Contents lists available at ScienceDirect

Studies in Communication Sciences

journal homepage: www.elsevier.com/locate/scoms

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

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ARTICLE INFO

Article history:

Received 18 February 2013

Accepted 15 October 2013

Keywords:

Multiplatform strategy

Digital transformation

Spain

Italy

Mobile TV

Web TV

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.

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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 YouTube 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

[☆] This article is a part of a research project entitled "Impact of digitalization on media production and consumption in Europe: The new consumer 'diet'" (2010–2013), funded by Ministry of Science and Innovation (ref.: CSO2010–20122).

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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 be 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 us 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 Wurff (2008) concluded

that what you get with this strategy at the end is a sum of different segmented audiences and Lawson-Borders (2003) asserted that to implement efficiently the technological changes companies need to develop a culture oriented to change. However, to get success doing so they need to be accepted by audiences and to be profitable. That is why Micó et al. (2009), point out that to transform the business model you need to develop imaginative ways to generate income and according to them, the solution is incompatible with a reduction in staffing. However, in most of the cases, revenues coming from internet services are not high enough, because costs are also high (Doyle, 2010; Medina et al., 2011). According to Chan-Olmsted and Ha (2003: 599), most television firms 'largely use the Internet to complement their core off-line business rather than delivery new online content or generating e-commerce or online ad revenues'.

Küng (2004) outlines three factors as key to any successful online strategy in the media sector: alliances with other companies, internal coordination and technological convergence. Online content is completely different from traditional content and providing it reflects the medium's ability to distribute richer information, to match buyers and sellers, and to link information gathering directly with purchasing. That is why media firms need to establish alliances with companies in different sectors such as technology, telecommunications, and other content providers.

In order to understand the strategy of these companies, an overview on the Italian and Spanish television market is needed. Hence, firstly we will describe the markets and then, how the companies have implemented the multiplatform strategy and how they have adapted to the changes, taking into consideration the economic and financial results.

4. The Italian television market

The launch and the consolidation of multi-channel platforms and pay TV companies have characterized the Italian television industry throughout the last couple of years similar to other European countries (Cola & Prario, 2012).

The degree of market concentration is still high. The three main broadcasters still control more than 85 percent of the industry: the commercial broadcaster Mediaset with 30.9 percent of the market, the public broadcaster Rai with 28.4 percent, and the satellite pay-TV Sky Italia with 29.3 percent (AGCOM, 2011: 121). In 2009 TV ads revenues sank below 50 percent in 2009, while pay-TV revenues continued to rise (+7.2 percent). Television industry revenues were more than €8.4 billion (DGTVi, 2010). New forms of television, like IPTV and Mobile TV, are increasing in Italy. But IPTV continues to play only a marginal role in Italy, despite considerable efforts by telephone companies like Telecom Italia and Fastweb to build and promote an attractive service. On the other hand Mobile TV appears well developed. Referring to Web TV, we can say that internet use, including time spent online, continues to grow in a number of users, though at a much slower rate than earlier. In the last ten years the penetration of the web has grown steadily and continuously. If we compare the TV consumption data in Italy from 2007 with 2009 and 2011, we can see that TV consumption has shifted markedly to these new forms of television, such as DTT and Web TV, as Table 1 shows.

In recent years the media diet of Italian people has changed: research has registered both a contraction of some media (mainly the traditional ones) and an increase in attention to new ones. The multi-mediality is growing up. The multichannel audience has increased and the audience of generalist channels has decreased since 2006 (from 86.9 percent in 2006 to 76.6 percent in 2010). If we consider the audience in the multichannel environment (Table 2), we can see that in year 2011, Mediaset was the leader for the commercial target with 40.5 percent, followed by the public service

Table 1
TV consumption (percentage).

	2007	2009	2011
Analog TV	92.1	91.7	64.6
DTT	13.4	28.0	76.4
Satellite TV	27.3	35.4	35.2
Web TV	4.6	15.2	17.8
IPTV	6.1	5.4	2
Mobile TV	1	1.7	0.9

Source:).

Table 2
TV target audience share (2010 and 2011).

