ARTICLE

Networks in the Digital Television Age: New Context, New Roles. The Case of the Spanish Industry

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Abstract

After years of stable oligopoly, the main television broadcasters in Spain began to note changes in the market in the middle of the last decade. The emergence of new networks, the re-launch of digital terrestrial television (DTT), the boom in specialized channels and the proliferation of platforms such as online and mobile TV, which allow the broadcast of audiovisual contents, forced broadcast managers to change their strategy in relation to business models and production companies. The analysis in this article centres on two main points: on one hand, the transformation effected in the television industry by the advent of digitalization; and on the other hand, the role of networks in the new media environment. In April 2010, the Spanish broadcast system completed its transition from analogue to digital broadcasting and a new digital age dawned, marked by disruptive technologies and multimedia policies.

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Introduction

The relationships between networks and production companies (content suppliers) in Spain have developed over the course of the last fifty years in line with the demands and requirements of a television sector marked by a process of continuous transformation. Although they may at first have operated as rivals in the competition for business in content production, as their contexts and business profiles became more refined, each gradually adapted to its established role in the industry.

After a detailed historical approach, this article focuses on the field of television networks (broadcasters) – one of the main players in the audiovisual sector –, highlighting their distinctive features, the different modes of production on which their relationships are based, and the role they play in the multimedia environment. The purpose of this analysis is to explore the television business, which is undergoing a key moment due to several reasons such as the Internet-TV convergence and the digitization of the production and distribution processes. Although these phenomena were initially originated by technological factors, their consequences affect to the whole audiovisual industry and, more specifically, to the very core of the business – contents.

Historical Context

When private networks began to broadcast in 1990, following thirty years of industry monopoly by public service broadcasters, they settled on a model that involved both the broadcasting of contents as well as content production. From the very beginning, such networks had full studio facilities and a wide range of staff, enabling them to offer a programme schedule based on internally produced contents – that is, programmes made using the network's own technical and human resources. The definition of the television network as both production company and broadcaster not only framed it as a potential client for independent production companies, but also as another competitor in the same field. Nevertheless, the implementation of this model, a carbon copy of the system prevalent in the public television sector, involved such high maintenance costs that it soon proved to be financially unsustainable. The new operators experienced financial difficulties for the first time shortly after their establishment, and sought to deal with such problems by restructuring the company's shares scheme and by modifying the network image (Guerrero, 2010: 161).

Despite the wide-ranging infrastructure at their disposal, the new television companies were unable, in practice, to provide twenty-four hour programming. The costs involved were so much higher than they could afford to take on that they were obliged to devote a significant proportion of their schedules to the broadcasting of externally produced contents. However, not only did the new model prove unsustainable for private networks, but also for Televisión Española (TVE), the national public service broadcaster in Spain, which continued to operate according to the old monopoly-era system in the new competitive environment, thus increasing its debt year on year (Tijeras, 2005: 112-113).

To a greater or lesser extent, all the networks in the television sector availed of the same solution: the externalization of production was seen as a way to cut costs while continuing to exercise control over contents. Independent production proved itself to be an efficient system that enabled the networks to acquire contents designed to meet their programming needs and corporate image without having to take on the resources directly, thus reducing the maintenance costs that might be involved.

This development in production strategy marked the beginning of a new stage in the relationships between television networks and production companies, which began to define and refine their activities during the 1990s. While the networks outsourced more and more content production to external production companies, and shaped their business around content broadcasting and the sale of advertising time, production companies became the main content suppliers. Nevertheless, despite dramatic growth in the field of independent production, the relationships between broadcasters and production companies failed to strike a mature balance. Although the fragmentation of the industrial fabric brought about by the proliferation of production companies may have been compensated for by the concentration of production activity in a limited number of companies, the television networks and production companies failed to establish stable, ongoing ties over the years. This failure was largely due to constant changes in programming strategies and in network management structures (Sánchez-Tabernero, 1997: 69), as well as to inherent business limitations at most production companies.

However, this situation was to change dramatically halfway through the first decade of the twenty-first century. The emergence of new networks, the re-launch of digital terrestrial television (DTT), the boom in specialized channels and the proliferation of platforms such as online and mobile TV, which allow the broadcast of audiovisual contents, forced broadcast managers to change their strategy in relation to production companies as well as their own business models.

The increase in competition and the sense of uncertainty prompted by the emergence of a new network (La Sexta), whose main shareholder comprised a consortium of production companies, led the other networks to establish strategic alliances with particular production companies so as to ensure company loyalty, to take over existing production companies or to create their own production affiliates that would be managed by trusted personnel from the parent network. As a result, large audiovisual and multimedia groups were set up, with broadcast operators and production companies linked in a vertical structure.

Moreover, in light of the legislative change authorising mergers between operators introduced in 2009, such vertical integration was mirrored by horizontal development, prompting a series of mixed integration initiatives, which in turn further reinforced the prevailing oligopoly structure in the industry and the audiovisual market. Thus, the sector as such is fragmented, comprising hundreds of small companies, and at the same time, however, it is dominated by a small number of large, powerful multimedia groups. The new context shaped by the changes that have taken place in the industry requires a redefinition of the concept of independent production and, indeed, of the conventional classification of production modes.

