



VILNIAUS GEDIMINO TECHNIKOS UNIVERSITETAS
VERSLO VADYBOS FAKULTETAS
TARPTAUTINĖS EKONOMIKOS IR VADYBOS KATEDRA

Martynas Pasiliauskas

ŽINIASKLAIDOS VERSLO INTERNACIONALIZAVIMAS
INTERNATIONALISATION OF THE MEDIA BUSINESS

Baigiamasis magistro darbas

Verslo vadybos studijų programa, valstybinis kodas 621N10004

Tarptautinio verslo specializacija

Verslo studijų kryptis

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TVIRTINU
Katedros vedėjas

(Parašas)

Borisas Melnikas
(Vardas, pavardė)

(Data)

Martynas Pasiliauskas

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Vadovas

prof. habil. dr. Borisas Melnikas

(Moksl. laipsnis/pedag. vardas, vardas, pavardė)

(Parašas)

(Data)

Konsultantas

(Moksl. laipsnis/pedag. vardas, vardas, pavardė)

(Parašas)

(Data)

Konsultantas

(Moksl. laipsnis/pedag. vardas, vardas, pavardė)

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Borisas Melnikas

(Vardas, pavardė)

(Data)

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.....Nr.

Vilnius

Studentui (ei)

Martynui Pasiliauskui

(Vardas, pavardė)

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Baigiamojo darbo konsultantai:

.....
.....
.....

(Moksl. laipsnis/pedag. vardas, pavardė)

Vadovas
(Parašas)

prof. habil. dr. Borisas Melnikas
(Moksl. laipsnis/pedag. vardas, pavardė)

Užduotį gavau

.....
(Parašas)

.....
(Vardas, pavardė)

.....
(Data)

Verslo studijų kryptis
Verslo vadybos studijų programa, valstybinis kodas 621N10004
Tarptautinio verslo specializacija

Nr.

Vilnius

Baigiamasis darbas peržiūrėtas ir studentui (ei) Martynui Pasiliauskui leidžiama ginti šį baigiamąjį darbą magistro laipsnio suteikimo komisijoje.

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Vadovas prof. habil. dr. Borisas Melnikas
(Parašas) (Moksl. laipsnis/pedag. vardas, vardas, pavardė)

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Anotacija

Magistrinio darbo tikslas - sukurti ir pritaikyti Lietuvos atvejui teorinę koncepciją, kuri leidžia žiniasklaidos bendrovei internacionalizuoti savo veiklą. Koncepcija yra paremta lietuvių ir užsienio autorių metodologinės ir metodinės medžiagos analize bei atliktų empirinių tyrimų duomenimis. Darbe buvo atlikta išsami Lietuvos žiniasklaidos rinkos analizė, apimanti internacionalizacijos ir koncentracijos lygius, finansinę situaciją, rinkos problemas ir tendencijas. Taip pat buvo atlikta studija, siekiant nustatyti potencialas rinkas plėtrai Lietuvos bendrovėms bei apklausa, kuri parodo, kaip skirtingai vartotojai reaguoja į žiniasklaidos bendrovės kapitalo kilmę.

Darbą sudaro 8 dalys: įvadas, internacionalizacija kaip esminė grandis žiniasklaidos verslo plėtrai, teorinė internacionalizacijos procesų plečiant žiniasklaidos verslą studija, empirinių tyrimų metodologija, žiniasklaidos verslo internacionalizacijos tarptautiniame kontekste empiriniai tyrimai, žiniasklaidos verslo galimybės įgyvendinti internacionalizaciją, išvados, naudoti informacijos pasiūlymai.

Darbo apimtis: 81 psl. teksto be priedų, įskaitant 11 lentelių ir 11 paveikslų, 64 informacijos šaltiniai.

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Annotation

The aim of master thesis is to create and adapt for Lithuanian case a theoretical conception that lets mass media companies to internationalize their activities. It is based on the analysis of Lithuanian and foreign authors' methodological and methodical literature and the results of empirical research. Master thesis consists of the extensive analysis of Lithuanian mass media market, covering internationalization and concentration level, financial situation, problems and trends of the market. Furthermore a study was done to determine potential markets of expansion for Lithuanian mass media companies and a survey, which shows how consumers react to media outlets from different countries.

Thesis consists of 8 parts: introduction, internationalization as a key in expansion of mass media business, theoretical study of internationalization process in expanding mass media business, methodology of empirical research, empirical research on the internationalization of mass media companies in the international context, possibilities for mass media companies to go through internationalization process, conclusions, references.

Thesis consists of: 81 p. text without appendixes, 11 tables, 11 pictures and 64 bibliographical entries.

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Martynas Pasiliauskas, 20063500

(Studento vardas ir pavardė, studento pažymėjimo Nr.)

Verslo vadybos fakultetas

(Fakultetas)

Verslo vadyba, TVfmu-12

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(Parašas)

Martynas Pasiliauskas

(Vardas ir pavardė)

(the document of Declaration of Authorship in the Final Degree Project)

VILNIUS GEDIMINAS TECHNICAL UNIVERSITY

Martynas Pasiliauskas, 20063500

(Student's given name, family name, certificate number)

Faculty of Business Management

(Faculty)

Business Management, TVfmu-12

(Study programme, academic group no.)

**DECLARATION OF AUTHORSHIP
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I declare that my Final Degree Paper entitled „Internationalisation of the Media Business“ is entirely my own work. The title was confirmed on November 2, 2012 by Faculty Dean's order No. 373vv. I have clearly signalled the presence of quoted or paraphrased material and referenced all sources.

The academic supervisor of my Final Degree Paper is Prof Dr Habil Borisas Melnikas.
No contribution of any other person was obtained, nor did I buy my Final Degree Paper.

(Signature)

Martynas Pasiliauskas

(Given name, family name)

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INTRODUCTION

Globalization and internet changed the playground of mass media companies. Readers, viewers and listeners became more mobile and mass media companies have to follow them. Internationalization helps these companies reach new audiences, generate new or expand current income sources and implement new business models. Furthermore, Lithuania has a small market both in reached audience, both in advertising income (which is still the main source of income) terms. New foreign markets for them are like a breath of fresh air.

However, it is unclear if Lithuanian mass media companies are capable of expanding to foreign countries. Do they have a strong financial position? Are the market conditions favorable? Furthermore, there is no specific internationalization model for mass media companies in our region. This master thesis explores main trends in the internationalization field, analyses mass media market and offers internationalization model for mass media companies.

Object of the work: mass media business internationalization.

Problem of the work: current theories of international business do not offer solutions that are based on the newest internationalization trends in mass media sector, so often companies go through internationalization process without proper theoretical justification.

Aim of the work: create and adapt for Lithuanian case a theoretical conception that lets mass media companies to internationalize their activities.

Tasks of the work:

- To overview the role of mass media in the context of social life, socio-, economic-environment, its problems;
- To analyze scientific literature covering mass media and internationalization theories;
- To analyze researches done on the internationalization of mass media business;
- To prepare methodology of empirical research based on Lithuanian case;
- To analyze Lithuanian mass media market, its problems, level of internationalization;
- To analyze possible markets of expansions for Lithuanian mass media companies;
- To carry empirical research on Lithuanians' position on foreign mass media companies;
- To evaluate all the collected information, discuss the possibilities of Lithuanian mass media companies' internationalization and prepare a framework how to do that.

Author of this thesis used several research methods: a systematic and comparative analysis of methodological and methodic matter. Furthermore, a descriptive research, using secondary data, was carried on in order to find out the newest trends in the internationalization of mass media companies, to explore the state of Lithuanian mass media market. In addition a quantitative research, using a questionnaire, was done, in order to find out Lithuanians' position on the mass media internationalization. Then, using a correlation analysis, author seeks a connection between various variables, used in the questionnaire. Some of the insights are based on author's expertise acquired by working more than 7 years in Lithuanian mass media sector.

The thesis consists of problematic part, which explores mass media sector situation in internationalization context. It is followed by a systematic and comparative analysis of methodological and methodic matter. Furthermore, a research on Lithuanian mass media companies' ability to go through the internationalization process is carried on. Finally, an internationalization model for mass media companies is projected.

The results of this work could be used as a base for further research in the internationalization of mass media companies. Furthermore, mass media companies' representatives, using this work, can form a general view how to go through an internationalization process.

1 INTERNATIONALIZATION – KEY IN EXPANSION OF MASS MEDIA BUSINESS

Mass media market today is changing very fast: both in content creation and in business management field. Along with globalization internationalization plays a big role in mass media business, especially for domestic media outlets that can be understood by limited audience. Today the main media business problems relate with search of new business models, decreasing audience, struggling advertising income. Internationalization comes in help here: by expanding to foreign markets media business can reach bigger audiences, get bigger advertising budgets and evolve their business models so they can compete with big, multinational media groups. In order to do that there is a big need of clear framework how successfully expand to foreign markets for a mass media company.

1.1 Characteristics and specifics of mass media business

Mass media has a lot of definitions. Some authors define it as any form of communication that simultaneously reaches a large number of people, including but not limited to radio, TV, newspapers, magazines, billboards, films, recordings, books, and the internet (Wimmer, 2011). As we can see this definition covers not only usual media outlets as newspapers, magazines, TV, radio, etc. In this thesis narrower definition will be used. It only covers communication forms that are related with journalism, which in Lithuanian law is defined as an activity of a person who professionally collects, edits and gives information to public information publisher as TV, radio, magazine, newspaper, internet newspaper or other media outlet (Visuomenės informavimo įstatymas, 2nd article). To make the definition more specific in this thesis mass media business will be defined as a business unit that owns one of these media outlets: TV, radio, newspaper, magazine, internet website, and works in journalism field.

Main principles of journalism are clearly defined by Pew Research Center's Project for Excellence of Journalism (Rosenstiel, 2007):

1. **Journalism's first obligation is to the truth.** Democracy depends on citizens having reliable, accurate facts put in a meaningful context. Journalism does not pursue truth in an absolute or philosophical sense, but it can and must pursue it in a practical sense;
2. **Its first loyalty is to citizens.** While news organizations answer to many constituencies, including advertisers and shareholders, the journalists in those organizations must maintain

allegiance to citizens and the larger public interest above any other if they are to provide the news without fear or favor.

3. **Its essence is a discipline of verification.** Journalists rely on a professional discipline for verifying information. This discipline of verification is what separates journalism from other modes of communication, such as propaganda, fiction or entertainment.
4. **Its practitioners must maintain an independence from those they cover.** Independence is an underlying requirement of journalism, a cornerstone of its reliability. Independence of spirit and mind, rather than neutrality, is the principle journalists must keep in focus.
5. **It must serve as an independent monitor of power.** Journalism has an unusual capacity to serve as watchdog over those whose power and position most affect citizens;
6. **It must provide a forum for public criticism and compromise.** The news media are the common carriers of public discussion, and this responsibility forms a basis for our special privileges. This discussion serves society best when it is informed by facts rather than prejudice and supposition;
7. **It must strive to make the significant interesting and relevant.** Journalism is storytelling with a purpose. It should do more than gather an audience or catalogue the important. For its own survival, it must balance what readers know they want with what they cannot anticipate but need. In short, it must strive to make the significant interesting and relevant;
8. **It must keep the news comprehensive and proportional.** Keeping news in proportion and not leaving important things out are also cornerstones of truthfulness. Journalism is a form of cartography: it creates a map for citizens to navigate society;
9. **Its practitioners must be allowed to exercise their personal conscience.** Every journalist must have a personal sense of ethics and responsibility – a moral compass. Each journalist must be willing, if fairness and accuracy require, to voice differences with our colleagues, whether in the newsroom or the executive suite.

The principles of journalism shows that mass media business is not like most of other businesses. One can point to three main specifics of this business that lead to effective operation and expansion of mass media business (Islam, Simeon, Caralee, 2002):

1. **Mass media business has to be independent.** Independence in mass media field lets to publish objective information without the fear that later it will be prohibited and journalist/editor will suffer from various negative consequences. Independence is led by a few factors: the ownership structure of the media; the economic structure of industry, economic conditions and availability; the laws regulating access to information, production

of information, entry into the media industry, and content; the policies regarding industries related to the media;

2. **Published information has to be high quality.** The high quality media can be defined as those with access to and the capacity to report objectivity on basic economic, social and political information. Furthermore, members of quality media can express a diversity of views and are accountable for the information they publish. In addition they have the capacity to analyze the information obtained for its news value;
3. **Audience reach.** The effect that the media have on society depends to a large extent on whom they reach.

Most of the mass media companies have the same aim – earn money. However, the main principles of journalism and the specifics of mass media business clearly states that they cannot do that by just doing everything to earn profit. Paid articles, negative publication of companies based on the information provided by their competitors are excellent sources of income but they do not go along with the mass media business specifics. It does not matter that such company will earn money with a few shocking publications, in a long run it will lose audience – the most precious thing that mass media company can have.

1.2 Mass media today through the internationalization perspective

Internationalization is usually defined as a process when company enters foreign market with an activity that is similar to their core business in a home market. Globalization and fast flow of information requires mass media companies adapt to changing market conditions and pay more attention to international markets. Internet connection allowed mass media companies to cover every part of the world, thus making it easier for big media conglomerates that have stronger financial support to compete with old, local market players. People are no longer interested in things that are happening only in their hometown or home country. In order to achieve success in business or other areas people need to follow the newest trends that often come from foreign markets. Mass media outlets can hardly achieve that in professional manner by operating only in one market. For example financial data provider Bloomberg operates in 125 countries with almost 10.000 people¹.

¹ Media Data Base [interactive] [checked 25 November 2013] Access through internet: <http://www.mediadb.eu/en/data-base/international-media-corporations/bloomberg-lp.html>

Furthermore, internationalization helps reach new audiences and increase income from advertising. That is very important because the world is still searching for a suitable mass media business model that will generate income from online media outlets. It is a hard task because today everybody is used to get the news for free.

Looking from Lithuanian market perspective, internationalization of Lithuanian mass media companies could become a saving force of country's local outlets. However, it is unclear if Lithuanian-capital mass media companies are capable of expanding to foreign markets on their own. Maybe they can only enter international markets by being acquired by bigger foreign mass media company.

However, internationalization processes require extensive strategies, based on the peculiarity of mass media businesses. Current theories do not cover that and additional research is needed to change the situation.

1.3 Priorities of research covering mass media business internationalization

Internationalization is not a new topic for academic community. Hollifield (2001) overviews the research on the internationalization strategies of media companies from 1987 to 2000. Sanchez-Tabernero (2006) provides later and more specialized overviews. However, academic research is mostly focused on big media conglomerates like Disney, News Corporation and others. There are some studies that examine e.g. the impact of the top 26 media companies' product and geographical diversification activities on their financial performance (Jung and Chan-Olmsted, 2005), the diversification patterns of the top 7 global media conglomerates (Chan-Olmsted and Chang, 2003) or why and how German companies enter the foreign markets (Lis, 2012).

Research done by Lithuanians cover mass media concentration in Baltic countries (Nevinskaitė, 2004) or how organizational structure of mass media outlet affects its content (Jastramskis, 2008). However, there is a gap of scientific research, covering internationalization of mass media in our region. As it was noted in previous chapters, mass media business has its own specifics that make copying and adjusting general internationalization theories difficult. In addition media market is now in transformation phase, when companies are trying to leave the old traditional and slow media business model in the back and find their place in the fast-paced online world. Research needs to be done seeking an answer how current internationalization theories take in account this fact.

Furthermore, no research has been done on what internationalization model could be used by Lithuanian mass media companies to enter a foreign market. There is a need to find out what specific problems mass media companies have to face, while trying to enter foreign market. There is a lack of research if Lithuanian mass media companies are ready for the internationalization process as well. Internationalization requires a large financial support and it is unclear if Lithuanian companies can handle that. If they are not ready, maybe there are other ways to enter the foreign markets? For example, companies could sell part of their shares to international mass media group and enter foreign markets like that. However, it is unclear what market conditions, company's characteristics, geographical location and other factors should be that the mentioned event would be possible.

Global market offers a wide range of possible expansion markets. It is unclear which country is the most suitable for Lithuanian mass media companies in their current situation. Besides that, maybe the nationality of the owning company has an effect on the trust of the media outlet. Research is needed to find out, what the readers do, if they do not trust the owners of media company. Is the assumption correct that they choose other outlet? Or maybe company can ignore that and do not pay a lot of attention to the level of trust? All of these questions require additional research that will be carried in this work.

2 THEORETICAL STUDY OF INTERNATIONALIZATION PROCESS IN EXPANDING MASS MEDIA BUSINESS

2.1 Mass media's evolution process and key variables that influence it

Mass media constantly changes. Some time ago a printed newspaper was a new form of mass media, today trend is seen of the evolution of citizen-based media, where any person, who has internet connection and mobile device, can become a news broadcaster. Figure 1 shows the evolution of mass media in the United States of America. The same timeframe with small corrections can be applied to the most of modern world.

