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BUSINESS MODELS OF THREE BULGARIAN TRADITIONAL MEDIA IN THE DIGITAL ERA

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Abstract: "The new will kill the old". It is in human nature to be afraid of the new and to try to keep the old. It is also in human nature to embrace the new and to abandon the old. In the business world there is no place for fear. In business, threats are seen as challenges and opportunities. The appearance of the Internet was first considered as a threat to the "old" media, but technology development has opened new opportunities and also set new challenges. New business models have emerged to adapt to the digital reality and strengthen their positions in the market. This paper aims at exploring the prevailing strategies of three leading Bulgarian traditional media and to reveal the key factors for success. Qualitative analyses of observation and quantitative analysis of secondary research data overcome the shortcomings of mediametrics. The principal results stipulate that traditional media have adopted business models that consider the specifics of the industry, the development of digital technology and the expectations of consumers and advertisers. Their success is due to the preservation of their historical advantages as source of information and their ability to adopt the changes. The business models of Bulgarian media are in line with current global trends and reflect the opportunities provided by the development of new technologies and omnipresent digitalization. The most successful are the media, which constantly study their audience and manage to lead the transformation. The paper contributes to the better understanding of the changing media landscape in Bulgaria and the key factors for traditional media in a world dominated by social media.

Keywords: business model, traditional media, Bulgaria, audience

Introduction

Shall the new kill the old? It is in human nature to be afraid of the new and to try to keep the old. It is in human nature to embrace the new and to abandon the old as well. Each time in history a new media appears, it questions the existence of the old. Radio was a threat to the press, TV to both press and radio, Internet to traditional media. And each time the old survived, each time it adopted and took advantage of the new reality. The coexistence of traditional media was stable for many years thanks to the clear distribution of their tasks: the radio reported, the TV showed and the press explained. The Internet came to question the status quo and the media had to reconsider their business at an early stage. The press was no longer limited to the print; the radio was no longer limited to the sound; TV was no longer limited to the video. To face this new challenge, traditional media had to innovate, to take advantage of technology, to reshape their form without losing their primary function of source of information. They had to undergo reformation (Linz, Mller-Stewens, and Zimmermann, 2017). One

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possible way of protecting their status as media in the traditional sense was to prioritize content quality over speed and to keep on delivering additional value to their customers. What they needed to do was to adopt new business models. And this with no clear instructions to follow, no grounded theory to lead them, with no much previous experience and no clearly successful examples to get inspired by. Traditional media had to innovate or copy strategy from their rivals. Many didn't make it. Especially in print, many newspapers disappeared and were quickly replaced by online content providers. These new entrants to the industry changed the rules of the game and forced incumbent companies to adapt. The keys to their success were a clear vision for the future, flexibility, adaptability and a unique value proposition. Traditional media had significant competitive advantages to retain: they had professional teams, know-how for business and a loyal audience. Successful companies managed to migrate partially or fully online without losing their original mission. Their business models aroused our interest and the cases of three of them are subject to our study.

Study background

The topic of how traditional media face the challenge of the Internet is not new to the author. Back in 2007, we tried to answer the question was it a threat or an opportunity (Konstantinova, 2007). In a 2009 paper we built a model and evaluated the online strategies of Bulgarian newspapers. Four strategic goals have been formulated: enlarge the readership; increase the revenue from single copy and subscription sales; increase the advertising revenue; fortify and strengthen the brand. Five specific questions about the relationship between the offline and online versions of each newspaper have been formulated: the originality of the online content, the online structure, the access and the payment model, combination of offline and online usage. Answers to these questions could help detect the current business models of traditional media. The sample consisted of three economic dailies and two economic weeklies (Konstantinova, 2009). By now, only one of the dailies survived - merged with one of its rivals; the third one had a short history and quickly disappeared. The survivor – *Dnevnik* exists in online form only and is part of this study's sample along with the two biggest private national TV channels. The research interest is to trace what has changed in the last almost 15 years, what are the current strategies the Bulgarian media apply, what business models they adopt.

Literature Review

The theoretical background of this paper is based on the fundamentals of media economics and media management and the recent development of business model concept. It is supported by several case studies which explore the business models adopted by traditional media in specific circumstances. Most of those studies are concentrated on media in a particular country and consist of a comparison of business models used by different titles. The review of relevant secondary sources helped formulate the research questions and the research objectives.

Research problem

Bulgarian media adopt business models to face changes in the social and economic environment and take advantage of the development of technology. The research problem of this paper consists of exploring models used by leading Bulgarian media digital times in light of the variety found in numerous research papers.

Research objectives

The objectives of this paper are formulated as follows: (1) To reveal the business models that Bulgarian media adopt; (2) To detect factors that affect their choice of business models; (3) To understand factors that suppose changes in business models.

