Online newspapers in transition economy

Success factors

Master thesis within business administration
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Thank you!

_________________________  _______________________
Anton Stoyanov                  Stanislav Kulminski
Abstract

Background: Online newspapers are a highly competitive business especially in transition economies. Such factors as a small Internet advertising market, low penetration of the Internet and government relations play a vital role in success of an online newspaper. Thus, online newspaper business is seldom profitable in Ukraine.

Purpose: The purpose of this study is to define the factors of success of the Ukrainian online newspaper *Ukrainska Pravda* and the influence of media industry within the context of transition economy.

Method: Overall, a qualitative inductive approach to research was chosen for this specific case study. A total of 9 in-depth interviews were conducted with managers, journalists and additional interviews with people in other positions from different locations and institutions were carried out in order to get a full picture and gain different perspectives of the online newspaper business and the success factors along with it in transition economies.

Conclusion: The authors defined six main factors of success of the Ukrainian online newspaper *Ukrainska Pravda* and the tremendous impact that government has on the development of the online newspaper business in terms of regulations and censorship in the context of transition economy.
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Definitions

**Content** - information that can provide value for the end-user/audience

**Digitization** - converting data or image to digital form (Webster, 1967)

**UAH** - the national currency in Ukraine

**Temniki** - written instructions, how to cover events
I Introduction

In this section previous information about the topic is given. The authors also include problem discussion, purpose and delimitations of the study.

1.1 Background

The technology development and the impact the Internet has on our lives are obvious. Ten or fifteen years ago we would not have been able to receive news, unless we buy a printed newspaper, watch TV or listen to the radio. Nowadays, however, the situation has changed. People can inform themselves without buying a newspaper from the closest newsagent’s, because of the Internet development. Subsequently a new era of business has come, forming completely different environment for readers than those existed before online newspapers appeared.

“Printed newspapers have become seriously challenged in the digital era, involving transitions of users, revenues, and work processes”(Westlund & Färdigh, 2011 p.180). New faster ways for reading the news have arisen. The development of technology has increased the speed the news reaches the audience forming the media industry as a competitive one. “New media can, in other words, both displace and complement the traditional media”(Westlund et al. 2011 p.191). Furthermore, Mantrala (2011) stresses the importance of having both a printed and an online edition as the world embraces the Internet for media consumption, the concept of a hybrid newspaper a printed newspaper with a companion Web site is becoming more prevalent. However, online media or an online newspaper separately can be a strong competitor to the printed editions. Moreover, the Internet has the functions, with which the content can become attractive by inserting videos and photos, therefore challenging printed newspapers. The latter ones, however still have numerous readers, since the Internet has a low level of penetration in Ukraine, still.

1.2 Problem discussion

The transition process from administrative to market economy has released new opportunities. Therefore, many people have taken advantage of that and established their own companies. However, often being an entrepreneur running his own company could be twice as difficult as being just an employee. Moreover, running a company requires an enormous amount of knowledge, skills and commitment, especially if the company is in online newspaper business. The competition usually is big and online newspapers either go bankrupt or never reach the top sites, by reader numbers.

We chose to base our Master thesis research on the case study of the Ukrainian online newspaper Ukrayinska Pravda. In translation it means “Ukrainian Truth" and is an online edition which was founded on the 16th of April 2000 (the day of the Ukrainian constitutional referendum) by George Gongadse who was murdered later in 2000. That tragedy caused a huge resonance in the society. Thus, the newspaper positions itself as an independent publicity and often confronts the government policy within its articles. However, it is
one of the most successful online newspapers in Ukraine and Eastern Europe as well. The focus of our case study is to analyze how this start up grew into top rated online publicity in conditions of political and digital transition. Media in Ukraine is often used for political influence and providing for interests of the owners. Thus, a lot of newspapers operate under a huge pressure, especially during political and financial crises which periodically had been repeated in Ukraine during the last decade (Belyakov, 2009). In such ambiguous conditions a lot of similar startups failed to survive. Political instability was also a characteristic feature for the Ukraine of the 00’s. Furthermore, the political situation directly concerns economic area and especially media industry. Moreover, developing in transition environment is a huge issue considering rapid digitalization of the society and increasing competition due to this fact. Nowadays, everyone could address the message to masses through live journals, blogs, social networks, etc. The significant factor that influences the online newspaper business is a small market of online advertising compared to the TV market or printed media market. Thus, being a profitable online newspaper is extremely challenging in Ukraine so far. Therefore, one of the possible reasons for that could be a low level of Internet penetration and the ICT (Information communication technology) Development Index which is at medium level in Ukraine according to Measuring Information Society report (ITU, 2011).

1.3 Purpose

The purpose of this study is to define success factors, which contributed to the prosperity of the Ukrainska Pravda in the context of transition economy. We also aim to find the connection between the activities of the company and the influence of the government as well as the advertising market.

1.4 Delimitations

Case study research was chosen for this study and online one single company was deeply researched. The authors knew in advance that the company was popular; therefore the authors though will be best fit to the purpose of the study. Moreover, additional people were chosen through authors’ personal connections. However even then, due the fact that is a single case study and the amount of information is small, no generalization can be made.
2 Literature review

In this section the relevant literature that applies to this thesis is presented. The concepts of entrepreneurship in the context of transition economy, mass media, news media and digitization of the media were given.

2.1 Entrepreneurship as a concept

The economy plays a vital role in our lives. It is part of every country and consists of the economic systems in that country or other areas such as labor, capital and land resources, manufacturing, production, trade, distribution, and consumption of goods and services of that area. Moreover, every economy is driven by companies that produce these goods and services. However, without opportunities-seeking people called entrepreneurs there will be no companies to drive the economy. Then, comes the field of entrepreneurship, which according to Bruyat & Julien (2000) is recognized as being of fundamental importance for our economy, and although many researchers throughout the world have turned their attention to it, there is, as yet, no agreement as to the research object in this scientific field. Thus, there are many definitions existing that have been given by different authors. However, we have to define it somehow. What is actually entrepreneurship? Davidsson (2005) defines entrepreneurship as the creation of new economic activity that drives the market process towards better use of resources. In fact, it’s all about what behavior and actions are taken in order to create and introduce new venture into market and to have as many as possible positive outcomes in this market. Therefore, it’s important to know how people react in order to become entrepreneurs. Thus, a person could be described as entrepreneur by looking at his or her behavior. Moreover, effect on local economy is important as an environment where entrepreneurial activities take place. Entrepreneurship will give customers new choice alternatives and attract followers and/or competitors to respond, which will lead to an ongoing process of renewal of the process. Successful entrepreneur is has the ability to make correct judgments in conditions of uncertainty. However, the correct judgments require very experienced managers within the organization.

Entrepreneurship exists also in transition economies, despite the harsh business environmental conditions. The entrepreneurship is very dependent on government regulations especially in turbulent times. “All transition economies in Central and Eastern Europe were similar in one important respect: their planned economies had been dominated by large firms, producing few consumer goods. Small and medium-sized firms were almost nonexistent, although they are large part of every market economy” (Berkowitz & Jackson 2006 p.340). However after the end of the planned economy and beginning of market economy the importance of small and medium enterprises SME have increased. Blackwell (1992) points out that the establishment and growth of new enterprises is central to the transition process, because the change in economic system from communism to capitalism implies a reallocation of resources in which new firms have to be the main actors. Peng, & Shekshnia (2001) explain the rise of entrepreneurship throughout the transition economies of Central and Eastern Europe (CEE), the newly independent states of the former Soviet Union, and East Asia to fundamentally transformed these economies. “Transi...
p.667). Thus, the government’s job is to speed-up the transition process by installing all reforms needed. The small and medium enterprises are the drivers of the economy. What is remarkable in transition economies as Peng et al. (2001) admits the rapid rise of entrepreneurship in such an ambiguous environment, with little protection of private property. However, there could be some turn-downs affecting the new already start-ups as a result from the transition economies they may create obstacles to firm performance, as measured by survival period, growth or profits.

In order to set up an environment for the development of an entrepreneurial market economy transition economies started with few legal, policy and institutional structures. The initial conditions in transition economies are not the only factors which influence the successful status of the entrepreneur but also the speed and consistency of the reform processes which are run by the government. According to Smallbone et al. (2004) interesting phenomenon is that entrepreneurship doesn’t require the founding of companies but has leaders who took over state owned companies and operates with new combinations of resources. That is basically how some of the private companies have started during the period of transition.

2.2 Defining Start-ups in transition economies

The start-up process includes in itself some preparation phases such as the existence of idea, identifying it and in the exploiting it where the actual start-up begins. Kurtzman & Rifkin (2005) point out that every large and successful company has been once a startup struggling to survive and that some startups were created and then flourished overnight, while others achieved success only through a long series of painful fits and starts.

The collapse of communism and the beginning of the transition period have triggered the entrepreneurship throughout Central and Eastern Europe and the former Soviet republics. Thus, according to Smallbone et al. (2005) small-scale privatization contributed to the emergence of small retail and service companies in particular and many more firms were created. Therefore, the new companies arisen and some have become successful, while others not. However, how do we define success? There is no right or wrong answer to that question. Kurtzman et al. (2005) narrows it down to several important aspects: factors are most responsible for a startup’s success, the differentiation between a successful startup and those that fizzes and dies importance of leadership for startups and the technology. He also summarized it with one single question, “why do startups succeed?” (Kurtzman et al. 2005, p.3).

Nevertheless, paying a considerable attention to those aspects above is still not enough in order to define the particular company (startup) as a successful one. It requires a deeper understanding of its internal processes and current position of the company in the market. Moreover, the findings will differ depending on the industry and the country the company operates in. This can be explained by the fact that different rules and regulations apply from industry to industry. The company’s start-up process differs also from one country to another. According to Smallbone et al. (2010) for instance, the government plays a central role in shaping the environment for entrepreneurship in transition economies, with implications for the types of entrepreneurship that emerge, as well as it scales. Therefore, “when
transition started, entrepreneurship boomed throughout Central and Eastern Europe and the former Soviet republics, as small-scale privatization contributed to the emergence of small retail and service companies in particular and many firms were created” (Smallbone, et al. 2010, p.20).

2.3 Ukraine as a transition economy

The Ukrainian economy during the 20th century was a key element and one of the pillars of the entire economic system of the Soviet Union. In fact, Ukraine is closely connected with Russia, economically, scientifically, technically, ethno-culturally, philosophically and demographically. Moreover, we must be aware of the fact that for centuries the economy of Russia, Ukraine and other member states of the Soviet Union, formed a single national economic and financial-economic complex, which had a tremendous effect on the synergistic use of natural resources and human potential of both countries. One thing we have to point out, when talking about the Ukraine’s economy is its dependency on the Russian Federation. However, the collapse of the Soviet Union in 1991 resulted to a tremendous decrease in the both countries’ scientific, technical, and reproduction capacities. Moreover, the GDP of both countries has declined, as well as their industrial production. Thus, many problems in Ukraine’s economy remain such as low purchasing power, which does not provide a return for the basic industries.

Furthermore, after the dissolution of Ukraine from the Soviet Union a period of transition to a market economy started, in which the country was stricken with an eight-year recession. Aslund (2009) explains that Ukraine has been one of the hardest hit economies during the current global financial crisis and its embattled currency, “UAH”, suffered one of the worst depreciations in the world. There are still doubts of whether Ukraine has finished the transition. The switching from planned economy to market economy opens lots of opportunities for those who want to establish firms. Thus, individuals with an entrepreneurial mind and ideas have the chance to put them into practice, something that would not be so easy during communism.

The small and medium enterprises drive the economy of the country as well as the Entrepreneurs. The entrepreneurs have the idea, the ability and the knowledge to create something, which consequently will result in growth, innovation, regional development and job creation. The establishment of small and medium enterprises SMEs is a vital component in creating dynamic market economies in the economic and social development of transition countries. A strong and vibrant SME sector provides a strong foundation to increase standards of living and to reduce poverty.

