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Managing Competition Between Legacy Television Services and Video Streaming Platforms in Hungary in the Early 2020s – a Case Study

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ABSTRACT
The year 2022 was a turbulent one for the audiovisual industry worldwide. In Hungary, two global streaming platforms, HBO Max and Disney+, launched their services, joining Netflix and some less popular streamers already on the scene. The content offered by these global streaming platforms has a lot in common compared to legacy television's supply in large markets. However, few studies have focused on small markets or "digital peripheries" where the inevitable global reach of new technologies and service providers mixes with more complicated local market realities. Our study aims to extend this body of knowledge to another small, "odd market," namely Hungary. It investigates how professionals perceive the television market in the wake of the advent of streaming in their current practice and from a strategic perspective on a small and specific national market such as Hungary. Using in-depth interviews ($n = 9$) with managers across organizations in the Hungarian audiovisual industry complemented by an analysis of publicly available secondary sources, our findings reveal three main clash areas in the market: established market presence, power within the supply chain, and content offering adding a potential framework for competitive analysis to studies of small media markets and the dynamics between legacy and streaming players.

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Introduction

In 2022, two global SVOD (subscription video-on-demand) streaming platforms, HBO Max and Disney+, launched their services in Hungary, joining Netflix and some less popular streamers already on the scene.

In addition to industry strategists in the 1990s (Baldwin et al., 1996), visionaries such as Negroponte (1995) and academics such as Owen (1998) have emphasized that the internet opens up a wide field for

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video entertainment and information services. While in many ways this has been an "unwelcomed revolution" (Oliver, 2014, p. 57), in the second half of the 1990s, legacy broadcasters started to launch their own websites using the internet in a web 1.0 environment. By the turn of the millennium, most web users in the USA were regularly visiting these sites, and this "enhanced television" represented both a brand extension for legacy television broadcasters (Ha & Chan-Olmsted, 2001) and a complement to their core television services (Chan-Olmsted & Ha, 2003).

Legacy broadcasters tried to deliver mostly their own content over the open "best effort" internet (over-the-top, OTT) to users with access to high-speed internet. The dotcom bubble crash severely damaged expectations for video services over the internet. However, some version of the internet television hype survived. A new technology for delivering video and ancillary services over the Internet Protocol (IPTV) emerged around 2003 and became a commercial service in most developed and some emerging countries a few years later (OECD, 2007). From the audience's viewpoint, IPTV corresponds to familiar, established multichannel pay-TV services, and it represents a new, "non-linear," on-demand, viewer-controlled, interactive audiovisual service package delivered over broadband platforms.

In 2007, two standalone service providers also appeared on the OTT video streaming scene: Netflix, which had no background in television broadcasting, and Hulu, a joint venture of two (later three) legacy television broadcasters and a financial investor (Burroughs, 2019; Sanson & Steirer, 2019). A subset of emerging online video services offering professional content produced through standard industry practices (as opposed to user-generated content) was labeled "internet distributed television" (Lotz, 2017). Noam (2021) asserts that the central players in streaming will be large companies, conglomerates present in different industries, that aggregate the main elements of content production, marketing, and sales together with technical distribution functions (storage, content delivery, interoperability), and manage data operations critical for making decisions about content production and recommending content to subscribers.

Video streaming has undeniably established itself as a driving force of the audiovisual market in the 2010s. Most studies address the industry from new global entrants' or major legacy players' perspective (Lobato, 2019), while less attention has been paid to smaller and peripheral, more idiosyncratic markets with complicated local market realities. Such efforts, relevant to audiovisual media, have been those of Israel by Wayne (2020) or Greece by Papadimitriou (2020). Our study aims to extend this body of knowledge to another "odd market," namely Hungary.

Evolving markets and dynamic capabilities of incumbents

After decades of organic growth in the audiovisual market, the digital revolution in media technologies and the mass adoption of the internet brought about a dramatic change in the technological, economic, and informational environment in which media content was produced, marketed, and consumed. As a result of this digital transformation, media managers faced more volatility, uncertainty, and ambiguity in their operations than before, while established media business models were losing their efficiency and needed a thorough reconsideration (Picard, 2011). The resource-based theory of the firm (Grant, 1991; Penrose, 1959) which focuses on the firm's ordinary capabilities provided ideas for the firm-centered approach in media management research and strategic management theory. It was complemented by the dynamic capabilities framework in media management research (see, e.g., Jantunen et al., 2018; Murschetz et al., 2020) to examine success factors in rapidly changing business environments.