Media economics and media management foundations

Media exist because there is information they may transfer, but also because there are technologies which make this transfer possible and because there is an audience that demands and values this information. Contemporary media are products of the convergence between content and information, communication technologies and computer networks. The appearance of new media is considered as a threat but also as an opportunity for old ones. The new entrant will compete with the incumbents for customer satisfaction, consumer time and advertising revenues. If the old media does not change it will be excluded, replaced or displaced by the new one which survives, grows, competes and prospers by providing utility or gratification to the customers. Each time a new competitor enters the market, a new relationship also emerges – the relationship between the old and the new. The old should find a way to take advantage of or to affront the new competitor. This is the logic of the establishment of the relationship between traditional and new media.

Traditional media are sold in two interdependent markets: once the content is sold to the audience (readers, listeners and viewers), then access to this audience is sold to the advertisers in the form of advertising space and time. This characteristic is referred to as two-sided market and distinguishes media markets (along with other cultural and information industries) from the typical one-sided markets. Among other specifics of the media industries are the importance of economies of scale and scope, predetermined by high entry and exit barriers and the network effects that often stem from technological compatibility. The direct network effect consists of new users of the service increasing the network while, thanks to the indirect effect, the new user increases sales, thus contributing to economies of scale which may lead to reduced prices. The network effect occurs in two-sided markets as the media one: advertising revenues subsidize the audience market. Digitalization and the growth of the Internet created new opportunities for media companies and increased the economic significance of media networks (Doyle, 2013). The absence of the network effect has slowed down the transformation of press, radio and TV technologies into media.

On their two markets, media companies face two qualitatively different competitive constraints: the rise of revenues from consumer payments is constrained by the offer of close substitutes and the rise of advertising revenues is constrained by the number of direct and indirect competitors (Kind, Nilssen, and Sorgard, 2009). Media companies adopt strategies in the face of dynamic changes in the business environment mostly driven by digitalization, the spread of the Internet and mobile devices. The traditional sectoral and product market boundaries have been blurred out. Number of perceived distribution outlets constantly increase to open possibilities to reshape media content into different formats and sell it through multiple channels. The interactivity of the content changes the balance of power between suppliers and customers in the favor of the latter (Doyle, 2013).

Business models

The business model concept logically links to strategic management and may be considered a source of competitive advantage or a pathway to competitive advantage if it is differentiated enough and hard to replicate for competitors. The challenge lies in the fact that elements of business models are transparent and easy to imitate. Multiple competitors share successful business models (Teece, 2010). Linz *et al.* (2017) distinguish four stages of the emergence and debate on business model concept: Internet era (1993-1999), innovation era (from 2000 on), taxonomy era (from 2003 on), transformation era (from 2011). Their co-existence reflects the vivid discussion and diverse scientific production in the field.

Two major trends in the media industries and the technological environment observed in the last two decades should be considered by management when selecting or modifying business models. The first one consists of multiple changes in media markets. The classical revenue models of traditional media consist of selling the primary product at a low price – insufficient to cover costs - and appealing to advertising revenue to cover the remaining and provide profit. With the spread of the Internet, media companies have to reconsider the balance between consumer payments and advertising. Important parts of advertising budgets have been transferred to new websites, which have eroded newspaper industry business and many titles went out of business. A substantial increase in online news consumption, particularly of social media and online websites, increases competition from a wider range of options for information traditional media need to face (Casero-Ripollés and Izquierdo-Castillo, 2013). Print media are unable to transform the increased demand into the financial intake and monetize the increased audience without changes in their business models. The information industries face challenges in pricing their products: the information itself is often difficult to price and consumers may obtain certain types of it for free (Teece, 2010). Foundations of business strongly decline (Casero-Ripollés and Izquierdo-Castillo, 2013). The speed of content production and distribution is increasing and the pace of digital development shortens the technology lifecycles in the media industry (Rachinger, Rauter, Mülle, Vorraber, and Schirgi, 2019). Some authors detect a trend of lower reliance on final customer payments (Kind, Nilssen, and Sorgard, 2009). The more difficult capture of advertising value of additional audience declines the returns to underpricing content (Godes, Ofek, and Sarvary, 2009). The continuous fall in advertising revenues – both print and online – and the limited reader's acceptance of subscription-based models challenges media companies to monetize content consumption across media formats and per usage (Linz, Mller-Stewens, and Zimmermann, 2017).

The second one is the dynamic technological progress. Digitalization is by far the most important trend that leads to changes in most industries. It is most often viewed as the main factor affecting both the selection and transformation of business models. Traditional media have migrated to the web and this transition has been facilitated by advances in information and communication technologies which are marked by digitalization. It is not surprising that leading traditional media not only boost their online presence but many (especially print) abandon their traditional form in favor of online-only platforms. It has altered the behavior of customers in both markets and has provoked changes in both income streams. Advertising continues to migrate towards the digital environment (Casero-Ripollés and Izquierdo-Castillo, 2013). The mobile revolution added new opportunities for distribution of media content. Block chain technology can also be a game changer (Linz, Mller-Stewens, and Zimmermann, 2017).