New data from Enterprise Surveys indicate that firms in Ukraine are among the largest in the Eastern Europe and Central Asia (ECA) region, as measured by the number of permanent, full-time workers (Tarkiainen, Ellonen, Kuivalainen, Wolff, & Horppu, 2010).
2.4 Mass media

Mass media is media intended to reach a large audience. It is also a tool of communicating information and advertisement. According to Turow “mass media circulates words, sounds and images that surround us, therefore we immerse ourselves in media materials without asking where they come from, what meanings they might have and what their consequences might be” (Turow, 2009 p.23). Media industries are mainly producing, selling information and entertain products and services. Moreover, Hang & Weezel (2007) argue that the characteristics of the media products are very much aligned to the dimensions of the entrepreneurial process, innovativeness, risk taking, re-activeness, and competitive aggressiveness.

Therefore, it is important to note how well the media played its role in our society. The answer is simple – globally important. The mass media have become the main tool for the dissemination of messages that affect the public consciousness. Mol writes about the media: "They actually control our culture, passing it through their filters, producing separate elements of the total mass cultural phenomena, and give them special weight, increase the value of one idea, decrease it of another, thus polarize the whole field of culture"(Mol 2008 p.34).

2.4.1 News media

News is part of our daily lives. It reaches us through different channels: Radio, TV, printed newspapers and Internet. Turow (2009) divides news broadly into four subgenres: hard news, editorials, investigative reports, soft news. All those genres are closely connected but slightly differ from each other. Hard news is a news story marked by timeliness, unusualness, conflict and closeness” (Turow, 2009 p.54). “The investigative reports share the same standards of objectivity, accuracy and fairness or balance as the hard news”. Soft news, on the other hand is “the kind of news story that may not have the critical importance of hard news, but nevertheless would appeal to a substantial number of people in the audience”(Turow, 2009 p.57).

When people talk about journalism, information news, and its identity can see, first of all, the efficiency of reports of new developments. The idea is to find the shortest possible way to take the news from the footage to the audience. The journalist-informant seeks first to bring to the reader the information that is defined as "news media". This is the main specificity of the news journalism, which distinguishes it from other specializations of the media.

The news media includes: printed news media, TV channels, radio and online news media. Newspapers are the original mass media. Even though the numbers of printed newspapers in the world started to decline in last decade due to the penetration of the internet, they still play an important role in the news media industry. Therefore, the future of printed newspapers is not as bright as it was its past. The development of the technology in the last century gave the actual start of the printed press, but overtime the first one could have help for its disappearance in the future. Doyle (2002) argues that the newspaper publishing has gained importance as an economic activity during the latter half of the nineteenth century when improvements in printing technology made possible the introduction of newspapers.
titles with very large or mass calculations. She also states, however that the arrival of commercial television in the 1950s marked the beginning of a period of gradual decline for newspaper publishing. The printed newspapers’ prices are very dependent on the world’s demand and supply for paper. Thus, many firms are forced to adjust to these increasingly difficult market conditions.

Turow (2009) points out that the newspapers are products created on a regular (weekly or daily) basis and released in multiple copies. Paper news might become outdated, but for now they still stand strongly in the market. More people start using Internet, therefore informing themselves about the news online. Tarkiainen et al. (2010) explain increasingly need of establishing an Internet presence from the printed editions in the hope that their Web sites will help them to strengthen their customer relationships and increase brand attachment and loyalty.

Nevertheless Lukin (2011) argues that printed publications (newspapers, weeklies, magazines, almanacs, books) acquired a special place in the media. Released from the printing press conveys the information in the form of printed text, photographs, drawings, posters, charts, graphs and other pictorial and graphic forms, which are perceived by the reader-viewer, without using any additional funds whereas for radio and television-TV, radio, cassette, and other devices are needed.

Advantages of print media are:

First, there is a quick overview of acquaintance with the whole "repertoire" of messages included in a book. This allows the reader to get a general impression about the content of the issue and, further, by selecting the material of interest to determine the nature of "extraction" (browse, sample introduction, a detailed reading, saving room or cut out of it for storage and re-examination and so on). In addition, most people have the opportunity to analyze the information. Second, you can use the features "postpone" after leave the primary reference material for the careful and detailed read at a convenient time and at a suitable location.

Lukin (2011) also argues that printed publications can easily be "with you" and refer to the "extraction" of information at a convenient time, without interfering with others, and in circumstances that prevent or impede the radio or watch TV (in the train, subway, bus, plane, etc.)

Table №1 Comparison of printed media to online media

<table>
<thead>
<tr>
<th>Pros of printed media (PM)</th>
<th>Pros of online media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stricter materials structure allows working with the full amount of text</td>
<td>Internet is an open platform</td>
</tr>
<tr>
<td>Opportunity to give the full picture</td>
<td>Multimedia and interactive components</td>
</tr>
<tr>
<td>Emotional component, hard paper as part of life style</td>
<td>Intensity, opportunity for citizenship journalism</td>
</tr>
<tr>
<td>Expertise content, competency</td>
<td>Censorship free (in terms of the government)</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Lower costs comparing to PM</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cons of PM</th>
<th>Cons of OM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional printed media are conservative</td>
<td>Materials are restricted by less space which makes navigation elements necessary</td>
</tr>
<tr>
<td>Need of artificial rubricating</td>
<td>Consume type oriented on shallow digestion of the information</td>
</tr>
<tr>
<td>Restrictions by the format and periodicity of the paper</td>
<td>Feeling of alienated source</td>
</tr>
<tr>
<td>Possible censorship (in terms of the government)</td>
<td>More subjectivism less facts</td>
</tr>
<tr>
<td>Much higher costs comparing to OM</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Lukin, 2011)

### 2.4.2 Digitization of the media

Media digitization is characterized by the changing of content production, storage, distribution to digital base instead of analog. Thus, the main feature of the change is that it goes from a physical form to a binary electronic form (Picard, 2011). Images, sounds and texts are reduced to a common format and could be transported through a common distribution infrastructure. Thus, reduced to digital metadata, the content could be stored, reformatted, repackaged much easier than before. This also, increases the productivity of the content creators and suppliers. The important concept involved in this process is the convergence of the media. It means the overlapping of television, radio, internet into one environment (Doyle, 2002).

A huge oversupply of news, information and entertainment offers has always been a character feature for the media industry, as well as difficulties in distribution. Thus, overcoming these factors to deliver the prominent content has always been the key factor to success (Picard, 2011).

In transition economies due to the rapidly changing environment, situations occur when the media market is controlled by huge media holdings. In such conditions the news content is being used as a tool in pursuing political, business or both interests of third parties which are involved in ownership. Actually, this scenario is common in transition economies as well as all over the world. However, the intensity of penetration varies. According to
Doyle (2002), when private firms have exclusive control over a significant activity or an infrastructure unit they act as gatekeepers. Thus, they decide on who will or not reach the market.

Such a situation occurs in Ukraine as well in the first half of the 90s. However, by the beginning of the new century there were enough content providers to increase competition. Digitization and convergence are actually boosting the oversupply of content and reducing the monopolistic influence over the distribution systems. This creates obstacles for monopolistic providers and allows smaller content creators to provide their materials.

Digitization contributes to simplifying production. The costs saving factors are:

- Digital gathering of information reduces the required presence in the location
- All the materials are easy to put into editing and layout systems.
- Ability to publish for multiplies platforms including mobile applications, tablets, web sites.

Thus, the overall costs could be reduced by 80-90% (Picard, 2011). This allows investing more in the content and the newsroom itself which leads to the revenue increase as mentioned before. The creation and distribution of the content is eased and increasing rapidly. However, the profitable share of news and general information providers is not that big yet, compared to printed media (Picard, 2011). For instance, in Ukraine the printed media still dominates online news among the population.

2.4.3 Online newspapers as a part of new media

The first online newspaper which was officially accredited was the *Palo Alto Weekly* in 1994 in California. Since then a lot of paper issues have started their digital alternatives. Thus, the digitalization of newspapers started in the USA and went further with the development of the World Wide Web (Salwen, Garrison & Driscol, 2005). Online newspaper business is always in transition because it heavily depends on technological development. The more services are involved in the Web industry the more online resources change. For instance, nowadays video and audio applications could be added to the newspaper, which makes consumers experience broader and more exciting. The information is consumed faster and in bigger quantities than ten years ago. Furthermore, in five years it would be also different due to technology improvements (Salwen et al. 2005). The significant advantage of the online newspapers is that they allow readers to go straight to the breaking news. The common trend is that instead of following the news storyline, like in a paper, online readers select only information which is important for them. An exclusive, rare story is a vital publicity for the online news organization. Thus, it has a lot of advantages in terms of interactions and easy accessibility, which should be the main competitive advantage compared to printed editions. However, according to the survey made by Open Society Institute in Ukraine, the credibility of most news sources is questioned. Respondents refer to online news web sites mostly as tools of politicians and businessmen. Blogs allows the journalist to state an independent opinion, which, however, also could be compromised (Chebotaye-va, 2009). Interesting enough is that ten respondents were from the media business area. There were bloggers, journalists, professors and heads of media associations. Thus, despite
the small number of respondents their opinion is of high value. Furthermore, it probably represents the overall trend of low media trust among the population.

2.4.4 The media industry in Ukraine

After the collapse of the Soviet Union in 1991 Ukraine became an independent state and the economy was in transition from administrative to market economy. Significant changes occurred in all sectors of the economy. The media sector was not an exception. Thus, we will trace back from 1991 how the media sector developed and what is the current situation, which will give us an overview, before we touch upon and analyze directly just one single piece of the puzzle: online newspaper the Ukrainska Pravda.

As Hang and Weezel state in their work, media is defined as “a contraction of the term media of communication, referring to those organized means of dissemination of fact, opinion, and entertainment such as newspapers, magazines, cinema films, radio, television, and the World Wide Web” (Hang & Weezel, 2007).

The Advertising communication market in 2011 was approximately estimated at 12 608 billion UAH. The main tendency for 2011 was the technical growth of the market both in money value and vested communication channels and services to the advertisers.

Thus, the growth was 18, 4 % compared to 2010, however, less than the predicted number of 20%. One of the main reasons for that is that companies cut the ad budgets in the second half of the year expecting the new wave of recession.

Expert Council of Ukrainian Association of Press Publishers composed of representatives of biggest publishers and leading marketing agencies estimated the amount of advertising in printed media at 2 436 billion UAH. In comparison with 2010 the increase is 10,2. The experts predict 9% growth in 2012 in printed media.

The share of direct page advertising in printed media should grow by 7,9 % which equals 1 687 bill. UAH. More than 80% of that amount is from national publications. These optimistic forecasts are connected with the expectations of the market boost because of Euro 2012 football championship as well as Parliament elections.

Political advertising

In 2011 the total amount of political ads was 0,75 bill. UAH which 25,8% less than in 2010. The parliament election should rise the bar by 25,6% in 2012 compared to 2011. In fact the political ads market should return to 2010 level approximately 0,95 bill. UAH.

TV advertising market growth was 24% compared to 2010 instead of 35% than expected. Some huge western clients in Fast Moving Consumer Goods category decreased their activity in the second half year. However, for many clients there is no alternative of television in terms of contact cost and audience. Thus, TV advertising will grow ahead of economic inflation. Sponsorship of sport-football programs will also contribute to growth in its category.
Internet advertising continues to grow, even though, doesn’t double as previous years, 2007, 2010 for instance. The growth of context advertising has a technical character mainly.

Below authors present the advertising market overview for the period 2002 – 2011 including TV, internet and printed media markets as they are straight related to our research. Radio and outdoor advertising markets are also included for comparison. Advertising market implies the spending on advertising by the advertisers. The overview starts from the 2002 due to fact that Internet advertising market reached the point of one million dollar that year which is the minimum convenient amount for comparison to other markets.

Amounts are presented both in USD and UAH to give a better perspective on the market changes according to years. This specification is important because the exchange rate varies over the years thus the graphs look different according to the currency.

All the materials for the graphs and tables are extracted from the All Ukrainian advertising coalition reports.

