Cable wars and business battles in broadcasting markets: implications for Internet television

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Introduction

Broadcasters used to depend on fairly simple revenue streams. Until the 1980s, public broadcasters derived income from government subsidies or a license fee. In some countries, this was complemented with advertising revenues as well. When private broadcasters entered European broadcasting markets, a dual 'order' emerged in which public broadcasters' funding model remained fairly the same and private broadcasters depended nearly solely on advertising revenues (Donders, 2010; Michalis, 2007).

Today, Internet and telecommunications players are entering broadcasting markets. Essentially, this means that the market has to be divided between many players – previously active in separate markets. Consequently, broadcasters feel the need to diversify revenues. The strive after diversification became apparent most obviously in the United States where so-called 'cable wars' between, among others, Time Warner Cable and Fox dominated the debates on a 'fair' revenue sharing model between broadcasters and distributors. Indeed, Fox's Rupert Murdoch (2009) stressed:

> *"We will be seeking* ***retransmission dollars*** *from our distributors. Asking cable companies and other distribution partners to pay a small portion of the profits they make by reselling broadcast channels, the most-watched channels on their systems, will help to ensure the health of the over-the-air industry in America. We realise this is going to be a tough challenge, but we're determined to take a leadership position in creating an economic template for the future."* (emphasis added)

Eventually, Fox and Time Warner Cable reached an agreement in 2010. Although the contents of the agreement are confidential, it is said that the retransmission fee agreed to Fox amounts to nearly $1 per subscriber per month (Pepitone, 2010). Paradoxically perhaps, Murdoch's BSkyB platform has consistently argued against the payment of retransmission fees in the United Kingdom, as was stressed by BBC Director-General Mark Thompson in a speech at the MacTaggart lectures.[3]

Whereas battles in the United States take epic forms, being plaid in public, tensions between broadcasters and distributors are on the rise in Europe as well. In, among others, Flanders, the Netherlands, Hungary, Romania and Germany, broadcasters have indicated that they will be seeking (more) 'retransmission Euros' from cable and other distribution platforms (*e.g.* Dziadul, 2010; RTL Group and Subsidiaries, 2010).

The question at the core of this paper is on which issues distributors and broadcasters are divided and whether points of disagreement are merely centering on financial issues. In other words, are these battles all about money or are there more structural imbalances in the market that necessitate government intervention? And what may be the consequences of these looming business battles for the online television market? These questions are highly topical as the market for online content is likely to

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3 The lecture can be watched at http://www.guardian.co.uk/media/video/2010/aug/27/mgeitf-mark-thompson-mactaggart-2010 (accessed on 1 September 2010).

grow even harder in the next years. Additionally, European policy-makers will be confronted by the pernicious effects on competition, access and diversity issues in the market that are the result of economic power play related to platforms for television content. Moreover, and more related to the scientific relevance of the paper, the issue has rarely been addressed in research. The paper aims to fill this gap and to stimulate similar research.

The paper starts with an elaboration of the shifting business roles in the broadcasting sector and its implications. Consequently, the possible points of disagreement between broadcasters and distributors are discussed and analyzed. The focus is on Flanders (*i.e.* the northern part of Belgium) and Denmark – two comparable cases in terms of market size, cable penetration, presence of a powerful public broadcaster, being subject to European regulation, etc. The issues addressed in the paper involve the transmission fees paid by distributors to broadcasters, the distribution cost broadcasters pay to distributors, flexible viewing, on-demand services, premium content and copyrights. Eventually, these issues will lead to a discussion of Internet television business and the implications for broadcasters and distribution platforms. Finally, conclusions and recommendations for policy-makers and the sector itself are outlined.

The paper is based on a project that was carried out in 2010 and commissioned by SBS Belgium (also see Donders & Evens, 2010). The paper is based on the triangulation of sources, drawing, first, from literature in communications, law, political sciences and economics; second, from a document analysis (including media decrees, press releases, official statistics and formal company statements); and, third, from interviews with academics and representatives from media companies and regulators. In total, twenty-two experts in Denmark and Flanders were interviewed between August and October 2010.