Several definitions of business models may be found in recent papers. A systematization of major definitions is made by Foss and Saebi (2018). Ritter and Lettl (2018) identify five complementary perspectives which offer a comprehensive framework for the strategic options available to companies: business-model activities, logics, archetypes, elements, and alignment. Based on the leading assumption and central points, they may be generally classified in the following way: customer, goal, logic and architecture of activities. According to Teece (2010), a business model reflects consumer changing needs, behavior and the expected competitor responses to construct value propositions that are compelling to customers. Massa *et al.* define the business model as "a description of an organization and how that organization functions in achieving its goals" (2017, p.73). According to Chesbrough and Rosenbloom (2002) the dominant logic is a set of heuristic rules, norms and beliefs managers create and use as a guide to their actions. Jääskeläinen, Yanatma and Ritala define the business model as "the logic of how a firm operates, creates value for its stakeholders, and captures value" (2021, p.5). Teece also states that "a business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers."(2010 p.173) And further gives one of the most developed definitions that links the business model to the benefits delivered to customers:

> "A business model describes the design or architecture of the value creation, delivery, and capture mechanisms [a firm] employs. The essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit." (Teece, 2010, p.179)

The central point in the business models concept is value capture - the supply side of delivering value to customers. Or the goal is to deliver value and capture a share of it. This is a sensitive topic for traditional media industries, as already mentioned above: the revenues for the content sales cannot cover the expenses for the production. The advertising revenues alone cannot cover it either. Companies need to deliver considerable value to the customer and transfer that into revenue by implementing payment systems for access to their online content (Casero-Ripollés and Izquierdo-Castillo, 2013).

Linz *et al.* draw two dimensions that may be used to map the generic types of business models (BM): the inclusiveness of transactions and the customization of offering dimensions. The four models are referred to: product BM (low degree of inclusiveness and customization), platform BM (high degree of inclusiveness and low degree of customization), the project BM (low degree of inclusiveness and high degree of customization) and the solution BM (high degree of inclusiveness and customization) (2017, p.19). Casero-Ripollés and Izquierdo-Castillo suggest the payment-free dichotomy as a simpler starting point for the classification of business models into five main types (2013). In this paper, the main business models identified by researches to be used by media companies will be listed, organized in groups according to the way they reflect the market conditions. The first group consists of business models that rely on a single revenue source. The second group unites business models that reflect the duality of media markets and combine sources of revenue. The third group is composed of technology-driven business models which take advantage of digitalization to personalize consumer experience. This will be further used to place the business models of Bulgarian media from our sample and conclude whether they comply with the mainstream or rather find their own unique combination of elements. The starting point could be the principal revenue source.

The first BM, called by Casero-Ripollés and Izquierdo-Castillo "all paying or pay-wall" (2013) does not reflect the two-side media market. The company is financed purely by consumer payments and not by advertisings. Examples of limited use of this model are CNN and The New York Times from 2005 to 2007 (Kind, Nilssen, and Sorgard, 2009), and The Wall Street journal, which a lost significant part of its audience soon after adopting the model. Similar is the second BM, which consists of a direct charge for content (Kind, Nilssen, and Sorgard, 2009) or the classical pay-per-view in which media monetizes content consumption across media formats and per usage (Linz, Mller-Stewens, and Zimmermann, 2017). The third BM relies fully on advertising. The media offers content for free and is "advertiser-supported". This model is adopted by free newspapers which do not charge readers. An example of a media financed purely by advertising is CNN which abandoned the first BM in 2007 (Kind, Nilssen, and Sorgard, 2009) and The Guardian (Casero-Ripollés and Izquierdo-Castillo, 2013). A "donations" model could be added to this group. It practically ignores the market rules and makes the media dependent on voluntary contributions (Casero-Ripollés and Izquierdo-Castillo, 2013).

The fourth BM reflects the triple relationship media-audience-advertisers of classical media management and consists of underpriced content which generates additional customer impressions leveraged in the advertising market (Godes, Ofek, and Sarvary, 2009). Most media rely on this model in both their traditional and online and mobile forms. The fifth BM suggests more unique content upon online subscription or "freemium" (Teece, 2010, Casero-Ripollés and Izquierdo-Castillo, 2013). It combines free access to last-minute news and charges for higher value-added content. Examples are Norwegian broadcaster TV2 and The Wall Street Journal (Kind, Nilssen, and Sorgard, 2009). The sixth model allows free access to limited content and requires payment for going over this limit and is referred to as "metered" (Casero-Ripollés and Izquierdo-Castillo, 2013).

The remaining models are based on the newer advances in digital technologies and media industries: the seventh is defined as "anything-as-a-service" (Rachinger, Rauter, Mülle, Vorraber, and Schirgi, 2019) and emerged where platforms with business networks and ecosystems are promoted. The eighth one is defined as "servitization" and represents a fundamental shift in customer value proposition towards co-creation and individualization (Linz, Mller-Stewens, and Zimmermann, 2017). The last two BM are referred to as innovative and data-driven (Rachinger, Rauter, Mülle, Vorraber, and Schirgi, 2019).

