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The transformation of audiovisual media companies: The cases of Mediaset (Italy) and Antena 3 (Spain)☆

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ABSTRACT

Keeping in mind recent industry trends such as digitalization and audience fragmentation, we would like to examine the transformation of television companies in the new digital context. Specifically, we would like to compare two leading audiovisual companies in Italy and Spain, Mediaset and Antena 3, highlighting how their multiplatform strategies have impacted the core business. Historically, they have both been important players in the audiovisual market, not only in their own countries but in the international scenario as well. An exploratory investigation, based on analysis of reports and financial statements for these audiovisual companies, and interviews with the key executives to contrast the information, was carried out during 2010 and 2012.

1. Introduction

Digitalization has changed the economics of media, or has at least strengthened some of its features. For example, economies of scope – which has been one of the key advantages of the television economy – now presents even more opportunities for media companies, most notably the potential to profit from the same content in different formats. Displaying the content on new and diverse devices such as computers or mobile phones, has been the key to getting higher returns from audiovisual products.

The economic nature of the product as a public good has been multiplied by digital technology, as it becomes increasingly difficult to deny access to content via payment (Doyle, 2010). Public goods have proven no rival to consumption, as use by one consumer does not deprive its consumption by others at the same time. Similar to cable, broadcast television signals over broadband have provided business opportunities for telecom operators and other providers outside the television market (Chan-Olmsted & Kang, 2003). They have seen opportunities to expand into productive and growing areas. In this sense, television broadcasters are no longer the sole providers of audiovisual content and entertainment information. Users have also become key players though, as they increasingly participate in the development of content. This is the case of You Tube where some contents achieve large audiences.

In the context of digital economy, the audiovisual industry has been structured by two very different agents: telecom operators and content providers. This polarization has led to the dilemma of having to design a business model around advertising or video on demand, and as service providers, to facilitate access to content based on downloading or streaming (Gaptel, 2006: 9). This dissociation has been solved in most cases by strategies of mergers and alliances between companies in both sectors (Ferguson, 2000: 345). Furthermore, in recent years, television companies have expanded their internet presence by establishing their own websites (Medina & Ojer, 2009). The dissemination of audio and video content over the internet is defined as webcasting (Ha & Ganahl, 2004).

The multimedia capability of internet has transformed traditional media in different ways. Among others, it has greatly increased competition in the last years. It should be noted that the number of internet users who download both videos and movies has doubled in the last few years (Telefónica, 2007).

Most television and production companies have developed technological innovation and multimedia departments (Medina et al., 2011). In Doyle's view (2010), the biggest television companies have migrated to multiplatform, characterized by the introduction of 360-degree commissioning' and by developing websites and other digital offerings. However, in many cases they are experimental inquiries, rather than strategic ones. The reasons seems to do rather than profitability, with to defend the core

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business that it is been seriously threatened by new competitors (Gálik, 2009). Hence, the challenge for the television is to success launching new services at the right time, minimizing costs and offering added value to audiences.

The digitalization of the audiovisual industry is related to three important changes: the advent of DTT, the penetration of the internet and its use as both an advertising tool and content distributor, and the use of different mobile devices as providers of audiovisual content (Fernandez & De Moragas, 2008; Pagani, 2000). The advent of convergence and the invention of new devices have caused both audience fragmentation and the transformation of audience behavior (Alvarez, 2011). Audiences are no longer passive but active, as they have the opportunity to choose between both linear and non-linear programs, as well as to interact with the scheduling.

The convergence of internet and TV has a particular form called IPTV. IPTV includes all video and ancillary services such as audio/text/data, delivered over the internet Protocol, offered as a channel of linear and/or non-linear programming of broadcast quality, and designed to be viewed on a television (OECD, 2007: 6). Web TV, on the other hand, provides the opportunity to watch live TV channels, broadcast over the internet and displayed on a PC screen. Mobile TV is the transmission of traditional and on-demand audiovisual content, to a capable mobile device, including live and time-shifted TV. It is therefore broader than broadcasting alone (European Commission, 2007).