Table №2 Ukrainian advertising market overview in millions UAH

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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</thead>
<tbody>
<tr>
<td>Internet</td>
<td>5.33</td>
<td>5.33</td>
<td>8</td>
<td>13</td>
<td>30</td>
<td>60</td>
<td>100</td>
<td>145</td>
<td>280</td>
<td>440</td>
</tr>
<tr>
<td>TV</td>
<td>453</td>
<td>693</td>
<td>875</td>
<td>1197</td>
<td>1970</td>
<td>2360</td>
<td>2700</td>
<td>2000</td>
<td>2680</td>
<td>3327</td>
</tr>
<tr>
<td>Radio</td>
<td>43</td>
<td>48</td>
<td>69</td>
<td>101</td>
<td>134</td>
<td>170</td>
<td>160</td>
<td>120</td>
<td>200</td>
<td>271</td>
</tr>
<tr>
<td>Printed media</td>
<td>201</td>
<td>320</td>
<td>429</td>
<td>662</td>
<td>889</td>
<td>1150</td>
<td>1495</td>
<td>1024</td>
<td>2210</td>
<td>2436</td>
</tr>
<tr>
<td>Outdoor</td>
<td>143</td>
<td>320</td>
<td>455</td>
<td>586</td>
<td>763</td>
<td>945</td>
<td>1035</td>
<td>650</td>
<td>800</td>
<td>1000</td>
</tr>
<tr>
<td>USD to UAH exchange rate</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.05</td>
<td>5.05</td>
<td>5.05</td>
<td>7.7</td>
<td>7.9</td>
<td>7.9</td>
<td>7.9</td>
</tr>
</tbody>
</table>
Graph № 1 Ukrainian advertising market overview in millions UAH

Graph № 1 shows that only the Internet market was growing steadily over the years. However, it is obvious how small it is comparing to other markets. These are one of the reasons why the online newspapers business is often unprofitable.

Table № 3 Ukrainian advertising market growth in % (UAH)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>0%</td>
<td>50%</td>
<td>63%</td>
<td>131%</td>
<td>100%</td>
<td>67%</td>
<td>45%</td>
<td>93%</td>
<td>57%</td>
<td></td>
</tr>
<tr>
<td>TV</td>
<td>53%</td>
<td>26%</td>
<td>37%</td>
<td>65%</td>
<td>20%</td>
<td>14%</td>
<td>-26%</td>
<td>34%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td>12%</td>
<td>44%</td>
<td>46%</td>
<td>33%</td>
<td>27%</td>
<td>-6%</td>
<td>-25%</td>
<td>67%</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Printed media</td>
<td>59%</td>
<td>34%</td>
<td>54%</td>
<td>34%</td>
<td>29%</td>
<td>30%</td>
<td>-32%</td>
<td>116%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Outdoor</td>
<td>124%</td>
<td>42%</td>
<td>29%</td>
<td>30%</td>
<td>24%</td>
<td>10%</td>
<td>-37%</td>
<td>23%</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

Graph № 2 Ukrainian advertising market growth in %
Graph № 2 illustrates the advantage of the Internet advertising market during the crisis in 2009. It was the only market which was growing.

The same table and graphs but in USD currency meanings could be found in the Appendix.

The Internet advertising market overview for the period 2002-2011 is presented in the Appendix. Our main object of research is an online newspaper, thus in depth understanding of the Internet market environment is necessary for the further development of the study.

2.5 Business model of the online newspapers

Picard (2000), states that the business model is a fundamental concept. Thus, business models are created “outside” the business itself to concentrate on its bases, which makes the commerce within the product or service possible. The business model includes financial flows, operational level of business, its underlying fundamentals and exchange activities, which allows business to run successfully.

Analyzing keywords of different definitions Allen, Morris & Shindehutte (2005) divided them into three categories. They could be recognized as economic, strategic and operational. They provide the definition by Stewart & Zao (2000) who see the business model as a model which describes how the company will make money and sustain its revenue streams over time. Another example is by Mayo & Brown (1999) states it as the design of key interdependent systems that create and sustain a competitive business. Furthermore, there is a collaborative definition, which refers to three categories which were mentioned before. Thus, business model is concise representation of how an interrelated set of decision variables in the areas of business strategy, architecture, and economics are used to create sustainable competitive advantage in defined markets. (Allen et al. 2005).

Similar to broad definitions of the business model itself the working, definite success factors for the online newspaper does not exist in absolute representative (Sylvie, 2008). The two common economic models for online newspapers according to Driscol, Garisson & Salwen (2005) are subscription fees or advertising. However, the combination of two, also, might be a winning concept. Thus, there is still no 100% working model which could be taken as a standard, thus, editors still have to experiment with varieties of possibilities in this area. The online newspaper is attracting attention for its pay-for-news model, the Neiman Journalism Lab states. The major goal of receiving a 20% share of subscription revenues was pointed out in a report to the Newspaper Association of America. Furthermore, such media players as Steve Brill (CourtTV) and Gordon Crovitz (Former publisher of Wall Street Journal), point to the revenue numbers demanded and to news sites possibly signing up 10% of monthly visitors to a subscription plan that clearly plays a role in the profitability of the model. Readers, who are familiar with the technology, and want it when, where, and how they want it, probably will not settle for less. In fact, digitization of technology illustrates the possibility of access to demanded source whenever possible. However, will the charged access be profitable is still a question. Thus, the concept of business model could be copied but there are no guaranties that it would work in other newspapers. Also, the culture of Internet users is significant. For instance, most of Ukranian Internet users due to low copyright restrictions are not used to paying for the content online. They, prefer to download free music, films, books and most of them don’t even
think it is illegal. Thus, paid content might not be profitable due to its uncommon format for the Ukrainian market.

However, in recent years the idea of paying for the Internet content is getting common among Internet users. An example of such content would be an HD quality movie or a book in good translation, mp3 album with some bonus tracks, etc. Thus the product must have better or more qualities than its free substitute. Does it mean that the content and overall image of the newspaper has a vital role in the success of the paper? According to Mantrala, Sridhar, Tang & Thorson (2011), investing in bricks of the online newspaper, i.e., its newsroom creates value and increase the online advertising revenue (OAR). Furthermore, investing in content generates subscriptions and redefines the brand equity which allows distinguishing professional online newspaper from blogs, and second hand information web sites. However, the advertising model is probably more preferable for the Ukrainian market because despite the fact that consuming culture of online users has grown, most of the people are unwilling to pay for the news. The last paragraph represents different thoughts and thus creates contradictions. However, our aim is to find out what is truthful in our particular case.

2.6 Government and entrepreneurship relations in transition economies. Ukrainian example

The leaders of the country have also played an important role. It is not a surprise that the way the government behaves influences the whole society. Therefore, if leaders of a country are weak and corrupted, thus, the whole country will be weak (economically, politically, foreign relations). Shleifer (1997) argues that the corruption is directly related to the government’s role in the economy. Consequently this may lead to economic crises overtme. Moreover, every single economy depends on others (usually neighboring countries, with which it has tight relation and it is affected by them.) For instance, Ukraine has been part of the Soviet Union in the past and even though it is already dissolved the impact Russia on Ukraine still remains, since they are neighbors. Smallbone et al. (2010) describe that “the financial crisis in Russia in 1998 had a major impact on the development of private entrepreneurship in Ukraine, as it did in other newly independent states, mainly because of the loss of markets represented” (Smallbone et al. 2010,p.659). However, McMillan and Woodruff argue that entrepreneurs in transition economies “succeeded by self-help: they built for themselves substitutes for the missing institutions” (Estrin, Meyer & Bytchkova, 2005).

The government specifically, plays a key role in a company which performs in a transition economy. Smallbone, et al. (2010) also state that it is argued that government plays a central role in shaping the environment for entrepreneurship, with implications for the types of entrepreneurship that emerge, as well as it scale. The government influences entrepreneurship on formal and informal levels. The formal level includes economic factors, laws, regulations and policies. The informal one refers to customs, norms and values which influence an individual’s behavior as well as formal ones. Regulatory issues and inconsistencies in the legal frame might affect a number of companies set up, as the impact of the complex systems of taxation, regulations, and multiple licensing can heavily influence start-up companies. Allowing entrepreneurship to exist and its active promotion as a future engine of the economy are very different ways. (Smallbone et al. 2010). Unfortunately, most govern-
ments in transition countries adopt the first rather than the second option. Ukraine is not an exception. In fact, the relationships of government and business have always depended on the political situation. Almost, every new government felt as a duty to change the legislative framework especially the one that concerned business and private property. Thus, through the transition period and pretty unstable political environment since 2004 the influence of the government varied in high amplitude.

The first steps to promote private business in Ukraine were the introduction of a legal framework permitting private entrepreneurship. Even though, President of Ukraine consistently recognized the potential role of private entrepreneurship in public statements and documents, the low commitment of the Ukrainian Parliament to improve the existing legislation, and open budget resources available for entrepreneurship support, was a major obstacle to the development and implementation of effective policy support. The State Committee for Development of Entrepreneurship was re-established in 1997. This is a ministry-like institution, with a staff of 70 and a long list of responsibilities, including reviewing all pending and existing legislation with respect to facilitating business creation and supporting private businesses regardless of their size. The State Committee implements policies to facilitate business registration and licensing, simplifies reporting procedures, diminishes the tax burden, and reduces the number of inspections by local authorities. The licensing law that was adopted in June 2000 reduced the number of economic activities subject to licensing to 60. High taxes, administrative hindrances and related costs, regulations and corruption, and limited external funds are recognized by entrepreneurs as the main barriers to doing business in Ukraine (Smallbone et al. 2010).

Media Materials are Created and Distributed within a Political environment- Political refers to the way a society is governed. When it comes to mass media, the term refers to a variety of activities. These range from the specific regulations that government places on mass media, to the struggle by various interest groups to change what media does (often using government leverage). For media observers, being aware that media operate within a political environment leads to the idea that this environment deeply influences the media content itself. To them, it means being aware that the ideas in the media have political implications— that they are ideological. (Turow, 2009).

### 2.7 Influence of corruption on Ukrainian business environment

One unfortunate, yet quite a significant feature of the Ukrainian business environment is a high level of corruption and bribery on administrative and legislative levels. Communism has left a tendency to corrupt business practices in the former Soviet Union member states. Ukraine is among those. The size of the informal sector reduced in recent years but still seven out of ten private companies of small and medium size work in the "shadow economy". The main reason for a company to be in shadow economy is tax evasion. However, this evasion is possible only because of corruption in the taxation system. (Pidluska, 1998). Thus, it is a vicious circle which is possible to escape only if the government provides framework to reduce corruption. However, international companies have the necessary asset to have clean business, as well as international CEO’s who are forbidden to give bribes even if it benefits the company. Long-term clean reputation is more important to them rather than rapid profits.
According to Report of competitiveness of Ukrainian regions (2011), analyzed by Interfax – Ukraine, Ukrainian businessmen refer to taxation policy and corruption as a most problematic factors and point out aggravation of the business environment in the recent years. The percentage of problematic factors increased significantly from 10% to 15% in the corruption field, as well as taxation policy from 14% to 16% (Interfax – Ukraine, 2011). Hence, the institutional framework, which was mentioned before, exists. However, the effectiveness of the law restrictions concerning corruption seems to be only written documents, rather having determined a practical output. Furthermore, taxation policy, which is a transparent field, still remains the major obstacle for the businesses to come clean. In fact, the government pursues its own interests, not admitting the fact that lower taxes but in bigger amounts will positively affect the GDP in a sustainable, long-term way after the transformation of the structure of Ukrainian business. Interestingly enough is that, 2100 companies were surveyed in all 27 regions of Ukraine, and 95% of respondents admitted the same factors as obstacles for their business. (Interfax – Ukraine, 2011).
3 An overview of Ukrainska Pravda

The Ukrainska Pravda is an online newspaper in Ukraine. It was founded on 16th of April year 2000 by George Gongadze and Alena Pritula. The idea came before the Referendum in Ukraine. Alena Pritula and George Gongadze wanted to inform people in Ukraine somehow about what was going on in the country. Thus, they thought that they could spread some information in a news format, in order to inform the audience the situation. (Alena Pritula 10.04.2012). The online newspaper publishes its articles in Ukrainian and Russian. The Ukrainska Pravda and its online forum is one of the most diverse and widely attended Internet political discussions in Ukraine. The Ukrainska Pravda is the main website, but there are also several other subwebsites:

- Economicna Pravda (literally "economic truth") - economy and business news and publications
- Tablo ID - celebrity illustrated news site, paying a significant attention to the public life of Ukrainian politicians
- Champion - sports news site
- Ukrayinska Pravda.Kyiv - local news and articles on Kiev city.
- Ukrayinska Pravda.Zhyttia - translated in English Zhyttia means life and the website is about social life
- Istorychna Pravda – online newspapers about history

All those subwebsites are part of the media holding Ukrainska Pravda connected to it by links. Therefore, 80% of the daily viewers visit the Ukrainska Pravda.