Change and power play in the broadcasting industry

Partly thanks to the liberalization of the European broadcasting and telecommunications markets, the ongoing digitization wave, the rapid emergence of the Internet as a worldwide distribution platform, and the spectacular increase in processing capacity, the three - previously separated - industrial domains of media, telecommunications and informatics merged into a converged electronic communications sector. These developments have profoundly affected industry architectures and business models deployed within the converged media ecosystem and may lead to a fundamental transformation of existing media industries (Küng, Picard & Towse, 2008). Increasingly, electronic communications markets are characterized by the emergence of multi-sided platforms, which function as a gatekeeper of control and value (Ballon, 2007). Both software and hardware platforms are considered structuring building blocks in the fluid ecosystem and affiliate complementary products, technologies and services around a central platform infrastructure (Gawer, 2009). Eventually, these platforms compete for platform leadership to become and control an ‘ecosystem of innovation’ that gains importance as more users adopt the platform and its components (Gawer & Cusumano, 2002). Gatekeepers can derive a dominant position within the value network from controlling essential platform functionalities, referred to as competitive bottlenecks. Bottlenecks relate to scarce and critical resources, and often relate to access issues of essential facilities (network infrastructure) but also end-user services (user interfaces, operating systems etc.). As Poel & Hawkins (2001) contend, analysis of access issues in bottleneck environments should take into account the commercial relation of the access provider with both service providers and end-users.

Also in broadcasting, technological innovation might threaten the traditional models of creating and capturing value while a quest for platform leadership has emerged, which may reshuffle existing power configurations in the industry (Evens, 2010). This digitization of broadcasting may increase sources of uncertainty and the level of risk for the expanding number of players in the industry (Chalaby & Segell, 1999). Given the successful launch of digital television platforms in an increasing number of countries, especially telecommunication operators have positioned themselves in the centre of the broadcasting market. Distributors not only select television channels, but also bundle them in thematic packages enriched with value-added services on their platforms (*e.g.* video-on-demand and interactive services) and position channels in the electronic programming guide, which may affect their audience reach and the latter's performance. This gatekeeper role allows platforms to determine the financial and practical terms of distribution, and may – in some cases – lead to the abuse of market power. In case broadcasters cannot enter into agreement with leading platforms, broadcasters could be prevented from accessing their audiences and restricted entry to a large proportion of the broadcasting market (*e.g.* Callanan, 2004; Colapinto & Prario, 2010). As platform operators are involved in several business roles, this may arise serious conflicts of interest. Increasingly, distributors are evolving to vertically integrated media companies with stakes in content production. Although this content is mainly used to build a strong position in the distribution platform market, this might cause tensions with traditional broadcasters, considering this move as an important threat to their business model. In addition, studies (*e.g.* Chen & Waterman, 2007; Waterman & Choi, 2010) show that platform operators may discriminate against non-affiliated content providers and limit access of competing platforms to must-have content they control vertically.

Traditional cable operators at their turn feel threatened by the success of online video platforms, which provide the consumer with direct and unlimited access to a wide variety of content. According to Schuh (2010), these over-the-top television services create more value than the traditional distributors thanks to their 'find, play and share' approach, providing users with more search and recommendation possibilities and social features than conventional distribution platforms. The audiovisual market is further destabilized by the emergence of IP-connected devices and the growing importance of consumer electronics providers, which are keen to control access to the audiences and play a central role in the customer relationship. Hardware manufacturers have initiated IP-connected equipment allowing content providers to bypass traditional content aggregators and establish a direct-to-consumer relationship (Suárez Candel, 2010). The provision of content and related services can occur according to a platform-controlled walled garden model or in a more 'open' environment (e.g. Chesbrough, 2006; West, 2003; West & Mace, 2010).

Obviously, what is currently at stake in the broadcasting industry is the tough struggle for platform leadership and customer relationship. Traditional distribution platforms will need to secure their role as main suppliers of content and related services by building a multi-tenant platform; otherwise they face the risk being reduced from gatekeepers to connectivity providers while suffering the 'dumb pipe' syndrome. To date, traditional broadcasting platforms still enjoy their powerful gatekeeper function.

Table 1: Television distribution market (Q4 2010)(C: cable, I: IPTV, S: satellite, T: terrestrial)

FLANDERS		DENMARK	
Operator	**Market share**	**Operator**	**Market share**
Telenet (C)	84,9%	YouSee (C)	56,7%
Belgacom (I)	12,1%	Canal Digital (S)	14,6%
TV Vlaanderen (S)	2,9%	Viasat (S-I)	10,5%
Mobistar (S)	0,1%	Telia Stofa (C-I)	9,1%
		Boxer (T)	2,5%
		TDC TV (I)	5,4%
		Dansk Brëdband (I)	1,3%