The emergence of new entrants raises some legal and economic issues, which affect the business models (Gálik, 2009). Although most European countries were involved in a deregulation process, IPTV operates under the legal regime of telecommunications. Of the legal framework, it is interesting to note the change caused by the European Directive Television without Frontiers that in 2007 became Audiovisual media services without frontiers in order to cover the online audiovisual services no matter who delivered them.

However, mere technological changes are not enough to change the rules of the market. A clear business model and an acceptance by the audience are needed to set the new market basics (Oliver, 2009). In this sense, the route of new technology is still short and it is difficult to predict what will be the most profitable business model. For this reason we think that examining case studies can help to build a theoretical background for the new digital economy. We will focus on how audiences have accepted the new offers, which business model have developed, how the organizations have been affected and which alliances have signed with other companies. The strategies of two leader audiovisual companies in the digital context will the object of our research. The question that we would like also ask is how new platforms can affect the core business so far.

2. Methodological aspects

Therefore, keeping in mind the recent industry trends, such as digitalization, changes in technology, and audience fragmentation, we would like to examine the transformation of television companies in the new digital context. The main concern is how the multiplatform strategy has impacted the core business. Comparison is the methodology that allows as to explore the strategy of the audiovisual companies to adapt to the digital scenario. So, we will compare two leading audiovisual companies in Italy and Spain, Mediaset and Antena 3. Historically, they have both been important players in the audiovisual market, not only in their own countries but in the international scenario as well. Mediaset is unquestionably the commercial leader company in Italy. Antena 3 is not the leader in terms of audiences and revenues, but it is a very competitive company with a clear strategy to survive in the digital scenario.

Following the literature on media companies transformation, we have chosen four aspects that we assume are crucial for transformation happens: (a) operational and organizational structure, related to number of employees contracted for new divisions and alliances with other companies; (b) return of investment, thanks to the increment of revenues; (c) added value for audiences and increase of audiences; and (d) production of new contents.

Having these four areas in mind, we have focused our analysis to answer following questions:

Question a.1: If the amount of employees contracted for the new divisions is large enough among the overall of the employees of the companies could be a sign that the firm has taken seriously the transformation of the company in a multiplatform strategy, diversifying its activity and modifying the core business (Medina et al., 2011: 110).
Question a.2: Transformation requires alliances with external companies from the telecommunication sector (Küng, 2004; Sánchez-Tabernero, 2000: 335).
Question b: Diversification might make sense weather revenues increase and this increment permits to design new revenue streams (Micó, Masip, & Barbosa, 2009; Sánchez-Tabernero, 2000: 333).
Question c: The strategy will be successful if new audiences are achieved and the current viewers use and consume the new services (Jakubowicz, 2007; Wildman, 2008).
Question d: The transformation is authentic if it encourages the production and acquisition of new contents (Medina et al., 2011: 113).

To find out these questions we decided to adopt an exploratory investigation, based on empirical analysis of reports and financial statements for the selected audiovisual companies, and of interviews conducted with the key executives to contrast the internal information of the companies. The investigation was carried out during 2010 and 2012. The case study is so based on a multi-method research approach that includes five interviews with representatives of the television companies, and document analysis of corporate publications (annual reports, press releases, etc.) and publicly available information (press release). More precisely we focused firstly on the scenario in Italy, and second we looked at the scenario in Spain. Finally, we compared both these cases and attempt to reach some conclusions, with the intention of identifying successful strategies to help adapt traditional audiovisual companies to the new media landscape.

The different television industries are examined referring to the market structure and its concentration level, industry revenues and subscription rates, content supply and pricing and transmission technologies.

3. Literature review

This topic has been studied deeply for many authors complementing the theory of transformation and multiplatform strategy. For example, Adams (2008) and Rogers (1986, 2003) studied how media companies managed to implement and adapt to the emerging technologies. Küng (2008) studies how organization needs to change to achieve innovation and how internal coordination is needed. Christensen and Overdorf (2000) outline the ways to develop a new business inside a company.

In the field of multiplatform strategies, Wildman (2008) and Jakubowicz (2007) outlined the necessity of delivering contents in the maximum number of devices. Van der Wurf (2008) concluded