The management structure is presented in Figure № 1

Figure № 1 Management structure of Ukrainska Pravda
The Ukrainska Pravda was one of the first online newspapers in Ukraine and more precisely the second one, after the Correspondent. The latter started a little bit earlier than the Ukrainska Pravda. Being first in the market might be of a huge advantage. However, at this stage it is still an assumption. Thus, the interviews and the analyses will help us find the right answer. We will focus on the internal structures of the organization as well as the media sector as a whole. Moreover, it was established as an online newspaper, but has never had a paper edition. The reason behind this is that at the beginning of the 21st century digitization of media has developed to a certain extent and already more and more people were using the Internet. Furthermore, we decided to also mention important moments of the company’s history since they played a vital role in its development. The following ones are: the referendum, disappearance of George Gongadze and the Orange Revolution.

Timeline of main events for Ukrainska Pravda is presented in Figure № 2

Figure № 2 Event timelime

April 2000
Founding
Of Ukrainska Pravda

September 2000
George Gongadze disappearance

December 2004
“Orange revolution”

2005 – 2012
Profitability
From advertising

Referendum

On 15 January 2000 the President of Ukraine adopted a decree on announcement of an All-Ukraine referendum on the People’s Initiative. This decree provides for the holding of a referendum on 16 April 2000. Ukrainian national referendum held on April 16, 2000 on the issue of reformation the governing system of Ukraine was formally initiated by President Kuchma and organized by the Central Election Commission on the mass "public initiative" represented by activist groups across the country. However, that "initiative" is widely perceived as being staged by the oligarchs from Kuchma's inner circle in order to preserve their influence and prevent popular Viktor Yushchenko from winning the next presidential election. The legal grounds and circumstances of the referendum have been questioned by the Ukrainian opposition. (www.zn.ua, online journal).

The disappearance of the founder George Gongadze on September 16th 2000

George Gongadze disappears on September 16, 2000, after failing to return home. Two months ahead he was found dead and the tragedy shocked the people in Ukraine.

Orange Revolution

“The Ukrainian ‘Orange Revolution’ started at the end of 2004 and it became one of the world’s ‘color revolutions’ according to Belyakov (2009). He also describes it as a journalist revolution. It was a series of protests and political events that took place in Ukraine from late November 2004 to January 2005, in the immediate aftermath of the run-off vote of the 2004 Ukrainian presidential election which was claimed to be marred by massive corruption, voter intimidation and direct electoral fraud. The protests were prompted by reports from several domestic and foreign election monitors as well as the widespread public perception that the results of the run-off vote of November 21, 2004 between leading candidates Viktor Yushchenko and were rigged by the authorities in favor of the latter (Karat-
The nationwide protests succeeded when the results of the original run-off were annulled, and a revote was ordered by Ukraine's Supreme Court for December 26, 2004. Under intense scrutiny by domestic and international observers, the second run-off was declared to be "fair and free". The final results showed a clear victory for Yushchenko, who received about 52% of the vote, compared to Yanukovych's 44%. Yushchenko was declared the official winner and with his inauguration on January 23, 2005 in Kiev, the Orange Revolution ended (Karatnycky, 2005).
4 Research questions

Research question 1: What are the success factors of the online newspaper *Ukrainska Pravda* and what is their contribution to the prosperity of the company?

Research question 2: What is the influence of the government and situation in the media industry on the online newspaper business considering the *Ukrainska Pravda* as an example in the context of transition economy?
5 Research methodologies

This chapter explains the way the research was conducted. The chapter describes the research approach, research method, how the data was collected and analyzed and at the end reliability, validity and limitations of the study was discussed.

5.1 Research approach

The Online newspaper is a relatively new business in Ukraine, therefore, there is not so much research regarding the success factors of online newspapers. There are two types of approach in the business research methods: deductive and inductive ones. The deductive approach is used when testing an existing theory towards empirical facts. The inductive approach, on the other hand, is used to design new theories based on the empirical findings. In order to answer the research questions we prefer to use the qualitative method and the inductive approach rather than the quantitative method and the deductive approach as it would be easier to analyze our primary empirical data which we expect to retrieve. (Saunders et. al., 2007). In the core of the inductive approach lies raw data retrieving as well as extracting new models, theories and concepts based on data analyses (Thomas, 2006). Thus, in the context of the chosen format this approach is the one that fits our research most.

5.2 Research method

According to Silverman (2001) the purpose of the study as well as the research questions should be concordant with the chosen method. In order to collect, analyze and conclude the information concerning the success of the online newspaper Ukraїnska Pravda the authors of this paper chose to design and provide a case study research method. There is a set of different definitions of the case study method which vary depending on authors and years. According to Schramm (1971), the essence and main trend of this method is that the case study aims to emphasize the decisions: why they were taken, how they were implemented and what were the consequences and the results. Our choice of the research method was due to necessity of explaining the real-life phenomenon and in-depth description of it. (Yin, 2009) Thus, we decided to conduct an explanatory case study in order to find out not only how our object became a successful company but also why they took certain decisions. As the goal is not to generalize our findings, a single case study is appropriate for our research. Furthermore, the collected empirical data need to be connected to the theoretical framework which is suitable for this particular case study. For instance, one of the main points is how the factors of external environment affected the object of our case study. To provide an objective analysis of this influence we need the theory and basic definitions of transition economies and digitalization of the media.
5.3 Data Collection

The main object for the case study was the online newspaper *Ukrainska Pravda*. It was chosen due to the factor that it is in the top three most popular (by the number of readers) online newspaper in Ukraine according to online statistics (LiveInternet.ru, 2012). The authors conducted six interviews within the company. The first respondent was the owner and the chief editor of the newspaper. The other respondents were suggested by the chief editor according to their positions and vital roles in the company and due to our research purpose. The table below presents the interviewees, their position and the date when the interview was conducted.

Table № 4 Interviewees’ information

<table>
<thead>
<tr>
<th>Name</th>
<th>Position in UP</th>
<th>Date of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alena Pritula</td>
<td>Owner, chief editor</td>
<td>10.04.2012</td>
</tr>
<tr>
<td>Sergey Leshenko</td>
<td>Vice editor, investigation journalist</td>
<td>10.04.2012</td>
</tr>
<tr>
<td>Oleksii Fedko</td>
<td>Business development director</td>
<td>11.04.2012</td>
</tr>
<tr>
<td>Mustafa Naem</td>
<td>Investigation journalist</td>
<td>11.04.2012</td>
</tr>
<tr>
<td>Tatyana Nikolaenko</td>
<td>HR director</td>
<td>11.04.2012</td>
</tr>
<tr>
<td>Alena Pritula</td>
<td>Owner, chief editor</td>
<td>12.04.2012</td>
</tr>
</tbody>
</table>

Moreover, we decided to conduct additional interviews with external respondents from different media companies in order to get a broader perspective on the media industry in Ukraine and outside opinion on the *Ukrainska Pravda*. The objects for the interviews were chosen based on the personal connections of the authors. The respondents represent companies of regional and national scale which serve as reliable sources for the better description of the media industry in Ukraine. These interviews were conducted before the interviews in the *Ukrainska Pravda*. This allowed the authors to prepare better for the actual case study interviews and collect external opinions about the *Ukrainska Pravda*. Last but not least, the designed set of questions were approved prior the actual interview by our supervisor, who has experience in the media field and in the process of conducting interviews.

Table № 5 shows the respondents position and short descriptions of the company as well as the date of the interview.

Table № 5 Interviewees’/companies information

<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Company</th>
<th>Date of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zurab Alasaniya</td>
<td>Owner, CEO of Media Port. Website which is focused on detailed regional news and the most important</td>
<td>21.03.2012</td>
</tr>
</tbody>
</table>
national one. Also contains entertainment content. Kharkov, Ukraine
http://www.mediaport.ua/

Alexander Martynenko
Founder and CEO of news agency Interfax-Ukraine. From 1998 – 2002 Deputy Head of Ukrainian president administration, presidents press -secretary. Interfax-Ukraine is a part of international news agency InterfaxInformation Services. It is the biggest news agency in Ukraine and source for many newspapers including the Ukrainska Pravda.

09.04.2012

5.4 Reliability

According to Yin (2009) reliability is one of the two most common ways to measure the quality of a study and demonstrates that the operation of study such as the data collection procedures can be repeated with the same results. Moreover, reliability refers to the credibility of the way analysis and the date collection techniques are consistent with the findings. Saunders at al. (2009) stresses on the question: will others reach similar observations. Thus, the research will be reliable if the findings will be the same when repeated. Overall, the data retrieved does not show any major contradictions among the respondents’ answers which will help making concise and coherent conclusions and keep the study reliable.

5.5 Validity

The other common approach according to Yin (2009) to measure the quality and trustworthiness of a study is through the degree of validity. It is important to consider the fact that the results need to refer to authors’ purpose. Thus, the researchers have taken it into a consideration. The thesis is focused mostly on a single company and therefore the situation cannot be generalized. In order to validate the study the authors conducted interviews with journalists, professors in journalism etc., divided in numbers: six interviews within the case of our study of the Ukrainska Pravda and three outside the company. Some questions that we chose were unique and have been given to all participants. Nonetheless, others differed depending on the position the person holds. However, all questions were directed towards the topics concerning the purpose of the study and the research questions.
5.6 Limitations

This study aims to give an explanation of how online media functions in transition economies and more specifically an online newspaper. Due to the fact that, this is a case study and the small number of interviews conducted does not give an overview or generalize result of the whole media industry in Ukraine.

Furthermore, the time pressure and the travel distance have limited the study to the minimum required amount if interview that had to be taken. Moreover, due the fact that the online newspaper business is relatively new field we faced some difficulties finding consistent literature and
6  Empirical findings

In this section the empirical findings derived from the conducted interviews will be given. The main topics consistent with the purpose of this thesis that were discussed with the interviewees are explained in detail in this section.

6.1  Characteristic of the transition period in the economy and media industry

The period of Ukrainian independence was subdivided by the respondents into three periods. The year of independence proclamation proper 1991 till the end of 2004, when the so called the “Orange revolution” took place, the second period lasts from 2005 till 2010. The last one embraces 2010 – present. This division is based on the political situation and the authority groups in the government. Another important point is the time before the Internet came into being and after especially for the UP respondents. First Internet penetration attempts were in 1996-98. After that it began to spread systematically.

All the respondents state that there was no business in its genuine meaning in the media industry in the first few years of Ukrainian independence. The main reason for that was the absence of the advertising market and private media sources. According to Alexander Martynenko, mid 90s were characterized by the lack of professionals in journalism. There were no common standards and criteria how to produce quality products.

“What is sold is good, thus if the material is bad, low quality but sells well – it is good. You may have professional material, a quality one but if nobody wants it – it is bad.”

(Alexander Martynenko , CEO Interfax- Ukraine)

One of the drivers for development of journalism was embassies. Thus, the first client of Interfax was the Italian Embassy which received news from Interfax by fax four times a day. In the mid-90s the American Embassy paid 100 dollars a month to every source which called itself “news agency” and provided, at least, some information, remembered Martynenko. Later, the American Embassy was one of the fund givers of the UP. The technical base was also pretty outdated comparing to other European countries. However, when the money of investors was there, it usually went well. The example is “Privat TV” a production company when the investor was a bank, explained Alexander Serenko. Thus, they had the newest equipment.