In the remaining part of the paper, the focus will mainly be on the relationship and tension between distributors and broadcasters in Flanders and Demark. With both markets having a relatively high level of cable penetration (ca. 99% in Flanders and 66% in Denmark), cable operators take a central role in the distribution of television programming. In terms of connected subscribers, Telenet has built a quasi-monopoly in the Flemish broadcasting market by gradually swallowing up all the regional distributors. Although this market position has been challenged by the IPTV supply of Belgian telecommunications incumbent Belgacom and recently by the decision of the telecommunications and media regulators (respectively BIPT and VRM) to open access to the cable network, the company still has a comfortable position (De Marez et al., 2008; Donders & Evens, 2010). In Denmark, YouSee, a fully owned subsidiary of incumbent TDC, controls the audiovisual market and has also been forced to open up its network for wholesale access by telecom regular NITA (Svendsen, 2010). Given their high market share and cable penetration, both Telenet and YouSee have become the only realistic opportunity of entry in the television industry, giving both companies considerable market power *vis-à-vis* broadcasters. Not only this gatekeeper role, but also their financial resources lead to a power asymmetry. Since telecommunications is a much more profitable business than broadcasting, distributors report turnover and profit figures that outweigh those of broadcasters multiple times. Still, when analyzing the platforms' relationship with broadcasters, a different approach between Telenet and YouSee can be identified with regard to several domains.

Retransmission fees and distribution costs

Financial streams between broadcasters and distributors are among the most hidden secrets (being subject to confidentiality clauses) as well as contested issues in the broadcasting industry. The dispute is related to the payment of retransmission fees (*i.e.* platforms compensate broadcasters for the distribution of their content) and the payment of transport and distribution costs (*i.e.* broadcasters pay distributors for carriage on their networks). The situation in Flanders and Denmark, however, greatly differs and shows two different business models.

Flanders

In Flanders, agreements on retransmission fees and distribution costs are part of bilateral contracts between broadcasters and distributors. These contracts – subject to confidentiality clauses – take as many forms as the amount of broadcasters in the market. Derived from the interviews, four main models were identified depending on the type of channel. It should be mentioned that all the models below only concern the distribution by cable infrastructure. For DSL, broadcasters have made other arrangements as all of them do not pay for distribution and transport. However, this might change, as the existing deals are to be re-negotiated in the near future.

(1) First, the public broadcaster, which enjoys a must-carry status, is not charged for distribution while receiving – albeit not *strictu sensu* – a retransmission fee. The latter is subject of an agreement to exploit the author rights through retransmission.
(2) For foreign (both public and private) broadcasters, a similar approach is upheld. They do not pay any distribution costs, while receiving compensation from platforms in exchange for their distribution, however. This might seem somewhat bizarre as these broadcasters do not generate a lot of traffic to the distributors' networks, but they are needed in high-value proposition of platforms. Yet, since these broadcasters have no real interest in being distributed, distributors are in the weaker negotiation position.
(3) A third model exists for the private generalist broadcasters that target the local market. In general, these pay distribution costs for the distribution of analogue channels (up to €600,000 per channel per year), but also receive a retransmission fee, complemented with advertising spending by distributors. Contracts between these private broadcasters and distributors are more complex than with public and foreign broadcasters, as several financial flows (including, for example, advertising deals) between the two parties are concerned.
(4) A final model applies to private niche broadcasters, who have limited research but nonetheless target interesting demographic profiles. In most cases, these small broadcasters are charged for distribution without receiving a retransmission fee. Some niche channels with considerable audience research, however, receive a fee per subscriber.

The local-based broadcasters increasingly oppose these current arrangements, notably with the cable operator, and this for several reasons. First, discussions go about the level of retransmission fee paid. The generalist broadcasters consider the current compensation for the exploitation of their content too low given the traffic they generate to the platform (the three main broadcasting groups generate about eighty percent of all audience traffic). In addition, the origin of the payments is being questioned. As the cable operator charges consumers for author rights contributions and consequently transfers them to the broadcasters, the cable company is not paying the retransmission fees itself. Third, some broadcasters argue that the diverse ways of dealing with retransmission fees and distribution costs show the cable operator's discriminatory behaviour. It remains unclear on what basis distribution costs and retransmission fees are determined. Platforms counter-argue by saying the remuneration of broadcasters is already well above the European average, a statement that could not be checked due to the lack of accessible data. Therefore, broadcasters and regulators have demanded more transparency regarding these contracts. Despite all the complaints about the distribution arrangements, the net balance between retransmission fee and distribution cost is positive for most domestic broadcasters.