	2010	2011
Mediaset		
Generalist (C5 + I1 + R4)	36.1%	34%
Multichannel FTA (6)	3.7%	4.1%
Pay-tv channels	1.6%	2.4%
Total	41.4%	40.5%
RAI		
Generalist (R1 + R2 + R3)	32.7%	30.2%
Multichannel FTA (11)	3.9%	5.2%
Total	36.6%	35.40%

Source: Mediaset (2011) from Auditel.

company RAI with 35.4 percent. Moreover the audience of new digital channels (both multichannel free to air and pay) increased in the last years.

4.1. The portfolio strategy of Mediaset

One television company that has managed to keep abreast with the times and successfully adapt to the ever changing scenario is Mediaset. Our interest in studying Mediaset derives from the key role the company plays in the Italian television and media sectors. Indeed, it is the leading Italian media firm with 3438 million euro of consolidated revenues in 2010, and 6285 employees, of which around 1000 are in the Digital Division – that is 15 percent. Its core business is commercial television but, as we will see, in recent years it has continued to branch out and expand its business, setting its sights on internet and DTT (2004), on pay per view (2005), and on Mobile TV (2006), adopting the so-called portfolio strategy (Colapinto & Prario, 2009).

The main shareholder of Mediaset Group is Fininvest, a company owned by the former Prime Minister Berlusconi and his family (with a stake of 40 percent). The rest of the company is held by institutional investors (with 42 percent) and retail investors (15 percent). In 1989 Mediaset expanded outside of Italy with the acquisition of a 25 percent stake in the commercial Spanish broadcaster, Telecinco. In 2003 Mediaset became its major shareholder with 50.1 percent.

Mediaset also operates in other countries with its subsidiaries: in China with China Sport Network (a sport channel), in the Maghreb area with Nessma (a generalist channel) and in many other European countries through Endemol, a leader in the TV format production.

Let us illustrate in more detail the new offers provided by Mediaset and their respective strategies, namely via DTT, Mediaset Premium (the pay offer), internet and Web TV, and Mobile TV.

Mediaset launched DTT in 2003 with the simulcast of three generalist channels: Canale 5, Italia 1 and Rete 4. Over the years Mediaset has continued to invest in the DTT offer, and now provides:

- two mini-generalist channels of entertainment: La 5 (addressed to young women) and Italia 2 (addressed to young men)

- two mini-generalist channels of entertainment: La 5 (addressed to young women) and Italia 2 (addressed to young men)
- three thematic channels, namely Boing (a cartoon channel with a target of 6–14 yo), Iris (dedicated to film shows, theatrical performance, etc.), and Cartoonito (a cartoon channels with a preschool target)
- an all-news channel: TGCOM 24
- a catch-up TV channel (or Replay TV channel): Mediaset Extra
- a teleshopping channel: *for you*

Before analyzing the pay offer *Mediaset Premium*, it is important to note that in Italy, since the second half of the year 2000, the revenues from pay offers have increased, while those from advertising have decreased. *Mediaset Premium* was launched on January 2005, initially offering only PPV services for films and football matches. In the year 2008, it became a full pay-tv service, launching the package *Premium Gallery*, available with an option for football matches, via monthly subscription or prepaid mode. Over time, new packages and new channels have been added to enrich the offer, presently including 25 channels such as those dedicated to children (Cartoon Network, Disney Junior), to cinema (Premium Cinema, Studio Universal), and to football (Premium Calcio). In 2010 there were around 3 million subscribers (150,000 more than 2009), while the ARPU (Average Revenues Per User) was 126 euros per year (+34 percent from 2009).

The diagonal strategy adopted by Mediaset (being, its decision to enter into media industries different from television) dates back to the year 1999 when the company decided to launch web sites for three commercial channels. After more than ten years, Mediaset's presence on the web covers two main thematic areas: entertainment and news. For entertainment, Mediaset developed the sites www.mediaset.it and www.video.mediaset.it, that allow users to re-watch entire programs from the Mediaset scheduling (including soap operas, reality shows, fiction episodes, etc.) and it is also possible to view 'snack-TV' content. In short, it is an on-demand video service providing the possibility to purchase both films and TV productions broadcast on the Mediaset channels, and, thanks to an agreement with the Italian music channel Music Box, musical recordings as well. For news and information, Mediaset supplies the site www.tgcom.it that provides generalist news, and www.sportmediaset.it focused on sport news.

As stated by Mediaset, the convergence of broadcasting and internet has allowed them to obtain good results in terms of traffic, and to give the advertising dealers the opportunity to launch new ad formats such as a billboard at the beginning of the supplied video (Mediaset, 2011).