As Teece (2014) asserts, ordinary capabilities include functions necessary to run firms in a business-as-usual (BAU) manner, focusing on technical efficiency in a broadly stable environment, while dynamic capabilities include higher-level activities (e.g., sensing, seizing, and transforming) in an uncertain, complex environment that are managed to achieve excellent long-term firm performance and high-payoff efforts. "This requires managing, or 'orchestrating,' the firm's resources to address and shape rapidly changing business environments" (Teece, 2014, p. 232). According to Murschetz et al. (2020), four tenets govern the concept: (1) an organization-level change, where (2) adaptation occurs via the organization's ability to renew capabilities and competencies, and where (3) adaptation is viewed as a deliberate organizational action with dedicated resources, and which is (4) focused on the short term. Established incumbents are likely to experience lock-in situations that prevent them from responding to changing environmental conditions leading to path dependence (Teece, 2007).

For instance, Papadimitriou's (2020) study shows that change in a local peripheral market can be very slow even in the face of disruptive innovation. In the case of Greece, while the transition to digital technologies went off noticeably by the second half of the decade, marked by the digital switchover in terrestrial broadcasting and the arrival of high-speed fiber, the underlying former oligopolistic industry structure had remained *de facto* intact. As such, small markets can provide a context that can influence dynamic capabilities and competitiveness.

Characteristics of small media markets

Looking at the fundamental academic literature (e.g., Puppis, 2009; Siegert, 2006; Trappel, 1991), there is no widely accepted definition of what constitutes a small state or small media market. From simpler measures such as geographic size, population, or gross national product, through political and sociological factors such as economic flexibility and political stability, to comparative approaches, several organizing principles can be formulated. For example, Parvulescu and Hanzlík (2021, p. 9) propose four market sizes for the EU's film industry: France (and, formerly, the UK) as a "league of its own," the remaining "Big Three" (Germany, Italy, Spain), "the in-between players" (such as the Nordic countries, Belgium, or Poland), and other countries that are both small and peripheral (e.g., Romania, Czechia, and Hungary). However, even the largest European audiovisual markets are far from being large enough to compete with markets such as the United States or China (Afilipoaie et al., 2021).

Conversely, a "small" country such as Australia is also, to some extent, embedded in global media culture through its being part of the wider Anglophone culture (Lobato & Lotz, 2021). Thus, the characterization of small markets needs to be complemented with dimensions of "cultural volatility" (Szczepanik, 2021, p. 193) such as an imbalanced flow of audiovisual content marked by language barriers, and, consequently, limited exports and limited availability of recognized industry talent, and thus a strong reliance on imported content (Berg, 2011; Szczepanik et al., 2020).

Hjort and Petrie (2007, p. 7) argue that "[s]mall nationhood need not be a liability nor a clear sign of sub-optimality." As such, some small and peripheral markets can be characterized by relatively strong local content production and consumption (e.g., Flanders [Wauters & Raats, 2018]). This can stem from various sources, such as historical roots, state protectionism, including various forms of market protection (e.g., mandatory quotas for the distribution of domestically produced audiovisual content, targeted tax credits, and direct state support/funding for national film production), but also outward-looking content production funding strategies (Bilík, 2020; Szczepanik, 2021; Wayne, 2020).

As Wayne notes, all the evidence suggests that there is no panic in the local industry (at the time of his research, in 2017) and it is not possible to generalize about the competition between small local markets and global streaming giants, as differences in economic, regulatory, and cultural backgrounds between countries have a significant impact on competition. Nevertheless, it is particularly interesting to examine whether local audiovisual markets can keep up with the pace and how, and to what extent these dynamics are manifested upon these markets. The authors believe that Hungary is a noteworthy addition to the literature; indeed, the U-turn of this small post-communist country from liberal democracy to illiberal state capitalism (Kornai, 2015) suggests that the socio-political environment *eo ipso* shapes the Hungarian audiovisual media scene.

Of course, the rise of state capitalism is not limited to Hungary; it has long been a trend worldwide (Jacobs & Mazzucato, 2016; Tirole, 2017). In sectors such as information technology, telecommunications, and media, it is common for government regulators to identify a few strategically important domestic players and provide them with a favorable business environment to compete efficiently with foreign/multinational companies (Bremmer, 2014). Beyond post-communist countries such as Hungary, attempts to capture the media in Europe also have deep historical roots in Mediterranean countries such as Greece (Hallin & Papathanassopoulos, 2002).

Methodology and sample characteristics

The present research is based on nine in-depth interviews with selected practitioners to answer our research question:

RQ: *How do professionals perceive the television market in the wake of the advent of streaming in their current practice and in a strategic perspective on a small and specific national market such as Hungary?*

To capture a wide spectrum of insights, participants represented a wide range of stakeholder institutions, including not only the incumbent market leaders and cable channel operators in the television industry but also access providers (multichannel video programming distributors, MVPDs).