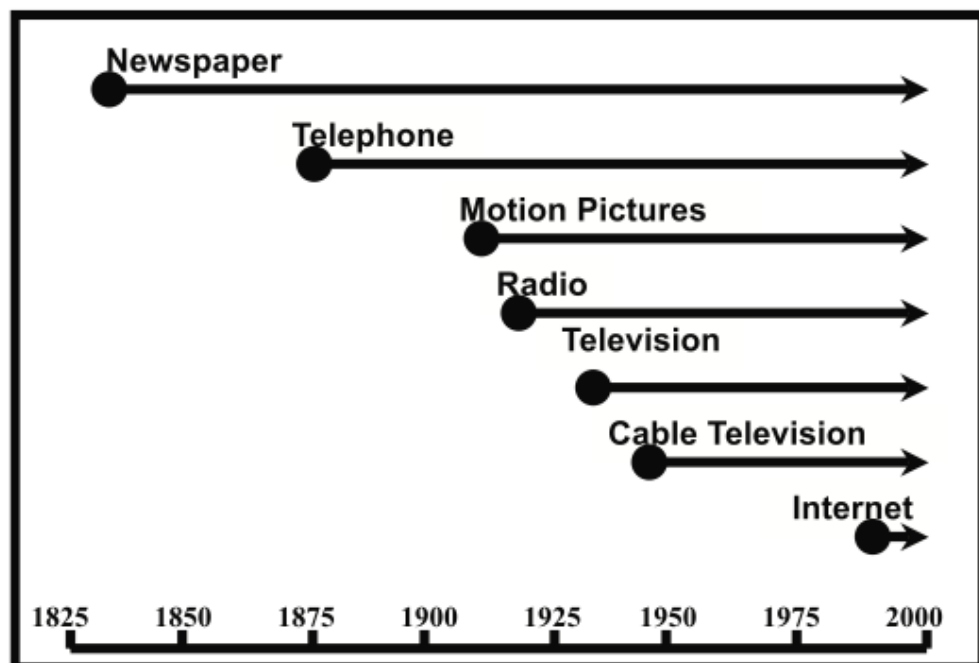


Figure 1 Evolution of mass media in the United States of America (Neuman, 2010)

New forms of mass media do not diminish the older ones, on the contrary every new addition to mass media complements the older one. Though that does not mean that newspapers are the same today as they were in 1825. For example one of the oldest British newspaper Financial Times now is undergoing major changes because of the influence of fast-paced internet media: “First, the 1970s-style newspaper publishing process – making incremental changes to multiple editions through the night – is dead. In future, our print product will derive from the web offering – not vice versa. <...> Second, the structure of our planned single edition, possibly single section newspaper means minimal late evening changes and more templating of standard pages. <...> Third, our news

editors and reporters will shift further away from reactive news gathering to value-added “news in context”, while remaining faithful to the pursuit of original, investigative journalism.”²

Table 1 Stages of the evolution of new mass media form (Stober, 2004)

Phase	Inventor	Products	Public	Users' regulation
Invention	Tinkerers, without a master plan; often working in isolation	Expensive, unreliable prototypes; experimental production; exotic; various technical elements invented independently	Inventors, scientists patent offices, (industrial firms show some interest)	Uses and advantages not obvious; no regulation or legal order
Innovation	Industrial firms; financial support by the state; systematic improvements	Prototypes become reliable; production becomes cheaper; material becomes cheaper and better	Economy (commercial interest); politics (legal interest); mass audience (general interest awakes)	Advantages become clearer in the beginning regulation orientate towards older media law, at its end new laws are developed
Diffusion	Industrial firms; financial support by state reduces; further systematic improvements	Marketable products for everyday use; reduction of complexity; at stable prices products becoming better; at same quality, products becoming cheaper	At the beginning dynamic growth of the public audience; then rate of growth slowly flattens; satisfaction of market	Uses well known; new legal regulation established

So what forces drive the progress of mass media? Some say this process is driven by technology, others see economical reasons, demand driven by audience or even impact of cultural debates. R. Stober (2004) notes that it is a combination of all the mentioned before with no preference of one aspect or theoretical approach over another. In his opinion new forms of mass media emerge from a

² Financial Times. *Lionel Barber memo to staff on reshaping the newspaper for the digital age*. [interactive] [checked 3 September 2013] Access through internet: <http://aboutus.ft.com/2013/10/09/lionel-barber-memo-to-staff-on-reshaping-the-newspaper-for-the-digital-age/#ixzz2hWUY3gp7>

three-stage process of inventing, social institutionalizing (innovation) and diffusion of new technologies. (Table 1, previous page)

Table 1 shows that in the first place new invention or in our case – new form of mass media – is expensive, unknown for the mass public and with no clear vision where it could be used. This stage ends when at least one complete prototype of a new product is achieved. The second stage makes the product visible for the general audience. At this point, a blueprint, concept or a prototype exists. Many details are still uncertain and will be developed in the future, but the framework of a new medium is set. After the end of the second stage, the diffusion phase begins. Society discovers new possibilities of communication, it formats new media functions and adapts new media; it develops new economic models and accepts new media by creating new political framework and a legal order for a new media. Becoming cheaper is a crucial feature of this phase. Though it does not automatically convince consumers and audiences of the new medium's value. Consumers and audiences will always demand an excellent cost-benefit relationship. R. Stober (2004) notes that the better this relationship, the better the media success will be. Standardization and easier media operations supports diffusion stage as well. Operation does not only cover the technological media as radio, television, PC, but headlines, photos, information graphics and other press features too.

Table 2 Changes in the society during the formation of new mass media form (Stober, 2004)

	Culture	Politics and law	Economy	Technology
Process	1. Dissatisfaction with older media; 2. Looking for solutions: hopes and fears; 3. Identification and discovery of new use; 4. Legal and political debate on new media.	1. No reaction at all; 2. Assimilation under old medium's law; 3. Debates on new laws; 4. Enacting new laws.	1. Older business model gets unsatisfactory; 2. Development of a new business model; 3. Diffusion of the new business model; 4. Competition increases margin of profit decline.	1. Old technology insufficient/working at its limit; 2. New technology: isolated prototype solutions; 3. New technologies combined; 4. New technology as a new system entity.

The process of media evolution is a complex of various factors, so, according to R. Stober (2004) theory, it covers four subsystems of the society: culture, politics and law, economy and technology (see Table 2, previous page). It clearly shows how every subsystem of society goes through the formation of a new mass media form. Changes in the cultural, economy and technology societies are led by the dissatisfaction of current situation. The political and law subsystem starts changing when the process has already started in other subsystems.

2.1.1 The role and functions of mass media in society

The fundamental role of mass media is to inform the society and create stimulus for discussion. Though various theories show that mass media has a bigger role. There are three main schools of thought about mass media's role in the society: limited-effects theory, the class-dominant theory and the cultural theory.

The limited-effects theory. It states that media have minimal or limited effects because those effects are mitigated by a variety of mediating or intervening variables. This theory was popular in 1940s-1960s, when media reach was much lower than today. Researches at that time stated that media rarely influence individuals directly. Individuals are shielded by their peers and when encountered with new piece of information they turn to others for advice and critical interpretation. From that follows another idea that media will be influential only if the opinion leaders who guide others are influenced first. Furthermore, it was thought that by the time most people become adults, they have developed strongly held group commitments such as political party and religious affiliations. In addition they use media outlets that go along with their commitments. Final point of this theory: when media effects do occur, they are modest and isolated. (Baran, Davis, 2012)

The class-dominant theory. This theory is based on Marxist interpretations of mass media. They emphasize the fact that mass media outlets are instruments of control by and for a ruling class. Class-dominant theory notes that media reflects and projects the view of a minority elite, which controls it. By doing that they can publish or do not publish stories according on their interests and not on the fundamental roles of mass media. (Laughey, 2007)

The cultural theory. This theory combines the other theories and notes that audience is playing an active role in a relation with media. Authors of this theory think that people, while interacting with media, create their own meanings out of the images and messages they receive. (McQuail, 2010)

In authors opinion all of these theories are still more or less meaningful today. People still look at opinion leaders as limited-effects theory states but today mass media outlets reach a larger audience so media effects are not isolated as it was half of century ago. For example Liu and McConnel (2013) research showed that media could play a role in guiding firms and their managers in making capital allocation decisions. On the other hand, the same fears as the authors of class-dominant theory state, that media is a voice of small and privileged class, are still meaningful today. Nowadays it comes in a form of media concentration, which is explained in Chapter 2.3.

2.2 Major theories of mass media

This chapter reviews major theories that are usually mentioned covering a research on mass media: critical mass theory, diffusion of innovations, uses of gratifications theory, media richness theory, gatekeeping theory.

Critical mass theory

In the first place critical mass theory was used in economical and sociologic studies. However, later mass media researchers used it to define how big an audience has to be for new technology to become successful. This theory states that every communication environment will be defined as mass media tool when it reaches critical mass. Moris and Ogan state that critical mass is reached when 10-20% of audience uses the new communication tool. After reaching this margin the new media tools spreads in the whole social environment and makes social and cultural influence. (Ozalas, 2005)

Diffusion of innovations

This theory is related with critical mass theory. E. M. Rogers states that innovations offering more relative advantage, compatibility, simplicity, trialability and observability will be adopted faster than other innovations. However, getting a new idea adopted, even when it has obvious advantages, is difficult. (Sahin, 2006) E. M. Rogers states that every time a new innovation is being adopted, organizations and separate individuals take part and the whole process has a few steps.

Five categories of people in innovation retrospective (Ozalas, 2005):

- **Innovators.** They are willing to experience new ideas and they are gatekeepers bringing the innovation in from outside of the system.

- **Early Adopters.** They are leaders in the social system and other members of it come to seek an advice or information about the innovation. They show that new innovation is good by adopting it.
- **Early Majority.** They have a good interaction with other members of the social system, however, they do not have the leadership role that early adopters have. Furthermore, they adopt innovation just before the other half of their peers does that.
- **Late Majority.** This group includes one-third of all members of the social system. They wait until most of their peers adopt the innovation, because they are skeptical about the innovation and its outcomes. However, economic necessity and peer pressure may lead them to the adoption of innovation.
- **Laggards.** They have the traditional view and are more skeptical about innovations. They are the most localized group of the social system and usually communicate with their peers within the group. Because of the limited resources and the lack of awareness-knowledge of innovations, they first want to see if the innovation works.

E. M. Rogers described the innovation-diffusion process as an uncertainty reduction process. He proposes five attributes of innovations that help to increase the adoption speed of the innovation (Sahin, 2006):

- Relative advantage;
- Compatibility;
- Complexity;
- Trialability;
- Observability.

However, B. Winston (Ozalas, 2005) criticizes diffusion of innovations theory that it is hard to adapt to some of technologies. For example FM radio, which has a clear advantage, did not catch up for 30 years. S. Grigoravicius (Ozalas, 2005) used this theory and adapted it to Lithuanian mass media market. According to him, Lithuanian audience could be divided in seven groups:

1. New generation;
2. Breaking news lovers;
3. Modernists;
4. Passive ones;
5. Russian-talking audience;
6. Avoiders;
7. Do not use the media.

Uses and gratifications theory

Uses and gratifications theory by Palmgreen and Rayburn focuses on the match between the gratifications people seek and the actual on they obtain form the media. According to this theory, people, while using media, compare the gratifications they obtain with those they seek from all of the available media alternative, taking into account all of the needs (e.g. for diversion, information, companionship) that are relevant at given moment. (Straubhaar, J., LaRose, R., Davenport, L. 2010)

Four main categories of gratification that people are searching in media outlets are defined:

- Entertainment (people try to run from routine, problems and to reach emotional relaxation);
- Personal relations (conversations);
- Personal identity;
- Observation.

Using this theory A. M. Rubino (Ozalas, 2005) defined two ways, how people watch TV:

- Instrumental. Viewer chooses TV shows, while searching for information that is interesting for him;
- Ritualized. People turn on TV without any preliminary opinion what show they would like to see.

The same grouping is used in internet browsing: people search for needed information in internet (selective) or people browse without any aim and look only for entertainment (ritualized). This information is used for websites' design.

Media richness theory

Media richness theory makes two main assumptions: people want to overcome equivocality and uncertainty in organizations and a variety of media commonly used in organizations work better for certain tasks than others. Daft and Lengel used four criteria to present a media richness hierarchy and illustrate the capacity of media types to process ambiguous communication in organizations (Sterling, 2009):

- The availability of instant feedback;
- The capacity of the medium to transmit multiple cues such as body language, voice tone, and inflection;
- The use of natural language;

- The personal focus of the medium.

Using these four criteria, Daft and Lengel (Sterling, 2009) determined that face-to-face communication is the richest communication medium in the hierarchy followed by telephone, electronic mail, letter note, memo, special report, flier and bulletin. However, this theory does not take in an account new media: internet chat, video calls, etc.

Gatekeeping theory

Gatekeeping theory, proposed by Kurt Lewin, states that there are forces that may either constrain or facilitate the passage of news items through the gatekeeping process. (Cassidy, 2006) The gatekeeper decides which information will go to public and which will not. Gatekeepers are able to control the public's knowledge of the actual events by letting some stories pass through them.

J. Galtung and M. Rege (Ozalas, 2005) pointed out a few main criteria for choosing what news should pass the gatekeeper:

- Timeframe, intensity, significance;
- Clarity, cultural proximity, surprise;
- Socio-cultural values.

2.3 The problem of mass media concentration in the internationalization process

Internationalization processes provokes the thought of mass media concentration problem. Mass media concentration can be defined in various ways. One of the simplest definitions would be: the domination of one or a few mass media companies in the market. This situation forms because of various mergers and acquisitions or lack of competitors in one market. (Sanchez-Tabernero, 1993). Various theorists argue that high level media concentration imposes a threat to the independence of media outlets and objectivity of published news.

Media concentration has a few forms (Nevinskaite, 2004):

- **Horizontal.** This process of mass media concentration covers only one market, for example one newspaper buys other newspaper, which operates in the same geographical market;

- **Vertical.** Vertical concentration means that one mass media company controls all or several stages of outlet's creation process. That could be print-house, newsroom, and distribution service;
- **Cross-media.** Situation when one mass media company controls media outlets in separate fields. For example company that owns newspaper business has major control of TV station;
- **Diagonal.** Situation when companies from other markets, like energy, finance, own mass media companies.

Mass media companies form big conglomerates for the same reasons as any other business. Economies of scales let mass media companies operate with lower costs. For example it is cheaper to print bigger amount of newspapers and that is possible when one company owns a lot of outlets of printed media. More media outlets mean more income from advertising as well.

Mass media business specifics lead to a few other reasons why the companies of this sector concentrate. First of all new digital technologies ease technological integration, creates new markets and possibilities for bigger diversity of products. Secondly, mass media concentration is constantly increasing because of the advertising market trends: more money is spent for advertising in digital space than in printed media. That urges traditional mass media companies, who are operating in printed media sector, to merge with other companies. Furthermore, when company reaches its growth limit in home market, it seeks for the opportunity to expand in foreign markets because local laws usually determine the market share of one company (Meier, Trappel, 1998). For example in Lithuania companies cannot have more than 40% of market share with a few exceptions.³

Various theorists argue that mass media concentration has a negative impact for the objectivity and independence of various mass media outlets controlled by the same owner. There is a possibility that the owners and their appointed editors will influence the quality and objectivity of newsroom's work. (Nevinskaite, 2004) Though there are no empirical research results that are 100% positive that media concentration influences the work order of media outlets. Heinrich (1994) counted seven research reports that stated that the quality of newspapers, belonging to larger network, was better. However, 13 studies showed that the quality in the same situation was worse and other 11 studies did not find any reasonable difference. While talking about Lithuania mass media market, A.

³ Lietuvos Respublikos Konkurencijos taryba. *Dėl Konkurencijos tarybos paaiškinimų dėl dominuojančios padėties nustatymo*. [interactive] [checked 10 September 2013] Access through internet: http://kt.gov.lt/index.php?show=nutlrv_view&nut_id=888

Balčytienė (Jastraminskis, 2008) noted that foreign investments guarantee financial stability of Lithuanian mass media companies.

Nevertheless, European Union pays a lot of attention to this matter. European Parliament stated that large media enterprises have built substantial and often dominant positions in some Member States'. The concentration of ownership is viewed as a possible threat to quality, the independence of media professionals and competition. Furthermore, due to the economic situation in Europe, many media outlets have found themselves prioritizing the "bottom line" pressure rather than content quality and credibility, thereby infringing the core principles of information reporting. (European Parliament resolution, 2008). In the beginning of January 2013 High Level Group on Media Freedom and Pluralism had been tasked by European Parliament to examine risks for freedom and pluralism of the media and presented its report with 30 recommendations. One of them recommended that all media organizations should have clearly identifiable codes of conduct and editorial lines publicly available, including by publication on their website. Those codes of conduct should ensure transparency in divulging final ownership along with a listing of other media interests held by the same owners (Freiberga and others, 2013). No new legislative acts were introduced but further discussions are in motion.

To summarize, media companies that are planning to enter foreign markets should choose carefully the form of internalization, having in mind that political and legal situation regarding of the concentration of mass media companies could change in the near future.

2.4 Theories of internationalization and their use in mass media business

Mass media helps to spread the information around the world and become a part of various internationalization processes. However, mass media business has to go through the internationalization process on its own. Author's literature analysis did not find any internationalization theory that is specifically recommended to mass media sector. This chapter reviews the main theories of internationalization that can later be modified and applied to mass media sector.

2.4.1 Uppsala model and its use in mass media business

One of the major theories of internationalization that could work with mass media sector is called "Stage Theory of Internationalization" by Uppsala School of Internationalization. (Johanson and

Vahlne, 1992, 1990, 1977; Johanson and Weidersheim-Paul, 1975). It is one of the first evolutionary models of the internationalization process of firms.

The model predicted increasing resource commitment to foreign markets over time as a result of organizational learning and the accumulation of experience. It also predicted that, provided it was economic-wise to do so, firms would diversify their investments into countries with progressively higher levels of “psychic distance”. Latter can be defined as the factors preventing or disturbing firms learning about and understanding of a foreign environment. (Dunning, 2008)

The main idea of Uppsala model is that companies go to international markets gradually: first they establish themselves in their domestic market and then start to move abroad via a series of incremental steps. The company starts its internationalization from those markets that are perceived physically near. After gaining experience aboard, company gradually gains stronger commitment to actual markets and eventually approach new markets characterized by greater psychic distance.

The Uppsala model identified four steps in the establishment and extension of a firm’s operations, which is called the establishment chain:

1. No regular export activities;
2. Export via independent representatives or agents;
3. The establishment of sales subsidiaries;
4. Foreign production and manufacturing. (Johnson and Turner, 2010)

According to model, companies, while increasing their presence in foreign markets, should go through every step of establishment chain. By doing that companies accumulate market specific knowledge and model states that the success of foreign establishment, i.e. step 4, depends on previously accumulated knowledge, which usually is country-specific: “A critical assumption is that market knowledge, including perceptions of market opportunities and problems, is acquired primarily through experience from current business activities in the market. This market experience is to a large extent country-specific, i.e. it can be generalized to other country markets only with difficulty” (Johanson and Vahlne, 1990).