In 2006 Mediaset launched the Europe's first Mobile TV service using DVB-H technology. In particular, an agreement was reached with TIM (Telecom Italia Mobile), the leading Italian mobile telecom operator, for the distribution of content in TIM's package over the DVB-H network run by Elettronica Industriale (controlled by Mediaset Group), the programming of Canale 5, Italia 1 and Retequattro and the supply of PPV sports content from Mediaset Premium. A second agreement was reached with the telecommunication operator 3 Italia/H3G, concerning the simulcast supply of 'best of' from the generalist channels, the soccer matches form the Serie A championship, and the free digital terrestrial children's channel, Boing. None of these agreements are exclusive and the new mobile digital platform offered by Mediaset is open to all operators in the system. Mediaset signed a third deal with Vodafone Italia that allows the use of Mediaset's multiplex DVB-H capacity for a period of five years. In exchange, Vodafone Italia will make its technology and broadcast infrastructure available, in order to complete the network.

It is interesting to consider why Mediaset decided to invest in Mobile TV. In terms of the penetration of mobile services, Italy is the most developed country in Europe. According to OECD (2011),

Table 3

Mediaset's economic data (million euros).

	2005	2006	2007	2008	2009	2010
Net consolidated revenues	2748	2751	3002	3218	3228	3438
EBIT ^a	828.7	597.1	1,149	983.6	601.5	815.5
Financial income	(3.9)	(30)	(56)	(77)	(32)	(28)
Net profit	454	347	330	378	269	350

Source: Mediaset, Annual Reports.

^a EBIT: earnings before interests and taxes.**Table 4**

Mediaset revenues streams.

	2004	2009
Advertising revenues	97%	70%
Other revenues	3%	30%

Source: Own elaboration from Mediaset Group (2010).

Italy has the highest penetration rate of cellular mobile devices in the world with a penetration rate of 146.1 percent (91.4 million subscriptions out of a total population of roughly 59 million people).

Simultaneously, the market for third-generation (3G) services is growing rapidly in Italy as well, in contrast with many other European countries where transition to 3G services is taking much longer than originally expected. While 24.6 million Italians (or 43 percent, considerably higher than the global average of 18 percent) had already purchased a web-ready mobile terminal in 2007, by 2009 penetration grew to 57 percent with more than 33 million advanced end-user terminals (such as smart phones) on the market (OECD, 2010). The amount of unique users regularly consuming mobile internet is more than 10 million. Total revenues for mobile internet among all operators are estimated at around €400 million (Politecnico di Milano, 2010).

Furthermore, recently Mediaset launched Premium Play, an application for the i-pad that allows the user to download the services offered by Mediaset Premium on demand. In seven days over 102,000 users have downloaded the free app and watched one of the more than 2000 content items available, including films, TV series, cartoons and documentaries.

Finally, we would like to present in more detail some economic data of the company and its main strategies. As shown in Table 3, we can see that from 2005 to 2010, the company's financial situation has changed quite a bit. In 2010 the net consolidated revenues were 3438 million euro (+10 percent from 2009) and the operating profit 815.5 million euro.

Considering the revenues of Mediaset, we can surmise (Table 4) that in recent years advertising revenues (the company's main financing source) declined in favor of other revenues such as from interactive services and payments for mobile television services (Colapinto & Prario, 2009).

Mediaset adopted three different integration strategies companies use to grow: vertical integration, diagonal integration and horizontal integration (Balbi & Prario, 2010).

Regarding vertical integration, Mediaset covers all function of the value chain. As illustrated by Colapinto (2010), in terms of content production, the company is engaged both in national content production (with Medusa Group, and Taodue), and in international content production, thanks to the acquisition of Endemol. By 2010 more than half of Mediaset's content was produced in-house. Mediaset also owns Elettronica Industriale, a company that produces radio and television signal repetition as well as reception equipment. In order to stay ahead not only of new technology, but also on content, one of the managers of Mediaset affirmed that in years

2012–2013 they will invest around 355 million € euros in fiction and cinema. Furthermore, they will strongly invest in sport, too.²

Regarding horizontal integration, Mediaset operates in many European countries outside of Italy, a successful example being in Spain. The success of this particular involvement was to the great similarities between Italian and Spanish cultures, their unique managerial style, and the stable relationship it maintained with politicians from both countries.