Thus, the study adopts a realism paradigm (Sobh & Perry, 2006) with an in-depth qualitative research approach to map the external reality of the market in a highly dynamic landscape where practitioners are often a cornerstone in terms of topical knowledge and latest developments (see, e.g., Gimpel, 2015; Goetzenberger et al., 2022; Szczepanik, 2021). The main goal of our research was to examine the nascent competition between legacy television services and video streaming platforms in the current market reality of Hungary from a local managerial perspective, thus contributing to a critical media industry approach (Havens et al., 2009).

As Sobh and Perry (2006) suggest, triangulation is a tool in the realism paradigm to assess whether findings are generalizable, i.e., whether an objective reality exists, or, conversely, whether findings fall within the scope of constructivism, i.e., the acceptance of multiple realities (Lincoln et al., 2011). The present study follows the practitioner interview approach. To contextualize the data collected from industry executives, our research equally relies upon publicly available sources, such as “industry documents, press coverage, and executive interviews in the public record” (Wayne, 2020, p. 37).

In total, nine interviews ($n = 9$) were conducted (two interviews were conducted with two company representatives present), eight in the study’s initial phase, and one confirmatory interview to validate findings. In all cases, top management was contacted directly with an interview request. In some cases, while the request was accepted, the interview itself was passed on to middle management due to lack of time and/or competency. Interviewees (six men and four women) hold a variety of top or middle management positions across seven different organizations within the Hungarian television broadcasting industry (Table 1). To ensure maximum validity, both incumbent market leaders were contacted and eventually agreed to be interviewed. Similarly, interviews were secured with two of the five challenger media groups. Finally, four of the organizations participating in the research were local divisions of international conglomerates, while three were Hungarian or East-Central European owned. Global streaming platforms were represented in the study when local representation was available (two organizations interviewed were thus affiliated with major global streaming platforms). Streaming platforms without local representation (e.g., Netflix, or Apple) were considered out of the scope of the present interview study due to lack of feasibility. The study was approved by Corvinus University of Budapest's Ethics Committee (Reference nr. KRH/259/2022). (To guarantee responder anonymity, data specific to each interview were omitted from Table 1.)

Two interviews were conducted online via MS Teams, the remainder in person. Prior to each interview, participants were briefed via e-mail on the general purpose and main areas of interest. During the interviews, after some introductory questions about the general trends in their practice, the interviewed executives were asked to describe what the television market meant to them in general and then to describe their institution's position within it. As Lobato and Lotz (2021, p. 90) note, "defining a market is no easy matter," yet incumbent executives are the closest to being able to assess their business environment. Then, they were asked about the specifics of the Hungarian market. The third part dealt with the advent of streaming and their impressions of them in their daily practice as competitors and/or business partners. Supporting questions included inquiring about the difference between TV and video content markets, the strengths and opportunities of incumbents against streamers, or whether they consider streaming a disruptive innovation or an organic evolution. The interviews lasted between 60 and 90 min. Recorded interviews were transcribed, and researcher notes were added and discussed.

Table 1. Study sample.

Id	Company profile	Interviewee's position	Interview date
In-depth interviews with practitioners			
[I1]	market leader A	top management (2 interviewees)	Apr 19, 2022
[I2]	market leader A	top management (different than [I1])	May 12, 2022
[I3]	market leader B	middle management	Feb 17, 2022
[I4]	runner-up A	middle management	Jan 21, 2022
[I5]	runner-up B	top and middle management (2 interviewees)	Apr 6, 2022
[I6]	telco/MVPD A	top management	Mar 3, 2022
[I7]	telco/MVPD B	middle management	Mar 10, 2022
[I8]	pay television	middle management	Sep 28, 2022
[I9]	runner-up B	top management (same as [I5]) (confirmatory interview)	Jun 28, 2023
Secondary sources (professional press, communiqués, etc.)			
[S01]-[S33]		n = 33 secondary sources (list of sources available at https://doi.org/10.5281/zenodo.10691742)	

In two cases, the executives interviewed strongly objected to being recorded; in these cases, a detailed researcher note was created immediately after the interview, based on the interviewers' notes taken during the session.

Following the recommendations by MacLure (2013), coding of the research data focused on identifying data "hot spots," that is, instead of looking for "solid meanings," the authors sought for what gradually grew into topics of "greater significance" (i.e., through repetitions, implied meanings, or omissions within and among the interviews). These main topics (referred to as "clash areas" in the analysis) were then put through a process of "assemblage" to reflect the study's main aim.

An overview of the contemporary Hungarian television broadcasting industry

Hungary has a total population (and potential TV market) of 9.6 million people (4 million households). According to Nielsen [S19], in 2022, 93% of all households owned a television set, and, within that, 93% subscribed to a cable service, and pay cable has one of the highest penetration rates in the world.

