exist	8,210,000.00	-11,750,000.00	No data
TV Perspektiva	-1,096,631.00	-270,230.00	-3,520,704.00	No data	No data
Total	5,114,308.00	-106,730,506.00	-122,680,000.00	-122,200,000.00	-37,960,000.00

Source: Assessed values from the Analysis of the broadcasting activity market for 2007, 2008, 2009, 2010, 2011 and 2012, Broadcasting Council, Skopje

In terms of the working of private national satellite TV stations, according to Table 5 we can see that all private national satellite TV media on the TV market had negative financial outcomes, except for the period at the beginning of their working in 2008, when they had a small positive financial outcome.

If we observe each TV station separately, according to Table 5, we can notice that all TV media continuously reported loss in this period. The highest loss during the analyzed period was made by TV Alfa. They sometimes reached over 50% from the total loss of the other TV media. The best financial outcome was made by TV Nasha, which had negative financial outcome only in 2009.

The regional TV media had been reporting increasing loss from 2007 to 2009, when the highest value of 103,005,683.00 MKD was made. Afterwards the trend was decreasing. Unlike the regional TV media, the local TV media worked with profit in the analyzed period. The highest profit was reported in 2011 in the amount of 27,080,000.00 MKD (see Table 1), except in 2007 when they worked with loss.

Conclusion

Based on the analysis in the thesis, it can be concluded that the TV media in Macedonia faced difficulties in their work in the analyzed period, and in certain years they were even unable to make the sufficient amount of revenues in order to pay for their working expenditures (2007, 2009, 2010). If we observe particular types of TV media, it is obvious that the situation is worst at the national TV stations that continuously work with broadcasting programmes through satellite and the regional televisions working continuously with loss. The main reason is that the national TV media began working as a new type of medium on the media market and adapted successfully, while the regional TV media faced stronger competition on the media market when the national TV stations broadcasting through satellite appeared. In that period, the regional TV media broadcasted only in the Skopje region, where part of the revenues from advertising and teleshopping were transferred to the revenues of the national TV media which broadcasted through satellite.

Positive mark has been the improved financial working of MTV since 2010. It is mainly due to the amendments in the Law on Broadcasting Activity regarding the payment method of the broadcasting subscription, with defined strict penalties for non-compliance and obligation for the payment to be controlled and performed by the Public Revenue Office.

The low financial outcomes seen on the level of TV industry state the need for taking into action certain measures for improving this situation in the following directions:

- The public service provides revenues from advertisements on the basis of the popularity of the offered programme (no matter if it is the medium's production or ordered from independent producers). It will provide a way for MTV to make revenues from advertisements within the set time and other limits in the new Law on audio and audiovisual media services, as a replacement of the existing Law on Broadcasting Activity. The popularity of the before mentioned programme should be based on the quality and the public interest, which should be satisfied from the programme's content broadcasted on the public broadcasting service. More qualified production will attract the viewers. In other words, the ratings of the programme contents broadcasted on the public service will increase, which will provide the sector obliged for advertising in the public service a better sale in the advertising period. The opportunity to

use all possible capacities offered by the public service should not be excluded. In this context, there is the opportunity to make additional revenues, leasing the capacities which MTV has, such as leasing its own studios for recording programme contents to other TVs or production companies. The mentioned capacities can also be used by the public service itself for particular quality recordings on programme contents which will be used in the medium's programme. Afterwards the recorded programme contents may be sold to other TV media in and out of the country. The public service can use the recording of a certain TV series or a certain TV movie for a hidden advertising – certain products and services offered and sold by the companies may appear in the mentioned programme contents.

- Private TV media should focus on the production of more qualified production which will attract viewers and provide increased rating of the programme contents. It will provide bigger sale in the advertising period for the sector obliged for advertising. All capacities can also be used in the context of realization of certain quality recordings of programme contents, which will be used in their own programme (their own production) and allow advertisements in it. The recorded programme contents can be sold to other TV media in the country and abroad, and there is the possibility for exchanging certain programme contents, which will enrich the programme scope and there will be variety in it.

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