The Development of the TV Programming Range

The range of programming broadcast on television in Spain has been expanding steadily since regular broadcasts on public television began in 1956. The establishment of the first regional television channels in 1980 and, in particular, the introduction of the law regulating private television in 1988 mark the tipping point of this expansion. 1990 is also notable as the year in which private channels began to broadcast on a regular basis. Such expansion continued throughout the 1990s with the establishment of new regional operators and an increase in the number of channels available on other platforms such as cable and satellite. However, the next significant milestone in the history of communications in Spain took place in 2005 with the emergence of two new, national general-interest channels and the re-launch of DTT – DVB-T standard – (Fernández-Quijada, 2009).

Nevertheless, a comprehensive account of the complexity of the change prompted by the digitalization of terrestrial television and how it has altered the range of channels available to viewers depends on a return to the first, defining moment: 1998, the year in which the first National Technical Plan for Digital Terrestrial Television was approved. In practical terms, however, DTT did not go into operation until 1999, when the government awarded a broadcasting license to Quiero TV, a pay-per-view DTT platform. Finally, only one year later, in 2000, digital licenses were awarded to two national open-access networks: Veo TV and Net TV. Thus, along with the United Kingdom and Sweden, Spain was to play a pioneering role in the development of DTT in Europe (Caballero Trenado, 2007).

Despite such pioneering development however, it soon became clear that the model proposed for the implementation of the new system in Spain was not viable (Brown & Picard, 2005). Because of strong competition in the pay-per-view television sector, the platform that was to act as the basis for DTT – Quiero TV – failed to take off successfully. Its main competitors were two satellite platforms, Canal Satélite Digital and Vía Digital, a number of cable operators circumscribed by geographical area, and the encoded analogue channel Canal +. Definitive proof that so many pay-per-view operators could not survive in a market such as Spain came with the merger of the two satellite platforms, which began in 2002 and was completed in 2003 with the launch of Digital + (Artero Muñoz, 2008; Peñafiel, López & Fernández de Arroyabe, 2005; Herrero, 2003; Arrojo Baliña, 2008). Moreover, the pay-per-view DTT model that emerged in the late 1990s proved as unsustainable in other European countries as in Spain. For instance, the ITV Digital platform (previously known as ONdigital) in the United Kingdom collapsed and was re-launched as the open-access service Freeview in 2002 (Given & Norris, 2010).

Quiero TV began broadcasting in May 2000. Only two short years later, however, in June 2002, it ceased operations on the verge of bankruptcy, facing a debt of €400 million that it was unable to pay off. Thus, the process of digital transition stalled, and Spain went from being a front-runner in the field to a trailing position (Soto Sanfiel & Ribes i Guàrdia, 2003; Prado, 2005; Marzal Felici & Casero Ripollés, 2007; Urretavizcaya Hidalgo, 2008).

Digital broadcasting on Veo TV and Net TV began between April and June 2002, and on national general-interest networks, which had committed themselves to such

broadcasting when their licenses had been renewed two years previously. TVE, Tele 5, Antena 3 and Canal + began to broadcast in simulcast – that is, to broadcast the same contents through both systems, analogue and digital. However, given the lack of new contents and the insufficient availability of digital decoders in Spanish homes, this strategy failed to foster the further development of DTT. In 2004, one year before the re-launch of digital television, the TV range available in Spain was as follows:

Table 1. The television range available in Spain in 2004

NATIONAL		
Free to air terrestrial broadcasting		
GROUP	CHANNEL	BROADCASTING
RTVE	TVE 1	Simulcast
	La 2	Simulcast
Antena 3 TV	Antena 3	Simulcast
Gestevisión Telecinco	Tele 5	Simulcast
Net TV	Net TV	Digital
Veo TV	Veo TV	Digital
Encoded terrestrial broadcasting		
GROUP	CHANNEL	BROADCASTING
Sogecable	Canal +	Simulcast
Pay-per-view satellitte TV platform		
Digital +	66 channels plus Video On Demand	
IPTV operator		
Imagenio (Telefónica)		
Cable operators		
Ono		
Auna		
Satellite TV		
Intelsat, Eutelsat, Hispasat, Astra, Arabsat, Sirius, etcetera.		
REGIONAL		
Analogue	12	
Digital	1	
Simulcast	1	
Channels in development	6	
Cable operators	3	
LOCAL		
Affiliated with national networks	354	
Affiliated with regional networks	195	
Independent stations	665	
DTT licenses to be awarded	1,064	

Source: *Anuario SGAE 2005*.

A new legislative impetus for digital technology in Spain was introduced in 2005, when the National Technical Plan for Digital Terrestrial Television was approved by Royal Decree 944/2005 on 29 July, replacing the law that had been passed in 1998. This Plan set out the grounds for the implementation of DTT and described the conditions by which the channels that had been left dormant following the closure of Quiero TV were to be regulated. These conditions were agreed at the meeting of the Council of Ministers held on 25 November 2005, at which it was also decided that digital broadcasting would

begin on 30 November. Based on this new audiovisual model, the TV range available in Spain was as follows:

Table 2. The television range available in Spain in 2005

NATIONAL		
Free to air terrestrial broadcasting		
GROUP	CHANNEL	BROADCASTING
RTVE	TVE 1	Simulcast
	La 2	Simulcast
	Teledeporte	Digital
	24 Horas	Digital
	Clan/50 Años	Digital
Antena 3 TV	Antena 3	Simulcast
	Neox	Digital
	Nova	Digital
Gestevisión Tele 5	Tele 5	Simulcast
	Tele 5 Sport	Digital
	Tele 5 Estrellas	Digital
Sogecable	Cuatro	Simulcast
	CNN +	Digital
	40 Latino	Digital
La Sexta	In development	Simulcast
	In development	Digital
Net TV	Net TV	Digital
	Fly Music	Digital
Veo TV	Veo TV	Digital
	Veo TV	Digital
Pay-per-view satellitte TV platform		
Digital +	77 channels plus Video On Demand	
IPTV operator		
Imagenio (Telefónica)		
Cable operator		
Ono		
Satellite TV		
Intelsat, Eutelsat, Hispasat, Astra, Arabsat, Sirius, Vava, etcetera.		
Mobile TV - DVB-H (trial broadcasting)		
14 channels: TVE 1, La 2, Antena 3, Tele 5, Cuatro, Teledeporte, CNN +, 24 Horas de TVE, 40 TV, Factoría de Ficción, Intereconomía, Jetix and several regional channels		
REGIONAL		

Analogue	13
Digital	15
Simulcast	2
Channels in development	7
Cable operators	3
LOCAL	
Affiliated with national networks	426
Affiliated with regional networks	210
Independent stations	665
DTT licenses to be awarded	1,064

Source: *Anuario SGAE 2006*.

A comparative analysis of the channels available in 2004 (Table 1) and 2005 (Table 2) discloses market growth in numerical terms, as well as in the complexity of the sector. This trend was to intensify in succeeding years as more digital licenses were awarded. Given that the analogue option wasn't definitively terminated until April 2010, Table 2 provides information on a television range that is still in a state of transition.

Moreover, the awarding of licenses in 2005 prompted some networks to change their commercial name(s) and programming content strategies as a result. These innovations will persist in practice until the emerging market shaped by recent developments begins to coalesce and the process by which licenses and frequencies are granted comes to an end. Therefore, the range of channels available will continue to expand, including interactive options, according to the 2005 National Technical Plan for Digital Terrestrial Television (Table 3). In light of the foregoing, it may be concluded that the legislation adopted in Spain prioritizes the expansion of the TV range in numerical terms or multicasting (Hart, 2010: 11) over technical quality standards in broadcasting, although there are some HD channels (High Definition).

The new measures set out in Law 7/2009 (3 July 2009) should also be taken into account in this regard, a set of urgent measures adopted in relation to telecommunications which facilitates mergers between operators managing multiple licenses; as should the provisions detailed in Royal Decree–Law 11/2009 (13 August 2009), whereby the broadcast of pay-per-view contents on one of the assigned channels is authorized. However, the General Law for Audiovisual Communication passed in 2010 envisions the extension of pay-per-view broadcasting to up to 50% of such licensed broadcasters. Thus, the DTT range available in Spain would follow a mixed model, comprising a combination of open-access and pay-per-view channels. The first pay-per-view digital television network to begin broadcasting in Spain was Gol TV (football), followed by AXN and Canal + Dos. The development of national television channels during the period 2005-2010 is presented in the following table:

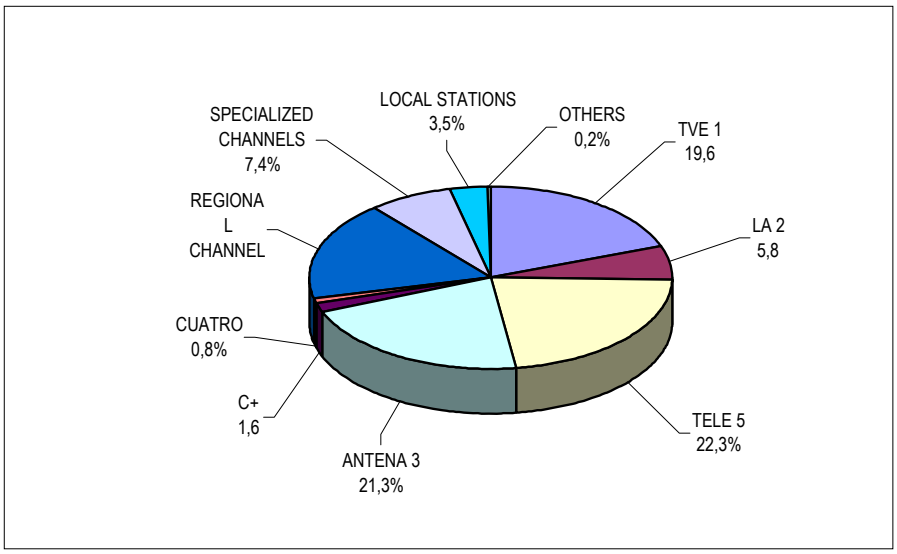
Table 3. Development in the range of DTT national channels (2005-2010)