In October 1997, two national commercial television channels, RTL Klub and TV2 were launched. Despite numerous changes in ownership since their launch, they continue to play a significant role in the Hungarian audiovisual market. Thus, the two main groups in the television market are RTL Hungary (with its flagship channel RTL, rebranded from former RTL Klub in October 2022, and 7 cable channels), owned by RTL Group, and TV2 Group (with its flagship channel TV2 and 13 cable channels), currently owned by Hungarian investors. At the time of writing, in 2022, each group had around 30% of the combined prime-time audience share in the 18–49 age group [S21].

The second tier of the market in 2022 was marked by the competition between five media groups, each with around 2% to 6% of the total audience share (AMC Networks Central Europe, Paramount Global, Antenna Entertainment Group, Warner Bros. Discovery, and the Hungarian-owned Network 4). It is also worth mentioning the role of HBO (currently operated by Warner Bros. Discovery) in the Hungarian market: the premium channel was launched as early as in 1991 in the very first wave of its expansion to international markets. HBO's series "tried to establish US and international standards for quality TV in the region" (Varga, 2020, p. 282). Incidentally, Hungary was a testing ground for HBO's video-on-demand (VOD) system (then branded as HBO GO), which was originally tied to cable subscriptions and only became a fully independent service in 2017–2018.

A state agency named Media Services and Support Trust Fund (MTVA) operates Hungary's public television and radio channels and a news agency. The Fund operates six television channels, and their combined audience share was 11% in 2021 [S09]. The Fund's budget was EUR 330 million in 2021, of which EUR 305 million came from the state budget [S14]. In terms of its budget, the Fund is by far the largest media outlet in Hungary. By contrast, the two market leaders' total revenues for the fiscal year 2022 were EUR 113 million (RTL Hungary) and EUR 122 million (TV2 Group). Based on market estimates confirmed by several interviewees, the respective annual revenues of the aforementioned runners-up are an order of magnitude smaller, at around EUR 10 million.

The top three MVPDs (namely: Magyar Telekom, DIGI, and Vodafone) dominate the market with a combined market share of 77.5% [S05]. Together, they control 83% of the fixed broadband market [S07] and 64% of mobile broadband traffic [S25]. Another notable player is Yettel with a 35% share of Hungary's mobile broadband traffic.

The exact audience share of streaming is unknown, but according to Nielsen data [S31], watching "other" programs accounted for 22% of TV viewing time in 2023, most of which came from streaming. According to data from research firm GKID [S15], 39% of Hungarian adult internet users had at least one active subscription in 2022 (up 56% from the previous year), representing a user base of 2 million. Subscribers are estimated to spend approximately EUR 11 per month on streaming, which corresponds to an average of two subscriptions.

The Hungarian media market operates under strong state control, including full control over public media, various regulatory measures ranging from a *de facto* targeted tax law to a bizarre competition law, more than questionable ownership takeovers in the media scene and restrictions on access to public information characterize "state capture in Hungarian media" (Bajomi-Lázár, 2017; Lansner, 2013). In addition, a flood of state advertising directed at media outlets that openly support government policies and/or attack the opposition (Bátorfy & Urbán, 2020) illustrates the everyday biased interference in the media.

Results – distinctive features of Hungary as a small media market

Figure 1 provides an overview of the analysis of the research sample illustrating the identified strengths and weaknesses of legacy broadcasters and global streaming services (also acting as opportunities and threats to incumbents) along three main "clash areas" of market presence, place in the supply chain, and content (further divided into genres and diversity). The three main clash areas emerged as dimensions that, according to the interviews, directly affect the user experience and consumer decision-making in the market. Each area will be explored in detail in the subsequent subsections.

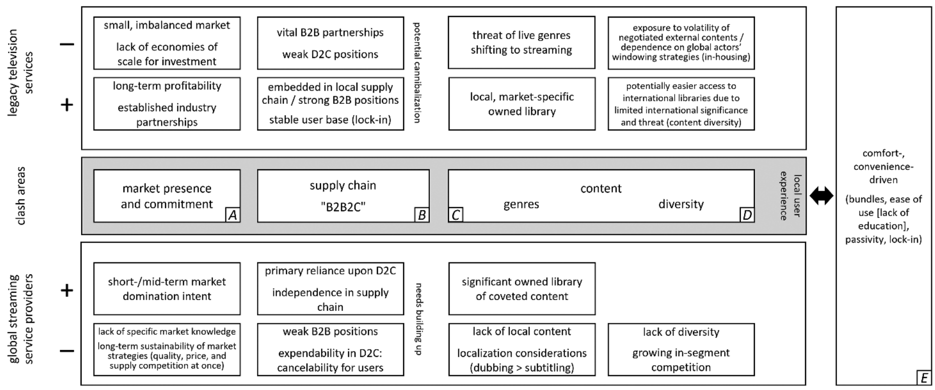

Figure 1. Main findings of the interview research: clash areas between incumbents and global streaming services. Source: own elaboration

Market presence: a legal alien or blissful ignorant

The relative lack of market orientation of the Hungarian media industry could be felt from the first moments of our research. One interviewee expressed that the second biggest current market-shaping phenomenon – besides streaming – was that "a huge amount of money appeared in the market, which could be attributed to the [current conjuncture of the] market, but we all know that it does not come from the market" [I4], leading to market imbalance. As a coping mechanism, two concurrent business strategies emerged from the interviews.