Finally, regarding diagonal integration, Mediaset has expanded its core business into the internet industry, into the digital television industry and into the mobile TV industry through alliances with other telecom companies.

In short, thanks to its large dimension, Mediaset is more competitive than its competitors, achieves economies of scale, shares the fixed costs over a wider range of products, creates synergies, offers to the customer a wider range of products and services, and supplies to advertisers different platforms to plan their advertising campaigns with a single intermediary. We can confirm that the Group has proved to be a forerunner of market trends, demonstrating that it is a far-sighted enterprise, able to fully exploit its strengths (Balbi & Prario, 2010).

In response to the emergence of new media, in 2010 Mediaset created a new company, called Mediadigit S.p.A, whose core business was to launch and coordinate all activities linked to new media – in particular Web TV, Mobile TV. Furthermore, Mediaset decided to become not only a content provider but also a content producer. More precisely, Mediaset invested in the in-house production of the FTA (free to air) channels and for the web, in particular in infonews and soft news, fiction, tv shows and tv games, while also acquiring exclusive content for premium TV. Mediaset is also a content provider for the tlc operators supplying a Mobile TV offer.

5. The Spanish television market

Since 1989 the Spanish television market has been affected by several important changes, first and foremost being the process of deregulation that led to the establishment of three private television channels: Antena 3, Canal+ and Tele 5. Since the beginning, Mediaset had an important presence in Spain through its participation in Tele 5.

Another significant change took place in the production process of programming. In particular, Antena 3 and Tele 5 began to encourage their own production of programs, or commissioned the work to production companies, resulting in the number of producers growing from 57 in 1997 to 200 in 2007. Despite this growth, the recession has caused the closure of several companies: by 2008 the number of producers shrank to 189.

Until 1997 when digital television satellite was launched, Canal+ had been the only pay-tv channel in a monopolistic market. Since 1997, competition in the pay television market grew (Arrese & Herrero, 2005). Nowadays we have more pay-tv providers including: Digital+ via satellite; four cable operators; three DTT pay television channels (Gol TV, that belongs to the free-to-air channel La Sexta, AXN and Canal +2); Movistar, the former Telefonica (that has an ADSL triple play service called Imagenio (IPTV), and several other telecommunication operators that also offer television through ADSL. The next figure will show the evolution of the number of subscribers in the different modalities. Distribution by satellite is the leader, but the others – cable, IPTV, mobile and DTT – are slightly growing (Fig. 1).

The recession has clearly affected the revenue of the audiovisual market, both in advertising and pay-tv. Fig. 2 shows the evolution

Fig. 1. Evolution of number of subscribers (000).

Source: CMT.

of the different revenue sources of the audiovisual sector. Grants from the public television channels (both the national and regional ones) are included, and are the only ones whose revenues did not decrease in the years of the recession. 'Others' include sales of programs, revenue from SMS and call phones, merchandizing and electronic commerce. Though since 2008 it went down, it is larger than PPV and VOD.

The year 2010 was one of big changes for the audiovisual market. Except for the new DTT channels, during some of the worst years of the crisis (2007–2009) the traditional channels lost several million euros in advertising revenues. Naturally, this critical situation was addressed by the Spanish Government, that reacted by creating law 11/2009 to try to solve the 'serious financial crisis,' 'the reduction in advertising revenue,' and 'the critical moment for the TV companies facing the switch-off time scheduled.' Essentially, the law allowed the merger of television companies, provided each one no more than 27 percent of the total audience. In the two years following Tele5 took advantage of the law and acquired Sogecable, the owner of Cuatro. The name of the new company was Mediaset España and to date owns eight channels. The other merger that has taken place in 2012 is between Grupo Antena 3 and La Sexta.

Another important event in 2010 was the elimination of advertising from the public television channels. This resulted in the increment in revenue earned by the private channels (Medina & Ojer, 2010).

Also in 2010, thematic channels as a whole held 18 percent share of the total audience, while the larger national channels did not even exceed 16 percent share of the audience. After many years, TVE returned to its leading position with 16 percent share, followed by Tele 5 with 14.6 percent and Antena 3 with 11 percent. The new channels, Cuatro and La Sexta, have created a hole in the TV grid and in 2010 achieved 7 percent and 6.6 percent respectively.