The original model states that knowledge is market-specific, because all foreign markets have their own characteristics and differences. Because of that only a limited extent of acquired knowledge in one foreign market can be used in another. This knowledge is experience based and cannot be learned. Uppsala model states that it originates from the current foreign business activities and is

acquired in learning-by-doing process. Furthermore the knowledge is embedded in individuals. It means that a particular person in a company acquires knowledge through personal experience. Authors noticed that the transfer of this knowledge from one employee to another is a difficult process. Besides that international involvement increases proportionately with knowledge acquisition.

The model is composed of a cycle of events in which the outcome of one cycle constitutes an input to the next (Figure 2). Authors assumed that market commitment is composed by the amount of resources committed and the degree of commitment in finding an alternative use for the resources and transferring them to it. In decision making authors identified two types of knowledge: objective knowledge, which can be taught and the experiential knowledge, which can only be learned through personal experience. The latter is the critical element in the internationalization process.

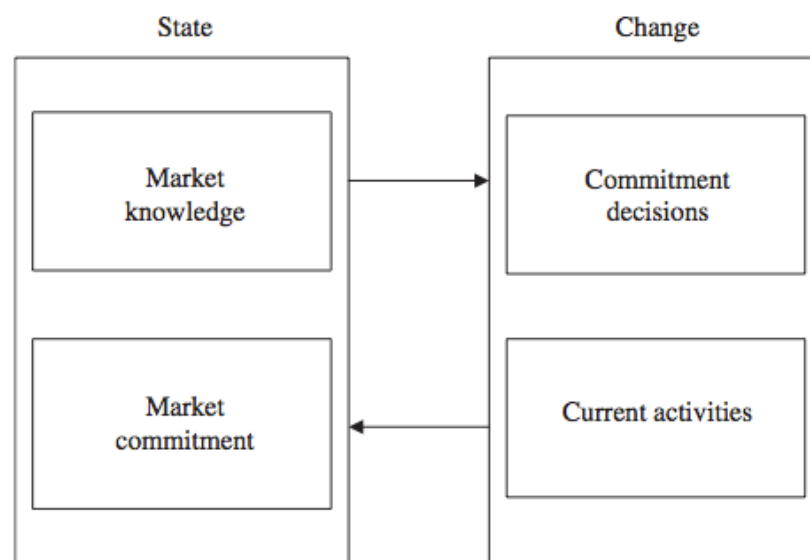


Figure 2 Uppsala model (Johanson and Vahlne, 1990)

The model has two change mechanisms. Johanson and Vahlne state that firms change by learning from their experience of operations, current activities in foreign markets. Second, they change through the commitment decisions that they make to strengthen their position in the foreign market. Authors define commitment as the product of the size of the investment times its degree of inflexibility. While a large investment in saleable equipment does not necessarily indicate a strong commitment, unwavering dedication to meeting the needs of customers does. (Johanson and Vahlne, 2009) Authors think that experience builds a firm's knowledge of a market and accumulated knowledge influences decisions about the level of commitment and the activities that subsequently grow out of them. That leads to the next level of commitment, which engenders more

learning still.

2.4.1.1 Updated Uppsala model also known as network model

In 2009 Johanson and Vahlne published an updated Uppsala model, which takes in account business networks. “The firm is embedded in an enabling, and at the same time constraining, business network that includes actors engaged in a wide variety of interdependent relationships. Internationalization is seen as the outcome of firm actions to strengthen network positions by what is traditionally referred to as improving or protecting their position in the market” (Johanson and Vahlne, 2009). Authors note that traditional view of entry to foreign market – overcoming various barriers – is becoming less important than internationalizing undertaken to strengthen a firm’s position in the network. Having that in mind, business relationships have a big impact on the particular geographical market a firm will decide to enter, and on which mode to use.

Updated model has two sets variables: state and change, which are relevant to both sides in a relationship. Variables affect each other – current state has impact on change and vice versa. The basic structure is the same as the starting model. Though authors added “recognition of opportunities” to the “knowledge” concept. “By adding this variable, we intend to indicate that we consider opportunities to be the most important element of the body of knowledge that drives the process” (Johanson and Vahlne, 2009). The second state variable, which in original model was called “market commitment”, was changed with “network position”. Authors state that internationalization process is pursued within a network.

Change variables had some changes too: “current activities” were transformed to “learning, creating and trust-building”. The concept of current activities in the original model was intended to indicate that regular daily activities play an important role and lead to increased knowledge, trust and commitment. “The speed, intensity, and efficiency of the processes of learning, creating knowledge, and building trust depend on the existing body of knowledge, trust, and commitment, and particularly on the extent to which the partners find given opportunities appealing” (Johanson and Vahlne, 2009). The other change variable “relationship commitment decisions” was adapted from the original model. Authors only added “relationship” in order to clarify that commitment to one or several relationships in its network.

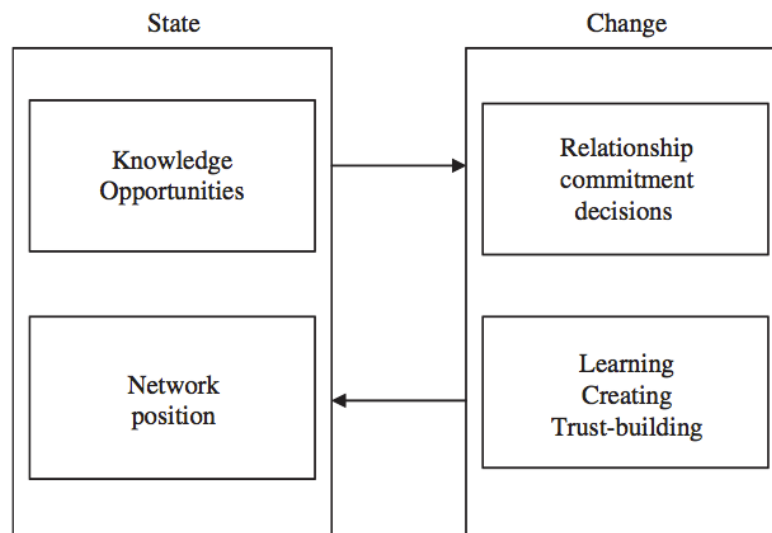


Figure 3 Updated Uppsala model (Johanson and Vahlne, 2009)

According to updated Uppsala model, internationalization depends on a firm's relationships and network. The focal firm will go abroad based on its relationships with important partners who are committed to developing the business through internationalization. Partners could be at home market or abroad. Updated Uppsala model states that focal firm is also likely to follow a partner abroad if that partner firm has a valuable network position in one or more foreign countries. Authors think that internationalizing company will enter the foreign market in which it or its partners see opportunities. In addition focal firm could choose foreign market in which partner has a strong position. This process is not applicable only for the first step abroad – it could continue from market to market.

Uppsala model has been criticized by several studies (Anderson, 2004; Chetty, 2004): it is too deterministic, firms frequently skip stages, it oversimplifies a complex process, it ignores acquisitions and the impact of exogenous variables (Baronchelli, 2008).

Buckley and Ghauri research shows that the process of internationalization, when examined in relation to each individual market, is frequently not as the Uppsala model predicts – a smooth and immutable series of small steps. The establishment chase is one amongst several paths of foreign direct investment taken since firms often bypass the intermediate stages to foreign direct investment. In their research firms usually took the shortest and most direct paths. (Buckley, Ghauri, 1999). They explain this behavior because the establishment chain in their opinion could work only in Scandinavian countries because the patterns of internalization may vary from country to country.

Uppsala model, in author's opinion, is one of the most suitable internationalization models for mass media. The traditional four stages of this model could be applied to mass media as well:

- *Working only in local market;*
- *Export slightly modified content with a few journalists in foreign market;*
- *The establishment of advertising subsidiaries;*
- *Establish a local office in foreign markets and start producing a heavy modified outlet.*

2.4.2 The Eclectic Paradigm and its use in mass media business

Dunning's eclectic paradigm, also known as OLI model is a combination of the major market-based theories of foreign direct investment. Basically Dunning thought that enterprises that benefit the most from internalizing activities will tend to gain the competitive advantage in global markets. Model "postulates that, at any given time, the stock of foreign assets owned by a multinational firm is determined by a combination of firm specific or ownership advantage (O), the extent of location bound endowments (L), and the extent to which these advantages are marketed within the various units of the firm (I)." (69 p., Sharan, 2008).

"O" factor means that company should have endowment of capabilities oriented towards specific foreign markets that are superior to firms located in other countries. The "L" factor defines the factors why company should choose foreign market, e.g. it has needed natural resources that provide advantage to production in the foreign country. "I" factor means that the benefits from activities that define "O" factor should exceed benefits gained from selling or licensing them to foreign firms, e.g. company should get more benefits from starting a production in foreign sector of "O" benefits then giving rights to them through licensing, management contracts, franchises and other mechanisms. (Clark, Gertler, Feldman, 2003).

Today OLI model is criticized that it is hard to understand what are "O" advantages and that it should be simplified (Eden, Dai, 2010). Others think that "O" as separate category should be dropped from the model (Rugman, 2010).

In author's opinion mass media companies' internationalization could be explained by OLI model by looking how they choose foreign countries based on the information they can provide. In this situation "O" could be an innovative media outlet, modern website or technology to produce and share the news that other competitors do not have. "L" could be the news that certain market could

produce, for example financial news outlets should choose London, New York, Singapore, because they are world's financial centers, while outlets oriented to international affairs should look to Washington DC, Brussels or the Near East. "I" would mean that the benefits from activities that define "O" factor should exceed benefits gained by outsourcing or licensing their outlet to foreign firms.

2.4.3 The transaction cost analysis model and its use in mass media business

Transaction cost analysis states that if the friction between buyer and seller is higher than through an internal hierarchical system, then firm should integrate an external partner into one's own organization. (Hollensen, 2007) In other words, the company will continue to expand until the cost of organizing an extra transaction within the firm will become equal to the cost of carrying out the same transaction by means of an exchange on the open market. Transaction cost analysis framework suggests that a firm will perform internally those activities it can undertake at lower cost through establishing an internal (hierarchical) management control and implementation system while relying on the market for activities in which independent outsiders (export intermediaries, agents or distributors) have a cost advantage.

According to the transaction cost analysis model, firms internalize to reduce transaction cost. Latter can be divided into different forms costs related to the transactional relationship between buyer and seller (Hollensen, 2007):

Equation 1 Transaction analysis cost mode (Hollense, 2007)

$$\begin{aligned} \text{transaction cost} &= \text{ex ante costs} + \text{ex post costs} \\ &= (\text{search costs} + \text{contracting costs}) + (\text{monitoring costs} \\ &\quad + \text{enforcement costs}) \end{aligned}$$

Formula states that ex ante costs are made from *search costs* (includes the gathering information to identify and evaluate potential export intermediaries) and *contracting costs* (the costs of negotiation and agreement between seller/producer and buyer/export intermediary). On the other hand, ex post costs consists of *monitoring costs* (the price of monitoring the agreement to ensure that seller and buyer fulfill the agreed terms and obligations) and *enforcement costs* (costs that company has to cover when trading partner does not perform in accordance with the agreement and company has to sanction it). Transaction cost analysis model makes assumption that firms, when considering the

most efficient form of organizing export functions, will chose the solution that minimizes the sum of ex ante and ex post costs.

This model was criticized because of its simplicity. Many of the researchers who have used transactional cost analysis model argue that it is necessary to adapt or extend the model to some extent to account for particular circumstances. R. McNaughton notes that “Heide and John (1992) extended TCA with relational norms to explain buyer control over suppliers. Anderson and Coughlan (1987) developed a model of channel integration in foreign markets in which transactional cost analysis variables were combined with nine additional explanatory variables: maturity of product, product-service level, product differentiation, legal restrictions, presence of an established integrated channel, relationship of the product to the company's core business, the importance of trade secrets, number of competitors with integrated channels, and the cultural similarity of the foreign country. <...> Kim and Daniels (1991) extended this mix of transactional cost analysis and non-transactional cost analysis variables, and again found transaction-specific assets to be the most important factor explaining the use of integrated channels. Sales size, the time the product has been on the market, and the experience of the firm were also found to be significantly related to channel integration.” (McNaughton, 1999)

2.4.4 The product life cycle theory and its use in mass media business

Product life cycle theory explains how a company will begin by exporting its products and eventually undertake foreign direct investment, as the product moves through its life cycle. Raymond Vernon propounded it in 1960s. The traditional life cycle of product goes through four stages: introduction, growth, maturity and decline (Figure 4, next page).



Figure 4 Product cycles (Hollensen, 2007)

While looking at product life cycle through internationalization prism, Buckley (2004) notes that during the first phase the firm produces and markets product solely in the home market. If the product succeeds, there is a rapid expansion of the market, eventually providing increasing economies of scale, lower unit costs and possibly a further expansion of the market. Success encourages the entry of competitors, especially as production becomes more standardized. In the end the home market will tend to become saturated and profits will start to decline. In the second phase company will start exploring bigger markets and greater economies. Imperfect market for knowledge and technology, the original advantage held by the innovator in the home market helps abroad. Exporting helps to prolong the life of the product. Though in this phase company has to start competing from rising domestic firms in the home market. At first the competition is weak but later local competitors take advantages of lesser transport costs and nil import tariff. That takes negative effect on the exports of the original innovator, so it starts shifting its strategy towards the location of production facilities abroad in the market that has before served by exports. The final – fourth – stage in the life cycle involves the original innovating firm ceasing production in parts of the world with higher labor costs. In this phase company services home market through imports from foreign subsidiaries based in a low-cost markets.

Buckley (2004) states that product life cycle theory has less relevance today than a few decades ago. Some products, like color TV or US semiconductors operate according to the theory but for other – for example, aircraft – does not fit so well. That can be explained because the geographical reach of many of the enterprises involved in the innovation process due to their having established subsidiaries abroad already. Secondly, the national markets of advanced industrialized countries are far more homogeneous.

In author's opinion this theory could work with mass media outlets as well. For example in modern countries printed media is declining, while in those countries, where internet penetration is low, printed media is still popular. This could work and it is used with the content of mass media outlets. For example, company creates a "dance with stars" type TV show. In the first place it gets really popular in local market but after a few seasons its popularity rate begins to surge. So company licenses the show right to TV channel in foreign company and expands its life-cycle.

2.4.5 The idea of "born global" and its use in mass media business

Born global is a quite new type of company, which does not focus solely on domestic markets and do not internationalize slowly. From the beginning they successfully compete in global marketplace. (McKinsey & Company, 1993) These firms exist not only in high-tech, software fields but as well in areas such as high innovative design, high-quality service and high sophisticated systems. Born global firms can also be found in traditional food, apparel, shoes, furniture and other low-tech industries. Born global firms can be defined as entities that from inception, seeks to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries. (Gabrielsson, Kirpalani, 2012). Various authors, when defining born globals note, that they begin exporting within 2-3 ears after foundation and generate more than a quarter of sales from foreign markets.

There are four main reasons why born globals are gaining importance and are increasingly common (Gabrielsson, Kirpalani, 2012):

- **Globalization of market conditions.** Due the globalization of market conditions, the number of niche segments has increased in which customer needs have homogenized across world markets. Under these conditions, many of smaller firms have only one choice to compete with larger multinational companies – by trying to specialize in small and narrow niches. The integration of the financial markets, increase of technology cooperation, as well as the possibility of benefiting from global networks, has enabled firms to globalize much more rapidly;
- **Development of technology.** This factor have enabled scale and cost advantages that allow even small firms to compete globally. Progress made the transportation of people and goods more frequent, reliable and cheaper;
- **Capability development of people and small firms.** More and more people has started using the newest technology. In addition international mobility, international experience, the number of more competent and ambitious entrepreneurs has increased. These factors let

born globals to be more flexibly, to react more quickly and adapt faster to the foreign market requirements than larger firms.

- **Home market conditions.** Small and open economies have higher push and pull factors, encouraging the emergence of born globals compared to firms originating in larger economies. Empirical results show that there is a bigger chance that a new venture will go international at birth when they originate from smaller economies.

Oviatt and McDougall (1994) developed a matrix which results in four types of born global firms (Figure 5). They are based on two dimensions: level of coordination of value chain activities across countries, and a number of countries involved.

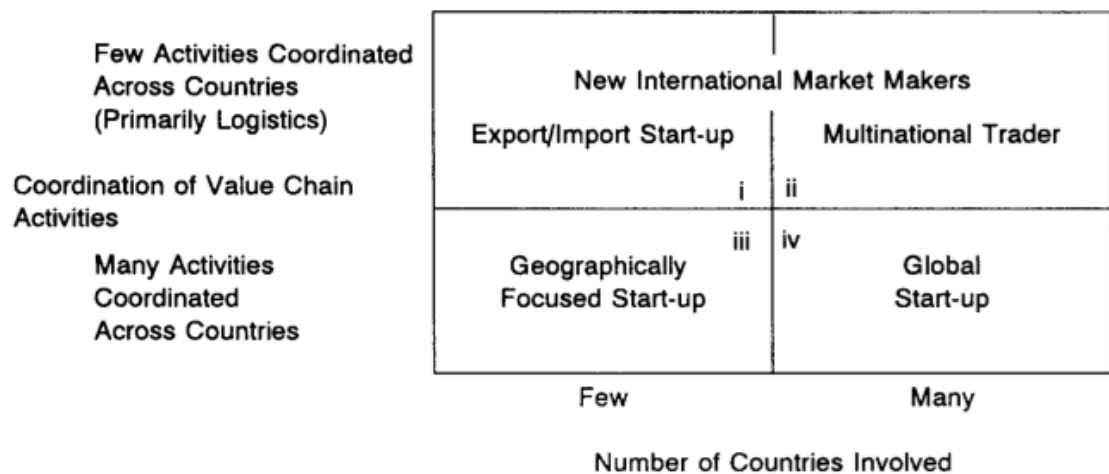


Figure 5 Types of born globals (Oviatt and McDougall, 1994)

Oviatt and McDougall (1994) define new international market makers as an age-old type of firm. They move goods from nations where they are to nations where they are demanded. Systems and knowledge of inbound and outbound logistics are the most important value chain activities and are most likely to be internalized. This type of companies usually keep the direct investment in any country at minimum. They rely on their unusual abilities to spot and act on emerging opportunities before increased competition reduces profits in markets they had previously established, knowledge of markets and suppliers and ability to attract and maintain a loyal network of business associates. New international market makers can be either export/import start-ups or multinational traders. The latter serve an array of countries and are constantly searching for trading opportunities where their networks are established or where they can be set up in timely fashion. On the other hand export/import start-ups serve a few nations that are familiar to the entrepreneur.