First, market players can turn their focus on streaming and OTT services, tapping into the global market and evading national regulation gaps thereby adhering to supranational interests (Puppis, 2009). Yet while all Hungarian-language cable channels, except the two dominant market leaders RTL and TV2, now operate legally from outside Hungary (Gálik, 2012) (including the two formers' secondary channels), they have extensive representation, management, and programming activities in the country. Streaming giants such as Netflix, Amazon Prime, HBO Max, Disney+, or Apple TV+ are, by default, available to Hungarian subscribers through a service operated from another EU-country. This also implies that their customer support is also likely to be managed from these regional centers, resulting in a lack of specific market knowledge.

Conversely, and more realistically, market players can commit themselves to the market – and thus reconcile themselves with the market realities – by "being there" [I8] beyond a mere "five-person representative office" [I4] and establishing a concrete and genuine market presence (Figure 1/Box A), since the relatively closed market structure, ironically, increases the stability of those inside. The view of establishing a visible presence as a market advantage over global streaming services was shared by another interviewee, representing an international media conglomerate, stating that a sustained (10+-year) local presence is synonymous with a deeper knowledge of local consumption patterns.

We analyzed the market commitment of interviewed subsidiaries of international media conglomerates regarding their independence from the parent company. On one hand, corporate headquarters were generally underlined as a provider of a general framework to be followed and implemented, but all local subsidiaries interviewed admitted to a certain freedom of doing business. Confidence in the knowledge of local market dynamics and consumers was mentioned as a basis for their legacy broadcasting activities on the condition that profitability expectations should be met.

Interestingly, even for interviewed international players embedded in the Hungarian market, streaming has brought about a new spirit of the times. Indeed, while all were very adamant that their local presence was a strong market advantage ("we are the ones who can safely do some market building" [I4]), they also admitted that their respective brands' streaming operations were managed from global headquarters and the role of local offices was often reduced to "client recruitment" [I4].

An uneven supply chain: a central role of intermediaries

Power relations within the supply chain, and in particular, legacy broadcasters' revenue streams, emerged in the interviews as a central facet of the contemporary Hungarian audiovisual market, both on the broadcasters' and infrastructure providers' sides. Participants highlighted the significant market share of subscription-based cable services. As one interviewee noted, Hungarian consumers are typically inclined toward simple and convenient offerings [I6] (Figure 1E). Households, overall, were characterized as having long-standing, loyal relationships with their cable operators and are often tied to them through multiple-year contracts [S12], resulting in a degree of market inertia.

This market situation arouses a different consumer perception of the range and nature of available audiovisual services, including – but also blurring the perceived boundaries between – television, internet, and, where available, streaming, as most households receive everything through bundled services. More importantly, their digital costs (internet access and related services) appear alongside their cable television overhead [S08]: if a 5-euro, 110-channel cable television service "is included in their 'internet' bill of [15–20 euros], they are so used to it, they will keep it, because it is simply [considered] overhead." On the other hand, if they are made to pay separately for, say, a streaming service, this "cannot be priced higher than a movie ticket [EUR 5]" as consumers get "saturated a lot faster with streaming services" [I4], leading to an obvious price competition (as compared to the global pricing strategies of such services).

On the consumer side, this was complemented by one interviewee stating that the "coexistence of linear and digital [services] will be around for a long time" [I2] as the cord-cutting phenomenon experienced in markets such as the United States is largely muted in this market by consumers who are familiar with, accustomed to, and generally satisfied with legacy services and have no intention or affinity to change. However, as several participants confirmed, the age profile of the average legacy subscriber is increasingly skewed toward older generations. A widening generation gap is prompting brand-specific strategies, with older generations favoring established media content consumption [S10; S31] (see also Bechtold, 2013).

This lock-in effect for customers foreshadows the dominant market position of MVPDs vis-à-vis content providers, such as legacy broadcasters. As one interviewee put it, a streamer "may have an important user base worldwide, but on a local market the one that knows my credit card number remains [the MVPD]" [I2]. Regarding the first identified strategy of shifting the focus to OTT services, our confirmatory interview revealed that even incumbents lack sufficient local consumer knowledge to deal with the day-to-day problems that a direct-to-consumer (D2C) service would entail, stating that "those who generate the actual revenues [i.e., the tv companies], have never even met the subscribers" [I9].