The harshest times, according to Alena Pritula, were from the late 90s until the “Orange revolution”. Other respondents also indicate that 2000 – 2003 were probably the most difficult in terms of relations with the government. In the 90s the government TV channels were totally controlled. Printed media and TV channels received from the authorities special drafts with instructions of what should or should be there on TV or in newspapers. Those were so called temniki theme guidelines in translation. When the government changed after the “Orange revolution”. There was a period when there was no censorship at all, some respondents said. Others thought that censorship started its way back after 2008 and totally got back in 2010 when the new president Yanukovich was elected. The Internet changed the situation for the better.
The Internet was not controlled by the government in any way whatsoever. That is one of the reasons why Alena Pritula and George Gongadze started the UP as an online source in 2000. That time an opposition newspaper could exist only on the web, according to Alena. At the beginning of the 90s there were three public channels UT-1, UT-2 and UT-3. UT abbreviation stands for Ukrainian Television. All the respondents described the situation with the TV industry in the same way. Alexander Serenko, Zurab Alasaniya and Mustafa Naem as professionals, who have huge experience in that area, described it in detail. In the mid 90s there were very few commercials on the governmental channels and the main content was focused more on some cultural and educational programs. The situation changed when private TV channels appeared. The market started to grow because since the first private TV channel Inter started and till today the share of TV commercials is the biggest. Regarding the quality Alexander Serenko shares his viewpoint:

“I would say in terms of information it is degradation, because television gives a lot of junk entertainment information which doesn’t have any informational value. In terms of technical quality, it, of course, is getting better.”

(Alexander Serenko, producer Privat TV)

The situation with private TV channels has remained the same since they first appeared till today. Mustafa Naem calls them “the supporters of the main business”. The picture of the Ukrainian privately owned TV industry, according to our experts, is that TV channels are informational supporters for the main businesses of the owners. All the channels are owned by businessmen, Zurab Alasaniya prefers to call them oligarchs. Those businessmen have different kinds of factories, banks, mines, etc. None of the owners has a TV channel as a major business. All of them are also somehow connected to the government and are using their TV channels for PR of the business or in the interest of the authorities which strings might come handy to the owner.

“TV channels have stopped showing the real picture of the situation in the country.”

(Mustafa Naem, Ukrainska Pravda)

Thus, the respondents say private television of the national and now the regional scale has never been independent and won’t be as long as the owner considers it as a backup business. Mustafa Naem supports this statement with the statistics that in 2011 TV industry had losses of half a billion dollars. Thus, it did not make profit but still existed.

According to our respondents, printed media is becoming more and more outdated, the information there is 1-2 days out-of-date compared to online media. Basically, it has a bigger audience due to low penetration of the Internet among the population. There are a lot of areas in the villages where people don’t have an access to the Internet. People aged 60+ also don’t use it much and are more conservative consumers.

“My father saw the news in a daily paper on Monday, when I knew about it from the Internet on Friday.”

(Mustafa Naem, Ukrainska Pravda)

Alexander Martynenko, however, admits that printed newspapers give more quality information than online ones unlike UP. The matter of objectivity of printed newspapers is also questionable as they act as supporters as TV channels. With 1-2 years of difference, all res-
pondents suppose that in Ukraine printed media will be integrated to the Internet in 5-6 years. However, it would be possible if the Ad market grew. According to Alexander Martynenko, if nowadays the printed newspaper goes online, dropping the printed edition, it means that the brand is almost dead. Better chances for survival are for magazines as they are not that focused on exclusiveness but on sensation and something unique. Also, due to the fact that most of them are monthly editions, costumers wait for them, thus purchases are not a routine activity.

According to Zurab Alasaniya, the situation with online newspapers in terms of independence is much more vivid than TV channels and printed media. Even though, Zurab Alasaniya and Alexander Martynenko said that it is extremely hard to make it profitable, for instance, a regional online news portal owned by Zurab Alasaniya doesn’t have profit from advertising, as it should, to payback. It is funded from profits the team gains as a production company. All respondents stressed that the market is too small yet to sustain many online projects. The respondents pointed out two online newspapers which are profitable due to advertising: the Ukrainska Pravda and the Correspondent. The audience of online newspapers is still very small compared to overall population of Ukraine. However, the respondents realize that it is a matter of time before the Internet gains more popularity. Alena Pritula said that it would raise their audience and profit but competitors as well.

### 6.2 Ukrainska Pravda as a company

The symbols of the Ukrainska Pravda are Don Quixote and Sancho Panza. There are several pictures in their office; Alena has some wooden statues on her desk. It was brought by George Gongadze. They symbolize hard work, bravery and honesty. Those traits are common for the Ukrainska Pravda as well. We asked about their mission, and Alena said that it probably sounded to idealistic but it is “to change the world for the better together”.

Alena Pritula described the management processes in the company. She said that they were very flexible. As the CEO she has the final authority but very often allows the employees to take the major decisions. In the past she could not leave the office even for one hour because she needed to control everything. Now the team is pretty autonomous and she said that she could leave for a week without worries. Sergey Leshenko, the vice editor, could be in charge easily. The folks who work in the newsroom even hire new employees without her.

“I hire people who contradict me and who have a strong personal position being able to defend it anytime.”

(Alena Pritula, Owner, chief editor of Ukrainska Pravda)

“Alena is wise enough to structure the company so that everyone is an expert in their field, but, at the same time, there is universalism in every one of us.”

(Oleksii Fedko, Ukrainska Pravda)

Alena Pritula stressed that she has the team which she trusts, thus, it is easy for her to delegate. Mustafa Naem showed a good example of that. He said that if he had an article to write he just call Alena and very briefly describes the matter. She accepts the material without doubt. Afterwards, Mustafa is sure that the article is published as it is, without any cor-
rections. That is quite an irrational scheme, according to him, but it works perfectly. The mutual trust is based on Alena and the team’s professionalism. The working schedule is also flexible. “The most important thing is the result”, explained Alena. She monitors the website and checks if everything that should be there really is. Thus, it is not very important when they come to work or when they leave. However, Alena admits that most people are workaholics and she sometimes forces them to take a break or go home. She also said that maybe the good idea is to make 3/1 working week plan, thus one week a month is a week off and 3 working weeks in month.

“Alena stays in her own room and does not even check on the people in the newsroom. They can drink coffee or eat anytime they want and the only thing that matters for Alena is the way news has been put out on the website.”

(Mustafa Naem, Ukrainska Pravda)

The financial matters are divided between the business development director and account manager. Alena Pritula is more of a strategist rather than a financier. She also does the arrangements on some advertising, etc. She considers such an informal structure as an advantage because of high adaptability which it gives to them. Thus, they can implement and try some updates within a short time period and reject them if they don’t work properly. UP has a team of IT management which is responsible for all technical aspects. The marketing policy is based on partnership relations. There is no budget for PR or advertising in other online or offline sources. Thus, Alena shows an interesting example with the Correspondent to their main competitor but a partner as well. On the UP’s web page there is a spot where news from the Correspondent runs and he same on the other side. According to Alena, the target groups of UP and Correspondent differ and cross marketing allows attracting new readers to both newspapers. When the respondents from UP were asked about the working environment one word immediately came out from their mouth “Family”.

“I think this family atmosphere is unique. We trust each other and we share every time we have problems.”

(Tatyana Nikolaenko, Ukrainska Pravda)

“This informal atmosphere is so unique, that sometimes I can’t explain it, but only feel it.”

(Mustafa Naem, Ukrainska Pravda)

Alena explained that they had never had an office with open spaces and ventilation pipes. She has always tried to make and keep a cozy atmosphere so that people could feel at home. She said that people spent a lot of time in UP and her duty was to make them comfortable. The family atmosphere is something which keeps them together and allows producing quality products. They have a big lighted kitchen where they have lunch all together. Sometimes after work Alena said with a smile people get together in the main hall and play games sitting on the floor. At the entrance there is a hanger where people leave their clothes take off the shoes and put slippers. Just like at home. All that, Alena believes, contributes to the successful working environment. The only minor point which was highlighted by Tatyana Nikolaenko was that for many people UP is the first workplace and this home atmosphere may give them some wrong picture of the real world of corporate rules and strict orders.
Our impression of that atmosphere was totally opposite of what we were expecting. We were treated with attention and respect. People are young; the average age is 25-27 years. Everybody was very enthusiastic, energetic, and smiling. Another example of the family atmosphere was experienced when Mustafa Naem came to meet with us. He entered the premises with bananas and ice cream said hello to everyone in different rooms and was giving them bananas or ice cream. People greeted him like an old friend even though he is as a full time journalist there.

“Since I came here people relate my name to UP. Even though I come here not very often and there is no contract signed between me and UP.”

(Mustafa Naem, Ukrainska Pravda)

Then we went to the kitchen as it was vacant. During the interview a woman came who brought some homemade food. When we finished the interview the whole office was going to have lunch.

In terms of the HR policy UP also has its own approach. Alena explained how they hire new people.

“Actually, my team chooses their future people they want to work with, and in the end I take the last decision.”

(Alena Pritula, Ukrainska Pravda)

My team’s decisions are based on the motivation of the candidate and their feeling. The candidates got the task and work on it during the day. Sometimes the try out period may take a week and that it is clear to everybody does the candidate fit or not. However, it is not a chaotic process. Tatyana showed the example when a young girl didn’t got an approval from the whole team but Tatyana hired her as she was talented and committed.

### 6.2 UP’s Business Model

Alena Pritula described the evolution of the Ukrainska Pravda’s business model. For the first four years UP operated from grant money. The first grant was from the American Embassy - 25 000 dollars a year. Thus, only after the end of the Orange revolution they gained the necessary popularity and viewer numbers to push advertisers to work with them.

Now their revenue streams are provided by the advertisements on their web site. They have real readers, deputies in the parliament daily reading UP, the president’s administration likewise. UP has a prestigious image, thus, there are a lot automobile advertisements, sport clubs, etc. According to Alena Pritula, until 2010 the main advertisement was black PR. However, even if they don’t tolerate such a kind of ads they couldn’t give it up because it made up around 80% of the revenue. Now, when its share decreased, they have doubled the price for the black PR material, however, the demand is still high especially during elections. The possible project is to make a paid version of the site free of ads. They don’t want to have the paid content because it is an uncommon format for Ukraine due to lack of copyright restrictions. Moreover, the core idea of UP is free and truthful content for people. The price for ads on their website is at the average on the market. They place free
advertisements of fundraising for sick children as they have a partnership with charity organizations. Alena admits that diversification of UP’s brand contributed to increasing the reader numbers. Now UP is a media holding with different sub brands which covers different aspects of daily life such as fashion, sport, people blogs, economics, yellow press and historical facts. However, the main and most popular brand is the political one. The variety of brands allows to use cross marketing.

“They have managed to build a positive brand image and diversified it in sub brands: the TabloID, the Economichna Pravda (Economic Truth), the Istorichna Pravda (Historical Truth) and they work. The Istorichna Pravda is the image brand which works for their reputation. They are great.”

(Zurab Alasaniya, CEO MediaPort)

6.3 Success factors of Ukrainska Pravda

“There are no holidays or weekends for us.”

(Alena Pritula, Ukrainska Pravda)

According to Alena Pritula, working hard is simple but a very effective success factor. Even on the weekends there are a couple of people who maintain the website. At night there is also a person who is in charge for emergencies. Thus 24/7 is a goofy working formula. They try to be first bringing up important news and make the reader aware of it. Alena said also that knowing the readers and their preferences is also very important in order to succeed.

“UP knows its audience and knows how to keep it”

(Alexander Martynenko, CEO Interfax-Ukraine)

The focus of UP is the most important and interesting news in Ukraine, however, if something important is going on in the world, they also write about it and again they want the reader to know about it from them. Attracting professional and well-known authors to write is important for the brand.

“In order to become and stay competitive, you have to keep track of everything going on, because the environment changes quickly and maintaining the first position in the market is extremely difficult.”

(Alena Pritula, Ukrainska Pravda)

Sergey Leshenko highlighted such factors regarding the content like: immediacy, exclusiveness, sensations and backed up facts. He stressed that the Ukrainska Pravda provides 30% of its own content which is uncommon for other Ukrainian online newspapers. Alena Pritula also pointed out that their core competence is journalistic investigations which are made by Sergey Leshenko and Mustafa Naem. This is also an important feature which distinguishes them from the competitors.
“They have quality content. Leshenko and Mustafa make good materials.”

(Alexander Martynenko, CEO Interfax - Ukraine)

Mustafa Naem pointed out that the fact that UP is independent and owned by Alena Pritula did not subsidize any interests. In terms of IT development, Oleksii Fedko sees success in analyzing the trends.