The four generic business models could be added here or the listed models could be mapped on the dimension proposed by Linz *et al.* (2017). This list could never be exclusive as they are not drawn from a ground theory but rather observed as adopted by different companies. As the advance in digital technologies is considered the main factor for the establishment and upgrade of business models, we may expect new business models to emerge or existing ones to further be developed in the near future.

Factors that affect the choice of business model

Several factors affect the choice of business model made by media companies. It would be difficult to clearly distinguish them from each other as many overlap and affect business simultaneously. However, major groups may be delimited: the first group consists of technological factors. Digitalization is considered the most important one, but some include the Internet as an equally important phenomenon. The other group consists of industry-specific factors such as the structure of the industry and nature of the competition. This second group of factors is present in all studies in media economics and media management and is referred to as characteristics of the demand and supply. Kind, Nilssen, and Sorgard (2009) determine digitalization of TV signals and fundamental economic forces as factors that may explain the growth of pay-TV.

Digitalization affects media industries in a variety of ways: it eliminates barriers for new entrants, facilitates content production and distribution, opens opportunities for better metrics and personalization of consumer content. It has the potential to generate and capture value in the media industry, simplify company processes, increase production efficiency, accelerate content production and distribution. It facilitates data collection on customers, identification of consumer groups to which to offer tailor-made content and thus influence customer behavior. Social media platforms, digital distribution and personalization are valued by both customers and advertisers. The latter may have access to real data about the former. This may be used by media companies to generate additional revenue in both markets (Rachinger, Rauter, Mülle, Vorraber, and Schirgi, 2019).

The growth in online content has redirected the demand from print newspapers and has been a reason for the decline in many, while raising the dependence of the survivors on advertising revenue (Kind, Nilssen, and Sorgard, 2009). The growth of the Internet has made reappear in a transparent way the questions about delivering value to customers, and capturing value from offering information services that are expected to be received for free. This additionally empowers consumers (Teece, 2010). Technological progress made it possible for TV channels to rely more on consumer payments as the advent of encrypted digital signals allowed them to directly charge their viewers (Kind, Nilssen, and Sorgard, 2009).

The unique structure of media industries should be taken into account to understand media companies' behavior and explain deviations from standard theory (Godes, Ofek, and Sarvary, 2009). The two-sided nature of media markets is the first particularity which is considered in media economics and also implies qualitatively different competition in consumer and advertising (Kind, Nilssen, and Sorgard, 2009). Fundamental economic forces affect media revenue. The existence of close substitutes both intra and inter media reinforces the relative importance of advertising revenues as it refrains companies from introducing payment or increasing prices for content. Such an increase may repulse consumers and make them switch to alternative media products. The reaction of the advertisers would be similar. This move is admissible only if competition comes from products which are not close substitutes or the content is of greater inherent value. The advertising revenue increases when the content generates more consumer impressions (Godes, Ofek, and Sarvary, 2009, Kind, Nilssen, and Sorgard, 2009). Consumer behavior also changes. Exposed to a greater variety of information sources, customers have become more demanding in terms of flexibility in the delivery of the content and less demanding in terms of the reliability of the information and the respect of journalistic standard. Some content offered in paid traditional media is accessible for free, which makes consumers resistant to paying.

Factors that affect business model change

Companies undertake changes in business model when changes in the environment render the current one obsolete. Technological innovations bring new platforms and business models to the media industries. Reactive following of changes is not effective, they must be anticipated and companies need to be proactive and take advantage of the network effects. The search for new business models is a key goal for traditional media within the broader context of digital conversion. Linz, Mller-Stewens and Zimmermann (2017) emphasize two megatrends that lead business model trasnfromation: digitization and service orientation. Rachinger *et alii* (2019) highlight the mobile revolution, social media or the power of analytics as principal drivers of the digital transformation of business models which forces but also enables companies to innovate. The ongoing transformation of media increases the role of digital platforms and made industries transform their business models into platform-based to taking advantage of the benefits and efficiencies of multi-sided markets. This requires close observation of the value creation elements on both sides of the platform. Incumbents can benefit from customer loyalty and capabilities to build a business. Customer feedback and entrepreneurial change may let a strategy (Jääskeläinen, Yanatma, and Ritala, 2021).

Changes become urgent whenever a new media emerges. With the development of digital technologies and the proliferation of the Internet many aggregate websites and personal webpages penetrate the media market pretending to offer information. Their existence cannot be ignored, and professional information providers should respond to this new competition by adapting business models to the new reality without changing their role of traditional media. Once again, digitalization is the main factor that makes such changes inevitable and simultaneously offers instruments for facing the new reality. New entrants in an industry either capture market share or enlarge the market. Incumbents need to closely examine to what extent customers perceive the new products as close substitutes to the existing ones and react accordingly. The penetration of strong close substitutes requires reconsideration of value capture to avoid loss of customers and consequent loss of advertising revenues. However, an automatic decrease of the price may lead to considerable loss that can hardly be compensated with an uncertain increase in sells (Godes, Ofek, and Sarvary, 2009).