One of the key terms that emerged from the interviews was "B2B2C" (business-to-business-to-consumer) (Figure 1B). Focusing on B2B2C services and maintaining cordial relations with MVPDs, especially as they derive an important part of their revenues from content distribution fees rather than advertising, were identified as viable strategies by legacy broadcasters. In a market situation where advertising spending is used directly or indirectly as a market distortion instrument (Bátorfy & Urbán, 2020), this result shows a possible escape route toward freer market dynamics and provides an explanation for the existence of a large number of Hungarian-language cable channels, to the point that several respondents insisted that there still remained untapped niches for launching new television channels.

Moreover, as another interviewee confirmed, the market-building strategy of global streaming services promising easy cancellation policies can backfire in markets like Hungary. Hungarian subscribers were found to be extremely cost-conscious [S15; S17] and "very disloyal in the absence of a tie-in period" [I4] with a low willingness to pay for more than one, or two streaming services. These consumers are likely to use this option to constantly switch between OTT services while remaining loyal to their ISP, which is, incidentally, also their cable operator.

As a result, despite a strong start, OTT services in the market as a whole were predicted to have limited growth potential, as D2C strategies in their current forms were running counter to market dynamics. Concurrently, global streaming platforms were criticized in the sample for pursuing a market domination strategy and failing to establish strategic local partnerships, especially with MVPDs. Only Vodafone Hungary was mentioned as integrating Netflix directly into the cable operator's authentication service and user interface as an add-on (B2B2C model). It was argued that reintermediation by distributing streaming services as part of a bundle "in business terms, is not good" [I7] for MVPDs unless it leads to a substantial increase in the customer base or becomes a "hygiene factor" for customers, e.g., by (re-)simplifying the "consumer supply chain" [I9]. Indeed, due to the "lazy consumers," the need for a service offering including some form of VOD was mentioned by both respondents as a current market reality, but managed by operators through individual content agreements with rights holders. According to one interviewee, "the interdependence in the value chain will eventually bring these deals to life" [I6] between content aggregators and international streaming giants, but hoped for a more balanced market situation by then.

The interviews revealed that one of the local players' main concerns was their content library and, more specifically, their positions in terms of access to foreign productions in the scripted fiction genre (Figure 1C,D). An interviewee equally anticipated a "hunger for content" [I9] on the part of MVPDs faced with a foreseeable decline in linear audiences. This suggests a growing need for cooperation with streaming service providers.

Several interviewees mentioned that the windowing practice of major rights holders such as Disney or Warner, who withhold their content as exclusive, is unsustainable in the long run (see e.g., Chiang & Jhang-Li, 2020). In this sense, the focus on niche content and long-term cooperation with several smaller studios, as well as the strengthening of their own production of local content, emerged as viable alternatives for the legacy players of the small focal market. They argued that such content providers could benefit from potentially easier access to international libraries due to their limited global importance and threat, and could achieve content diversity more easily. In this sense, live events, competitions, or sports, traditionally mentioned in the literature (e.g., Lotz, 2014) as resistant to linear viewing were also confirmed by our interviews. Even after it was reported in June 2023 that RTL would acquire the rights to the UEFA Champions' League starting in 2024 and would broadcast the matches in priority as a presumed value-added service on its streaming platform RTL+ in anticipation of additional viewers [S27; S28], our confirmatory interview [I9] maintained a foreseeable market failure in this regard.

An alien market: language barriers and the role and context of local content

"Our market is so very special and tiny," exclaimed one interviewee [I4]. In fact, the Hungarian language itself (spoken by approximately 13 million native speakers, 9.6 in Hungary, and the rest mostly in neighboring countries) came up in all interviews as a major dissatisfier (Vargo et al., 2007). This was mentioned not only on the level of subtitling but also on that of dubbing. Dubbing has a long tradition and a strong demand among Hungarian viewers, who are generally among the least proficient in foreign languages in Europe [S01]. Therefore, dubbed content seems to be an elementary requirement for a successful entry into the Hungarian audiovisual market, even if it is a less economically viable solution for such a small market (O'Sullivan & Cornu, 2018), which would explain the early reluctance of global streamers [S04] and the relative market failure of services without dubbed content (e.g., Apple TV +, Amazon Prime Video) [I4; S06].