“The most important thing I do beside maintaining the content is following the world trends in terms of business development and innovations. We are the first in implementing innovations in Ukraine related to social networks, new projects, etc.”

(Oleksii Fedko, Ukrainska Pravda)

Analyzing the interviews it became clear that there not only internal success factors but external ones as well.

Alena Pritula told about the tragic period of UP’s history. In September of 2000 the founder George Gongadze disappeared. Through UP this news spread in Ukraine, Russia, Western Europe. The next day the number of viewers reached 3500 which was a very big number for an online newspaper in Ukraine at that time. We had a lot of news about George’s disappearance and people were interested to know what happened. At the end of November one of the opposition politicians revealed tape recordings with the discussion of the President and his subordinates regarding Gongadze. UP was the only source which put those tapes on their web site.

“Unfortunately, with this personal tragedy the Ukrainska Pravda became famous, but we had to keep going and provide news for the reader.”

(Alena Pritula, Ukrainska Pravda)

Also, the respondents from UP and others said that such a turbulent environment contributed to the popularity among people as an opposition and free newspaper.

“I think that now this success story can’t be repeated. There was a time; there was a niche which they successfully filled.”

(Zurab Alasaniya, CEO MediaPort)

“The fact that it was created by Gongadze was important for people who knew his work; the whole tragic story with him was a boost for people to be interested in it.”

(Alexander Martynenko, CEO Interfax - Ukraine)
6.4 Influence of digitization on media industry and social media engagement

2015 should be the year when all TV channels will switch to a digital format. Thus TV industry is mainly concerned with this transition. Alexander Serenko and Zurab Alasania pointed out the non-transparent situation regarding the licenses given to TV channels at enormous prices. Thus, the number of TV channels will decrease.

“The actual digitization of the media started around year 2005”

(Oleksii Fedko, Ukrainska Pravda)

The trend for printed media is creating an online version just for image because it doesn’t make profit. Also, some of them, mostly magazines, place their ads online. Mustafa Naem suggests that they mostly go online soon.

For online newspapers digitization has threats as well as opportunities. They are fewer but still are there. Possible threats are that those businessmen who own TV channels soon will redirect their huge budgets to act online which will make a serious competition to online newspapers like UP due to the technical advantage. For example, a TV channel could use its video equipment to produce quality videos and upload them online, shared his thoughts Sergey Leshenko. For journalists the speed of information flow is an advantage because now news could be uploaded from a mobile device or sent immediately to the office.

“First of all, a lot of information is already there on the Internet. Some investigations could be made from the office.”

(Sergey Leshenko, Ukrainska Pravda)

Alena Pritula thinks that now it is a matter of who will play smart with these opportunities. During the interviews a lot attention was paid to social networks and their impact on the media business.

According to Alena Pritula, their main tool is Facebook, even though VKontakte is the most popular social network in Ukraine. The reason is the audience, it is more adult and intelligent on Facebook. Thus, it is a platform for announcing news and even posting news which is not available on the web page. Also, it is used to expand the target audience. Sergey Leshenko and Mustafa Naem are active users of Facebook and use it to strengthen the image and keep interest in UP.

According to most respondents, Twitter didn’t go well in Ukraine. Thus, it is not as a significant tool as Facebook.

Alexander Martynenko said that now social networks are becoming great platforms for advertising thus online resources and newspapers should think about how to be the most efficient in the social networks.
7 Analyses

In this chapter the authors will present the analyses integrated with the theories. First of all the media industry in transition economy will be analyzed. Secondly, the analyses will stress on the entrepreneurship and digitization of the media by taking the example of Ukrainska Pravda in the context of transition economy. Last but not least, the authors will explain the success factors and business model of Ukrainska Pravda found from the research.

7.1 Media industry in transition economy

Smallbone et al. (2010) state that in transition economies the government plays a much bigger role than in developed countries as it creates a legislative framework and informal customs, values and behavioral patterns for individuals in their relations with the government. This concept was proved by the practical examples we got from our interviews. Thus, in the first years of Ukrainian independence the legal framework was actively transformed till 1996 when the Ukrainian Constitution was adopted. Thus, the legal corridor was pretty wide and creation of new companies was eased. We got examples of three companies in the media industry which were created without any resistance from the government at that period. The regional TV production company, first and now the biggest news agency, and the regional media group. Their founders shared with us their views on the government’s role being neutral which is both positive and negative as there was no pressure and no support. This fact proves another idea of Smallbone et al. (2010) that allowing entrepreneurship to exist and its active promotion as a future engine of the economy are very different ways. The Ukrainska Pravda which was started online didn’t feel any barriers in the beginning as the government wasn’t paying much attention to the Internet. According to our respondents having support from the government in Ukrainian media business means being dependent and subsidized in published materials, unfortunately. In our cases all four companies were bootstrapping through joint ventures (Interfax-Ukraine), Investors money (Privat TV), grant support (Ukrainska Pravda) or reinvestments of capital (MediaPort). Thus as McMillan and Woodruff states entrepreneurs in transition economies create substitutes for missing institutions (Estrin et al. 2005).

Empirical findings showed that the government usually starts to pay attention to some media company either when it feels threat as it was with the Ukrainska Pravda or when there is benefit. Due to a high level of corruption businesses meet obstacles in defending themselves against illegal actions from authorities. According to Interfax-Ukraine (2011), Ukrainian businessmen find corruption and taxation policy most aggravating factors in the business environment. Our respondents didn’t say anything about taxation but corruption and even the derivatives of corruption were among the most negative experiences in their relationships with authorities. Thus, the owner of MediaPort Zurab Alasanya remembers attempts from politicians to buy rotten material from their reporters, or attempts from the government to influence Interfax – Ukraine.

The tragic example of the Ukrainska Pravda is when George Gongadze was murdered because of the opposition activity of his online newspaper. Many facts of the investigations showed that the government was involved according to our respondents.
Aslund (2009) calls the Orange revolution a democratic breakthrough. However, our respondents saw it more as a decrease in interest in controlling media that purely democratic intention. Even though Alena Pritula, Sergey Leshenko and the other journalists from the *Ukraїnska Pravda* admit that working after 2005 was much easier in terms of government pressure. Unfortunately, the government couldn’t set the cornerstones for further democratization after the Orange revolution and current situations are more similar to Kuchma’s period of 1999-2004 (Belyakov 2009).

### 7.2 Digitization of Media

According to Doyle (2002) the content nowadays could be reduced to so-called metadata which allows the news makers to increase the effectiveness and an amount of produced content. This statement was confirmed by our respondents. In fact, Sergey Leshenko, the vice editor of UP said that the process of investigation had become much easier. One of the reasons is that the Internet already has a lot of information (databases, documents) which in previous years would be problematic to find without going out from the office. The chief editor of UP also admitted the advantages of new technologies and devices. For instance, she said that they had chosen the location for UP’s office to be close to the Parliament and President’s administration to provide the intensity of the news. Now it is possible to upload the news from the mobile phone or the tablet PC. Thus, technically speaking, digitization contributes to the prosperity of online newspapers if the opportunities are used with maximum benefit. In fact, the negative feedback was also received. All of the respondents are concerned with the fact that accessibility of information sources on the Web and an ability to post there unedited materials reduce the quality of the content. Furthermore, it neglects the journalism as a profession. The interesting finding of the Ukrainian media market is the fact that starting an online newspaper today is an unprofitable venture. The reason as our respondents said is a small advertising market. Thus, this fact contradicts the statements provided by Picard (2011) that the overall cost for an online newspaper could be reduced to 80% compared to a printed one, which allows to invest more into the newsroom and gain more profit. Furthermore, the explanation of the director of Interfax – Ukraine contradicts Picard (2011) statements as well. Alexander Martynenko said that if a printed newspaper went online dropping out the printed version it would mean the “death” of the newspaper. The costs are really lower but it is practically impossible to reach self-repayment for the online newspaper in the contemporary environment, according to Alexander Martynenko.

The ICT (Internet communication technology) Development Index (IDI) is an index that combines into one benchmark eleven indicators which serve to compare and measure development in information and communication technologies among different countries. It was developed by the International Telecommunication Union in 2008. According to MIS (2010) Ukraine as most CIS (Commonwealth of Independent States) fall to the medium group of ICT development. IDI rank for Ukraine is 4.34 on 10 points scale which pretty low comparing to European countries. Ukraine is characterized as a market with huge potential however the development goes slowly. For instance, the 3G service was launched in 2007 but for three year period showed growth of 4 percent. The penetration of mobile broadband is also slow as only one mobile operator has a 3G license (MIS, 2011).
According to internetworldstats.com the penetration of the internet is 33% in Ukraine which is much lower comparing to the European countries like Sweden 92% or even Poland 62% which still is twice as Ukraine.

Thus those might be the reasons for the small internet advertising market so far.

Thus, the Ukrainian business environment plays a significant role on development of companies and due to its transitional character, not all models and theories work as they should here.

### 7.3 Entrepreneurship and start-ups in transition economies

**the Ukrainska Pravda’s example**

In this section an overview of entrepreneurship in transition economies will be given. Also, the focus will be on the specific points in starting a company in Ukraine in terms of government regulations, corruption, and the existing opportunities by taking the example of the online newspaper Ukrainska Pravda and reflecting the literature including the research done so far. Entrepreneurship has a strong relevance to the media, therefore analyzing it and connected it to the media is a must. The transition economy can in one way trigger the entrepreneurship process, however, in another way, can set some boundaries in terms of government regulations, that will automatically lower the percentage of newly established firms. Thus, entrepreneurship, economy and political situation in the country are closely connected in Ukraine. This relationship is obvious in the history of the Ukrainska Pravda and it can be seen in the breakthrough moments in the period 2000-2012. Moreover, the focus of the events that formed the history of the Ukrainska Pravda is mainly political.

**Breakthrough moments**

- 16th of April, 2000 the Referendum in Ukraine

The Ukrainska Pravda’s start-up had been planned on the day of the Referendum. However, according to the main editor Alena Pritula due to technical reasons it happened the next day. The establishing of Ukrainska Pravda could have probably happened sooner or later, however, the Referendum was the right moment that triggered the founders Alena Pritula and Georgi Gongadze. Therefore, the Referendum can be described as one of the critical breakthrough moments in the history of the Ukrainska Pravda.

- The disappearance of the founder George Gongadze in year 2000

In this case, after such a tragic event, the Ukrainska Pravda won a large number of readers. Unfortunately, the tragedy served as a factor in some impetus to the promotion of the online newspaper. Thus, it consequently made the online newspaper famous around the country and this can be seen as not only from the increased number of daily visitors, but the fact is that people started talking about the Ukrainska Pravda. Thereafter, left without its founder the online newspaper had to survive somehow and the whole set of responsibilities have switched to the co-founder Alena Pritula. The demand for the news has increased tremendously afterwards, therefore, it had to be provided somehow. From that moment the team of people working for the Ukrainska Pravda started publishing news regularly.

- The Orange revolution in 2004
The orange revolution has not only changed the political situation in the country, but also had a positive impact on the Ukrainska Pravda. The online newspaper has been financed only by the American embassy through grants. Thus, the company had not been making any money by itself until then. However, after the events happened in 2004 and in particularly “The Orange Revolution”, the online newspaper Ukrainska Pravda started gaining profit. The Revolution showed that people are not afraid of going out there and protesting if they see that something is not right, in this case the election was unfair and corrupted. This can be explained by the fact that the newspaper is mainly politically oriented. The more censorship there is, the harder it gets to expose the facts by making an investigation first and write good articles. Therefore, there is a correlation between freedom of speech and success of the media companies and, in particularly, the Ukrainska Pravda.