Fig. 2. Revenue sources of the audiovisual sector (2005–2010) (million €).

Source: CMT.

² Interviewed by e-mail in September 2012.

Another consequence of the crisis has been the increase in television consumption. In 2010 Spaniards spent an average per day of more than 230 min watching TV. In 2007 the average was 227 min, 6 min higher than in 2006, and 17 min higher than in 2005. This increment of time consumption was due to the increasing unemployment rate for the recession and the elimination of advertising of the public channels.

5.1. The multimedia strategy of Antena 3

Antena 3 TV started in 1989 and since then has been owned by several different companies. Currently, the primary owners are UF Film Und Fernseh GMBH Unipersonal (the former RTL Group), and Planeta, a Spanish editorial group, that is also the owner of one of the national newspapers, La Razón.

Recognizing the importance of diversity and multimedia participation as a means of remaining competitive, Antena 3 owns companies in several media sectors including: the radio company Uniprex (with two radio stations, Onda Cero and Europa FM), A3 Multimedia that manages all the websites of the company, the cinema producer *Antena 3 films*, the film distributor Movierecord, and the advertising agency Atres Advertising. At the end though, the most profitable business for the Antena Group is in television, as we see in the following table.

In order to stay ahead of new technology, Antena 3 put great energy into the development of multimedia, as Jesús Moreno, Subdirector of Multimedia Contents explained.³ The Multimedia Division had 50 employees, that are around 2 percent of the overall employment (Antena 3, 2007). In 2007 it launched different online services.

In February, it launched Tuclip.com, a platform for viewers to submit videos, that received on average 400,000 page views and 300,000 video views per month. Antena 3 was also the first television company in Spain (as well as the second in Europe following the BBC) to launch a channel delivered through YouTube. From March 2006 to April 2009 3.4 million video clips were downloaded from Antena 3. By December the 9th 2011, it had 66,649 subscribers and 301,855,804 video streams.

In April 2007, Antena 3 developed a channel called *tucanalTV*, composed of the finest videos from Antena 3 including news, humor, and entertainment. Partners were incorporated into the company using a revenue model that both raised new revenue for the partners while increasing traffic for Antena 3. Its goal was to provide access to all audiovisual material available online.

Since June 2010, all these services can be found on the new site of Antena 3, www.antenatv.com. On the site one can watch both live television and entire TV seasons on demand using their 'salon' mode. Antena 3 inserts advertising spots before each episode and in six other spots where the episode is divided. According to Javier Bardají, General Manager of Antena 3 in 2012, many advertisers have started to invest only in internet spots such as these, and in 2010, the yearly income from multimedia was 7 million euros, while per week was 15,000 euros.⁴ They have also begun offering the option to pay per view episodes through micro-payments. Apart from this generalist site, they have launched other specialized sites for both news (www.antenatvnoticias.com) and radio (www.ondacero.es and www.europafm.com).

Since 2009, they have developed strategy 3.0, with the intention of delivering content through the three platforms: television, internet and smart phones. With this strategy, they tried to show the viewers that they were not merely a television channel, but that they had developed into a truly multimedia company with

interactive services. In some cases, programmes were still released first on television, though other times they launched a program first on line and afterwards on TV.

Social media sites have become new tools to enable audience interaction. Through Facebook, Windows Live, Tuenti and Twitter, audience members can address comments to Antena 3 or share its content with other users. To participate with these networks, registration is required through a tool called Zona 3.

The company has also created blogs related to their own channels, including one related to the audiovisual industry (www.antenatv.com/objetivotv/), and several others related to general topics such as fashion, current affairs, and sports. To increase interactivity and audience participation, video-meetings were created to chat with actors, singers, and writers, and to play online games related to the programs. For example, the series *Hispania's* related game had 150,000 registered users. Antena 3 also created vertical portals such as *Celebrities*, where it is possible to find news, rankings and gossips about worldwide stars and celebrities. Furthermore, Antena 3 also created its own room in the second life site *Habbo*. In 2010 the company incorporated a *Community Manager* to manage the entirety of its content and websites.