Second, a contemporary resurgence of local original content can be observed, but, according to the interviews, its role is somewhat ambiguous. A "strong local production of fictional content is a differentiating product" [I2] that will deliver high ratings, but according to a more critical voice in our sample, Hungarian consumers have a love–hate relationship with local content which may stem from bad past experiences (Varga, 2020): "if it's not an A +-quality production costing billions to produce, they won't like it," they will perceive it as "cheap," whereas "if the same comes from America, with the same marketing budget behind it as its Hungarian counterpart, it will probably do much better – if it comes from the West, we devour it, even if it's sh*t" [I4] (see also Lotz et al., 2022).

In the second half of the 2010s, once a viable market demand was proven, market leaders RTL and TV2 took over the baton [S13] and have since been involved in the mass production of successful multi-season local fictional daily and weekly shows [S02; S03]. According to our interviewees, these shows are not only in the local language but take into account and/or are adapted to the specific local environment featuring familiar characters and faces [I2]. These latter aspects have helped to bring local content back to the forefront as a market opportunity not only for building brand and loyalty but also for securing mass audiences and, indirectly, advertising revenues, but with an unlikely further international adaptability.

HBO, as another best practice mentioned, produced several qualitatively acclaimed series in the 2010s (Varga, 2020), but in 2022 was suddenly left with a content development strategy abandoned by central command following Discovery's acquisition of Warner Media [S16]. Unlike its legacy counterpart HBO Europe, streaming platform HBO Max is managed at the broader EMEA (Europe, Middle East, Africa) level, suggesting that localization in terms of content production may no longer be a strategic priority or perceived market advantage, probably, in part, because "they realized it wasn't worth it" [I4]. Contrary to this trend, Netflix, for its part, expressed its increased interest in the Central and Eastern European region by opening an engineering hub [S24], suggesting a forthcoming shift of focus to the regional market.

Discussion and conclusions: streaming services' prospects upon the Hungarian market

Television still has a distinguished time- and agenda-setting role in Hungary (Róka, 2019), with the average viewer watching just under five hours of television daily in 2023 [S33]. The audiovisual market is fragmented: around 130 Hungarian-language cable channels offer viewers a wide range of choices, which are moderately priced by MVPDs. Customers are price-sensitive, and their loyalty lasts only until their bundle lock-ins do.

In such a social and market environment, building an audience for video streaming services requires considerable time and investment. Entering the local streaming market seems to be rather risky for incumbents in the television market (e.g., cannibalization of own audiences [I4; I8]). We observed fundamental differences between the two market leaders' streaming strategies and concluded that these differences are linked to their ownership structure, a specific manifestation of path dependence (Teece, 2007).

RTL Hungary is a subsidiary of RTL Group, a public limited company owned by Bertelsmann Stiftung. RTL Group's strategy for the 2020s is focused on expanding the group's growth businesses, including streaming. Management announced ambitious streaming targets in 2022 including profitability by 2026 with 10 million paying subscribers (from 5.5 million in 2022) and a plan to double content investment to around EUR 600 million [S11]. The strategy relies on building national streaming champions on markets with already established incumbent leadership, namely Germany, the Netherlands, and Hungary [S11; S21]. This strategy is consistent with the findings of Fainshmidt et al. (2016), who show that a higher level of technological dynamism is positively related to organizational performance. Hungary's RTL+ streaming service was launched in November 2022 [S18]. In contrast to its former services, RTL Most (a catch-up television service) and RTL Most+ (available to linear subscribers as a B2B2C service), which were themselves renamed RTL+ Active and RTL+ Light in 2023, respectively, RTL+ is effectively targeting streaming audiences [S18].

TV2 Group is owned by Hungarian investors with obvious ties to the government (Urbán, 2021) [S30]. In the early 2020s, TV2 Group's strategy focused on overtaking RTL Hungary's lead in audience share in the traditional television market. While this goal was achieved [S32], the company, having less incentive to do so, paid much less attention to the developing video streaming market compared to its main competitor. Based on the results of our study and the literature on dynamic capabilities, one could also speculate that it is only a matter of time before TV2 Group, with the help of "government cronies" (Kornai, 2015), places strategic emphasis on new technologies and the emerging Hungarian subscription video streaming market.

Overall, in line with Wayne's (2020) observations, none of the executives interviewed believed that their companies were in direct competition with global streaming giants. RTL Group's strategy explicitly mentions "complementing global services" [S11]. Moreover, two incumbents mentioned that they welcome the evolution toward "a healthier market situation" [I3] that introduces "real competition" [I8] from which, "in the long run, all stakeholders will benefit – but, above all, the consumer" [I3]. Nevertheless, indirect references to feelings of insecurity and threat were identified. The most notable of these cues was the reference to market development strategies that never spanned more than five years ("we're going to be living off of linear TV for a *very-very long time*, that's our business, and that's what's going to bring in 90% of the company's revenue *in the next three to five years*" [I4, emphases added]) during which linear-dominant strategies "will not yet roll over" [I2].

