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**GLOBAL MEDIA MARKET: EXPLICIT TRENDS
AND IMPLICIT BUSINESS OPPORTUNITIES**

Abstract:

The growth of the particular global sphere of the economy is a call for action for countries which have the surplus of particular needed resources. The purpose of this paper is to draw attention to the growth of global media industry and availability of appropriate human capital in Russia for expansion into new developing market. During the work we used methods of empirical study such as: data collection and analysis, synthesis and measurement. We worked with official statistics, reports of nonfinancial and consulting organizations. Methods of theoretical study including abstracting, induction and deduction were also used.

As a result, the strategic vision of entering Latin America media market for Russian media enterprises is formed, including the description of the main development trends of the industry. The scheme of RT's media network, as an example of successful expansion in observable sphere, was compiled.

Keywords:

global media industry, human capital, development trends, service economy, media, content, RT, creative consumption

Shifting to service economy and creative consumption

Global economy has dramatically changed in the course of the last 20 years. Since 1995 the global GDP in current US\$ has increased 2.45 times in comparison with the year 2016 [1]. But what is more important is the fact that global GDP composition by sectors of origin has seriously changed as well. In 1995 sector of services produced 58% of global GDP, in 2016 this amount has went up to 63.6% [2]. This trend is going to stay.

Nevertheless, main changes are not related to the numbers. In accordance with Yaroslav I. Kuzminov, a NRU HSE Rector's, the present consumption model will become more creative in the near future as information, knowledge, ideas and meanings – human capital, in general – will become the main trade commodity [3].

Kuzminov's ideas can be supported by the example of global media industry development. During 2010-2015 it has increased at 6.3% compound annual rate (CAGR). According to McKinsey's forecast and preliminary estimates during 2016-2020 CAGR of global media industry will be reach 5.2%. In 2016 the market size was 1.69 trillion in current US\$, in 2020 it will be \$2.06 trillion [4].

In addition to the foresaid, we need to pay attention to the following issues. Firstly, it is obvious that intensive industry growth provides good chances for new players coming into the market, assuming that the potential participant knows market trends and its main features. Secondly, global economy will be different from what it is today in the nearest future, and therefore, the present day is a high time to start “production” of new types of commodities, experiments and re-engineering of economy sectors.

Economic opportunities of developing Latin America media market

Specialists of McKinsey divide global media industry into 6 main regions. The dynamic of their growth can be seen in the Table 1.

Table 1 Total global spending by region¹, US\$ millions (Global Media Report, 2016)

Region	2010	2015	2010– 2015 CARG, %	2016	2020	2015– 2020 CAGR, %
North America	402.75	497.06	4.3	522.12	600.34	3.8
Western Europe	308.86	349.44	2.5	360.64	404.34	3.0
Central and Eastern Europe	31.70	46.17	7.8	48.33	60.84	5.7
Middle East / Africa	23.66	51.29	16.7	56.86	83.45	10.2
Asia Pacific	354.62	533.72	8.5	569.30	720.78	6.2
Latin America	55.30	122.87	17.3	134.21	189.05	9.0
Total	1176.87	1600.55	6.3	1691.47	2058.79	5.2

As it is mentioned in the table, there is a group of fast-growing markets: Middle East/Africa, Asia Pacific and Latin America. Speaking about economic perspective, they seem to be the most preferable ones.

However, media industry has its own features related to communication and one of the most important of them is language. In fact, language is a major barrier prevents the content flow from entering the country, in case the recipients speak different languages.

With regard to Appendix 1, there only two language-homogeneous regions. North America, where English is the most commonly used language and Latin America where Spanish is widely spread (except of Brazil – where Portuguese is spoken). In the Table 2 there are main economic indicators of Latin America countries to estimate their financial position.

According to the 20th edition of study «Ethnologue: Languages of the World» Spanish is the second most spoken language in the world referring to the number of native speakers – around 437 million in 2017 [5]. Regarding the given, provided by the Cervantes Institute in 2017 there are even more native Spanish speakers – around 477 million. In the report of the Institute it was also stated that there are 572 million people across the world who speak Spanish, which is equal to 7.8% of the world population [6].

¹ At average 2015 exchange rates.

Table 2 Main indicators of Latin America countries in McKinsey's report (World Bank, 2016)

Country	Language	Population, ml people (in 2016)	Spanish-spoken, % of country population	GDP per capita, current US\$	GDP, bn current US\$
Argentina	Spanish	43.85	98.1	12449	546
Brazil	Portuguese	207.65	0.26	8649	1796
Colombia	Spanish	48.65	99.2	5805	282
Mexico	Spanish	127.54	96.8	8201	1046
Venezuela	Spanish	31.57	97.3	12237 (year 2013)	371 (year 2013)
Chile	Spanish	17.91	95.9	13792	247
-	55.17% of total Spanish-spoken in the world			-	-

Key global trends of global media industry

In order to enter the new market and, especially, new industry it is important to understand its main drivers. In the Global Media Report prepared by McKinsey 5 key global trends of media industry development were mentioned. In fact, experts have marked out key aspects fostering successful media business integration.