According to OJD Interactiva, Antena 3 websites had more than 600,000 users in 2010 and was ranked the 11th largest. Though ranking closely behind its competitors www.rtve.es and telecino.es, the actual time spent on Antena 3's websites were longer than its competitor. According to Rubén Vara, the Director of Marketing of Multimedia, in 2011 its number of unique users increased 36 percent to 8.5 million users, while their video streams doubled to 59.9 million streams per month. The number of visited pages was 90 million.⁵

In June 2007, they launched a new project of IPTV called *teleporlared* with the signals of the digital television channels Antena 3 and the new ones Neox, Nova and Nitro. However, nowadays all of them are integrated in the site of Antena 3.

When considering mobile phones as providers of audiovisual content, a number of differences become evident. For one, online entertainment is offered in free basics, while the telephone economy is based on payment by the user. It is necessary to make a distinction between mobile television and mobile video, although sometimes the two are interchangeable: mobile TV provides live television, while mobile video enables the download of videos on demand. While both markets are incipient, mobile TV is the newest. In 2009 Antena 3 signed an alliance with Vodafone, the second largest telecommunication company to deliver their news, series and other programs in 3G mobile telephones for 1.5 € a week (Vodafone, 2011). It has also signed with other significant telecom companies such as Movistar, Orange, Nokia, Nintendo, Sony and Microsoft, an agreement intended to integrate internet portals to mobile telephones in 3G devices. In 2010 they had 2.5 million of instances of access to antenatv.com through mobile platforms, and 12 million video streams in *tvconnected* (Antena 3, 2010).

By 2010 most households already had a digital television set. Each company received a multiplex license, allowing them four separate channels. As a result Antena 3 developed three other specialized channels: Nova for adults, Nitro for young adults and Neox for children. The channels were commercialized by A3 advertising and developed what they called a 'unique price' that allows advertisers to contract time at the same commercial slot in all its channels.

In 2011 16.6 percent of viewers watched Antena 3 channels, 11.3 percent for the main channel, and the remaining 5.5 percent for the new DTT channels. In the case of Tele 5, the audience share came

³ Interviewed in 2008 at University of Navarra in Pamplona.

⁴ Interviewed in 2012 at University of Navarra in Pamplona.

⁵ Interviewed by e-mail a member of the Strategic Management Staff in December 2011.

Table 5
Internet division (in million).

	2008	2009	2010
Unique users	3.9	4.8	8.5
Video streams ^a	13.4	26.3	59.9

Source: OJD/Nielsen Market Intelligence.

^a Monthly average.

not only from the channels of Tele5 but also from those of Cuatro from Sogecable, which was bought in 2010.

The Group Antena 3 recognizes these new channels as good platforms to experiment with new projects, particularly interactive solutions. In 2009, Neox launched the first interactive show, *Dirigeme. El Rescate*, a weekly drama series with a duration of 8–10 min. The weekly episode was then repeated over several days. When the episode finished, there were two options for possible endings for the viewer to choose from, through the mobile or the web sites of Antena 3 or Neox. Thanks to the tool *Watch & Chat*, it was possible to comment and watch the programmes of Nova on the internet at the same time it was broadcasted on TV.

In Table 6 revenues, expenses and net results appear from television, radio and other business. The biggest revenues and profits come from television, that is the core business of the company. In spite of the decrease in television advertising (7.5 percent) in 2011 with respect to 2010, revenues from television increased thanks to the increment in audience share of the TV channels. “Other business” consists primarily of the production and distribution of movies, that while raising some revenue, has a high cost of amortization, that is why expenses increased. According to company reports, other revenues for radio and television come mainly from SMS and call phones.

While television advertising has decreased in the last years, online advertising has increased (from 482 to 748 €million). For this reason Antena 3 has developed many strategies to establish a dominant presence online and use that presence to develop advertising media. However, they have also begun developing pay-services to create extra revenue. While their close competitor's revenues are still far behind those of Antena 3, recently that distance has shortened.

6. Discussion

After studying the two cases, we will summarize the factors most related to transformation as outlined in the methodology in the following points:

- a. 1. The amount of employees contracted for the new divisions do not seem large enough in comparison with the whole company – 15 percent for Mediaset and 2 percent for Antena 3. However, both companies have created new integrated companies to develop the new digital business: Mediadigit S.p.A in Mediaset and A3 Multimedia.
- a. 2. Both companies have signed alliances with other telecom companies, such as TIM, 3 Italia with Mediaset and Vodafone, Movistar, Orange, Nokia, Nintendo, Sony and Microsoft with Antena 3.
- b. Extra revenues from these new business are not yet very high (an average of 7 million € per year for Antena 3), but the costs are not either high. Mediaset stated that such revenues are not yet significant but they will be in the future, especially in the pay-tv. Both companies are looking for ways to get new streams of revenues.
- c. Furthermore, there is no a direct impact in the audience share, but they have increased the traffic for their websites (see Table 5 for Antena 3) and got young digital audiences. The added value of

Table 6
Economic results of Antena 3 (million €).