Although our results still suggest that the seemingly global nature of streaming platforms is relative, while streaming itself is an organic, rather than a disruptive change (e.g., Lotz, 2021), based on our interviews, it is clear that major market changes are up ahead. For instance, a 5% decline in pay-tv subscriptions was reported between 2021 and 2023 along with a boom in video streaming services with 44% of households using at least one streaming platform by mid-2023 making cord-cutting a reality [S26], as opposed to something "we watch from our couch" [S13].

In its role as national champion, RTL Hungary, as part of RTL Group, can benefit from the strategic decision and commitment to target significant growth for the video streaming business at the group level. A considerable injection of dedicated funds coming from outside the market (see also Papadimitriou, 2020) could help to seize the new market opportunities. In terms of content creation, this strategy might entail both a diversification of the content genres offered (i.e., sports) to provide sufficient variety to achieve scale and an increasing share of local content production to potentially fill the quality gap left by major global players. Another important local manifestation of such a strategy can be actively "fostering distribution partnerships" [S21] with MVPDs. As suggested by one interviewee, this could take the form of "flagship partnerships" (see also Bremmer, 2014), modeled on the strategic partnership between RTL Deutschland and Deutsche Telekom in Germany [S21]. However, building a content library large enough to successfully market takes time. To ensure a stable supply of content, RTL Hungary will need to work with both current and new business partners over the long term.

Our research findings underscore that the supply chain is becoming increasingly complex, and openness to strategic collaborations was identified as paramount to standing out in the local market. Interviewed incumbents see a better future in partnerships with operators and bundled (i.e., B2B) solutions than in proprietary OTT solutions through praising complex and comprehensive value propositions as a new way of building entertainment networks. As B2B2C solutions induce higher market complexity (Mingione & Leoni, 2020), the incumbents' local market experience and embeddedness in the supply chain may serve as an additional competitive advantage against new global competitors. In March 2023, RTL, unlike any other service provider, publicly disclosed its streaming subscriber numbers [S20], stating that it had approximately 251,000 "paying subscribers to its streaming service" [S23] in Hungary, but declined to specify the share of MVPD-provided access therein. This number increased to 280,000 by the end of September 2023 [S29]. As suggested by our confirmatory interview [I9], this move may be a show of force toward mainly MVPDs, in order to strengthen the bargaining position of an organization that traditionally derives a significant portion of its revenues from service providers [S22].

While such B2B relationships can be seen as a hook for the long-term survival of local content providers, some interviewed players also showed willingness to turn to D2C services in a spirit of diversification. On the other end, consumers' reaction to this market change seems ambiguous: the in-segment competition brought about by the proliferation of streaming services heralds a consumer fatigue in the market and an emerging need to streamline the consumer supply chain [I9], and thus a return to some form of content curation, traditionally the playground of MVPDs.

The interviews and the documentary research revealed that Hungary as a small media market, apart from some peculiarities that make generalization difficult, shows some defining characteristics that echo the findings of previous works. The most important of these was revealed to be the presence of a strong oversight of a state capitalist economy on market dynamics, a feature that market actors generally seemed to reconcile with the Hungarian type of state capitalism. However, in the case of media organizations, external media governance and an illiberal socio-political environment make it rather difficult for managers to find appropriate responses to industry/business challenges in both the short and long run.

Our study comes with limitations, the most important of which stems from the chosen method. Indeed, as Gimpel (2015) also states, securing interviews with leading market executives leads necessarily to the sample being convenience-based. Moreover, since sensitive market phenomena were also addressed, individual interviews may naturally be biased, which is why sample triangulation as well as the subsequent holistic analysis of the full corpus of interviews and researcher notes were used to ensure content validity. Future research efforts can extend the body of knowledge on small markets from individual countries to more or less homogeneous regions or clusters of small markets (e.g., East-Central Europe) to study legacy players' expansion potential, or regions of managerial interest. The present study deals with Hungary as a small market, future comparative studies are encouraged to examine differences of scale even within this market category, e.g., between countries such as Hungary, Czechia, Slovenia, or Estonia.

The main contribution of our interview research to the literature is the identification of a framework of "clash areas" where global streaming platforms and local legacy players turned out to have very different market approaches. The framework provided and the further analysis of the identified "hot spots" can be useful for further research as well as for industry executives. As digital technology continues to transform the audiovisual market, consumers are faced with increasingly complex value propositions while their basic needs remain virtually unchanged: easy access to their cherished content in the most convenient way possible.

Disclosure statement

No potential conflict of interest was reported by the author(s).

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Data availability statement

Parts of the data that support the findings of this study (list of secondary sources) are openly available in Zenodo at https://doi.org/10.5281/zenodo.10691742.

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