The two-way interaction may emerge from evolving digital technologies and become a radical strategic move towards a new value proposition and a platform business model. Jääskeläinen, Yanatma and Ritala (2021) study the case of the Austrian News Agency graduate implementation of a platform-based business model. The value proposition consists of full coverage of national media content, royalties for media content providers to participate on the platform, self-service on the platform with low marginal costs owed to the use of technology. The effects of the new business formulas on media systems are hard to evaluate (Casero-Ripollés and Izquierdo-Castillo, 2013).

Bourreau, Gensollen and Moreau (2012) have analyzed the impact of digitalization on business models in the recorded music industry and have concluded that companies need to invest in finding ways to systematically experiment with business models. They suggest careful observation of competitors' experience with alternative business models and some coordination among competitors. This suggestion underlines the interdependence between companies in the media industries and the effect that each competitor's move has to the others.

Materials and Methods

This paper examines the online business models of three traditional media in Bulgaria. The focus is on their online presence, the balance between consumer payments and advertising or revenue model and value capture. The case study approach has been adopted as the research aims at revealing specific features of the sample units rather than generalizing findings. Observation is privileged as data collection method. We consider the fact that business models are not directly observable. As Foss and Saebi assert, "we observe specific constellations of activities dedicated to value creation, delivery and appropriation" (2018, p.10). Our constellation consists of the following variables: existence of a traditional version; existence of an online version; existence of a mobile version; access to the content; payment scheme. These elements allow us to draw conclusions about the business models adopted by each sample unit and compare it to the list above.

The interview as a method might have given deeper insight to companies' decisions and may be considered for future research. The purposive sampling technique has been adopted as it allows the researcher to select units of analysis that may provide meaningful findings. The sample consists of three Bulgarian traditional media: BTV and NOVA TV channels and Dnevnik daily newspaper. They have been selected as pioneers in the online presence of traditional media – the first to develop online site, to publish content online or to adopt new technologies. All three may be considered market leaders in terms of media use, trust and business vision. Short, relevant information about each media history and modifications is presented and systemized. As a result, the approaches for value capture and the business model of each of the sample units are highlighted. Secondary data from Standard Eurobarometer (European Commission, 2024) are used to support observation and provide justification for the adopted business models. These data are collected through face-to-face interviews and give the consumers' self-evaluation of media use. The advantage of this source is its regularity and compatibility, which allows longitudinal and comparative analysis between European Union countries.

BTV is the first private national TV channel, created in 2000. Its online strategy includes the development of new platforms and constant optimization of new services (Павлова, 2024). Since 2008, TV content may be accessed online for free upon registration. The official web page provides additional content (made for the web) and information about the TV content. In 2009, two new thematic channels are created: BTV Comedy and BTV Cinema. In 2010, after a change in ownership, two new channels join the group – Pro.bg (currently BTV Action) and Ring.bg. The web page is transferred into a multi-thematic portal with news, TV content, consumer content, information, archive, specialized web content and links to all thematic channels. The main sections have own vision and structure and are shaped as separate products (Павлова, 2024). Registered customers have access to personal achieve, may publish and comment. However, no community around the platform has been built up so far. By 2013, functionalities such as a fan zone, forums, blogs and online radio are already available. In 2012, news website and mobile application were launched. The sports events streaming and archives migrate to a paid portal VOYO along with exclusive and premiere content. By 2024, customer content may be uploaded to a special section and mobile application. Social media and networks are also used for content distribution and customer engagement (Павлова, 2024).

NOVA TV was the first one to develop its own website in 1996. It contains information and advertising rates but also TV content. By 2003, new functionalities were added: news, photo galleries, chat, forum. Starting from 2006, content can be gradually accessed via smartphones on mobile operators' networks. In 2009, access to the archive, online streaming and integrated player were added. Most of the content is directly accessible; however, a registration is required for some functionalities. By this time, the mobile application is also developed. In 2011, the website was redesigned to include mostly own content and video, as well as better interactivity – options to share and comment. Media content is organized as follows: traditional form (via TV set); text uploaded in adapted for the web form, including hyperlinks; share options; links to similar content; comments by identified users; comment evaluation and rating to allow internal moderation. Publications can be edited. Consumer content is clearly distinguished. It follows the same organization with no text. Social media and networks are used for marketing communication (Павлова, 2024).

Dnevnik is a business daily which was established in 2001 and initially printed in broadsheet format, which was considered typical for quality publications around the world. In 2005, it changed to compact format after a readers' poll, in which 68 percent of respondents approved of the change. It published full version online are regular updates with the latest news of the day. The structure of the page was adapted for the web and an option for download the print version was available. Access to the website content was free. For some period of time, the access to the archives was paid as the free search in the archive has been for a long time perceived as the last possibility to charge readers for online content (Konstantinova, 2009). In 2011 its publisher acquired the competitor *Pari daily*. The two papers merge into a single online only dnevnik.bg. It is now available in desktop and mobile versions. Access to the quick news section is free and a subscription is required for longer articles, where only the first few lines are visible for free. Only subscribers may read and publish comments.