Geographically focused start-ups according to Oviatt and McDougall (1994), serve the specialized needs of a particular region of the world through the use of foreign resources. They are geographically restricted to the location of the specialized need. On the other hand global start-ups derive significant competitive advantage from extensive coordination among multiple organizational activities. They respond to globalizing markets and proactively act on opportunities to acquire resources and sell output wherever in the world they have the greatest value. Global start-ups may be the most difficult international new ventures to develop because they require skills at both geographic and activity coordination.

In author's opinion this model could be used by news websites, written in English and covering global news, i.e. technology or other news that are not focused on one market and require to have people all over the world.

2.5 Virtual organization – a possible form of international expansion for mass media companies

Internationalization theories mentioned in chapter 2.3 cover traditional forms of business that are not always the best choice to quickly react in opportunities offered by foreign markets. Only born global theory starts talking about smaller start-ups. However, in some cases a new form of business – a virtual organization – is one of the best choices to quickly exploit an opportunity in foreign market.

Virtual organization could be defined as organizations and individuals that dynamically interconnect in order to share and use resources by means of temporary alliances. (Cretu, 2012).

Virtual organization represent the ensemble of production companies placed in different locations, working together in a distributed environment, to achieve a common goal and between which runs deep appropriate communication processes with the help of new information technologies.

Virtual organization is a temporary network of companies, suppliers, customers, or employees, linked by information and communications technologies, with the purpose of delivering a service or product. A virtual organization can bring together companies in strategic partnering or outsourcing arrangements, enabling them to share expertise, resources, and cost savings until objectives are met and the network is dissolved. Such organizations are virtual not only in the sense that they exist largely in cyberspace, but also in that they are unconstrained by the traditional barriers of time and

place. A greater level of trust is required between employer and employee or coworkers, or partner organizations, because they will be working out of one another's sight for most of the time. (Bloomsbury Business Library, 2007).

Virtual organizations are a set of organizations that rely on multiparty co-operative relationships between people across structural, temporal and geographic boundaries. (Kimble, 2010).

A virtual enterprise is a co-operation form of legally independent enterprises, institutions and/or individuals that produce a service on the basis of a common business understanding. The co-operating units participate in the horizontal and/or the vertical collaboration with their core competencies and appear to third parties as a homogenous enterprise. Furthermore the institutionalization of central management functions for design, management and development of the virtual enterprise are extensively abandoned and the necessary demand for co-ordination and harmonization is covered by appropriate information and communication systems. The virtual enterprise is connected to a mission and ends with that mission. (Odendahl, Angeli, 2000) Virtual organization stands for a task, project or permanent organization, which is decentralized and independent of any spatial connection. The simplest form of a virtual organization is a virtual team, which is a local team utilizing technology in order to ensure better connectivity, shared knowledge and lower costs. (Hoeftling, 2001)

To summarize all the definitions: virtual organization is made from independent members (people, organizations) that are seeking to reach certain mission. They rely on collaboration and are based on partners trust. Virtual organizations could be temporary or permanent units. In our case a mass media company could start a virtual organization in foreign country. That will save time, money and will offer an ability to quickly react in market changes.

Table 3 Differences between conventional and virtual organizations (Child, 2005).

Conventional Organization	Virtual Organization
Defined by brick and mortar – defined tangible assets such as office structures, buildings, etc.	Lack or lower physical presence.
Confined to legal entities (often geographically bounded and exclusive)	Not confined to legal entities (boundary-less and inclusive)
Bureaucratic, hierarchical structure with rules, procedures and regulations (not flexible and responsive)	Very responsive and flexible (depends on people involved in forming the network)
Traditional (single firm) form of organization	Hybrid form of organization (involves collaboration between individuals or firms)
Workers are limited to the buildings they occupy. Sophisticated communication network required (investment in IT infrastructure)	Workers are mobile and not confined (quasi-independent units) because of the use and availability of communication (ICT) networks
Command structure and slow access to information	Information and data sharing is efficient, fast and readily available
Complex control and coordination involved	Efficient coordination across boundaries of time and space

2.5.1 Types of virtual organizations

Scholz (1994) distinguishes two levels of virtual organizations: inter-organizational and intra-organizational. He calls them forms of virtual organizations. Virtual organization, which partners do not belong to one big organization, is defined as inter-organizational form. Virtual organization, which separate branches work as partners with other branches within organization are defined as intra-organizational form. Müller (1997) argues that virtual organization has three levels: micro, meso and macro. Two first ones are almost the same as inter-organizational and intra-organizational levels. Two virtual organizations working together makes macro level, which is also called internetworking level. He likes to think that virtual organization, which belongs to this level, is permanent organization, while meso – temporary projects made by the members of virtual organization. Palmer and Speier (1997) distributed virtual organizations into four types: virtual team, virtual project, temporary virtual organization and permanent virtual organization (table 4, next page).

Table 4 Types of virtual organizations (Palmer and Speier, 1997)

	Virtual team	Virtual project	Temporary virtual organization	Permanent virtual organization
Borders of involvement	Within organization's functions or branch	Between functions and organizations	Between organizations	Between organizations
Membership	Small, local	Not defined	Usually lots of members	Usually smaller number of members but the cooperation level is higher
Mission	Used to look for a solutions for simple questions	Members of a few organizations are working with specific projects	Completes a lot functions that depend on the market	All the function and works as a separate organization
Life-cycle	Form is constant but members are changing	Temporary	Temporary	Permanent

Virtual teams. This type of virtual organization is formed within the borders of various companies. Usually they are created in very big companies in order to execute specific functions, processes or even strategic tasks. They are called virtual because they are temporary, made only for specific goal and members of these teams communicate with ICT help.

Virtual project. Usually companies that supplement each other form alliances or consortiums in order to better fulfill the market needs. Often these organizations are from similar markets. Examples of these virtual projects could be business alliances, various business associations and even scientists' projects.

Temporary virtual organization. In other words it is an extended virtual project. Temporary virtual organizations are formed when more than a few temporary projects are executed between organizations or there cores. When the market needs are fulfilled, this temporary structure is formed

out because usually there is no legal basis. Temporary virtual organization is initial model virtual organization.

Permanent virtual organization. It is an organization, which was formed as virtual organization from the beginning with the aim to attract market players to each other, and to fulfill market needs. Because these organizations have bigger market coverage, they have bigger potential income and smaller costs because of its member's specializations.

2.5.2 Framework for setting virtual organization up

Regarding the frameworks that should guide the formation, implementation and the management of virtual organizations, current research is directed almost exclusively to identify the optimal model for coordinating the services/autonomous agents. In this respect, we can identify three main models regarding the conceptual framework and the coordination mechanisms (Cretu, 2012):

- Agent-based models and rules;
- Models based on services and service oriented architectures;
- Models based on semantic Web technologies.

Cretu (2012) notes that the main problem identified in a virtual organization system is how to ensure cooperative behavior in scenarios populated with heterogeneous agents and led by their own interests.

According to Castelfranchi (2000) there are two main ways to deal with it:

1. Imposing restrictive facilities for the actions of agents, and thus being impossible for them to deviate from the desired behavior (the approach severely limits the autonomy of agents);
2. Restricting the environment, in which agents interact, through the use of business rules and leaving the freedom for the agents to follow or violate them.

Castelfranchi (2000) notes, that usually, the first case deals with the relationship between tools for workflow management and agent-oriented systems, while in the second case, the concept of electronic institutions, is introduced as a virtual replica of the institutions that govern the real world. Other authors offer voting protocol for the agents that make up virtual organization (Pitt and others, 2005) or the formal representation of contracts (Udupi, 2006).

Others (Camarinha-Matos and Afsarmanesh, 2006) describe a framework for the creation of a virtual organization in a breeding environment:

1. Characterization of the opportunity for collaboration;
2. Creation of the virtual organization draft plan;
3. Search and selection of partners;
4. Negotiations;
5. Detailed plan of the virtual organization;
6. Contracting;
7. Launching.

In author's opinion types of virtual organization could be used by mass media company as a first step to enter foreign market. It does not require physical office, all the work and coordination could be done via internet and using a computer. This method does not require a major investment and could be used to check the demand in the market and to learn its specifics.

3 METHODOLOGY OF EMPIRICAL RESEARCH FOR THE INTERNATIONALIZATION OF MASS MEDIA BUSINESS

3.1.1 Review of needed empirical research

In order to apply theoretical information to practical use, additional empirical research is needed. In the first place author will analyze recent studies about the internationalization of mass media. This will help to understand how and why some of the mass media companies expand to foreign markets.

In the second part of empirical research author will make an extensive analysis of Lithuanian mass media market. Lithuania is a good target of this kind research because it is a typical European country: it belongs to European Union, thus the regulations and law base is similar to the whole Europe; Lithuania has an average sized market, etc. This part of research will cover several areas:

- The general overview of Lithuanian mass media market;
- The internationalization level;
- The media concentration level;
- The financial situation and future forecasts;
- Problems of the market;
- General trends of the market.

All of this information will show what problems exist in the market, how can they be solved with the help of internationalization and if mass media companies are capable of expanding to foreign markets.

Furthermore author will analyze potential markets that Lithuanian mass media companies could enter. In addition a survey will be made to show if consumers see any difference in mass media outlets based on the country of the main company that has a major amount of their shares.

3.1.2 Research methods

Author used descriptive research using secondary data needs to be used to analyze recently done research and make an extensive research of Lithuanian mass media market. Descriptive research is used to describe something, when author limits himself to the analysis and comparison of facts,

situation and does not pay a lot of attention what was the origin of certain trends (Pranulis, 2007). Recently done research analysis (chapter 4.1) will let spot the worldwide trends of mass media business internationalization.

Furthermore, extensive Lithuanian mass media market analysis (chapter 4.2) will show if Lithuanian mass media companies are capable of entering foreign markets and if Lithuanian market is attractive for foreign mass media companies. While doing general overview (chapter 4.2.) of the Lithuanian mass media market author will use yearly reports, compiled by global market research company TNS. Furthermore while calculating internationalization level (chapter 4.2.1) of Lithuanian mass media market, author will identify leading foreign mass media groups that operate in Lithuania. Then, using public sources, the market share of these groups will be counted in four main categories: TV, internet, radio, newspapers. In addition, using data collected during the internationalization level research, author will calculate the concentration level of Lithuanian mass media market (chapter 4.2.2). It will show how concentrated Lithuanian mass media market is. The needed secondary data will be provided by TNS reports.

Financial situation is another important variable in the internationalization market. Author will define the main income sources of mass media companies, using secondary data compiled from public sources, find out how local and foreign companies are doing financially in Lithuania (chapter 4.2.3). This will show if Lithuanian mass media companies have enough financial resources to start internationalization process. Along with that, author, using secondary data sources and his own experience, will analyze other problems and trends of mass media market that can have an influence on the internationalization process (chapters 4.2.4 and 4.2.5).

After finishing extensive mass media market analysis, author will analyze which foreign markets are the most attractive for the expansion of Lithuanian mass media companies (chapter 4.3). This will be done by taking in account the number of emigrants from Lithuania and what sums of money they transfer back to their home country. This data will be compiled, using SEB and Statistics Lithuania reports. Author makes an assumption that emigrants that transfer larger sums of money back to Lithuania, care more what is happening in their home country, thus they will be more likely interested the internationalization of Lithuanian mass media outlets.

Thirdly, the author will use quantitative research method – a survey. Every respondent answers the same questions and provides their insights on certain situation. Survey will be carried on in order to find out Lithuanians' opinion on mass media internationalization (chapter 4.4). It will help to get an

overview how Lithuanians treat local and foreign mass media companies, what is the level of trust and does that have any influence on the usage of certain media outlet. This survey will help to find out if foreign or local media outlets have any competitive advantages based solely on their ownership. The survey will be carried via internet platform to reach more respondents in faster pace. In order to find a connection between some of the variables, author will use a correlation analysis, which helps to define the relationships between variables. The correlation coefficient is a measure of linear association between two variables. Values of the correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense, a correlation coefficient of -1 indicates that two variables are perfectly related in a negative linear sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables. This will help to define, e.g. if the field of interest have any influence on the assessment of the ownership. Using this knowledge companies that are thinking about expanding to Lithuania will have fact-based arguments what type of media is best liked here and if the owners of it matter.

4 EMPIRICAL RESEARCH ON THE INTERNATIONALIZATION OF MASS MEDIA COMPANIES IN THE INTERNATIONAL CONTEXT

4.1 The analysis of recently done research

4.1.1 Ways of internationalization used in mass media field. Germany example

As it was stated in previous chapters, mass media business differs from other types of businesses. Research shows (Lis, 2012) that reasons why companies choose to expand to foreign countries and ways how they do it differ between various types of mass media companies. Table 5 (next page) shows the differences between internationalization processes of German regional newspaper publishers and special interest publisher. Research authors note that data was collected from small and medium enterprises.

The results showed that the main reason behind the internationalization of German regional newspaper publishers was growth and domestic market saturation, while special interest publishers, which usually operate in business-to-business field, went after advertising costumers. Newspaper owners searched new markets based on proximity and started/bought companies where they have major amount of shares. On the other hand special interest publishers entered new markets through joint ventures or with the help licensing. Both types of companies gave a lot of freedom for their subsidiaries in foreign companies.

Table 5 Internationalization strategies of selected media sectors (dominant strategy elements in italic letters) (Lis, 2012)

	Regional newspaper publishers	Special interest publishers
Motive for internationalization	- <i>Growth/domestic market saturation</i> - Cost reduction (production)	- <i>Internationalization of advertising customers and the advertising budget</i> - Growth/domestic market saturation
Market selection strategies	- <i>Geographical proximity/concentric</i> - Market potential - Legal stability/free press	- <i>Follow-the-customer</i> - Market potential - Market competitiveness - Ability to process the market (organization of distribution, generation of business addresses)
Market entry strategies	- <i>Majority interest</i> - Export (to expatriates, very limited)	- <i>Licensing</i> - <i>Joint ventures</i> - Greenfield investment
Coordination of international entities	Management coordination: - managing director - no central management department for foreign entities Editorial coordination: - independence	Management coordination: - title manager - domestic publishing department Editorial coordination: - high independence - partial take-over of content - regular meetings of editor in charge - worldwide coordinated editorial system

4.1.2 Ways of growth and internationalization stages of mass media companies

Sanchez-Tabernore (2006) research concluded that mass media companies could grow only in four ways: mergers, acquisitions, media expansion and joint ventures. Table 6 (next page) shows when these forms are used and what effect do they make on the companies and market.

Table 6 Growth of the mass media companies (Sanchez-Tabernore, 2006)

Way of growth	Required conditions	Effects
Merger	Crisis in the industry	Decrease in level of competition in the market More favorable conditions for the companies
Acquisitions	Financial, industrial and commercial superiority (buyer) Need to improve competitive ability (seller)	Quick growth of the companies that invest large sums of money Less “voices” in the market
Media expansion (new outlets)	Market changing, growing or with new possibilities (i.e., new media)	Slow growth of the company More diversity in the market
Deals between companies	Maturity of the industry and considerable entry barriers	Dangerous competition in the market avoided Power sharing

In addition Sanchez-Tabernero (2006) identified four stages in the internationalization of media companies: strengthening their competitive position in their own domestic market; their first venture abroad; consolidation of their international presence; and the configuration of transnational groups:

1. Companies before expanding to foreign market first seek to form a strong position in the home market. They can start off as national multimedia companies; highly specialized companies, leaders in their sector and hegemonic regional groups that launch or acquire media in the capital city and in other cities. Before expanding to foreign markets these companies consolidate their position in domestic market in order to improve their efficiency, accumulate economic resources, increase their prestige and begin to generate scale economies;
2. During the second stage companies make their first steps in foreign markets. After doing well in domestic market company takes first tentative and cautious steps to the international markets. When choosing the foreign market, company first looks at countries with greater geographical or cultural ties or where profit outlooks are favorable. After that company chooses the form of expansion. It can export the product unmodified (e.g. The Economist); add new content (The Wall Street Journal); change parts of the product (CNN or MTV);

- keep the brand name but adapt the content to the market (various women's magazines); adopt a new commercial name (the financial newspapers of the Pearson group);
3. A company's international presence is consolidated when the volume of its exports makes up at least 25% of its business. At this moment company starts expanding into other countries, normally no fewer than 10. Some activities are centralized, like R&D, marketing. Business units get more independence. However, planning, financial, design, production and sales centers remain in the home country;
 4. In the fourth stage transnational groups are formed, where domestic market becomes just one of a many. Business units become totally independent and tend to depend on the national corporations that form part of transnational company. The subsidiary companies in each country are transformed into strategic partners. (Sanchez-Tabernero, 2006)

4.2 Lithuanian mass media market analysis

This section will provide an extensive analysis of Lithuanian mass media market: general situation; internationalization level; concentration level; financial situation; problems; and future trends.

Lithuanian mass media business market is quite big regarding the number of media outlets, though as we will see in further chapters most of them belong to a few big media groups. Table 7 shows the most popular media outlets in country according to the market reach. Small difference between outlets' market reach shows that the competition is intense in all mass media sectors.