In reaction to these complaints, the cable operator has proposed a new matrix model according to which retransmission fees would be calculated on the basis of the overall market shares of all the channels. Although some broadcasters argue that this model reduces discriminatory treatment and brings more transparency as it is based on an objective parameter, most opinions are highly sceptical, however. Apart from the fact that most broadcasters contend that the model is not sufficiently rewarding them for the retransmission of their contents, others claim that retransmission fees should be based on multiple criteria supplementary to overall audience figures, including audience reach within the target group, local employment, investment in domestic content, etc. A model taking into account these criteria would result in a more balanced assessment of the economic and cultural value of a particular channel and would ultimately result in a better compensation for domestic broadcasters and strengthen the local broadcasting industry.

Denmark

As a result of the proliferation of (niche) broadcasters in recent years, the Danish broadcasting market has become saturated. As the high amount of channels can hardly be financed through the rather small investments in television advertising, broadcasters have been looking for new and stable sources of income in order to reduce their dependence on advertising revenues. Broadcasters have moved towards pay-television channels aimed at catering niche interests alongside their main channels. Consequently, Denmark has a high level of consumer payments providing broad financing to platform operators. Television channels are bundled in bouquets, including basic, medium and full packages, which are mostly organised in a buy-through according to which *"lovers of roses are forced to buy violets, daisies and lilies as well"* (Hultén, 2006: 59). This system allows broadcasters to supplement "*revenue from an increasingly splintered and competitive advertising market with subscription fees and distribution revenues*" (see Harrie, 2009: 173). By charging consumers for accessing television programming, may-carry broadcasters can finance themselves with retransmission fees in addition to advertising revenues. These retransmission fees have been an essential feature of private broadcasters' business models for many years now in Denmark (as well as in most Scandinavian markets). In fact, this hybrid business model consists of several layers.

First, the distributors do not charge broadcasters for distribution. Instead, cable and other platform operators share their subscription revenues with the broadcasters, who get paid a monthly per-subscriber fee. Broadcasters that are included in the basic package benefit from a quasi-full reach of the population and get more income from distribution compared to those included in the top-level packages. The channels are remunerated via minimum guarantees and fees depending on the popularity and the bargaining power of the broadcaster. Depending on the channel, these fees vary between €0.5 and 2 per subscriber per month for the right to distribute and market a given television channel. For most private stations, these distribution fees are an essential source of income in order to avoid deficits from broadcasting operations. Whereas in Flanders retransmission fees amount up to four percent of the overall turnover of broadcasters, distribution revenues mount up to about thirty percent of overall revenues for Danish broadcasting groups. Although there seem to be fewer conflicts between distributors and broadcasters, broadcasters' enduring desire to receive more income from distribution is a potential future source of conflicts and may a threat to this model.

In addition to distribution fees, platforms also pay the collecting societies for the exploitation of broadcasters' rights. This exploitation is limited to the simultaneous, unaltered and unabridged retransmission for reception by the public (Foged, 2009). Operators then pay a remuneration based on a monthly per-subscriber tariff, set by the Copyright License Tribunal, which vary between €0.5 and 4. These fees are alike for all distribution platforms and are thus no subject to any negotiation. For public broadcasters, distributors enter into agreement with the Union of Broadcasting Organisations (UBO), which gives consent to the distributors on behalf of all the Scandinavian public broadcasters. For private broadcasters, the remuneration for author rights is directly transferred to Copydan Kabel TV and KODA.

Comfort services

With digital television, consumers can access and view television programming in a more flexible way. Platforms have launched so-called 'comfort services' allowing consumers to record programmes, watch it delayed and eventually skip advertising, either from the set-top box, computer or smart phone. Needless to say that broadcasters fear these technological innovations as they threat their current advertising-based business models. Especially in Flanders, where broadcasters still mainly rely on advertising revenues, this evolution is considered a bigger threat for their business model compared to Danish broadcasting companies.

In Flanders, cable operator Telenet offers 'flex viewing' for a monthly price of €8 per subscriber. Therefore, consumers have to rent a 'Digicorder' enabling them to record, pause and fast forward programmes. Previously, consumers were allowed to purchase a Digicorder for which Telenet had to pay author rights' contributions to collecting societies, as is the case for most electronic devices. Now that consumers only rent the receiving equipment, no such payment is required and the cable operator captures all income. The broadcasters contest this practice on two grounds. First, broadcasters claim that distributors are in fact disturbing the traditional broadcasting model – based on fixed schedules aimed at maximising audience reach and capturing advertising revenues – while not compensating them for the traffic they generate.