The observation consists of tracing main milestones in media migration online: the creation of online and mobile versions, the access to information and sources of revenue. The results are systemized in table 1 below.

Table 1: Comparison of sample Bulgarian media

Criteria	Dnevnik	BTV	NOVA TV
Traditional version	Up to 2011	Yes	Yes
Online version since	2001	2008	1996
Mobile version since	2008	2012	2006
Ownership	Bulgarian	International	Foreign
Part of a group	Economedia	bTV media group	Nova broadcasting group
Profile	Economic daily	General information	General information
Website	Free access to short news	Real time TV via Internet	Real time TV via Internet
Registration	-	TV content, personal archive, comments	Some functionalities
Consumer payment	Full versions	Preview	Pre and post view
Pay-per-use	Yes	No	No
Value capture	Advertising and subscription	Advertising and preview	Advertising and pre and post view

The table allows evaluating the variables which have been selected as main elements of the business models - existence of traditional, online and mobile versions; access to the content; payment scheme. Two of the sample units – the TV broadcasters – exist in both traditional and online form, while the daily newspaper exists in online version only. It should be mentioned that the formers' main presence is via TV set, where they are market leaders in both the audience and the advertising market. Dnevnik abandoned its traditional form almost 15 years ago when the competition was eliminated. The absence of revenues from the traditional version may be considered a reason for the choice of a business model which relies on charging the audience. On the other hand, the expected free access to online content requires at least part of it to be available for no charge and to serve as attention-grabbing. All three media have an online version as it has been used as a prerequisite for the initial selection of sample units. A closer look at this variable reveals some differences. The BTV website is a multi-thematic portal, with main sections developed as separate products. There is no real community. The NOVA website integrates more functionalities and is more interactive as it allows consumer content. Dnevnik website is different for non-subscribers and subscribers. As the former have access to partial content and interactivity is limited, the latter form a community of privileged users who read full text and may also comment and publish. The NOVA mobile version was launched first among the sample units in 2006, followed by Dnevnik in 2008 and BTV in 2012. All three offer mobile applications. Access to the content is organized as a multistep process. Non-registered users have access to a limited portion of it (limits vary), while registered users are given addition rights, including the option to comment. Subscribers of the paid Dnevnik have access to full content for the period of their subscription. Additionally, they are exposed to “limited advertising”. This clearly shows the compensatory mechanism of the two revenue sources and the complementarity of the two markets. From the sample units only Dnevnik applies a payment scheme for the content. Upon subscription for periods between one week and one year, users have access to full content, newsletter, audio content and other advantages.

The comparison shows that the three media which have been selected for this study follow similar strategies for their online presence at different pace. Nova and Dnevnik were among the early adopters of the digital technologies and among the pioneers in both online and mobile revolution, while bTV takes more time. All three media have gone through changes in their website structure and have experimented with content, access and payment methods. Dnevnik is the only one to charge for media content.

Differences in value capture could be partially due to different trends in media use. Figure 1 represents the frequency distribution in percentages of the answers to QE 5ab. from Eurobarometer 2024: “Where do you get most of your news on European political matters? Firstly? And then?” It compares data from the Bulgarian sample to the overall European sample.