Table 7 The most popular media outlets in Lithuania (compiled by author)

TV channels ¹	Radio stations ²	Daily newspapers ³	Monthly magazines ³	Internet news websites ⁴
TV3 (16.6%)	M-1 (35.6%)	Lietuvos rytas (13.6%)	Panelė (3.7%)	delfi.lt (56.78%)
LNK (16.0%)	Lietus (27.2%)	Vakaro žinios (12.1%)	Moteris (3.5%)	15min.lt (44.31%)
LRT (9.9%)	LR-1 (25.4%)	Respublika (5.4%)	Laima (2.8%)	lrytas.lt (35.72%)

¹TV audience share in 2012 (TNS, 2012)

²Radio station's weekly reach in 2012 (TNS, 2012)

³Average share of reached audience in 2012 (TNS, 2012)

⁴Reached share of internet users in August of 2013 (Gemius Audience)

4.2.1 Internationalization level

Most of the biggest media outlets in Lithuania belong are already internationalized and belong to foreign companies. Table 8 gives a brief overview of foreign media companies that are present in Lithuania.

Table 8 Foreign mass media companies in Lithuania (compiled by author)

Foreign company	Country	Presence in different sectors			
		TV	Radio	Print	Internet
Modern Times Group	Sweden	TV3, TV6, TV8 and 14 smaller TV channels ¹	Power Hit Radio ¹	-	-
Ekspress Grupp	Estonia	-	-	Publishing house Ekspress leidyba, which publishes more than 15 various popular magazines ²	Delfi.lt and its ±10 smaller media websites ²
Eesti Meedia	Estonia	-	-	Publishing house Žurnalų leidybos grupė, which publishes 8 various popular magazines ³	15min.lt with ±10 smaller websites ⁴
Bonnier Business Press	Sweden	-	-	Verslo žinios, Verslo klasė, Iliustruotas mokslas, Iliustruota istorija ⁵	Vz.lt and a few smaller websites ⁵
Market share of foreign mass media companies⁶		31.2%	4%	51.47% ⁷	49.09% ⁸

¹ <http://www.mtg.se/en/brands--operations/footprint/lithuania/>

² <http://www.egrupp.ee/companies>

³ <http://www.zlg.lt/lt/apie-zlg/>

⁴ <http://www.15min.lt/>

⁵ <http://www.bonnierbusinesspress.com/markets/lithuania/>

⁶ Counted by author. See Appendix no. 1

⁷ Excluding weekly and biweekly papers

⁸ Counted only news websites that publish general news. Foreign mass media companies have smaller websites that write about travel, gossips, etc. These were not included.

If we would look at the table 7 in previous chapter, we will see that the most popular TV channel, TOP3 monthly magazines and TOP2 internet websites belong to foreign mass media companies. Bonnier Business Press has the most influence, regarding market share, in business news media field. Furthermore, Eesti Meedia and Ekspress Grupp have a big market share in various women and leisure magazines field.

Author's calculations (Appendix no. 1) show that foreign mass media companies have a major share of Lithuania's mass media market: a third in a TV market, a half in printed and internet media and only 4% in radio. It should be noted that these calculations are not 100% accurate (see disclaimer in Appendix no. 1) but, in author's opinion, they could be used to show the general situation in Lithuania's mass media market.

However, there are still a few large media groups in Lithuania's mass media market. The 2nd and 3rd (LNK, LRT) most popular TV channels, TOP3 radio stations (M-1, Lietus, LR-1), TOP3 daily (Lietuvos rytas, Vakaro žinios and Respublika) newspapers and the 3rd most popular website (lrytas.lt) are owned by Lithuanian capital media companies, though most of these outlets belong to a few big media groups. One of the biggest of them would be MG Baltic Media which controls TV channels LNK, BTV, internet news website alfa.lt. Another big Lithuanian group is Lietuvos rytas, which owns daily Lietuvos rytas, TV channel with the same name and news website lrytas.lt. Respublika group has a big influence in daily newspapers market and owns Respublika, Vakaro žinios and various smaller local papers. Other Lithuania capital media groups: Balsas.lt leidiniai (websites balsas.lt, ekonomika.lt, valstietis.lt and newspapers with the same name), Diena Media News (news papers Vilniaus diena, Kauno diena, Klaipėda and the same name news websites) and SC Baltic Media (IQ, iq.lt, Intelligent Life, L'Officiel, Top Gear).

Besides these media outlets, there are smaller regional newspapers and radio stations that reach small audience. Most of the media offices are situated in Vilnius, so the journalist could quickly reach all important institutions and people. Furthermore popular media outlets in Lithuania are quite young if we compare them with outlets like TIME magazine (first issue 1923) or "Financial Times" (1888). Most of them were founded in 1990s and started news websites in the last decade.

To summarize, analysis shows that foreign investors from Sweden and Estonia are the most interested in Lithuania's mass media market. They do not concentrate in one field of media. Usually they take on the most profitable and perspective fields like internet news, then start publishing a lot of various printed magazines that do not require a large team and big investments. In addition,

Lithuanian companies are playing an important role in TV, radio and daily newspapers field. As we will see in further chapters, it is quite understandable: TV requires big investments and in addition the income from advertising in these three areas is nowhere near what it was before crisis.

4.2.2 Concentration level

It was already stated in chapter 2.3 mass media market concentration is a thing that needs to be carefully analyzed before entering specific foreign market. In this chapter author, while using publically available data, will analyze the Lithuanian mass media market concentration. The concentration is very big when the market matches any of these three scenarios: one company has the market share of 30-35%; two or three companies have the market share of more than 50%; four or five companies have the market share of more than 60%. (Meier, Trappel, 1998)

Table 9 Concentration level of Lithuania's mass media market (compiled by author, data taken from Appendix no. 1)

	Concentration level, %		
	One company	Three companies ¹	Five companies ²
TV	26.2	57.4	71.2
Radio	38.2	75.7	85.9
Daily newspapers	49.68	88.63	96.42
Monthly magazines	26.69	54.5	67.7
Internet	22.46	56.88	80.06

¹ Sum of the market share of TOP3 media groups in Lithuania by market share

² Sum of the market share of TOP5 media groups in Lithuania by market share

Table 9 shows Lithuania's mass media market concentration in separate fields. Collected information clearly states that Lithuania's mass media market has a high concentration level. The highest concentration is in daily newspapers market, where one media group – Respublikos leidiniai – owns almost half of the market. Similar situation is in radio market, where M-1 group has a major amount of market share. In other fields – TV, monthly magazines and internet – one company does not have a third of market share but is not far from this margin. Situation changes when three of five companies are taken in the account.

Lithuania's mass media market has three kinds of media concentration:

- **Vertical.** For example Lietuvos rytas owns printing house, TV studio, TV channel, news website, newspaper and various magazines;
- **Cross-media.** This type of concentration is one of the most popular in Lithuania's mass media market. For example Respublika owns various mass media outlets in print, internet and radio fields;
- **Diagonal.** A few large groups use this media concentration type: Achema group, which main activity is in fertilizers fields, owns newspaper and news website. MG Baltic owns companies in real estate, retail and a few TV channels and news website as well.

To summarize, media market concentration in Lithuania is high and that is a risk that new foreign companies, aiming to enter Lithuanian mass media market, has to think about. It was already stated in chapter 2.3 that European Union is taking a serious approach to the concentration levels and there is a possibility that in the future it could create new regulations that will have an effect on the mass media market.

4.2.3 Financial situation

Chapter 4.1.2 stated that company before starting to expand in foreign markets has to acquire a strong position in local market. Income from advertising was and still is the main source capital for media both in Lithuania and in the world. In Lithuania it still haven't reached pre-crisis levels.

As figure 6 (next page) illustrates in 2012 TV, magazines and newspapers advertising revenues were about 50% smaller then in 2008. Internet was the only field of media where advertising revenues exceeded pre-crisis levels. However, it takes in account all internet websites - not only the online news outlets. Internet and TV fields were the only ones where revenues rose, while magazines, newspapers, radio suffered from decline.

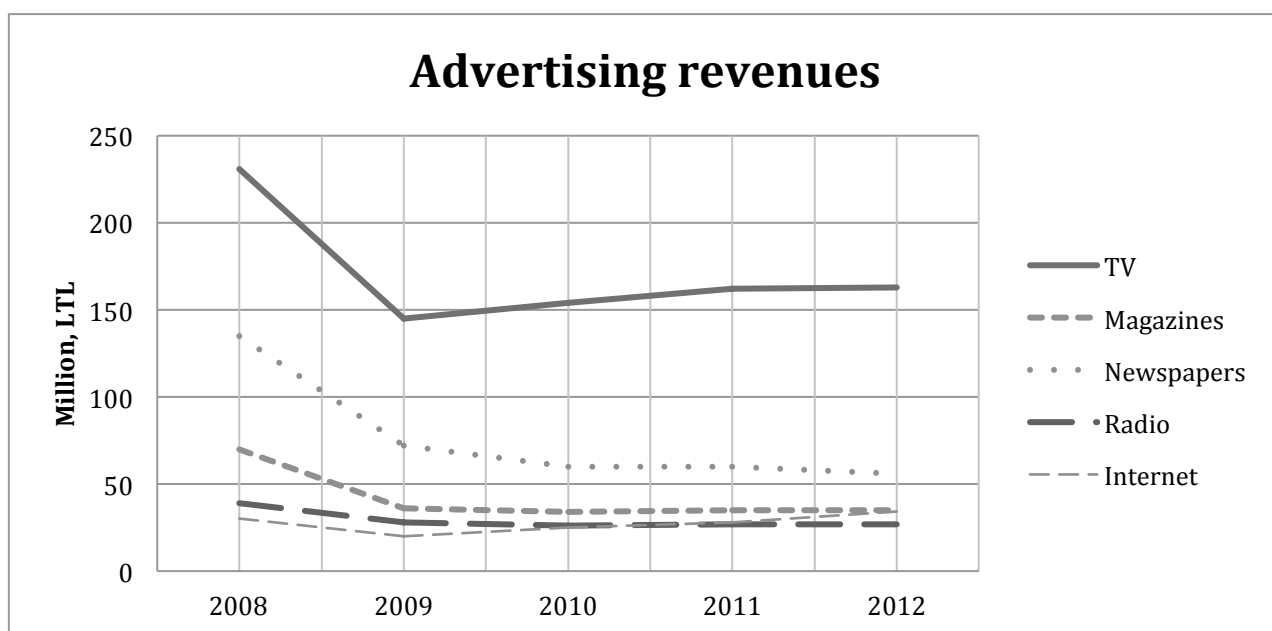


Figure 6 Income from advertising in Lithuania (created by author, data taken from Appendix no. 2, TNS, 2012)

The future forecasts are not favorable as well. International media planning agency Carat forecasts (Carat, 2013) that this year advertising market in Lithuania will rise by 1.4% and by 2.5% in 2014. On the other hand, world market will see the increase of 3% (2013) and 4.5% (2014). Furthermore, advertising market in Latvia will rise faster than in Lithuania: 4% for both years. On the other hand, Estonia is in the worst position in Baltic markets: this year its advertising market will increase by 1.6% and by 0.7% next year.

Table 10 Advertising revenue forecasts in Lithuania (compiled by author, data from Carat, 2013)¹

Media field	2013	2014	Market share by advertising revenue	2012	2013	2014
Internet	+17 (+15.6) ²	+13 (+14.3)	Internet	9.9	11.4 (18.3)	12.6 (20)
TV	+3.2 (+2.9)	+3.9 (+4.8)	TV	47.8	48.7 (43.8)	49.3 (43.9)
Radio	+12.6 (-0.7)	0 (+0.3)	Radio	7.9	8.7 (6.4)	8.5 (6.1)
Newspapers	-11.8 (-4.8)	-9 (-2.9)	Newspapers	16.3	14.2 (15.5)	12.6 (14.4)
Magazines	-3 (-1.4)	0 (-0.7)	Magazines	10.2	9.8 (8.1)	9.5 (7.7)

¹ All values are in percentage

² Values in brackets show the situation in global market

Further forecast (Table 10) shows that internet both in Lithuania and globally will see the fastest rise of revenue from advertising. Income in radio field will rapidly increase this year but it will be only temporary. TV will see modest growth rate. However, newspapers will suffer the hardest and the slump in revenues in Lithuania will be almost 3 times bigger than global trends. Similar trends can be seen in the market share by advertising revenue. Internet will rise in the fastest pace. The global growth will be similar but the market share is bigger than in Lithuania. TV will see a modest growth and other media fields will keep declining.

Table 11 Net profit of the leading media groups in Lithuania, in LTL millions (compiled by author, data from Center of Registers)

Field	Company	2011	2012	Change, %
Internet	Delfi	1.3	3.307	+154.38
Print	Ekspress leidyba	-0.3	-1.6	-433.33
Internet	15min	-1.2	-1.1	+8.3
Internet/TV	MG Baltic Media	1.74	7.96	+357.47
Print/TV/Internet	Lietuvos rytas	-5.45	-4.6	+15.6
TV	Tele-3	15.79*	12.93*	-18.11
TV	LNK	1.573	0.863	-45
Print/Internet	Verslo žinios	-0.514	-0.346	+32.68
Radio	Radiocentras	0.63	0.6	-4.7
Print	Žurnalų leidybos grupė	N.D.	N.D.	N.D.
Print/Internet	Respublikos leidiniai	N.D.	N.D.	N.D.
Radio	M-1	N.D.	N.D.	N.D.

* Profit before taxes

Table 11 shows the latest financial results of Lithuanian media sector leaders. Some of the big Lithuanian media groups – Respublika and M-1 – did not publish their financial results to public and LRT was not included into the list, because it is financed from Lithuania's budget. However, this table shows quite clear view of country's mass media market financial situation. Which is not so strong, even for the media outlets owned by foreign companies. Ekspress Grupp owned companies in Lithuania are heading to two directions: delfi.lt with all its internet websites is showing a strong growth, while various magazines publisher Ekspress leidyba is rapidly declining.

Another foreign capital website 15min.lt is still generating loss. In 2013 it closed its popular printed weekly and fired a part of its staff⁴. MG Baltic media – a group leading in Lithuania’s TV market – is showing strong financial results. Group does not reveal how much profit is generated by its news website alfa.lt, which is losing its audience (In 2012 August the reach was 28.17%, while a year later – 21.41%, Gemius). However, its biggest TV channel is still generating profit but it was 45% smaller in 2012. Lietuvos rytas group, combining print, internet and TV media outlets, is losing money, but last year the losses were 15% smaller. Tele-3, second biggest company in Lithuania’s TV market, publically announced only profits before taxes, so it is hard to state the real situation, but it is clear that the profits are surging. Foreign capital Verslo Žinios, owning internet website and a few printed outlets, is not generating profit, but the losses are getting smaller. Second biggest radio company is generating modest profit, which has not changed a lot through a year.

The financial situation of Lithuania’s leading online outlets goes along with the situation in the advertising market. But it is hard to call it a strong and perspective situation. According to the timeframe of internationalization provided by Sanchez-Tabernero (2006) in chapter 4.1.2, before starting internationalization, companies firstly should take a strong position in local market. Some of the local companies have a major audience reach but the current situation, lacking good financial results, cannot be called strong.

4.2.4 Problems of the market

Weak financial situation, stated in the previous chapter, is not the only problem of Lithuanian mass media market. Traditional media outlets in Lithuania are suffering from the surging audience. Lithuanian TV channels, radio stations, newspapers, magazines every year are attracting less audience. In 2007 time-share while watching four biggest Lithuanian TV channels (LNK, TV3, LTV, BTV) was 71%, while in 2011 it surged to 55.5%. TNS states that in 2012 it was even lower but does not give a precise number. Printed media audience surged from 89% (2010) to 86% (2012) (TNS, 2012). Only Internet news websites show positive trends, though their audience reach was only up 1-2% (2010 August compared to 2013 August, gemiusAudience). Audience reach is very important indicator for advertising buyers and if these trends remain the same in the future they will choose other media channels to advertise. Limited audience problem goes along with surging market reach. Some Lithuanian media outlets have foreign language sections but most of them publish information only in Lithuanian language, which limits audience to relatively small. Besides

⁴ Verslo žinios. *15min mažina darbuotojų skaičių*. [interactive] [checked 15 October 2013] Access through internet: <http://vz.lt/article/2013/10/11/15min-mazina-darbuotoju-skaiciu>

that Lithuanian population is decreasing rapidly. According to Statistics Lithuania office, in September 2012 there were 2.9 million people living in Lithuania, while in March 2011 the number was 3.43 million. That means that 0.5 million of potential audience is out of reach for most media outlets, like TV, printed media. It is easier for internet news websites and radio because both can be easily reached through internet.

Author's expertise shows that another problem in Lithuanian media market is workforce. Because of financial problems most of the media outlets usually pay less than public relations agencies or private companies for their public relations officers, so often experienced journalists choose to leave journalism and join public relations market. Statistics Lithuania does not provide information about average wages in mass media and public relations fields. According to data compiled by job search website cv.lt, journalists in Vilnius are expecting to earn only LTL 2360 per month⁵. There is no such data for public relations field but, according to author's expertise, this much of money is paid only for assistant-level workers in public relations. This situation creates problem of worker's experience and that directly affects the quality of media outlets. There is no "young and inexperienced journalist" problem in most Western European countries. In 2008 the mean age of journalist in France was 42.2 years (up from 40.5 in 2000), in Switzerland – 43 years (up from 40 in 1998) (Weaver, 2012). However, there were no scientific studies done in Lithuania that cover journalists' age trends but author's expertise shows that most journalists in main Lithuanian media outlets are younger than 35 years.

In addition to mentioned problems, bigger part of Lithuanian readers does not trust local media. Recent survey showed (Spinter tyrimai, 2012) that 45% of Lithuanians do not trust media, while 39.5% of them said that they trust media. Survey's authors noted that older women from lower income group and without higher education tend to trust media more.