Furthermore, a real entrepreneurial behavior can be seen in the founders’ personalities. There was no online website where people could read the news at that time. Therefore, Pritula and Gongadze’s curiosity to know more about the political situation in the country and the desire to have a possibility to inform people about that, have formed the idea of an online newspaper. Moreover, the constitutional terms and regulations in Ukraine were not favorable for entrepreneurship development. Smallbone et al. (2010) argue that governments are responsible for implementing an institutional framework, which enables and/or constrains entrepreneurship development, through its role in enforcing the ‘rule of the law’. For instance, the presence of censorship in the media in Ukraine set by the government becomes a huge obstacle which online newspapers face. Despite that, the real opportunity-seeking entrepreneur finds ways to execute the idea and develop it. As McMillan and Woodruff (2005) argued that entrepreneurs in transition economies succeeded by self-help: they built for themselves substitutes for the missing institutions. This includes finding support from institutions outside the country or not connected to the government, at least. Therefore, the company had to survive somehow, since everyone was afraid to advertise on the Ukrainska Pravda’s website. Thus, it was sponsored by grants from foreign embassies in Ukraine. Thereafter, we come back to the point that government, private sector and media are tightly connected and dependent on each other in unstable economies. Most of the media holdings are owned by politicians in the government using media as tool to contribute to its parties. However, there are media holdings such as the Ukrainska Pravda that are not owned by politicians. For such media companies the only thing that remains playing is the never ending role of opposition and the ongoing fight against corruption.

7.4 Success factors

The online business industry in Ukraine is closely connected to the political situation in the country. Changes on the first one will consequently affect the second one, and the other way around could occur as well. Ukraine is a post-soviet country and was a central-planned economy for a long time. One of the characteristics in the central-planned economy is censorship. People that speak against the government and its actions have been usually punished. Therefore, journalists are afraid to write articles and expose critique news opposing the government. This can be also seen now, even though Ukraine economy is in transition. There are still some characteristics stuck deeply into the system such as corruption, freedom of speech that need time in order to be cleaned up. Mustafa Naem mentions that “the scariest thing is that we expose real facts about someone doing illegal things, however, the prosecutors don’t take any actions at all” (Naem, 11.04.2012). Nevertheless, there have
been always brave people in the country that are not afraid to criticize its leaders and fight against corruption. The *Ukrainska Pravda* is a perfect example of that, since it was founded by such personalities. The online edition has always kept its strong position with its own opinion. This has made it a perfect place for journalists who want to publish their articles in which they oppose the government, in this way the *Ukrainska Pravda* attracts talented journalists and distinguishes it from its competitors. Thereafter, there is, on the one hand, an inextricable correlation between braveness to expose all kinds of news and having the best journalists in the team in the online media business in transition economies. On the other hand, the correlation has been found between the talented journalists and success of the newspaper.

Success factors are necessary for an organization to complete its mission. Digging deeply into the history of the *Ukrainska Pravda* a numerous of factors turned out to be of a vital importance for the success of an online newspaper in turbulent times.

Figure № 3 Success factors of *Ukrainska Pravda*

1. **First mover advantage**

The first company that had entered a completely new virgin industry could rely on that as to gain a competitive advantage. Until year 2000- the foundation of the *Ukrainska Pravda*, there had been no online newspapers in Ukraine. Moreover, according to Mustafa Naem, “it is almost impossible for online newspapers that started, after there are already enough leaders in the market, to become one of the top in the country”(Naem,11.04.2012). This is a fundamental factor for success on which the rest is based. However, the first mover advantage does not guarantee it, but just a solid base on which the company can rely. Therefore, without other factors the online edition won’t stay on top long. For instance, looking at the lifetime of the *Ukrainska Pravda* there are numerous other factors that helped maintained its leading position overtime.
Another success factor found out from the empirical research is keeping track of the trends.

2. Keeping track of the trends

The last one could have two meanings: listen to your audience, implementing the newest technologies

A) Listen to your audience

In order to attract more readers the online newspaper must be directed towards the readers’ preferences. In other words, writing the articles in a way that will gain interest for the audience, knowing already what the audience wants to read. One way to find that out is through communication. As what the founder of the Ukrainska Pravda states “you can make every news look interesting”.

The Ukrainska Pravda is really one of the few online editions which pays a close attention to the audience’s demand. It has a very close relationship with its readers. There is no doubt that this is a positive factor, since what is "closer" to the publication of the reader more interested in the newspaper that the reader would like to read. The newspaper must have direct contact with its audience, otherwise the confidence and interest will decrease, and this is unacceptable in the online media industry. In the example of the Ukrainska Pravda, we can clearly identify what positive impact this factor has and we can just say that this is an integral part of successful development of this newspaper. The online edition must fight for every reader, as the competition is high and the loss of any reader might play a huge role. Social media is a tool for keeping in touch with the readers and gets to know their preferences.

b) Implementing the newest technologies

Technology development goes twice as fast today as it was 20 years ago. The technology we use today will become outdated tomorrow. Thus, staying tuned with the innovations is a vital factor that will give the company a competitive advantage. According to the business development manager Oleksii Fedko, the Ukrainska Pravda “is the first in Ukraine to implement the new innovative technologies” (Fedko,11.04.2012). Therefore, the results matched with the previous studies and research done by Smallbone et al. on the sectors of the economy in Ukraine as they argue that the need to view innovation as one of the strategies used by firms to maintain and improve their competitiveness. Implementing the newest technologies also includes using them in order to improve the content and make it more interactive.

In order to be interesting for the reader you have to include not only text, but videos and pictures as well. Moreover, this was found in the empirical data that has been collected. One of the respondents Mustafa Naem has stated that “almost every news must be accompanied with photos and videos, because the audience prefers to see more interactive content with extras than read just plain text”(Naem, 11.04.2012).

3. Launching the news first

It is no secret that the success of any online newspaper, depends on factors such as readability and rating. Every edition should pay attention to the trends in order to increase those factors. To gain a niche in this market, you need to stand out among other editions. The Ukrainska Pravda, in turn, is a leader in this field. The secret is simple - "to be first everywhere and always in catching the event." Fresh and relevant information is the key to suc-
cess of any online edition. A lot of people read newspapers because they want to know what is happening in their country or abroad. Experience shows us that the Ukrainska Pravda effectiveness of this method, but we must not forget that "to be first," first highlight what that event is - a task for professionals, as the processing and rapid supply of information, and quality of the articles may decrease. Therefore, news and any events should always be compact, concise in order to generate interest.

4. Exclusiveness

Increasing the number of viewers and daily readers on online newspaper’s website is very dependent on the kinds of news that are posted. It is well known that the exclusive news is way more interesting than standard news. Exclusivity is one of the core competences of the Ukrainska Pravda. A good journalist can be described in two things: an ability to skillfully present information and to play with information. A journalist shall obtain information and present it so that people would be interested to read it, and it should also record any event happening first. Unfortunately, in recent years, many journalists use the technique of "copy-paste" - this is unacceptable, the news should be "fresh" and unique. Readers want to receive exclusive information, and sometimes be involved in it. Thus, any form of information should be not only diverse, but also be concise. This helps to achieve a particular level of trust between the reader and the author. Therefore, the news in the Ukrainska Pravda is exclusive, independent, and written in quite an enthralling language.

5. Uniqueness

Every company wants to be unique in one way or another. Therefore, the ones that achieve it become successful over the time. If the company is called unique it means that is the only one of its kind. The uniqueness is included in itself: having a good team, take a shot at the right moment, high quality and exclusive content, knowing how to attract and keep the audience. Those are universal parts of uniqueness of a company. That applies to the Ukrainska Pravda to a certain extent and in some particular moments. Moreover, the uniqueness can have another aspect -the entrepreneurial spirit within the organization. That is to say the freedom employees have to express their own opinions and come up every time with something new and interesting. Mustafa Naem describes the atmosphere within the organization as unique. He also states that “if I want to write an article I don’t even have to inform Alena”. “Nevertheless she takes the final decision whether the material to be published or not and we trust her, since she has never made a mistake”(Naem, 11.04.2012). Thus, taking right decisions in turbulent times could be extraordinary however it’s a strong component of success. Haati argues that “successful entrepreneuring is thus about the ability to make correct judgments in conditions of uncertainty with the accrual of consequent “rewards”.(Haati, 1995).

6. Having good team

In order to stay competitive in the industry and maintain its leading position the company needs to attract and hire skillful employees. The vice-editor of the Ukrainska Pravda Sergei Leshenko, for instance, is one of the best journalists in Ukraine. He has received numerous awards for “best journalist of the year”. However, attracting top journalists in the company is easier said than done. The competition in the online media business is tremendous, thus all companies fight for having the highly skilled labor, which will then give a competitive advantage for those willing to attract it.
7.5 Business model of the Ukrainska Pravda

A business model includes financial flows, an operational level of the business, its underlying fundamentals and exchange activities, which allow a business to run successfully. The whole business model process in an online newspaper can be explained briefly - attracting more companies to advertise on the website by increasing the number of readers (viewers). That’s how the Ukrainska Pravda makes money and sustains its revenue streams over the course of time. Therefore, this contradicts what Picard (2000), argues that a business model is a fundamental concept. However, it’s not as of critical importance for the news media as it is in other industries. Furthermore, an online newspaper is drawing attention for its subscription fee model system, where readers pay for the news or just for ad-free pages. These can be other revenue streams which an online newspaper can use to gain profit, but not yet executed by the Ukrainska Pravda. As the chief editor and owner Alena Pritula states in one of the interviews “we are planning to launch a membership system where our readers can pay and have the content without ads” (Pritula, 12.4.2012). On the one hand, this could help the company to gain additional profit, but, on the other hand, it might decrease the number of readers by losing some. “Our priority is rather to satisfy our readers and get more overtime, than make money by all means” states Alena. Therefore, some contradictions arise in the business model of the company and the main goals.

Figure № 4 Ukrainska Pravda’s business model

![Business Model Diagram]

The figure above describes the business model process in the online newspaper Ukrainska Pravda. The first part of the model-key partners, activities and resources is the fuel that drives the engine in order to gain profit. The second includes in itself the outcomes measured with the number of readers, which consequently attracts advertisers.
The key partners can be divided into two groups: suppliers and strategic alliances. Interfax Ukraine is the supplier in this case from which UP buys news content and the strategic partner is the online newspaper “Correspondent” with which it has a partnership in terms of subscribing and exchanging readers. Furthermore, the Correspondent is both a competitor and a partner, since their focus groups are different.

The key activities of the company are described as innovation and diversification. The innovation as a key resource is derived from the interview with one of the respondents - the business developer director Oleksii Fedko where he states that “we are first of all online newspaper companies in implementing the newest innovative technologies”( Fedko, 11.04.2012). In terms of diversification the company tries to cover a broader range of audience by focusing on specific groups. For example, they launch sub-websites such as Tabloid, Economic truth, Champion, Life, Historic truth attached to the main website of the Ukrainska Pravda.

Nevertheless, we need one more piece in order to complete the infrastructure part of the business model - the key resources, which include exclusive materials and professional journalists. The vice-editor Sergei Leshenko has been rewarded a few times for “the best journalist of the year” in Ukraine. The director of Interfax Ukraine- Alexander Martynenko mentions that “Leshenko and Mustafa make good materials” and describes the Ukrainska Pravda as an online newspaper “that knows its audience and how to keep it with its quality content”( Martynenko, 09.04.2012).

The second part of the model is a reflection of the first one. Therefore, it shows the outcomes depending on the way the first one is executed. The main revenue stream comes from advertisement. Therefore, it confirms the two ways of revenue streams for an online newspaper-subscription fees and advertising given by Driscol, et al. (2005), with a slight difference that subscription fees are a future project for the Ukrainska Pravda.
8 Conclusion

The purpose of this study was to analyze how the online newspaper company Ukrainska Pravda operates in the media industry in the context of transition economy and define the critical success factors. Thus, in this section the research questions will be answered, discussion will be made and suggested further research will be given.

8.1 Conclusions

Research question 1: What are the success factors of the online newspaper Ukrainska Pravda and what is their contribution to the prosperity of the company?

Based on the empirical findings the authors derived six success factors of the online newspaper Ukrainska Pravda that were profoundly analyzed in the previous section. Therefore, they showed a significant contribution to success of the company. The authors found important to discuss the factors which were vital for the Ukrainska Pravda during its history, otherwise the external factors or breakthrough moments. Furthermore, external respondents highlighted that the right time and niche which was filled by the Ukrainska Pravda were among success factors.

First of all, the idea to look for grants from western sources was a wise decision which allowed the newspaper to survive the years when the Internet advertising market was extremely low, compared to the other media advertising markets, and newspaper could make profit from advertisements.