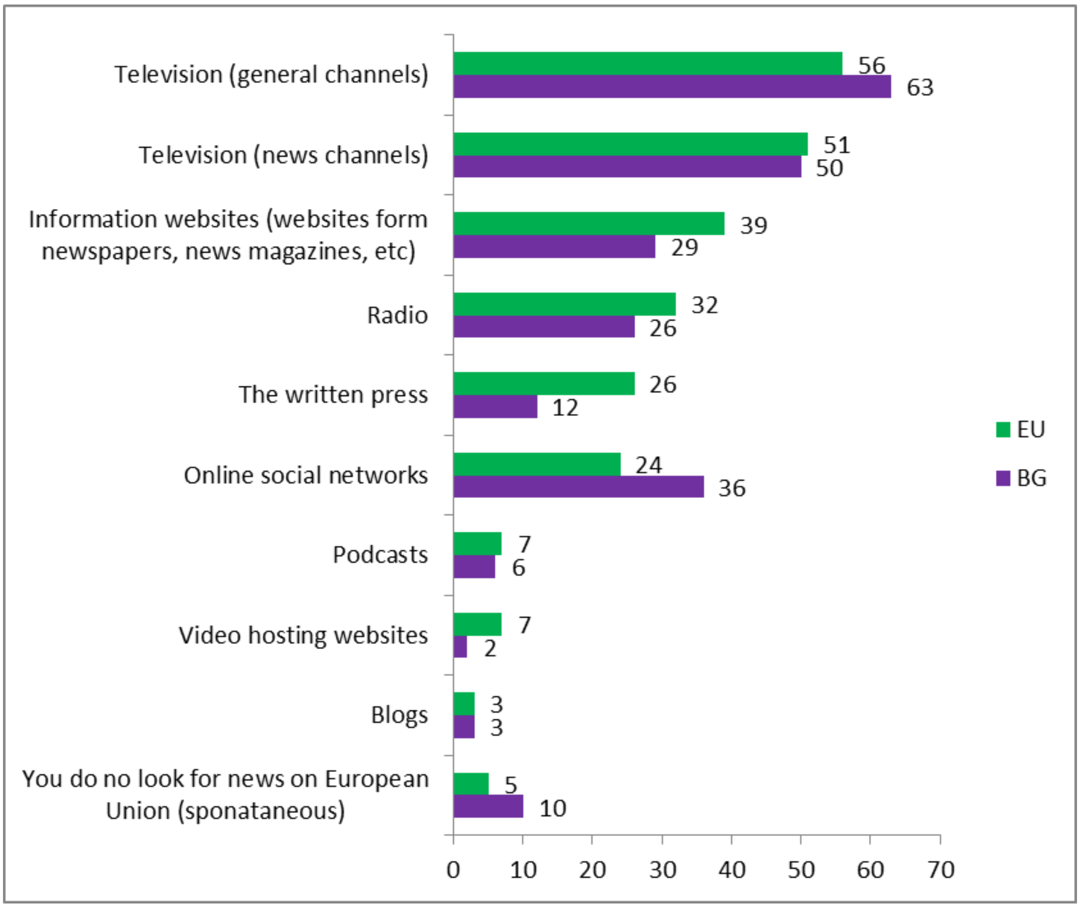

Figure 1: Media use in the EU.

Source: (European Commission, 2024)

Visibly, Bulgarians tend to use more general TV channels and more online social networks and considerably less written press and, to a smaller extend, less information websites, radio and video hosting websites. TV channels are by far the most preferred media for Bulgarians and remain attractive to advertisers. TV companies do not struggle with a significant fall in advertising revenues and do not need to leverage with paid content. On the other hand, the written press continues its decline and the newspaper websites can not compensate for the audience loss. This leads to a retreat of advertisers and a need to compensate for this fall with revenues from consumers.

Results and Discussion

The study revealed that the three Bulgarian media from the sample use similar business models with some differences which may be explained by the particularities of the respective markets and the competition among them. The former print title Dnevnik has no direct competitor. It is the only economic daily and is published in digital form only. The economic weekly Capital is part of the same group and the two titles are an example of diversification and not a rivalry. We may conclude that they operate in a monopoly market. The advertisers have no alternative for the audience with strong interest in economic news. Thus, the editor may charge a price which is higher than the equilibrium price. In the content market, the situation is similar, and the editor may charge the readers without significant loss of audience as no direct alternative is available. This justifies the choice of a business model which considers the two sides of the market and monetizes two revenue sources or a model from the second group: “freemium” (Teece, 2010, Casero-Ripollés and Izquierdo-Castillo, 2013) or “metered” (Casero-Ripollés and Izquierdo-Castillo, 2013). The distinction is questionable as both suggest free access to part of the content and charge for the remaining. Dnevnik gives free access to short news, company content, analysis and first the few lines of the longer articles and then charges for full content.

The two broadcasters from our sample operate in an oligopoly market. They compete with the public BNT and a few smaller channels. From a purely economic point of view, the structure may be referred to as a duopoly as the intense rivalry happens between the first two – bTV and Nova. Their profiles are similar: foreign investors, diversification towards multiple specialized products, similar program schemes, similar audiences and competition for the distribution of budgets of the same advertisers. In this situation, each strategic move of one of the competitors leads to a reaction of the other and this reaction is considered by the former. As there are practically no transition costs for the viewers there is no clear distribution of the audience attention and the rivalry is constant. We observe similar slots for similar content: news, TV series, TV games, realities and so on. The penetration of interactive TV allows viewers to watch in succession content which is broadcast simultaneously. Even if the option to skip advertising slots questions the effectiveness of the advertising and the access to the audience, the investment in the biggest TV channels has no alternative and thus unavoidable. Their market share in the advertising market is relatively stable, and the revenue is predictable. This allows companies not to risk charging audience. In case one of the competitors imposes payment for the content, the viewers will switch to the competitor and will be followed by advertisers. Such a step towards paid content is possible either if unique content is offered (as in the case of Dnevnik) or if the two rivals undertake it simultaneously. The latter may lead to an overall fall in audience interest and a switch to alternative media and a fall in the share of advertising investments to the industry. This logic explains the choice of business models by TV channels from the sample: they both rely on models from the first group and are “advertisers-supported” (Casero-Ripollés and Izquierdo-Castillo, 2013).