GROUP	2005	2006	2007	2008	2009
RTVE	TVE 1	TVE 1	TVE 1	TVE 1	TVE 1
	TVE 2	TVE 2	TVE 2	TVE 2	TVE 2
	Teledeporte	Teledeporte	Teledeporte	Teledeporte	Teledeporte
	24 Horas	24 Horas	24 Horas	24 Horas	24 Horas
	Clan/50 Años	Clan/50 Años	Clan	Clan	Clan
Antena 3	Antena 3	Antena 3	Antena 3	Antena 3	Antena 3
	Antena Neox	Antena Neox	Antena Neox	Antena Neox	Neox 8
	Antena Nova	Antena Nova	Antena Nova	Antena Nova	Nova 9
Tele 5	Tele 5	Tele 5	Tele 5	Tele 5	Tele 5
	Tele 5 Sport	Tele 5 Sport	Tele 5 Sport	Tele 5[2]	La 7
	Tele 5 Estrellas	Tele 5 Estrellas	Tele 5 Estrellas	FDF	FDF
	:	:	:	Cincoshop	Cincoshop
Sogecable	Cuatro	Cuatro	Cuatro	Cuatro	Cuatro
	CNN +	CNN +	CNN +	CNN +	CNN+
	40 Latino	40 Latino	40 Latino	40 Latino	40 Latino
	:	:	:	Promo	Canal Club
La Sexta	In development	La Sexta	La Sexta	La Sexta	La Sexta
	In development	Telehit	Hogar 10	Hogar 10	Gol TV
Net TV	Net TV	Net TV	Net TV	Intereconomía TV	Intereconomía TV
	Fly Music	Fly Music	Fly Music	Disney Channel	Disney Channel
Veo TV	Veo TV	Veo TV	Veo TV	Veo TV	Veo TV 7
	Intereconomía TV	Sony Entertainment TV	Sony Entertainment TV	Sony Entertainment TV	Sony Entertaiment TV
	:	Tienda en Veo	Tienda en Veo	Tienda en Veo	Tienda en Veo

Source: Personal compilation.

Although general-interest networks continue to predominate in the national market, a further feature of the sector is shaped by audience fragmentation and the segmentation of the television range available. The ideal conditions required for the emergence of this twofold phenomenon are facilitated by the type of market above, in which the range on offer is so wide. This phenomenon involves the proliferation of "second generation" channels, whose programming targets specific niche audiences, and themed channels, which offer specialized contents for clearly defined audiences, as well as a wider distribution of the audience across available channels, thus leading to a decrease in screen-time assigned to the general-interest range. In 2005, the audience-share ratings were as follows:

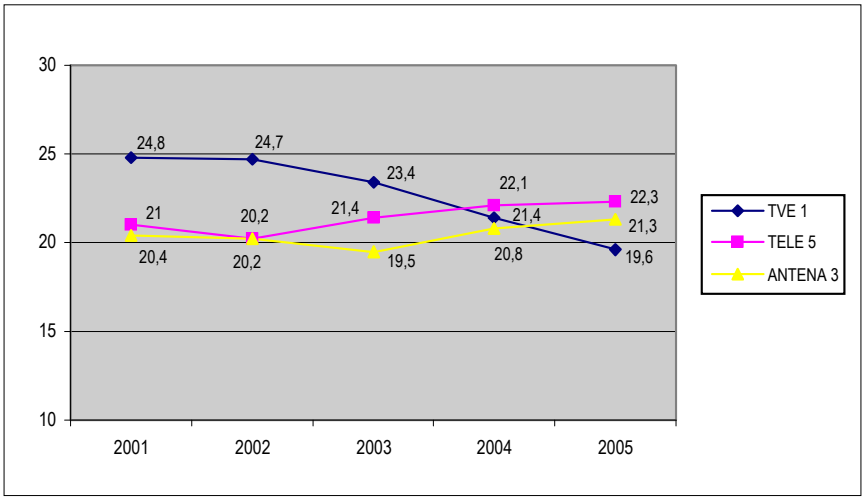
Graph 1. Audience-share Ratings (2005*)*



Source: *Anuario SGAE 2006*.

However, that year, the audience ratings for specialized channels had not yet begun to take off. Graphic 2 shows that until 2005 the trend was towards further growth in the main private networks, largely as a result of the decline in the public channel TVE 1.

Graph 2. Changes in audience-share ratings for TVE 1, Tele 5 and Antena 3 (2001–2005)



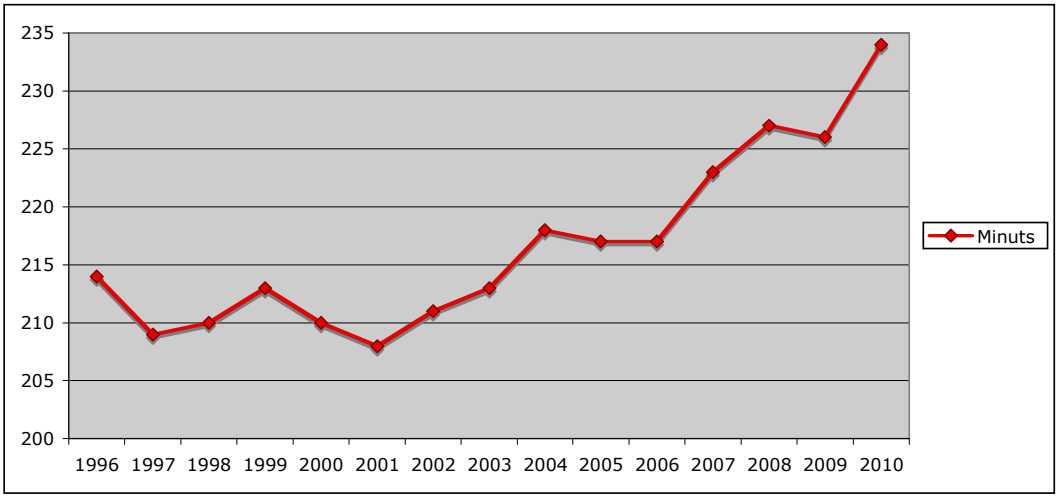
Source: SGAE.