	2011	2010
Group Antena 3 (consolidated)		
Revenue	560	544
Others	17	26
Expenses	498	474
Net results	52	62
Television		
Revenue	470	464
Others	15	22
Expenses	410	400
Net results	65	79
Radio		
Revenue	64	64
Others	1	1
Expenses	13	14
Net results	11	12
Other business		
Revenue	27	18
Expenses	35	23
Net results	–8	–6

Source: Antena 3 (2011).

multiplatform strategies for audiences is to increase their chance to access to the TV contents through new devices different from TV set.

d. Both companies invest in new content: on one side Antena 3 has produced some new contents for internet and television, and Mediaset invested more than 450 million of euros for sport rights and fiction to transmit on the new digital channels.

Hence, the primary conclusion is though these companies are pioneers in multiplatform strategy, their core business is still broadcasting and this has not suffered any dramatic transformation so far. However, there are some conclusions that can be risen from these two cases.

7. Conclusions

As the article shows, television firms have implemented new strategies to deal with new forms of television and their accompanying complications such as audience fragmentation, competitiveness of the environment, and growing need of the audience to be more active. In order to follow changes in audience behavior, media managers have had to create precise strategies adapted to the market and considerate of the peculiarities of the new media environment. Both Antena 3 and Mediaset have now introduced DTT, Web TV, IPTV and mobile TV services.

Mediaset decided to implement a portfolio strategy aimed to preserve and consolidate the editorial and commercial value of its free television channels. The main components of its strategy are the following: (a) to increase the volume of exclusive content in order to keep its free to air core channels offer unique, (b) to strengthen the multichannel offer by adding new thematic channels complementary to the core channels, with a more focused and valuable target audience at low marginal costs, and (c) to continue improving efficiency. However, it remains being the leader taking into account free TV and premium channels.

On the other hand, Antena 3 decided to launch a multimedia 3.0 strategy involving internet, generalist channels and new thematic channels. It developed several sites and utilized social media to interact with the audience and to experiment with new ideas, particularly those focused on new business models. However, the main revenue stream is still advertising and they have developed a sale of all its platforms with a unique fee.

Indeed, mobile TV represents an additional platform for the diffusion of television content in a context characterized by an

increasingly requested 'anytime anywhere' TV access. Mediaset is in the forefront of a sector that is eliciting great interest, demonstrating how Mobile TV tends to complement traditional television in terms of the way in which it is consumed. Antena 3 has also formed alliances with telecom companies. However, the penetration of mobile video in Spain is still not very high, making this effort less fruitful than that of Mediaset.

After studying the strategy adopted to adapt to the evolution of digital media, following Bellamy and Traudt (2000), we conclude that traditional broadcasters have an important role in this new market as producers of content, or in their usual role commissioning content to producers.

Moreover, new media provides the opportunity to exploit the same content in other platforms thereby raising extra revenue. Successful online content is usually successful on television channels. Internet, mobile phones and other media, make it possible to develop value-added content beyond television programs for new devices.

It is obvious that new media is the route to growth in the media industry. In this sense, it is important the growth of all key performance indicators: audience, revenue and knowledge of users. Making television and radio content 'active' in new media is only the first step; the real challenge is to turn our organizations into ones with 360° views of the future and the possibilities of new media, to develop a multiplatform creative factory. The challenge is to move all creative layers into new media. It is not only about technology, but about intellectual work coming from writers, producers, directors, designers, cameramen, journalists, and entertainers, and to transform their work in new formats at all levels, and to find a sustainable business model to support it.

Finally, we should outline some limitations of this research. It has been no possible to get a systematic evolution of the variables and the same kind of data from Italy than Spain. To get historical data of the number of employees, costs and revenues coming from new streams, audiences for new platforms and audiences of the digital contents is needed to have a better view of the strategies.

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