4.2.5 Main trends of Lithuanian mass media market

Media business is desperately looking for new income sources. As it was mentioned in the last few chapters income from advertising still has not reached pre-crisis levels in Lithuania. The world wide trend is that media tries to move itself on internet and for some outlets it works. For example known

⁵ CV.lt. *Jūsų pageidaujamas atlyginimas: ŽURNALISTAS*. [interactive] [checked 10 April 2013] Access through internet: <http://manokarjera.cv.lt/Default4.aspx?ArticleID=46baa8fc-28d3-4e1f-8eac-f8a47b5715b9>

technology magazine Wired got 45% of total ad sales from digital ads. Another American magazine The Atlantic got that number up to 59%. This trend should keep up in the future (Ives, 2013).

Besides focusing on Internet advertising media outlets are searching how to monetize content that is online. Most of media outlets have some kind of internet website that is news website or simply shows the content of that media outlet: TV, radio shows. For a few years media is experimenting with so called paywall – they let you read, see or listen to a part of the content for free and asks to subscribe and pay monthly fee for the rest. Financial Times, Wall Street Journal, New York Times and other most influential media outlets already use this model. And for some it is already working. In 2012, for the first time in its history, New York Times generated more revenue from its traditional and digital subscriptions than from advertising.⁶

Paywall trend is also catching up in Lithuania – Verslo žinios is asking to subscribe in order to read content from their printed daily newspaper, though other content could be reached after free registration. IQ has also started testing paywalls. It introduced a few subscription plans combined with weekly newspaper on iPad application. They were the first in Lithuania to do that.

Furthermore, media outlets are trying to create new media platforms that combine all the content (printed, broadcaster through radio, TV) online, so it can be easily reached through various devices: computers, mobile phones, tablets. For example, Lietuvos rytas, on its website lrytas.lt combines all its outlets: print, TV and internet newsroom. Major TV channels as TV3 and LNK put their content online as well or even let to watch some broadcasts live and for free online.

4.3 Possible markets for the expansion of Lithuanian mass media companies

As previous chapter stated, mass media companies in Lithuania do not have a strong financial position in market. In this situation, another and cheaper internationalization form could be used by simply exporting local product with minor changes to foreign country aiming to Lithuanians that are residing there. A good way to start is to look for countries, where most of emigrants from Lithuania are residing. Data compiled from Migration Department shows that the most popular country was United Kingdom: in the end of 2012 there were almost 140,000 registered Lithuanians. It was followed by Ireland (more than 80,000) and Canada (almost 50,000).

⁶ Business Insider. *The New York Times now gets more revenue from subscribers than advertisers*. [interactive] [checked 14 April 2013] Access through internet: <http://www.businessinsider.com/the-new-york-times-now-gets-more-revenue-from-subscribers-than-advertisers-2013-2>

Assumption can be made, that emigrants, who are transferring more money back to their country, have more relatives there, so they want to know more what is happening in Lithuania. Therefore they would be more interested in media outlet that provides news about their home country. SEB bank announced⁷ that in the first half of 2012, private clients transferred around LTL 490 million to Lithuania from abroad. 11% of transferred funds were from Norway, followed by Germany (9%), USA (8%), Kazakhstan (8%) and United Kingdom (7%). No more countries were specified and it covers only SEB accounts. The whole amount in 2012 transferred to Lithuania by private persons in foreign countries was around LTL 4 billion.

Using data provided by SEB the amount of money per person in foreign country transferred back to Lithuania was calculated:

$$\text{Amount transferred to Lithuania per person from United Kingdom} = \frac{490 \text{ million} \times 0.07}{135000 \text{ (number of registered Lithuanians in UK)}} = 254.07 \text{ LTL}$$

Figure 7 (next page) shows that the amount of Lithuanians living in certain country does not correlate with the transferred amount of money back to Lithuania. Based on the assumption made in the beginning of this paragraph and available data, it could be stated that Lithuanians in USA, Germany and Norway would be most interested in Lithuanian news. Further studies should be done to find out if this assumption is correct.

⁷ SEB. *Daugiausiai perlaidų į privačių klientų sąskaitas siunčiama iš Norvegijos*. [interactive] [checked 20 September 2013] Access through internet: http://fin.seb.lt/vbfin/subscription/view.fw?id=3922&s_menu=4

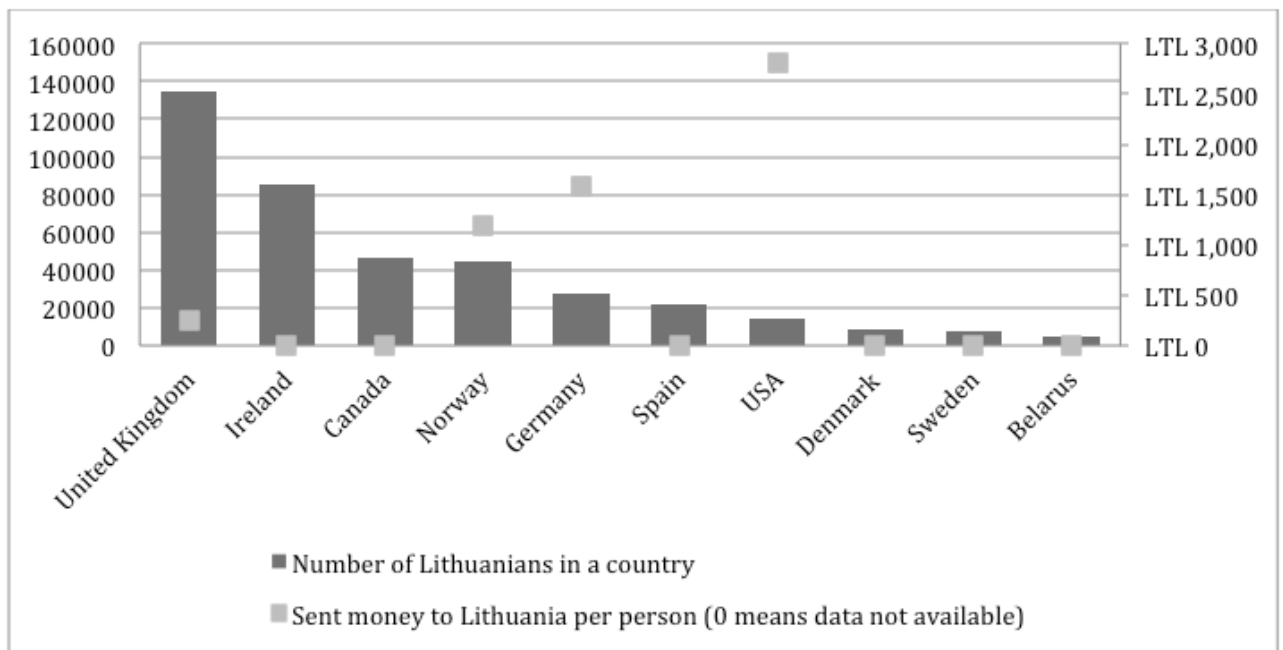


Figure 7 Countries with most Lithuanian emigrants and the amount of money they send back to Lithuania (compiled by author, data from SEB, Migration Department)

4.4 Lithuanians' position on foreign mass media companies

As a possibility of foreign companies entering Lithuanian market by buying local media outlets is considered, it is important to find out Lithuanians' position on mass media companies owned by foreign companies and to check the hypothesis that owners from different countries have different trust rate in Lithuania. This was done by a survey, which was carried on October 2-15 via online survey platform publika.lt (see survey's example at Appendix no. 3). According to Statistics Lithuania, there were 2.9 million of people living in Lithuania in the beginning of 2013. All of them make up a potential audience for media outlets. However, a lot of teenagers, 18 and less year old still do not have a strong opinion on topics like the owners of media outlets. After excluding 18 year old and younger Lithuanian residents, there were 2.3 million of Lithuanians. In order to properly express their opinion with 95% confidence level and 8% confidence interval⁸ author needed to survey 150 respondents. 151 people took part in the survey. That means survey is presentable and results are reliable (see survey's results at Appendix no 4.).

Survey clearly showed that the owners of mass media outlet matter: more than 63% of respondents answered yes, when asked if it does matter who owns certain media outlet. The second question showed that the major part (65%) of respondents think that the owners of media outlet make

⁸ <http://www.surveysystem.com/sscalc.htm>

negative influence to the objectivity and only one fifth answered that it makes positive influence. That clearly goes along with a fact stated in previous chapters that media outlets have a low trust-rate in Lithuania.

Further questions showed that media outlets, owned by foreign companies, are trusted more. This was chosen by almost 60% of respondents. Only 2% thought that local media outlets are more reliable and more than 20% of respondents did not see any difference between local and foreign capital outlets. However, it does matter from which country the foreign capital comes. Figure 8 (next page) shows how much Lithuanians trust a certain country from 1 (lowest) to 5 (highest).

As we can see the most untrusted country is Russia: 80% chose '1' and more than 10% – '2'. It was followed by Commonwealth of Independent States (without Russia) with almost 45% lowest choices and more than 35% - lower-trust. Baltic countries also differ. Between them Latvia is lowest trusted by Lithuanians – almost 45% of them chose "lowest" or "lower". Lithuania looks similar but more people said that the local media outlet could be most trusted. However, Estonia is the most trusted country by Lithuanians while choosing from Baltic countries – almost 40% of respondents chose "higher" or "highest" trust. Nevertheless, the most trusted region in the list is Nordic countries: more than 80% of respondents chose "higher" or "highest" trust. Remaining European Union countries scored somewhere in the middle: more than 40% chose medium and almost 40 – "higher trust". On the other hand, Lithuanians do not have a strong opinion about USA: around 30% of them chose "lowest" and "lower", almost the same – medium and around 40% – "higher" and "highest".

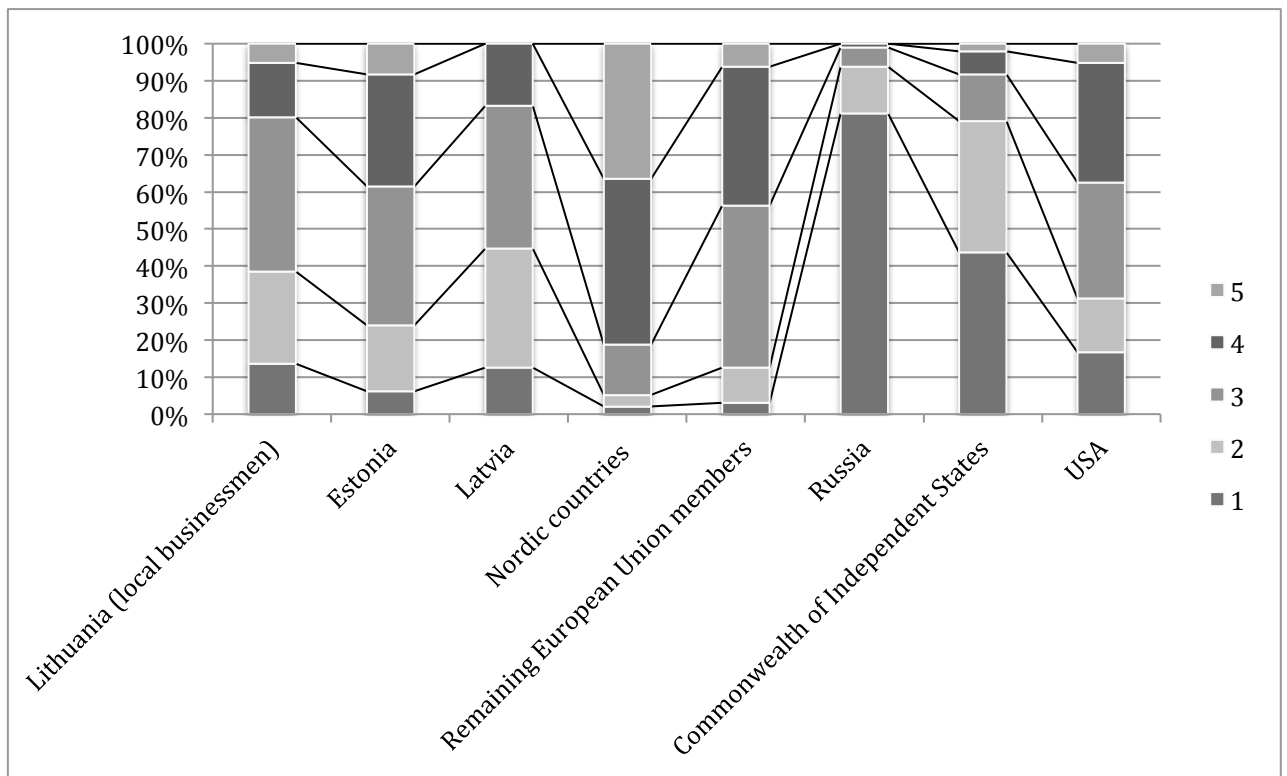


Figure 8 How much will you trust media outlet, if its owners were from a certain country (1 – lowest trust, 5 – highest) (compiled by author, data from Appendix no. 4)

Survey showed that the major part of respondents (almost 65%), in the position when they do not like the owner of specific media outlet, begin to trust it less but continue to use it further. However, a third of respondents tend to choose other media outlet and only 8% do not pay attention to this problem. That explains why some of the Lithuanian outlets, like Respublika, Vakaro žinos, which have a low-trust rate (Transparency International Lietuvos skyrius, 2007), are still quite popular in local market.

Using SPSS software (Appendix no. 5), author found correlation between respondent's sex and other variables. Statistically significant variables with 0.05 level of significance (95% accuracy) were: the importance of media outlet owner (0.187 Pearson's R) and the choice that media owners make positive influence to the objectivity of media (-0.187). However, the correlation is weak. The amount of monthly income has correlated with the importance of media outlet owner (-0.176) and the choices on what influence do the owners makes: negative (0.244), do not know (-0.196). It is worth noting that respondent's status and age did not have any statistically significant correlation.

Furthermore, analysis showed that some choices depended on respondent's interests. Answers of those who liked to read political news correlated with answers to questions: does it matter who

owns a media outlet (-0.274); does the quality differ between foreign and local media outlets (0.193); what they do when they do not like media outlet (0.243); does the owners make negative (0.229) or positive (0.197) influence. Similar results were seen between those who liked to read business news: does it matter who owns a media outlet (-0.298); what they do when they do not like media outlet (0.192); does the owners make negative (0.275) or positive (0.166) influence. Almost the same variables correlated and with those who like to read gossip. However, the correlation was opposite: who owns a media outlet (0.411); what they do when they do not like media outlet (-0.284); does the owners make negative (-0.307); does the quality differ between foreign and local media outlets (-0.219). It shows us that these two groups chose opposite answers.

In summary, the survey revealed that the owner of media outlet is important for Lithuanians but most of them do not do anything radical if they do not like the owner. They just pay more attention to the objectivity. Most of respondents tend to trust foreign media outlets more but the trust rate depends on the country. However, correlation analysis revealed that an answer to questions “does it matter who owns media outlet” or “what influence does the owner make” depends on such variables as sex or monthly income. The field of interest plays a role as well. Those who like politics and business news tend to choose opposite answers than those who like gossip in questions like “does it matter who owns media outlet”, “what do they do when they do not like the owner” or “what influence does the owner make”. Nevertheless, the correlation in most cases was not strong.

5 POSSIBILITIES FOR MASS MEDIA COMPANIES TO GO THROUGH THE INTERNATIONALIZATION PROCESS

5.1 General ways for the internationalization of mass media business

Empirical research showed that every mass media company has to go through a certain chain of steps, while trying to expand to foreign markets. On the basis of the information collected via scientific literature analysis, descriptive and empirical studies author presented the process of internationalization that mass media company has to go through to get international presence (Figure 9).

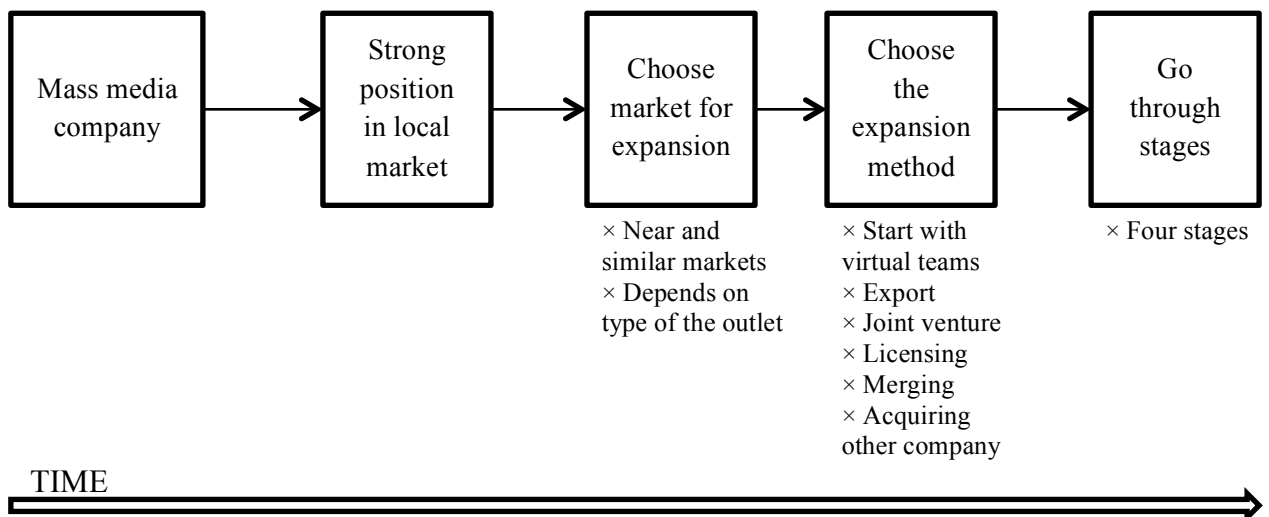


Figure 9 Internationalization model of mass media company (compiled by author)

Empirical research showed that the expansion process in mass media field is quite similar to the traditional frameworks, stated in various internationalization theories. Companies go through several stages and do not put all their resources to the expansion process. However, mass media companies, while expanding to foreign markets, have to pay attention the specifics of this sector (concentration level, trust rate). As it was stated, high concentration level impedes the expansion process, and the low trust rate – ability to fulfill the fundamental roles of mass media.