Nevertheless, just five years later, in 2010, once the digital switchover was completed, the three largest national networks (La 1 – former TVE 1 –, Tele 5 and Antena 3) had a combined share of only 42.3%, wherein La 1 was the market leader with a relatively low figure of 16%. Furthermore, DTT theme-based channels as a set had an average annual share of 18.5% in 2010 (Barlovento Comunicación, 2011).

These shifts may be attributed to the fragmentation brought about by the expansion in the television range on offer, which was prompted in turn by the rapid development of DTT. As access to digital television increased, a greater proportion of the audience could avail of a higher number of channels, thus giving rise to the process of fragmentation outlined above.

During the same timeframe, moreover, record levels of television consumption were reached: the average Spanish television viewer watched television for 234 minutes per day in 2010, 17 minutes more than in 2005, a figure which broke the previous record of 227 minutes per day in 2008 (Graphic 3). Given that no direct relation between the increase in the range on audiovisual offer and television consumption had yet been established, this fact is of particular significance.

Graph 3. Growth in television consumption in Spain (1996–2010)



Source: TNS, SGAE & Barlovento Comunicación.

This is a broad brushstroke sketch of the context in which the large general-interest networks in Spain (TVE 1, Tele 5 and Antena 3) were operating until the legal reforms of the audiovisual model in 2005 disrupted the comfortable oligopoly that had held sway, which were followed in turn by the onset of the economic crisis. Despite the fact that private television companies in Spain broke all national records for income and profitability in 2005, both income and profits went into steep decline only one year later, although the overall results remained satisfactory. In fact, 2006 had seen the emergence of two new national channels, Cuatro and La Sexta, and the re-launch of DTT (*Noticias de la comunicación*, 2007). However, some years later, in 2010, due to financial difficulties, Cuatro was taken over by Tele 5, the leading audiovisual group in Spain (*Vertele*, 2010).

The situation for TVE, on the other hand, was entirely different. The management model followed at the national public broadcaster was altered by State Law 17/2006 on Radio and Television, which was designed to rein in further debt, to adapt staffing to real production requirements, and to ensure structured and viable economic management.

As a result of this thorough-going legal reform, RTVE (Radio Televisión Española) is to be managed as a public corporation. It means as a state company regulated by the legislation laid down for all limited companies, whose social capital pertains exclusively to the State. This law reasserted the public service remit of State television which, at the same time, continues to aim at attracting as high an audience as possible.

The mixed funding model was retained in the new law, comprising mainly revenue from advertising in addition to financing assigned in the General Budget of the State. Nevertheless, this point was re-visited in Law 8/2009 (28 August 2009) on Funding for the RTVE Corporation, which removed advertising from the public service

airwaves, a decision which came into effect in 2010 amid significant questions and criticism from the European Commission.

To compensate for this development, the new funding model states that the contribution made by the State is to be supplemented by a percentage of the incomes earned by private television operators and telecommunications companies. By law, commercial television operators are to transfer 3% of their income (reduced to 1.5% in the case of pay-per-view broadcasters), while telecommunications companies are to contribute 0.9% of their income. Moreover, other sources of funding are also encompassed by the law, including donations and subsidies, income generated by RTVE's activities, products and the profits on its assets, and a percentage of the broadcasting rate paid by licensees. Unlike TVE, Antena 3 and Tele 5 are in legal terms private limited companies, which have been floated on the stock exchange since 2003 and 2004, respectively.

As is clear from the detailed discussion above, given the state of ongoing change, the recent history of the range of television programming on offer in Spain is intense and complex. In the following section, the distinctive features that establish networks as the main players in the television industry are described.

The Distinctive Features of TV Networks

Following the account above of the television programming range on offer, an analysis of the distinctive features of the networks as content producers, distributors and broadcasters is pertinent. One of the main features of television companies is the diversification of their business. Although the primary role of networks in the television industry has been to work as broadcast operators, their business cannot be reduced to this function alone. While their main role is to bridge the gap between content production and the products viewed by the audience, the operators in this sector are more than broadcasters. Their role encompasses other functions such as distribution and production (Barroso García, 2002: 32).

The increase in the number of channels on offer and the consequent fragmentation of the market have rendered the achievement of high audience ratings very difficult, a condition which may in turn compromise the ability to generate advertising revenue (Sánchez-Tabernero, 1997: 205). Thus, the networks have been forced to diversify their business and attribute greater importance to the distribution of their program back-catalogues so as to tap new income streams (Arnanz, 2002: 15).

Nevertheless, the vast majority of television programs tend to become soon outdated products whose commercial lifespan is limited to broadcast at a particular time in the programming schedule, along with repeat broadcasts during timeslots that are less valuable in revenue terms and/or on less popular channels. The re-launch of DTT in Spain has led to the emergence of a form of domestic syndication, whereby programs are re-broadcast on smaller channels which, in general, belong to the same audiovisual group on which the program(s) were first screened.