The first trend is related to the transition from traditional to digital media. In 2015 the digital share of total spending in media industry was 45.2%. McKinsey researches expect that digital spending to overtake traditional media spending by 2018 [4].

The second trend is the shift from online to mobile sphere. The media is very often accessed through mobile devices. 44.6% of digital spending in 2015 was captured by mobile. Meanwhile growth in mobile broadband penetration has been creating new opportunities for media spending and advertising, e.g. mobile video games, digital streaming, the media, etc. [4].

The third trend deals with the transition from ownership to open access. It means that more and more people in the world prefer accessing content rather than buying it. McKinsey experts stated that the access spending will overtake ownership spending in 2017 [4].

The fourth trend is connected with the global advertising spending growth. It is believed to be faster than global consumer spending [4].

The fifth trend has to do with the resilience of television. In spite of global digitalization traditional television still appears to be the largest component of the traditional media market. It was around 47% of all non-digital media spending in 2015. Moreover it will be showing growth in the future and accounting for the most part of non-internet advertising following years [4].

These trends denote the fact that in the near future a media company should:

1. Provide its services through digital channels;
2. Adopt the access to its content via mobile devices;
3. Be ready for the main income to be coming from advertising;
4. Take into consideration the importance of TV-channels as a huge niche of media industry.

Successful transnational and multilingual media practices: RT case

In our opinion, transnational and multilingual media serves are good examples of successful taking up of the opportunities mentioned above. One of such media groups is RT.

As it is stated on the official company's web-site, "today RT is a global, round-the-clock news network that includes seven TV channels broadcasting news, current affairs and documentary content, digital platforms in six languages and a video news agency RUPTLY. ... RT is available in more than 100 countries spanning 5 continents" [7].

According to the Ipsos survey of TV news consumption conducted in 2015 in 38 countries 70 million people watched RT channels every week and 35 million did it on a daily basis (Fig.1) [8]. RT was in the top 5 pan-regional news channels in Europe and made top-5 list of most watched international TV news channels in the US.



Fig. 1. Composition of the RT's weekly audience by regions/countries in 2015, mln. People (Ipsos, 2015)

According to comScore, the aggregate number of unique users for all of the RT's websites and YouTube accounts reached 49 million in November 2015. That month RT also was a world leader among non-Anglo-Saxon international TV news channels in terms of worldwide PC audience, ahead of Al Jazeera, Deutsche Welle, Euronews, etc. [9].

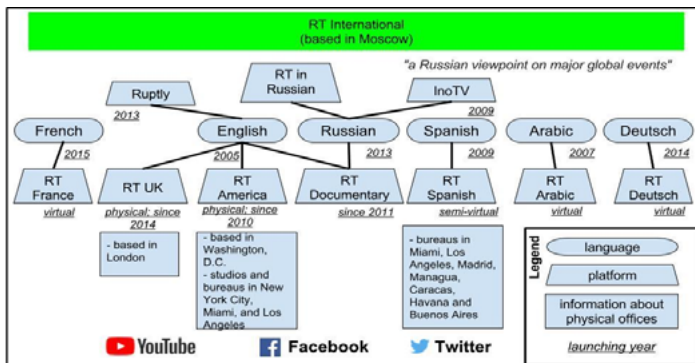
According to comScore study, in the US 59% of RT.com's unique users come from mobile devices, in the UK – 66% (November 2015) [9].

In 2013 RT's YouTube channel became the first TV news channel in YouTube's history to reach one billion views. All RT's channels (around 20) have drawn 5 billion views and 6 million subscribers [7; 10].

In 2017 RT's main English-language YouTube channel has around 2.1 billion views and 2.2 million subscribers. It is quite similar to the figures, presented by the CNN's primary YouTube channel and even higher than Fox News's main channel has. WSJ called it the YouTube's most-watched news networks [10].

The RT's success on the media market is closely linked to its unique content, combination of digital and traditional platform while entering the market, audience's interest in Russian, usage of modern hard and soft media technologies (for example, 360 degrees video content) and the complex promotion including social networks, main of which are YouTube, Twitter and Facebook.

According to A. Lavrova, complex promotion is creation of account in different social networks and simultaneous publication of content. This approach fosters full coverage of target audience [11]. Main parts of today's



network of RT are represented in the Fig. 2.