As the Figure 9 shows, in the first place mass media company has to form a strong position in local market. It should have a big market share and strong financial results, because, as it was already stated, internationalization is an expensive and long process. After that company has to choose foreign market for the expansion. The empirical research suggest, that usually mass media companies choose near and similar markets, however they highly depend on the type of the outlet, e.g. one outlets tend to seek advertising possibilities, while other – larger audience. However,

empirical research showed that consumers have different views and trust rates for companies from different countries. Nevertheless, that does not have a significant impact on the sales but it is a thing that has to be taken in account.

The further step in the model is the choosing of the expansions method. Author, based on the data from the empirical research, suggests exploring new foreign markets by using virtual teams. They do not create a big financial difficulties, are mobile and flexible. In further stages company can choose from various methods (export, joint venture, licensing, merging, acquiring other company, etc.), depending on the type of content and audience they are working with.

In the end company has to go through four stages. During the starting stage company makes the first steps to the foreign market. After gaining more experience, company continues expanding, giving more freedom to foreign business units. However, planning, financial, design, production and sales centers remain in the home country. If company continues successfully expanding, it forms transnational group, where domestic market become just one of a many and business units in each country become independent.

5.2 Internationalization of mass media business, based on Lithuanian case

Empirical research showed that Lithuanian mass media market is in quite bad shape. As it was found in the previous chapters, the main problems of the market are:

- *High concentration level.* It means that a few major companies dominate the local market and it is hard to expand further and reach larger market share. Furthermore, there is a threat that in near future new laws could have a negative effect on media markets with high level of concentration;
- *Low advertising revenues.* Empirical research showed that the main source of income of mass media outlets is advertising. It still has not reached pre-crisis levels. Besides that only advertising in TV and internet news media outlets have favorable forecasts, while advertising in printed media should continue the decline;
- *Bad financial situation.* Low advertising revenues led mass media companies, operating in Lithuania, to bad financial situation. Local and foreign capital companies are either experiencing losses or minimal net profit;
- *Decreasing audience.* Emigration and other factors have a negative on the audience of all traditional media outlets. Smaller audience leads to smaller revenue from advertising

income and as it was already stated – this is the main reason of the bad market's financial situation;

- *Shortage of qualified workers.* Bad financial situation does not allow to pay higher wages and as the empirical research showed – this is one of the main factors that make journalists to leave their profession and join the public relations field. Less qualified workers cannot prepare insightful content that would encourage listeners/readers/viewers to choose the specific outlet over the others;
- *Low trust rate.* The research showed that in general Lithuanians do not trust mass media outlets, especially the local ones. However, outlets, owned by companies from Scandinavian and Western Europe countries, have higher trust rates. Trust is fundamental variable for mass media company to be an independent observer of power and to be truthful.

Problems like decreasing audience, shortage of qualified workers, low trust rate, low advertising income can be solved by entering new foreign markets. The foreign markets offer new audiences, new advertising accounts and readers in Western markets are more likely to pay a regular fee for using an online media outlet. However, lack of financial resources stands in the way of expansion and the forecasts show that the situation will not change for most of the outlets (except internet) in the near future. On the basis of the information collected via scientific literature analysis, descriptive and empirical studies author presented simple guidelines and the process of internationalization that Lithuanian company has to go through to get international presence (Figure 10, next page). Two ways were identified: expanding to foreign markets on its own or being bought by foreign company. Both of them are explained in further chapters.

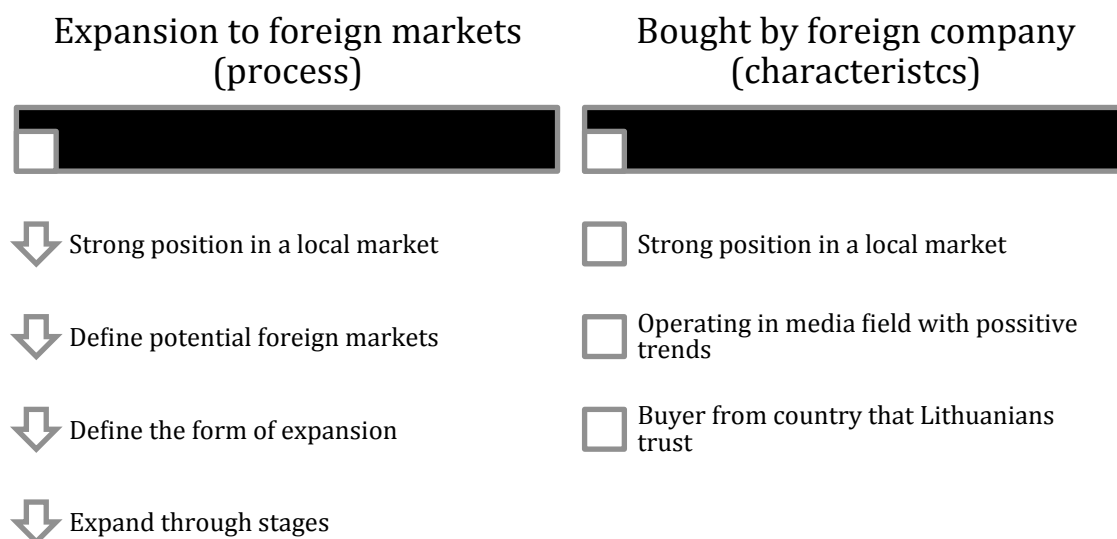


Figure 10 Internationalization possibilities for Lithuanian companies (compiled by author)

5.2.1 Internationalization process through the expansion to foreign markets

Based on Figure 10, mass media company, before expanding to foreign markets, has to develop a strong position in a local market. This means that the company has to reach a large part of local audience and show strong financial results. Some local companies in Lithuania, like Respublika group, Lietuvos rytas, MG Baltic Media, fulfill the first condition. However, the analysis of their financial data revealed that all of them are in a bad financial shape. They are either suffering from losses or their net profit is only LTL 1-2 million. In authors opinion such income is not sufficient to ensure strong financial backing during the expansion to foreign markets, because, as it was stated, it is as long and expensive process.

If Lithuanian companies would have enough financial resources, after gaining a strong position in local market, they should proceed to the second step: mass media company needs to choose the potential markets. As the research showed, the potential markets tend to depend on the type of mass media outlet. Nevertheless, most of the media companies in the beginning choose similar and geographically near markets as most internationalization theories suggest. In Lithuania's position that would be Baltic states, Poland, Scandinavian countries and other countries in the region. However, current financial situation of Lithuanian mass media companies do not allow them to begin a proper internationalization process and they need to search for a cheaper alternatives.

An attempt to reach emigrants from Lithuania could be one of them:

- Emigrants already know Lithuanian mass media outlets;
- Most of them have some relatives back in Lithuania, so they care what is happening in their home country;
- The owners only need to slightly modify the content of the owner, i.e. include some additional news that would be interesting for emigrants about the country they are currently living, e.g. local community events, instructions and advices how to find a job, fill needed documents, etc.
- In the beginning a few new employees in foreign country would be enough;
- Emigrants will expand media outlet's audience, attract new companies to advertising (i.e. businesses that are popular between emigrants, like Western Union, delivery services, etc.).

Research showed (chapter 4.3) that the most attractive countries (only looking in general numbers) would be United Kingdom, Ireland, and Canada. After making assumption that emigrants, who are sending more money back to Lithuania, are more interested in what happens here, the top-destination list changes to USA, Germany and Norway. While trying to reach emigrants, Lithuanian mass media company will acquire inside knowledge about certain country and prepare for the next expansion stage.

During the third stage company needs to decide the form of internationalization. Study reviewed in chapter 4.1.1 showed that it depends on the type of mass media outlet as well. For the first steps, especially while trying to reach emigrants, company could use virtual teams that would not require physical office in certain country and a large sum of investment. This concept could be used as a cheap way to check the demand and how a certain foreign market works. After that company has multiple options: joint venture, licensing, exporting (unmodified product, change some parts or use a new name), merging, and acquiring part or whole other company.

The fourth stage covers the expansion to foreign market through stages. As it was mentioned in the previous chapter during the starting stage company makes the first steps to the foreign market. After gaining more experience, company continues expanding, giving more freedom to foreign business units. However, planning, financial, design, production and sales centers remain in the home country. If company continues successfully expanding, it forms transnational group, where domestic market become just one of a many and business units in each country become independent. The whole process is presented in the internationalization framework (Figure 10, next page).

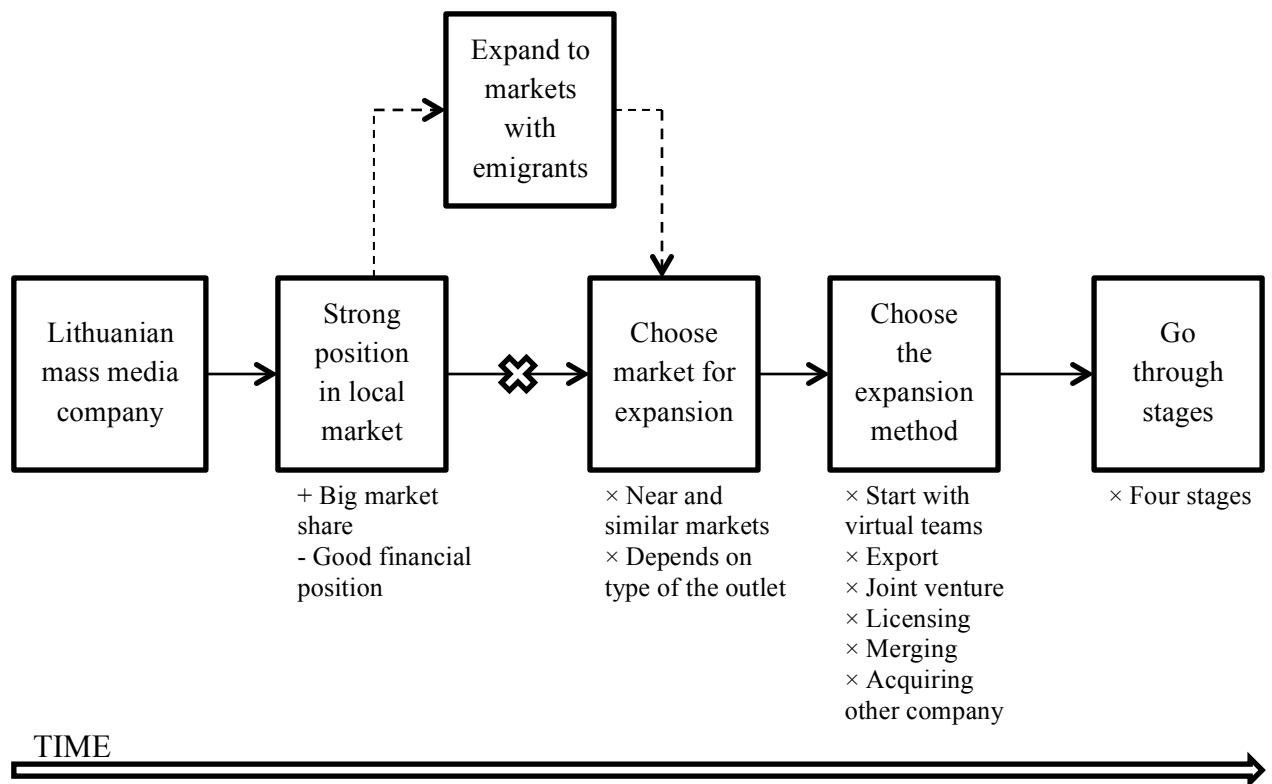


Figure 11 Framework of internationalization for Lithuanian mass media companies (compiled by author)

5.2.2 Internationalization by selling part of the company to international media group

Another way of entering international market for Lithuanian mass media outlets is to sell part of the company to a big international media group. While this is not a traditional model of internationalization, it is one of the best choices for local Lithuanian mass media companies to get a strong financial support and in some cases increase the readers' trust rate. The research clearly stated that Lithuanian mass media companies are not in a strong financial position, even those that are owned by foreign media companies. Income from advertising still has not reached pre-crisis levels and it is forecasted that only internet and TV outlets will see a significant increase in advertising in the near future. Furthermore, market analysis revealed that Lithuanians do not trust mass media outlets and there is a shortage of experienced employees.

So why should foreign media company enter this market in such a bad shape? The amount of market share that foreign owned media outlets have in Lithuania shows that this country is interesting for international media groups. While foreign owned media companies have a big

market share in Lithuania, a few remaining local media groups (Lietuvos rytas, Respublika, MG Baltic Media) have their place as well. Furthermore, survey showed that Lithuanians tend to trust foreign media company more than local ones. Foreign media companies could buy local companies cheaper today, because of their weak financial position and negative forecasts. Foreign companies could use this time to reorganize local company from the inside, e.g. solve experience problem by appointing some senior editors from other countries, introduce their management practices. Besides that, they will have more financial reserves to pay bigger wages for the employees so they do not leave the mass media field because of the money.

In order to interest foreign investor Lithuanian company should have a large audience. Furthermore, it has to operate in the field that has favorable advertising income forecasts (internet, TV) because, as the research showed, it is the only model of income working here in Lithuania at the moment. However, attention should be paid where does the headquarters originate of the said foreign company. In general Lithuanians think that foreign media outlets are more trusted but the survey showed that Russian, CIS countries are even less trusted than the local ones. However, it depends on the target audience, e.g. those who like gossips care less who are the owners than those who like politics or business news. Besides that, only a third of respondents stated that in the situation when they do not trust the owners, they choose other news outlet.

CONCLUSIONS AND SUGGESTIONS

Today mass media market is changing very fast: both in content creation and business management field. Globalization is shaping the interests of audience: today they are not interested only in what is happening only around them. Internationalization helps mass media companies to reach new audiences, generate more income from advertising and adapt new business models. However, mass media business has its own specifics and roles in the society. Bigger income cannot be the only aim of the mass media outlet. It has to inform, be objective, independent and provide high quality information.

Mass media internationalization research is not a new topic for academic community. However, most the research examines big media conglomerates. Furthermore, there is a big gap of internationalization studies in Lithuanian mass media field. Besides that, everyone is concentrating on companies that want to enter foreign market but forgets the companies that would like be acquired by foreign company during the internationalization process of the latter.

Scientific literature analysis revealed that evolution of mass media goes through certain stages: invention, innovation and diffusion. However, none of new mass media forms diminished the older ones. On the contrary, every new addition just complemented the older one. So the assumptions that internet news websites will diminish newspapers or TV news are not correct. Furthermore, analysis revealed that mass media concentration problem could have a possible effect on the internationalization process. Mass media concentration can be defined as domination of one or a few mass media companies in the market. However, there are no specific laws for mass media field regulating the concentration but European Union is paying a lot of attention to this matter and in the future new regulations could be introduced.

Analysis of internationalization theories revealed that there are no specific theories for the mass media field but they could be adapted. The general rule, that companies enter foreign market in various stages, is adaptive to mass media field as well. Besides traditional internationalization theories, mass media market could use virtual teams in one of the expansion stages.

Recently done researches suggested that foreign market entry model, causes and even the market differ between media outlet type. For example, regional newspapers choose internationalization because of growth/domestic market saturation, while special interest publishers do that because of the internationalization of advertising customers and advertising budget. Other study revealed that

mass media companies have four ways of growth: merger, acquisition, media expansion (new outlets) and deals between companies. Furthermore, there are four general stages of mass media company internationalization: strengthening their competitive position in their own domestic market; their first venture abroad; consolidation of their international presence; and the configuration of transnational groups.

Extensive Lithuanian mass media market analysis showed that the internationalization level in Lithuania is quite big. Four big mass media companies (Modern Times Group, Ekspress Grupp, Eesti Meedia, Bonnier Business Press) operate in Lithuania and, in author's calculations, have 30% of TV, 4% of radio, 51.5% of print and almost 50% of internet market share. Most of them have leading positions in Lithuanian mass media market. However, there are a few Lithuanian companies that have a strong position in market as well: Lietuvos rytas, Respublikos grupe, MG Baltic Media. Besides that, analysis revealed that the concentration of country's mass media market is really high and that is a potential risk for new foreign companies that are thinking about entering Lithuanian market. The same analysis showed that mass media companies in Lithuania do not have a strong financial situation and enough capital to expand to foreign markets. All of them mostly depend on one income source – advertising, which still has not reached pre-crisis level. Forecasts show positive trends for advertising in TV and internet markets, while all other fields will have a moderate growth or a decline. Weak financial situation is not the only problem of Lithuanian mass media market: audience is surging, trust is really low, there is a shortage of experienced employees. Trends in the global market show that mass media companies are beginning to combine all their outlets by marking internet the major point of connection with audience. Besides that, paywalls are becoming more important sources of income and Lithuanian companies are also starting to try this business model. However, it is still in the testing stage and does not generate significant amount of income in Lithuania.

Having in mind that Lithuanian companies do not have a strong financial position, author explored a cheaper way of expansion to foreign markets: going after emigrants and providing them news about Lithuania. Research showed that the most attractive countries (only looking in general numbers) would be United Kingdom, Ireland, and Canada. After making assumption that emigrants, who are sending more money back to Lithuania, are more interested in what happens here, the top-destination list changes to USA, Germany and Norway.

Furthermore, survey revealed that the owner of media outlet is important for Lithuanians but most of them do not do anything radical if they do not like the owner. They just pay more attention to the

objectivity. Most of respondents tend to trust more foreign media outlets but the trust rate depends on the country. However, correlation analysis revealed that the position depends on the sex, monthly income and field of interest. For example, those who like politics and business news tend to choose opposite answers than those who like gossip in questions like “does it matter who owns media outlet”, “what do they do when they do not like the owner” or “what influence does the owner make”. Nevertheless, the correlation in most cases was not strong.