In addition to this extended range of opportunities for repeat broadcasts, the development of new platforms such as mobile phones and the Internet imply a need to re-think television entertainment itself. It implies to move from a model in which "disposable" and creatively limited products are commercialized on only one platform in

only one market, to one in which higher quality contents are created for distribution on a number of platforms in a number of international markets. "The most successful audiovisual products are conceived as wide-ranging projects with the potential to draw revenue throughout the value chain in many countries" (Sánchez-Tabernero, 2008: 274). While the market in entertainment formats at the moment is robust, the same cannot be said for the situation in relation to programs produced in the past.

A change of the kind outlined above would establish a new and significant revenue stream for networks through the sale of back-catalogues. Indeed, in light of the limitations that impinge on network business in the international sale of formats, the concerted exploitation of archives of previously produced contents takes on even greater significance. In the standard division of rights between network and production company, the network is given the right to the "tape" and the production company retains the right to the format (where the format is original to the production company in question).

The Executive Director of Boomerang TV, Encarna Pardo, argues that production companies may only sell the format, "since the recording is always network property" (E. Pardo, personal communication, June, 2008). Daniel Acuña, the entertainment program manager at another Spanish production company, Videomedia, makes a similar observation: the division of rights "depends on the clauses in the contract signed by the network, but the normal situation is that the production company has no right to the recording" (D. Acuña, personal communication, June, 2008).

However, no clear consensus emerges from the consultations with executive producers carried out as part of this research project with regard to whether the rights to the produced content are exclusive to the network or if they may be shared with the production company. In fact, network executive producers tend to favour the former interpretation, while executive producers with production companies tend to assert the latter. In relation to the rights to the program format, the majority agree that they pertain to the production company (this information comes from questionnaires completed by executive producers at networks and production companies in Spain, 2008).

Nevertheless, in the case of larger production companies, which have correspondingly higher power at the negotiating table, the rights to the program produced are more likely to be shared. This view was articulated by a number of executive producers, including Ramón González, a veteran executive producer at Tele 5, who commented on the negotiation of such rights as follows: "Rights are shared in terms of percentages. It's not an exact science. Negotiating with Gestmusic-Endemol is very different to negotiating with 3Koma. Gestmusic can negotiate with the network as an equal. But with small production companies like 3Koma, the network can dictate its own terms" (R. González, personal communication, June, 2008).

With regard to the network's production activity, the most common mode of entertainment content production is through external, partnered production, which requires close collaboration between both parties. In general terms, in this mode of production, the network allies itself with a given production company or delegates to it the responsibility for content production, supplying resources to the level set out in the production agreement signed between them (Bustamante, 1999: 107-109; Sáinz Sánchez, 1999: 73; Fernández Díez & Martínez Abadía, 1994: 76-80).

A further defining feature of the network as a main player in the sector is that it retains control over content production, playing its part as the principal investor. Given its mediating role between creator and audience, the broadcasting operator has a certain status of power and privilege with respect to the production company. However, the competitive edge afforded by such status has diminished due to two factors:

a) As a result of the success of their TV shows and the development of their own infrastructure, large production companies such as Gestmusic-Endemol and Globomedia, the principal providers of entertainment contents in Spain, have become major players in the industry, with significant negotiating power in dealing with the networks. Moreover, the privileged status of Globomedia is further enhanced by the fact that it is a shareholder in a broadcasting operator: La Sexta.
b) To a certain extent, the emergence of new content distribution platforms spells the end of the monopoly once held by broadcasting operators and undermines their power as gatekeepers (Palmer, 2006: 80-81). While television remains the main means by which a large audience may be reached, the global and viral potential of the Internet reflects its capacity to reach audiences in the millions.

   Whether professionally produced or user-generated, contents specifically designed for online distribution have become Internet sensations, whereas the distribution of television-based products is compromised by the need for local negotiation of copyright and commercialization. Techniques such as Digital Rights Management (DRM) and geo-blocking have been implemented in this regard (Palmer, 2006: 122-126).

   Designed to protect authorial copyright, DRM is a digital restriction that prevents the transfer of contents to unauthorized appliances, compromises attempts to copy such contents, or applies a 'deadline' to the product in terms of time or number of viewings. Geo-blocking, on the other hand, is a technical constraint that enacts legal restrictions, preventing online viewing or downloading anywhere in the world. The user is localized and identified by the IP (Internet Protocol) used to access the Internet. Only those who live in geographical areas for which distribution agreements have been established may access the contents. Thus, geo-blocking sustains the complex system of negotiation and distribution of audiovisual contents currently in place throughout the world. This system is based on specific agreements for each geographical area and television model, whereby broadcasting operators retain exclusive control of such products. While this method does indeed protect contents and the respective copyrights, it fails to avail of the Internet's potential to facilitate access to a global audience and, at the same time, fosters illegal downloading in areas or markets that lack access to online sales and rental sites such as iTunes or streaming content aggregators similar to Hulu.

While the consensus among network executive producers and their counterparts working for production companies with regard to editorial control over the contents produced is that it is shaped by mutual agreement between both sides (questionnaires completed by executive producers at networks and production companies in Spain, 2008), as Manuel Aguilera, entertainment program production manager at Grundy, avers, "the network always has the last word" (M. Aguilera, personal communication, June,

2008). Not only does the network retain such control over the product because it is the broadcasting medium by which the audience may access the content, but also because it supplies the means of production in production partnership agreements and, furthermore, because it is the agent that funds product development (Barroso García, 2002: 33; Cantor & Cantor, 1992). This position explains why legal ownership and the rights to use of the TV program and its ancillary products pertain to the network, whereas the production company receives financial compensation referred to as an industrial profit (Medina Laverón, 2005: 235; Álvarez Monzoncillo & Iwens, 1992: 36).