Our findings are in line with Godes, Ofek and Sarvary (2009) argument that the unique structure of media industries should be considered when trying to understand media companies’ behavior. The two oligopolists – bTV and NOVA - adopt similar strategies and capture value in a single market – the advertising one. If they directly charge their audience, they risk repelling consumers, which in turn may reduce their advertising revenues, as advertisers will follow their target audience. The expected revenues from the content market have no potential to compensate the loss on the advertising market. On the other hand, the monopolist – *Dnevnik* – does not risk losing audience by charging them for content, as there is no close substitute, neither for readers, nor for the advertisers.

Digitalization is clearly a driver of innovation in the media industry. The Bulgarian media were among the first adopters of the change and have opted for online version at the end of the 20th (NOVA in 1996) and the very beginning of the 21st century (Dnevnik in 2001) and bTV later - in 2008. The mobile versions were launched in 2006, 2008 and 2012 respectively. This confirms the Rachinger *et* *al.* (2019) statement that the media industry had to deal with digital technologies' influence at an early stage. Additionally, Dnevnik is an example of the use of digital technology to capture values from consumers. Their subscription scheme is flexible and allows users to personalize content, while advertisers' messages are displayed to smaller but more precisely segmented groups of users. A similar approach is used by the two TV channels, which offer additional content and personalization to registered users. The registration, which requires a limited amount of demographic data, is also used for segmentation, which improves advertising effectiveness.

The cultural dimension should also be considered – Bulgaria is among the European countries with the lowest media trust. The most trusted remains the TV, while the written press is the least trusted one. Similar is the picture with media use – Bulgarians watch TV via TV set on average almost every day and read newspapers on average less than two times a month (Konstantinova, 2024). The trends are downwards for all traditional media. Currently, the 'Baby boomers' and 'Generation X' are their most active users. Younger generations use social media networks on a daily bases, still watch TV but less regularly and practically are about to stop reading newspapers. Advertisers tend to follow these trends and transfer their budgets to media that offer a greater audience with perspective for growth. These observations justify to some extent the way media from the sample decide to capture value (Konstantinova, 2024).

Improved Internet access allows national broadcasters BNT (state-owned), BTV and NOVA to develop ther own online streaming platforms – BNT, BTV Plus and Nova Play respectively. International platforms such as Netflix, HBO Max, Amazon Prime also penetrate the Bulgarian market. This stronger competition forces Bulgarian broadcasters to invest in original digital content (Павлова, 2024).

To fulfill the picture of the Bulgarian media landscape and additionally justify their choice of business model, macroeconomic factors may also be considered: GDP per capita, foreign investments in the national economy and in the media, absolute and relative wages in the industry, existence and power of the Unions, Internet access. Social and political factors such as functional literacy, income, activity of organizations supporting minority groups, tolerance to fake news, political stability, legislation to only mention a few, also shape the industry and affect strategic decisions. However, their influence is long-term and difficult to trace. We acknowledge their role but have excluded it from this research to focus on the main factors that have been discussed above.

Conclusion

To achieve the research objective (1): reveal business models that Bulgarian media adopt, we have observed three traditional media with distinct online presences – Dnevnik, bTV and NOVA. We have compared the adoption of digital technology, the revenue sources, and the choices about value capture and have detected the business models they use. Based on the literature review, we have placed those models in the existing classification to conclude that the two TV channels have opted for a single revenue source and their business models may be referred to as "advertisers-supported". The former print daily, which is now available in electronic form only, charges its audience for most of its content and has adopted the "freemium" or "metered" model.

The research objective (2): detect factors that affect their choice of business models, has been achieved through exploring the market structure, the adoption of digital technologies and media use and media trust in Bulgaria. We have found out that the two TV channels which operate in an oligopoly where they are the major competitors, adopt similar business models. This is due to their interdependence in terms of strategic choices, to the fact that they compete for the same audience and the same advertisers. The monopolist has faced the challenge to monetizing most of its content and has opted for two revenue sources. Traditionally, Bulgarians consider TV as a free source of information, and the press as a paid one. This is confirmed by the absence of pay-per-view TV channels and the unsuccessful attempt to launch free print papers.

To achieve research objective (3): understand factors that suppose changes in business models, we have explored existing research and have concluded that two major trends lead to change: digitalization and the transformation of the industry, which is also mostly led the digitalization. We have seen that two of our sample units – NOVA and Dnevnik - adopt new technologies at an early stage and lead digital transformation.

The data collection method and the scope of the paper inevitably lead to some limitations of the research which have been recognized and considered. The observation has been selected for its easy application, the non-intervention of decision makers, and an analysis from consumer point of view. It facilitates the comparison between sample units and objective registration of observable facts. The alternative and most commonly used method – the interview – has the advantage of the deeper understanding of the processes and decision and is intended to be used in further research. The scope is limited to three leading media in a single country as the main objective was to explore leading business models. Widening the scope to a greater number and variety of media is also a part of future research intentions.

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Declaration of Interest Statement

The authors declare that they have no conflict of interests.

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