In the end, after summarizing all the collected information, author suggested a simple model of Lithuanian mass media company internationalization. It has two directions with several stages: expansion to foreign markets and entering foreign markets by selling itself to a bigger international mass media company. In order to expand to foreign market by itself, Lithuania mass media company has to achieve a strong position in local market, then define potential market and form of expansion and carry on the internationalization through several stages: from a simple steps to foreign market to the establishment of strong multinational group, where domestic market losses its influence. While entering foreign market by selling itself to a foreign media group, Lithuanian mass media company has to have a strong audience, operate in a field with positive advertising forecasts. In order to have a high trust rate the buying company has to be from a country that Lithuanians like, except it is planning to work in gossip and similar news field.

After summarizing all the information provided in this thesis, that the aim of the work – research the possibilities for Lithuanian mass media companies to go through internationalization process and prepare a framework how to do that – was reached.

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APPENDIX

Market share of mass media companies operating in Lithuania
(foreign capital companies are marked grey)

Table 1 Lithuania's TV market share (compiled by author, data from TNS 2012)

Channel	Market share, %	Owner	Total share, % ¹
BTV	5.8	MG Baltic	26.2
INFO TV	1.1		
Liuks!	0.7		
TV1	2.6		
LNK	16		
Lietuvos rytas TV	3.2	Lietuvos rytas	3.2
LRT Kultūra	0.7	LRT	10.6
LRT Televizija	9.9		
NTV Mir	4.4	Baltic Media Alliance	10.7
PBK	4		
REN TV Baltija	2.3		
TV3	16.6	Modern Times Group	20.5
TV6	3.2		
TV8	0.5		
Viasat Sport Baltic	0.2		
Video and DVD	1.8	-	-
Other channels	27	-	-

¹ Sum of the market share of all TV channels that belong to certain media group

Table 2 Lithuania's general news websites (compiled by author, data from Gemius Audience 2013 August)¹

Website	Average audience, %	Market share, % ²	Owner	Total share, %
lzinios.lt	2.99	1.18	Achemos grupė	1.18
balsas.lt	34.59	13.68	Balsas.lt leidiniai	16.89
ekonomika.lt	5.43	2.15		
valstietis.lt	2.69	1.06		
vz.lt	23.03	9.11	Bonnier Business Press	9.11
diena.lt	8.71	3.45	Diena Media News	3.45
15min.lt	44.31	17.53	Eesti Meedia	17.53
delfi.lt	56.78	22.46	Ekspress Grupp	22.46
lrytas.lt	35.72	14.13	Lietuvos rytas	14.13
lrt.lt	7.29	2.88	LRT	2.88
alfa.lt	22.89	9.05	MG Baltic	9.05
ve.lt	8.4	3.32	Respublikos leidiniai	3.32

¹ List was compiled from TOP100 (by their audience reach) websites in Lithuania, taking in account news websites that publish general news.

² Market share was counted proportionally only between selected websites (average audience x 100 / sum of all listed websites' in reached average audience.)

Table 3 Lithuania's radio market by the spent time listening (compiled by author, data from TNS 2012, Lietuvos radijo ir televizijos komisija)

Radio	Market share, %	Owner	Total share, %
KF 105.4	0.4	-	0.4
Other	1.7	-	1.7
Recorded music	0.4	-	0.4
FM 99	0.2	Alytaus radijas	0.2
Tau	0.8	Artvydas	0.8
Extra FM	0.4	Interbanga	0.4
Geras FM	0.1	Jurgena	0.1
Laisvoji banga	0.5	Laisvoji banga	0.5
LRT Klasika	0.8	LRT	20.1
LRT Radijas	18.9		
LRT Opus	0.4		
Laluna	2.3	M-1	38.2
Lietus	13.1		
M-1	16		
M-1 Plus	5.7		
Raduga	1.1	Modern Times Group	4
Power Hit Radio	4		
Pūkas	6		
Pūkas 2	0.2	Pūkas	6.2
Kelyje	1.9	Radijas kelyje	1.9
Pulsas	0.2	Radijo pulsas	0.2
Classic Rock FM	0.4	Radiocentras	17.4
Radiocentras	6.7		
Relax FM	0.2		
Ruskoje radio Baltija	6.5		
ZIP FM	3.6		
European Hit Radio	1.3	Radiola	1.3
Hot FM	0.5	Rodiklis	0.9
Kapsai	0.4		
Saulės radijas	0.4	Saulės radijas	0.4
A2	1.6	V. Ivanausko IF "Vydas"	1.6
Žinių radijas	2.5	Žinių radijas	2.5
Znad Wilii	0.6	Znad Wilii radijo stotis	0.6
Žemaitijos radijas	0.2	-	0.2

Table 4 Lithuania's daily newspaper market (compiled by author, data from TNS 2012, stirna.info)*

Daily newspaper	Average audience, %	Market share, %	Owner	Total share, %
Lietuvos žinios	1.7	3.58	Achemos grupė	3.58
Verslo žinios	1.9	4.00	Bonnier Business Press	4.00
Kauno diena	3	6.32	Diena Media News	10.32
Klaipėda	1.9	4.00		
Lietuvos rytas	13.6	28.63	Lietuvos rytas	28.63
Sekundė	1.8	3.79	On Media	3.79
Vakaro žinios	12.1	25.47	Respublikos leidiniai	49.68
Respublika	5.4	11.37		
Šiaulių kraštas	3.6	7.58		
Vakarų ekspresas	2.5	5.26		

* Market share compiled according to the reached average audience of TOP10 daily newspapers in Lithuania

Table 5 Lithuania's monthly newspaper market (compiled by author, TNS 2012, stirna.info)*

Monthly magazine	Average audience, %	Market share, %	Owner	Total share, %
Psichologija Tau	2.1	5.90	Žmogaus studijų centras	5.90
OHO	2.6	7.30	UPG Baltic	12.36
OHO Litas	1.8	5.06		
Sodo kraitė	2.2	6.18	Tautodailė	6.18
Rankdarbių kraitelė	1.9	5.34	Septyni menai	5.34
Medicina ir dar kai kas visiems	2	5.62	Medicina visiems	5.62
Sodo spalvos	2.5	7.02	Katikauga	7.02
Panelė	3.7	10.39	Ekspress Grupp	26.69
Moteris	3.5	9.83		
Cosmopolitan	2.3	6.46		
Laima	2.8	7.87	Eesti Meedia	15.45
Edita	2.7	7.58		
Iliustruotas mokslas	1.9	5.34	Bonnier Business Press	5.34
National Geographic	1.8	5.06	Alma Litera	5.06
Moters savaitgalio patarimai	1.8	5.06	Alga	5.06

* Market share compiled according to the reached average audience of TOP15 monthly newspapers in Lithuania (average audience x 100 / sum of all listed monthly newspapers' in reached average audience.)

Table 1 Advertising income in Lithuania in million LTL (compiled by author, data from TNS, 2012)

	2008	2009	2010	2011	2012
TV	231	145	154	162	163
Magazines	70	36	34	35	35.1
Newspapers	135	72	60	60	55.89
Radio	39	28	26	27	26.91
Internet	30	20	25	28	34.16

Greetings, I am 2nd year student at Vilnius Gediminas Technical university. I am writing my final thesis and intend to find out if it does matter for Lithuanians who are the owners of mass media outlet. Please spare a few minutes and fill this survey. Confidentiality is guaranteed.

1. Is it important for you who manages media outlet that you use? (If chose no, proceed to question no. 6)

- ☐ Yes
☐ No

2. Do the owners of media outlet influence its objectivity (Several choices available)

- ☐ Make positive influence
☐ Make negative influence
☐ Make no influence
☐ I do not know

3. Does the quality of media outlets differ between outlets owned by local and foreign businessmen?

- ☐ Media outlets owned by foreign businessmen show better quality
☐ Media outlets owned by local businessmen show better quality
☐ I do not see any difference
☐ I do not know

4. How much will you trust media outlet, if its owners were from: (1 – lowest trust, 5 – highest)

Lithuania (local businessmen)	1	2	3	4	5
Estonia	1	2	3	4	5
Latvia	1	2	3	4	5
Nordic countries (Sweden, Norway, Finland, Denmark)	1	2	3	4	5
Remaining European Union members	1	2	3	4	5
Russia	1	2	3	4	5
Commonwealth of Independent States (besides Russia)	1	2	3	4	5
USA	1	2	3	4	5

5. If you do not like the owners of media outlet, you:

- ☐ Choose other media outlet
☐ Do not pay attention and further use tht media outlet
☐ You trust it less but use further

6. What type of news you usually read (several choises available)

- ☐ Politics
☐ Business
☐ Foreign
☐ Criminal
☐ Sports
☐ Technology

- ☐ Gossip and similar (celebrities, fashion, relationship advices, health)
- ☐ Leisure (music, cinema, TV, culture)
- ☐ Other

7. Your gender:

- ☐ Man
- ☐ Woman

8. Your age:

- ☐ less than 18 years
- ☐ 18-24
- ☐ 25-29
- ☐ 30-34
- ☐ 35-39
- ☐ 40-45
- ☐ 46-49
- ☐ More than 50

9. Your status:

- ☐ Studying in school
- ☐ Studying in university, college
- ☐ Working
- ☐ Studying and working
- ☐ Unemployed

10. Monthly income:

- ☐ Less than LTL 500
- ☐ 500-1000
- ☐ 1001-1500
- ☐ 1501-2000
- ☐ 2001-3000
- ☐ 3001-4000
- ☐ More than 4000

Thank you for your answers!

Table 1 Results of the survey (compiled by author)

Is it important for you who manages media outlet that you use? (If chose no, proceed to question no. 6)					
Answer		Choises		Ratio, %	
1. Yes		96		63.57	
2. No		55		36.67	
Total		151		100.00%	
Do the owners of media outlet influence its objectivity (Several choices available)					
Answer		Choises		Ratio, %	
1. Make positive influence		26		23.21	
2. Make negative influence		73		65.18	
3. Make no influence		4		3.57	
4. I do not know		9		8.04	
Total		112		100.00%	
Does the quality of media outlets differ between outlets owned by local and foreign businessmen?					
Answer		Choises		Ratio, %	
1. Media outlets owned by foreign businessmen show better quality		55		57.29	
2. Media outlets owned by local businessmen show better quality		2		2.08	
3. I do not see any difference		23		23.96	
4. I do not know		16		16.67	
Total		96		100.00%	
How much will you trust media outlet, if its owners were from: (1 – lowest trust, 5 – highest)					
	1	2	3	4	5
1. Lithuania (local businessmen)	13 (13.54%)	24 (25%)	40 (41.67%)	14 (14.58%)	5 (5.21%)
2. Estonia	6 (6.25%)	17 (17.71%)	36 (37.5%)	29 (30.21%)	8 (8.33%)
3. Latvia	12 (12.5%)	31 (32.29%)	37 (38.54%)	16 (16.67%)	0
4. Nordic countries (Sweden, Norway, Finland, Denmark)	2 (2.08%)	3 (3.13%)	13 (13.54%)	43 (44.79%)	35 (36.46%)
5. Remaining European Union members	3 (3.13%)	9 (9.38%)	42 (43.75%)	36 (37.5%)	6 (6.25%)
6. Russia	78 (81.25%)	12 (12.5%)	5 (5.21%)	1 (1.04%)	0
7. Commonwealth of Independent States (besides Russia)	42 (43.75%)	34 (35.42%)	12 (12.5%)	6 (6.25%)	2 (2.08%)
8. USA	16 (16.67%)	14 (14.58%)	30 (31.25%)	31 (32.29%)	5 (5.21%)
Total	172 (22.4%)	144 (18.75%)	215 (27.99%)	176 (22.92%)	61 (7.94%)
If you do not like the owners of media outlet, you:					
Answer		Choises		Ratio, %	

1. Choose other media outlet	26	27.08
2. Do not pay attention and further use tht media outlet	8	8.33
3. You trust it less but use further	62	64.58
Total	96	100.00%
What type of news you usually read (several choises available)		
Answer	Choises	Ratio, %
1. Politics	90	15.68
2. Business	109	18.99
3. Foreign	97	16.9
4. Criminal	28	4.88
5. Sports	42	7.32
6. Technology	79	13.76
7. Gossip and similar (celebrities, fashion, relationship advices, health)	54	9.41
8. Leisure (music, cinema, TV, culture)	55	9.58
9. Other	20	3.48
Total	574	100.00%
Your gender:		
Answer	Choises	Ratio, %
1. Man	68	45.03
2. Woman	83	54.97
Total	151	100.00%
Your age:		
Answer	Choises	Ratio, %
1. less than 18 years	0	0
2. 18-24	46	30.46
3. 25-29	72	47.68
4. 30-34	12	7.95
5. 35-39	6	3.97
6. 40-45	9	5.96
7. 46-50	1	0.66
8. More than 50	5	3.31
Total	151	100.00%
Your status:		
Answer	Choises	Ratio, %
1. Studying in school	1	0.66
2. Studying in university, college	16	10.6
3. Working	98	64.9
4. Studying and working	33	21.85
5. Unemployed	3	1.99
Total	151	100.00%
Monthly income:		
Answer	Choises	Ratio, %
1. Less than LTL 500	6	3.97
2. 500-1000	14	9.27
3. 1001-1500	22	14.57
4. 1501-2000	17	11.26

5. 2001-3000	42	27.81
6. 3001-4000	30	19.87
7. More than 4000	20	13.25
Totaol	151	100.00%

Table 112 “Owners make positive influence on outlet’s objectivity” and respondent’s sex correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.187	.079	-2.318	.022 ^c
Ordinal by Ordinal	Spearman Correlation	-.187	.079	-2.318	.022 ^c
N of Valid Cases		151			

Table 2 “Is it important who manages media outlet” and respondent’s sex correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.187	.079	2.326	.021 ^c
Ordinal by Ordinal	Spearman Correlation	.187	.079	2.326	.021 ^c
N of Valid Cases		151			

Table 3 “Is it important who manages media outlet” and respondent’s income correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.244	.077	3.073	.003 ^c
Ordinal by Ordinal	Spearman Correlation	.241	.079	3.036	.003 ^c
N of Valid Cases		151			

Table 4 “Owners make negative influence on outlet’s objectivity” and respondent’s income correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.176	.082	-2.185	.030 ^c
Ordinal by Ordinal	Spearman Correlation	-.178	.082	-2.203	.029 ^c
N of Valid Cases		151			

Table 5 “Do not know if owner makes any influence on outlet’s objectivity” and respondent’s income correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.196	.075	-2.435	.016 ^c
Ordinal by Ordinal	Spearman Correlation	-.192	.070	-2.383	.018 ^c
N of Valid Cases		151			

Table 6 “Is it important who manages media outlet” and political news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.197	.070	2.449	.015 ^c
Ordinal by Ordinal	Spearman Correlation	.197	.070	2.449	.015 ^c
N of Valid Cases		151			

Table 7 “Owners make positive influence on outlet’s objectivity” and political news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.229	.079	2.876	.005 ^c
Ordinal by Ordinal	Spearman Correlation	.229	.079	2.876	.005 ^c
N of Valid Cases		151			

Table 8 “Owners make negative influence on outlet’s objectivity” and political news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.274	.080	-3.482	.001 ^c
Ordinal by Ordinal	Spearman Correlation	-.274	.080	-3.482	.001 ^c
N of Valid Cases		151			

Table 913 “Does the quality of media outlets differ between outlets owned by local and foreign businessmen?” and political news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.193	.078	2.404	.017 ^c
Ordinal by Ordinal	Spearman Correlation	.240	.079	3.016	.003 ^c
N of Valid Cases		151			

Table 10 “If you do not like the owners of media outlet” and political news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.243	.078	3.051	.003 ^c
Ordinal by Ordinal	Spearman Correlation	.259	.079	3.278	.001 ^c
N of Valid Cases		151			

Table 11 “Is it important who manages media outlet” and business news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.298	.081	-3.810	.000 ^c
Ordinal by Ordinal	Spearman Correlation	-.298	.081	-3.810	.000 ^c
N of Valid Cases		151			

Table 12 “Owners make positive influence on outlet’s objectivity” and business news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.166	.063	2.050	.042 ^c
Ordinal by Ordinal	Spearman Correlation	.166	.063	2.050	.042 ^c
N of Valid Cases		151			

Table 13 “Owners make negative influence on outlet’s objectivity” and business news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.275	.075	3.494	.001 ^c
Ordinal by Ordinal	Spearman Correlation	.275	.075	3.494	.001 ^c
N of Valid Cases		151			

Table 1414 “If you do not like the owners of media outlet” and business news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.192	.082	2.387	.018 ^c
Ordinal by Ordinal	Spearman Correlation	.217	.083	2.719	.007 ^c
N of Valid Cases		151			

Table 15 “Is it important who manages media outlet” and gossip news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.411	.077	5.511	.000 ^c
Ordinal by Ordinal	Spearman Correlation	.411	.077	5.511	.000 ^c
N of Valid Cases		151			

Table 16 “Owners make negative influence on outlet’s objectivity” and gossip news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.307	.076	-3.939	.000 ^c
Ordinal by Ordinal	Spearman Correlation	-.307	.076	-3.939	.000 ^c
N of Valid Cases		151			

Table 17 “Does the quality of media outlets differ between outlets owned by local and foreign businessmen?” and gossip news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.219	.078	-2.741	.007 ^c
Ordinal by Ordinal	Spearman Correlation	-.315	.082	-4.049	.000 ^c
N of Valid Cases		151			

Table 18 “If you do not like the owners of media outlet” and gossip news choice correlation

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.284	.079	-3.610	.000 ^c
Ordinal by Ordinal	Spearman Correlation	-.316	.080	-4.067	.000 ^c
N of Valid Cases		151			