Nevertheless, so as to adapt to the emerging audiovisual environment and any decline in editorial control, television networks have taken a series of measures to re-structure their business model by forming strategic alliances with particular production companies and establishing large multimedia groups that comprise a wide range of content distribution platforms, in which the television company is the core division.

Although such vertical integration is not an especially innovative strategy in the audiovisual industry – in fact it has become more and more widespread in Europe since the deregulation of television markets in the 1990s –, the approach acquired particular significance since 2000. In light of market liberalization and the proliferation of new channels and networks on offer, the emergence of new production companies was foreseeable from the beginning of the 1990s onwards, likewise that such companies were likely to merge for reasons of productivity and profitability (Álvarez Monzoncillo & Iwens, 1992: 166). However, in 2010, in addition to purely financial concerns, the situation was marked by a further set of factors relating to strategic control of contents.

Since it is specific TV shows which generate viewer loyalty, rather than the channel or platform on which they are broadcast, audiovisual contents become even more valuable in a market experiencing dramatic growth (Medina Laverón, 2005: 180). The strategic potential of a given audiovisual content figures it as a product that may be commercialized over time and on a wide range of platforms:

> In abstract terms, content becomes the most important benchmark of value in the television sector. And moreover, it is assigned new functions: to extend the product lifecycle, to encompass all distribution platforms, to integrate in a variety of ways with other products so as to form complete experience packages, and to identify social audience segments wherever they may be found. Any product capable of capturing the interest of a significant number of users is to be amplified by any means available until its potential has been exhausted. In contrast, the previous simpler model consisted of one-time broadcast with occasional repeats (Arnanz, 2002: 56).

Given this situation, programming contents with the potential to attract an audience that is both loyal and able to generate new users would appear to be the most effective way for a network to stand out from the crowd of its competitors. The application of the concept of "seriality" is especially important in this regard, not only because of the financial benefits such standardized production may generate, but also because of the viewer loyalty earned through the repetition involved in the programming strategy of these types of TV shows (Cortés Lahera, 1999: 157-161).

However, the loyalty potential of given contents should not be limited to the main broadcasting platform. Rather, its effect should be echoed through all possible integrated

platforms within the same audiovisual group – not merely as a marketing strategy, but as part of the normal commercial life of the product.

Consideration of media convergence and the need to create multimedia formats that can be exploited on different platforms in a coordinated way, from the drawing board onwards, is relevant in this regard (Guerrero, 2008: 307-308). However, television continues to be the core division in this multi-platform business. As the main broadcasting channel in audiovisual groups, it is both engine and launch-pad for the success of all the contents in all media (Arnanz, 2002: 36).

Not only do the business groups built around conventional networks include distribution channels. They also comprise content production companies, some of which were set up by the business itself and others that had previously operated in the market. The three most common forms of integration or association are as follows:

a) The network acquires a significant, though not majority, shareholding in a production company.
b) The network acquires 100% – or almost 100% – of the social capital, whereby the production company becomes an affiliate of the audiovisual group.
c) Both parties sign a partnership agreement, for preferred or exclusive production.

Thus, as has been noted above, networks are no longer simple operators functioning through a single channel of terrestrial broadcasting. They have become media groups, with a greater need for new contents. This shift has prompted a change in the business model: more production at lower costs, and a re-evaluation of market niches.

The re-launch of DTT in Spain at the end of 2005 proved to be the tipping-point in this regard. Since then, along with all other licensed operators, TVE, Tele 5 and Antena 3 have made a package of channels available through digital broadcasting, wherein each channel has a particular profile and a complementary programming schedule. In practice, the digital range offered by each audiovisual group comprises its general-interest channel and a suite of other, more specialized channels. In general, each operator's groundbreaking content is first screened on the main channel, followed by repeats and/or ancillary contents on the minor ones. However, the success of a particular program may sometimes send this process into reverse: from minor channel to main.

This increase in the range of programming on offer gives rise, first of all, to a more complex competitive environment and, as a result, to further audience fragmentation. Thus, the shift from the management of a single channel to a suite of channels is the most significant change experienced by television companies, and this in turn involves modifications to production and programming policies.

In terms of production, the primary effect is a general decrease in budgets. Hence, more efficient work processes must be implemented so as to ensure, in so far as possible, that lower budget margins do not compromise the quality of the end-product. Given that capturing the interest of very large audiences has become even more challenging, audience fragmentation must be seen as a threat to the company's capacity to generate advertising revenue, a development that is reflected in a corresponding decrease in production budgets (Arnanz, 2002: 57). Since channels within the same audiovisual group begin to function as mutual competitors, the changes to programming are no less significant. Those responsible for programming must strike a fine balance between the different schedules the network markets as distinct brands, to strive to ensure that they

complement one another, and – at the same time – to outdo the range of programming offered by its competitors.

On the other hand, while such changes may leave the audiovisual business model facing a number of intractable difficulties, the new situation also affords a significant number of opportunities. The total number of viewers calculated from the figures for each channel may even reflect an increase in the network audience as a whole. Thus, micro-business approaches may comprise a significant new opportunity for television companies, and enable new commercial strategies including, for instance, the coordinated sale of advertising space across a number of different platforms. Given that it enables relatively low-cost broadcasting to smaller audiences, thus affording new opportunities in terms of profitability, the Internet may prove to be television's great ally.