The date when the newspaper started was the date of the Ukrainian national referendum. In fact, it was a very important event in the history of independent Ukraine and a good strategic move to start an online newspaper with such an intriguing name as Ukrainian Truth. Moreover, one of the founders of the newspaper George Gongadze had already been a well-known opposition journalist. Therefore, his name also served as an attraction to the new online resource. The significant as well as tragic breakthrough point for the newspaper was his sudden disappearing and further investigation. The number of readers increased enormously to 3500 readers a day which was quite a lot for that time. Thus, the co-founder and chief editor of the Ukrainska Pravda stressed that their personal loss became a boost factor for the company.

The “Orange revolution” as a catalyst of the democratization of the media industry allowed the Ukrainska Pravda to start making profit from advertising. The fact the newspaper has always been oppositional towards the government stopped people to advertise there before the “Orange revolution”. Thus, since 2005 the newspaper became profitable. There are also factors of success which root within the company.

However, the competitive advantage that the online newspaper gained by being pioneer does not work alone. Therefore, other factors are needed in order the company to maintain its top position in this highly competitive industry.

Keeping track of the trends, for instance, proved to have a significant contribution for success of the Ukrainska Pravda. By being always the first online newspaper to innovate and implement the newest technology the media holding has maintained its position as a leader in the online newspaper industry in Ukraine.
Moreover, the online newspapers have the advantage to communicate the news immediately due to the speed of the Internet. Thus, they do not face the obstacles to wait until the day after in order to launch the news. Therefore, the time of transmitting the information from the footage to the online newspaper’s website in the news form is crucial in the online newspaper business.

Furthermore, this factor is closely connected to the exclusiveness of the news. The success of the online newspaper goes also hand in hand with the quality and the exclusiveness of the content. Thus, the more exclusive the content is the bigger numbers of readers the online newspaper can get.

In terms of internal structures in the Ukrainska Pravda another factor that has been extracted from the empirical findings is uniqueness. The family atmosphere and the informal relationships between the employees within the company are so unique that sometimes cannot be explained verbally. Therefore, this creates an entrepreneurial spirit that is vital and contributes to the final results of the company.

Least but not last is that the above factors would not have been achieved without a good team behind it. The key employees in an online newspaper company are the journalists. They are the people who transform certain facts and information and produce content out of it. The Ukrainska Pravda’s team consists of the journalists that have been awarded as top journalists in Ukraine. Moreover, the company has a very good team of people who take care of finance, marketing and business strategies, which play an important role in the development and success of the Ukrainska Pravda. Thus, the human resource factor in terms of having a good team is inextricably linked to the rest.

Research question 2: What is the influence of the government and situation in the media industry on the online newspaper business considering the Ukrainska Pravda as an example in the context of transition economy?

Over the twelve years of the Ukrainska Pravda’s existence the relations between the government and media industry have been tightly connected and influenced the development of the online newspaper. In terms of government relations, censorship was an important phenomenon for the Ukrainska Pravda. Year 2000 was the second term of Kuchma’s presidency. That period 1999-2004 censorship reached its culmination according to the respondents. Through the “temniki” authorities controlled the content on the TV channels, radio and printed media. However, this was the push to explore the Internet environment which was beyond the control of the government. The period of Yuchenko presidency 2005-2010 was rather free of censorship. At that time the Ukrainska Pravda was not among few independent sources as many TV channels, printed newspapers got the content which was not moderated by the government authorities. However, the important thing in Ukrainian media industry is the owner of the source and his or her interests. Thus, the quality and independence of the content are dependable on the role of the TV channel, radio or the printed newspaper of the owner. Thus, most of the private media sources are used as an informational tool or support for the main business of the owner. In this context the Ukrainska Pravda is owned by the chief editor and thus is the main business for her. As a result, in order to be profitable it should provide quality content and consider the preferences of the audience. A TV channel, radio station, web site or the printed media which is not dependent on its audience, because it is financed from external sources, does not provide quality and truthful content. However, even if the Ukrainska Pravda is a business for business, its
content might be moderated due to personal preferences of the owner, but in that case if the content is too subjective the audience will be lost. Thus, the ownership of the media sources plays a vital role in terms of content and profitability and there are very few independent media sources which have revenues from its main activity. The Ukrainska Pravda is among few online newspapers which works by the standard business model based on the advertising revenues as it was one of the first online newspapers and by the time of the “Orange revolution” Ukrainska Pravda had a lot of readers and advertising started to work for them.

The reason for low profitability of online newspapers business is a small Internet advertising market which doesn’t allow new companies to exist on the profits from advertising. Three reasons which were found for that are a low level of the Internet penetration, an average level of ICT Development Index and a high percentage of older population.

Digitization of media according to the respondents should change the situation in the near future. Specifically, the penetration of the Internet and a number of users will increase, thus the market will also grow. In that case, it would be possible for new companies to enter the market. For such newspapers as the Ukrainska Pravda digitization will have a dual effect like growth of the audience and profits but at the same time the threats from the new competitors.

8.2 Discussion

The study shows that media industry and the government in transition economy are very dependent on each other. The politicians influence as much as they can in order to change the political situation in the country towards the chosen side. Thus, most of the TV channels, newspapers radio stations do not show the real situation in the country.

However, there is a new industry that can’t be so easily controlled by the government and this is the online media industry examined in this paper through the company Ukrainska Pravda. The authors have got an insight of how the company operates and what is so unique about it that makes it successful, profitable and independent at the same time.

Furthermore, the study shows one successful online newspaper company that has been contributed from the digitization; unfortunately this cannot generalize the whole online media industry in Ukraine. More than half of the population in the country does not even have an access to Internet and are skeptical about the online news.

8.3 Further research and contributions

For further research the authors can recommend analyzing more companies within the online newspaper business in the context of transition economies. The penetration of the Internet in the developing countries is still low, however it shows increasing in the last decade the trend will most likely maintain the same. Therefore, the online media as a business industry will develop in the future even more.
Furthermore, the authors would also like to suggest a further research of companies from another niche within the online media industry (including TV channels and printed newspapers that use Internet to diversify) in Ukraine and in other transition economies. Moreover, the future studies could be also focused towards the traditional media companies, the ones that do not use internet as tool of diversifying. Thereafter, these future studies will not only allow the researchers to compare the different online news companies, but also the tradition to the online media within one single transition economy and the media industries between the different countries with transition economies.
List of references


Mol, A (2008), Sociodynamics Culture. Moscow: Izdatelstvo LKI


Appendix

1. Semi structured in-depth interview template

Interview for the master thesis

Online newspapers in transition economy: Success factors

The purpose of this study was to define the factors of success of the Ukrainian online newspaper Ukrainska Pravda and the influence of media industry within the context of transition economy.

The information obtained through this interview will be used only for scientific purposes at Jönköping International Business School (JIBS), Jönköping, Sweden.

I. Characteristic of the transition period in the economy and media industry

1. What is the situation with freedom of speech in the media: TV channels, Internet and printed media?

2. Could you describe the situation in the media industry 12 years ago?

3. Could please tell us about the situation in the media sector in Ukraine during the period 2000-2005?

4. Could you explain the differences in the media sector and the situation in the country as a whole between the two periods- before and after the Orange Revolution?

5. How does the political situation influence the media?

II. Ukrainska Pravda as a company

1. Could you explain how does the management structure in the company look like?

2. Who take care of finance and market strategy of the company?

3. Can you please tell us about your mission and vision?

4. What do you think about the environment within the company?
Appendix

III. Ukrainska Pravda’s Business Model

1. How do you receive materials and transform them into news then?

2. How does your business model look like and where your revenue streams come from?

3. What kind of advertisements there are mainly on your website and why would companies choose you to advertise their businesses?

IV. Success factors of Ukrainska Pravda

1. What do you think stays behind a successful online newspaper?

2. What is it so unique about Ukrainska Pravda?

V. Influence of digitization on media industry and social media engagement

1. What impact has the technology and in particularly Internet on the media?

2. Do you think the innovation and the new technology will help the media companies and in particularly the online newspapers, to make more profit?

3. How does the digitization transform the media market?

4. How do the social networks influence the media and in particularly UP?

5. How do you see the future of printed newspapers?

Thank you for your time and the answers!
Figure No 5 Ukrainian Internet advertising market overview

Ukrainian Internet Advertising Market Overview

Internet advertising 1 million dollars

► share in the media 0,5%

Advertising market $260 million

<table>
<thead>
<tr>
<th>Year/Total advertising market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet advertising market</td>
</tr>
<tr>
<td>$1 million</td>
</tr>
<tr>
<td>$1.5 million</td>
</tr>
<tr>
<td>$2.5 million</td>
</tr>
<tr>
<td>$6 million</td>
</tr>
<tr>
<td>$12 million</td>
</tr>
</tbody>
</table>

2002

2003
Total $420 million

2004
Total $571 million

2005
Total $835 million

2006
Total $373 million

2007
Total $1,928 million

Million $
Appendix

CRISIS

2008

Total amount of the entire advertising market $1,096 million

Internet advertising market

<table>
<thead>
<tr>
<th>Year/Total advertising market</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$1,096 million</td>
<td>$1,335 million</td>
<td>$1,576 million</td>
</tr>
<tr>
<td>$18 million</td>
<td>$18 million</td>
<td>$35 million</td>
<td>$55 million</td>
</tr>
<tr>
<td>$35 million</td>
<td>$47 million</td>
<td>$21 million</td>
<td>$55 million</td>
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<tr>
<td>$55 million</td>
<td>$47 million</td>
<td>$35 million</td>
<td>$55 million</td>
</tr>
</tbody>
</table>

Year/Total advertising market
### Table № 6 Ukrainian advertising market overview in millions USD

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>1</td>
<td>1</td>
<td>1.5</td>
<td>2.5</td>
<td>6</td>
<td>12</td>
<td>13</td>
<td>18</td>
<td>35</td>
<td>55</td>
</tr>
<tr>
<td>TV</td>
<td>85</td>
<td>130</td>
<td>165</td>
<td>237</td>
<td>390</td>
<td>467</td>
<td>351</td>
<td>253</td>
<td>339</td>
<td>421</td>
</tr>
<tr>
<td>Radio</td>
<td>8</td>
<td>9</td>
<td>13</td>
<td>20</td>
<td>26.5</td>
<td>34</td>
<td>21</td>
<td>15</td>
<td>25</td>
<td>34</td>
</tr>
<tr>
<td>Printed media</td>
<td>38</td>
<td>60</td>
<td>81</td>
<td>131</td>
<td>176</td>
<td>228</td>
<td>194</td>
<td>129</td>
<td>279</td>
<td>308</td>
</tr>
<tr>
<td>Outdoor</td>
<td>28</td>
<td>60</td>
<td>86</td>
<td>116</td>
<td>151</td>
<td>187</td>
<td>135</td>
<td>83</td>
<td>101</td>
<td>127</td>
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</tbody>
</table>

### Graph № 3 Ukrainian advertising market overview in millions USD

![Graph](image)

### Table № 7 Ukrainian advertising market growth in % (USD)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>0</td>
<td>50%</td>
<td>67%</td>
<td>140%</td>
<td>100%</td>
<td>8%</td>
<td>38%</td>
<td>94%</td>
<td>57%</td>
<td></td>
</tr>
<tr>
<td>TV</td>
<td>53%</td>
<td>27%</td>
<td>44%</td>
<td>65%</td>
<td>20%</td>
<td>-25%</td>
<td>-28%</td>
<td>34%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td>13%</td>
<td>44%</td>
<td>54%</td>
<td>33%</td>
<td>28%</td>
<td>-38%</td>
<td>-29%</td>
<td>67%</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Printed media</td>
<td>58%</td>
<td>35%</td>
<td>62%</td>
<td>34%</td>
<td>30%</td>
<td>-15%</td>
<td>-34%</td>
<td>116%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Outdoor</td>
<td>114%</td>
<td>43%</td>
<td>35%</td>
<td>30%</td>
<td>24%</td>
<td>-28%</td>
<td>-39%</td>
<td>22%</td>
<td>26%</td>
<td></td>
</tr>
</tbody>
</table>
Appendix

Graph № 4 Ukrainian advertising market growth in % (USD)

[Graph showing the growth of various advertising media types (Internet, TV, Radio, Printed media, Outdoor) from 2002 to 2011.]

Internet
TV
Radio
Printed media
Outdoor

Year

%