Fig. 2. Today's RT's media network scheme (RT.com, 2017)

Furthermore, manpower policy of RT is also an important component of its success. In 2005 25-year old Margarita Simonyan became the first youngest ever editor-in-chief of the major TV network. At the beginning there were many freelance reporters working for RT, and as a result, more than 100 journalists delivered news stories from all over the world [7].

Despite the fact that RT is a noncommercial organization financed by the Russian government, its expansion strategy can be used by any big media company. Its main features are digital presence in the Internet (including social nets), TV-broadcasting and creative approach.

Key requirements for the staff of the media company are ability to work 24/7/365, fluency in a foreign language(s), audience-centricity, mental appliance to audience, deep knowledge of culture, sport, politics of the target country, etc. [12]. Requirements stay the same despite of the business size.

The case of the French public national television broadcaster France Television and its department Le département Nouvelles écritures shows that the group of 4 people with the budget of 800 thousand EURO may significantly change the image of the channel [13]. The case confirms that the human factor is a key element for success of a media company, and staff recruiting is among the most important concerns for the manager.

Unused Russian labor forces qualified for global media industry

There are many high school graduates from all over Russia, whose educational background appears to be quite preferable for working in a media industry (here we are talking about creation of content and working with people). Ironically, under the conditions of the current Russian labor market those graduates are normally offered quite low salaries and, moreover, they also have certain difficulties with employment. We can observe this situation by the example of UrFU graduates [14] (Table 3).

Table 3 Information about UrFU graduates of different academic majors in 2014-2015, 2015-2016 academic years (Ministry of Education and Science of the Russian Federation, 2017)

Specialty	Number of graduates, people	Average salary, RUR	Level of employment, %	Desirable background for media industry (yes/no)
Academic year	2015-2016			
Psychology	31	17900	64,5	yes
History of arts	17	21923	64,7	yes
International relationships	13	33480	69,2	yes
Philosophy	65	26545	75,4	yes
Design	40	15267	76,9	yes
Palynology	9 25814 77,8			yes
Linguistics and study of literature	135	25330	78,4	yes
Journalism	51	26469	80,4	yes
Machine building	344	43022	91,3	no
Material technology	306	35349	91,5	no
Academic year	2014-2015			
Psychology	10	23470	50	yes
History of arts	71	21947	75,4	yes

International relationships	33	19304	75,8	yes
Philosophy	69	24827	76,5	yes
Design	10	34460	80	yes
Palynology	144	22875	81,1	yes
Linguistics and study of literature	130	23136	82,9	yes
Journalism	43	20609	85,7	yes
Machine building	308	36108	86,2	no
Material technology	295	33007	91,8	no

The situation with employment process of UrFU graduates seems to be similar to other universities and regions of Russian Federation. People graduated from in essence creative academic majors appear in worse conditions than those who finished machine building, material technology or IT specialties. Moreover, graduates from creative specialties get a lower salary.

Wide opportunities on international media market, for example, in Latin America, and low demand for the graduates who can potentially work in media companies in Russia create conditions for launching media companies, oriented on foreign audience, in Russia.

Concerns and conclusions

During realization of the proposed model – exporting content from Russia to countries of Latin America – several challenges and barriers can appear. Let's denote them, dividing into short run and long run groups.

In a short run the model can be confronted by following difficulties:

- the lack of specialists who speak Spanish fluently;
- staff recruitment may be expensive;
- YouTube monetization policy is changing now which affects new developing YouTube channels (they don't receive money for their content).
- Russia is still affected by the Western sanctions. Launching numerous media ventures in Russia may be interpreted as a soft power arising.

In a long run the main concern is an unstable situation in countries of

Latin America and Spain (Catalonia crisis) can stop economic growth in the Spanish-spoken communities which may slow down digitalization process and make the audience unattractive for advertisers.

The shift of global economy to rendering of services and creative consumption seem to be an unavoidable process. The earlier country, Russian states, private investors and entrepreneurs see the opportunities and start entering this market, the better strategic position they will have. The global media industry is only one of the new economy sectors. But it could open chances for better economic and political relationships with target countries, regions and even cultures.

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Appendix 1

Counties which participated in McKinsey & Company's Global Media Report 2016 (Global Media Report, 2016)

Region	Countries
North America	United States, Canada
Western Europe	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom
Central and Eastern Europe	Czech Republic, Hungary, Poland, Romania, Russia, Turkey
Middle East/Africa	Israel, Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria and the United Arab Emirates, South Africa
Asia Pacific	Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam
Latin America	Argentina, Brazil, Chile, Colombia, Mexico, Venezuela