The challenges implicit in the digitalization of television and the need to broadcast on other platforms have forced broadcasting operators to become transmedia groups, whose functions extend beyond television activity in itself. This development is reflected, for example, in the Antena 3 Group's description of itself on the corporate section of its website: Antena 3 "has a presence in all the main means of communication: television, radio, cinema, the Internet, and digital terrestrial television" (http://www.grupoantena3.com).

Such expansion of the television business is reflected as a matter of course in changes to the structure of management teams. Therefore, a number of operators have reformed their management structures. Tele 5, for example, has transitioned from a vertical structure designed to manage a single channel to a horizontal structure comprising a number of divisions, all of which answer to an overarching contents management team. According to Manuel Villanueva, the General Manger of Contents at Tele 5, these divisions "will address the needs of all the content distribution channels, from television networks– the established channels as well as the new DTT ones – to film production and new media, especially the Internet" (*Vertele*, 2008). The new management structure centers on a core production division, which nurtures all content production on all the platforms that comprise the multimedia group: television, the Internet, mobile devices and the cinema industry.

Given the new context described in some detail above, the Internet emerges as the audiovisual company's natural ally. The Web has become the logical field of expansion for television operators, whose initial, straightforward promotional web-pages have been transformed into interactive, multimedia platforms. With the passage of time, rtve.es, telcinco.es and antena3.com have begun to emerge as new means of communication in their own right. Although the close ties between channel and website are unbroken and both avail of content synergy, the latter has established a certain degree of autonomy with respect to the former.

In the beginning, because of concerns relating to author's rights and copyright, television networks were reluctant to facilitate content availability on the Internet. However, from 2007-2008 onwards, the Internet came to be seen as a new source of income and a new platform for promotion, as well as enriching viewer experience as a whole. Not only did the first tests in which contents were previewed on the Web show that there was no decrease in the audience for television broadcasts; rather, their success on the Internet was later confirmed by excellent television audience ratings. An example

in this regard is the fifth season of the *Los hombres de Paco*, which was released on Antena 3's website a few days before its screening on the network's main television channel: more than a million viewers accessed it online and the television broadcast had a primetime audience share of 24%. Moreover, the record for television consumption in Spain was broken in 2008 and, again, in 2010 (Barlovento Comunicación, 2008 & 2011), which illustrates the fact that a wider audiovisual range need not have a negative impact on conventional television viewing time, and indicates that the two platforms – television and the Internet – are complementary.

Conclusions

The television industry in Spain has been in a constant state of development for more than fifty years. During this period, the two main players in the sector – networks and production companies – have defined their respective roles and shaped their intertwined production relations. At the same time, the range of television programming on offer has undergone continuous expansion, giving rise to an ever more complex market and industrial fabric. The twofold effect of this evolving situation comprises audience fragmentation and programming segmentation, although large, national general-interest networks continue to predominate in the sector.

These trends were reinforced in 2005 when new licenses were awarded with the further implementation of DTT. Many of these licenses were granted to theme-based channels. Although for many years the expansion of the programming range on offer did not give rise to a corresponding increase in television consumption, the proliferation of digital channels promoted an increase in the average amount of time spent on television viewing, which reached a new daily record of 234 minutes in 2010. Moreover, the number of channels on offer has not yet peaked or stabilized: the definitive transition to digital broadcasting was only completed in 2010, when the license award process was still ongoing. Thus, the following clear conclusion may be drawn: Spanish law has favored quantity in programming range (multicasting) over the technical quality of broadcasting, whereby high definition is relegated to just a few networks. In addition, that the list of channels available to viewers may still vary should also be taken into account. Such variation may arise from the window for mergers between operators opened in 2009, and as a result of the establishment of pay-per-view DTT channels which may be bundled and offered on a single platform.

Given these conditions, so as to achieve the same results in a climate of new risks, the leading networks (La 1, Tele 5 and Antena 3) have been forced to diversify their business. The primary function of such television companies is to broadcast contents. However, their business now also encompasses such functions as production and distribution. Irrespective of the production strategy and the agreement(s) reached between network and production company, as the main investor (source of funding) and the principal mediator between the producer of contents and the audience, the broadcaster retains control over content production.

While the wide variety of distribution platforms has weakened the influence of television operators as gatekeepers, television networks are still the main distribution means by which contents may be broadcast to large audiences. Hence, the television company is still the core division at the heart of the main multimedia groups. Nevertheless, changes to the business model were required to adapt to a more

competitive market, in response to the wider programming range on offer and a more demanding audience. Thus, due to the increase in the number of theme-based channels (defined target and theme-based programming range) and the emergence of second generation networks (defined target and a wide range of programming), lower cost production policies have been fostered and market niches have been re-evaluated.

Both now and in the near future, it is likely that the Internet will come to be seen as a natural ally to television companies, rather than as threat. The Internet is shaping up to be a mode of content distribution that enables the generation of higher income and as an effective marketing tool. Moreover, the Web facilitates user interactivity, thus enriching viewer experience. And, at the same time, it provides audiovisual companies with the opportunity to design business strategies that encompass both the global and the personal. However, this potential is mainly dependent on the industry's capacity to address the current challenges in creative and innovative way

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