> *"We offer a television evening: a series of programmes interrupted by commercials. That is our product, and not one programme. What they are doing now is destroying that product."* (Peter Quaeghebeur, Director-General VMMa, in Decaestecker, 2010, authors' own translation)

The argument continues in saying that comfort services are only successful because of the available content of broadcasters. Without this branded content, consumers would have little incentives to pay €8 per month for flexible viewing. Second, broadcasters allege the current practice is illegal as platforms only have the rights to retransmit programmes in a simultaneous, unaltered and unabridged manner. Allegedly, comfort services go beyond such a primary retransmission. Hence, a new contract has to be negotiated, extending remuneration from primary retransmission to comfort services as well. The operators disagree, arguing that broadcasters are unwilling to accept technological progress.

Also in Denmark, broadcasters have argued that new interactive services fell out of the scope of the existing copyright agreements and therefore argued that these new exploitation modes required new remuneration systems. In contrast to Flanders, this legal dispute was settled in Denmark, where a one-stop-shop system has been introduced for television services offered outside the framework of simultaneous, unaltered and unabridged transmission. In order to facilitate and stimulate innovation in the media sector, Denmark was the first country to introduce an extended collective licensing scheme, in which all the necessary author rights and related rights are included. Consequently, operators YouSee and Stofa entered into such an 'all rights included' licensing scheme with UBO for launching the 'Start Over' service (allowing consumers to record, fast-forward, rewind and pause programmes – albeit that programme trailers and commercials cannot be skipped) (Foged, 2010).

Video-on-demand services

Another possible point of contention between operators and broadcasters concerns the revenue-sharing model applied for video-on-demand services. For video-on-demand services, including movies and series, distributors have their own catalogue – also online and accessible through smart phones and other portable devices.[4] In addition, nearly every broadcaster has built an interactive library of catch-up television and archival programs. Consumers can subscribe to these services or enter into pay-per-view. Catch-up services are operated on a revenue-sharing basis between broadcasters and distributors. In a generalizing fashion, revenues are split between the operator, broadcaster, and collecting societies. This revenue-sharing model does not pose major problems for most broadcasters although, in Flanders, some broadcasters complain about the limited flexibility of price setting and, moreover, are somewhat disappointed with the limited uptake (and thus payments) by the television consumers. The less contentious nature of revenue sharing for video-on-demand services is mainly due to its relatively modest share of broadcasters' and operators' revenues so far. Indeed, revenues from this service are rising, but as foreseen not booming at all. Together with the increasing penetration of digital television, conflicts between broadcasters and platform operators concerning these issues are likely to intensify.

The most problematic aspect of video-on-demand services is actually not its underlying revenue-sharing model, but rather potentially conflicting interests between broadcasters and distributors. As some distributors become involved in content aggregation and in some cases also content production, this may arise conflicts of interests. This concern can be illustrated, pointing at the Flemish cable operator's plans to launch a 'Hot from the US' service, offering consumers the opportunity to watch series like Lost, Grey's Anatomy and Desperate Housewives only 48 hours after their first screening in the United States and, hence, before screening by broadcasters in Flanders. The latter protested fiercely against this move and Telenet withdrew its plans, stressing it should have consulted its partners in the Flemish media industry as they also had contributed to the growth of digital television in Flanders (Baltussen, 2009).

Another example of a service that might provoke conflicts between distributors and broadcasters in both Flanders and Denmark is the supply of movies-on-demand. Some broadcasters have argued that they also consider offering movies-on-demand. After acquiring the linear rights for a movie, non-linear rights might come at a discount. However, operators tend to buy the non-linear rights for movies in bulk. Here, consensus might be more easily achievable as operators and broadcasters can also here engage in a revenue-sharing model, with broadcasters advertising for movies-on-demand and both distributors and broadcasters sharing the revenues.

Premium content

Rather than on prices, platform operators in Flanders compete on the provision of premium content. Hence, the leading distributors are involved in several business roles. They do not only take care of network management and content transmission, but also engage in content aggregation and content production, offering company-owned broadcast channels or specific premium packages. While Telenet purchased the Flemish branch of pay television Canal+, Belgacom acquired the exclusive rights of the Belgian football league. Premium content allows these operators to differentiate from competing platforms and functions as unique selling proposition to viewers. Although the operators argue that their specialist pay-television channels cater for niche interests and are no competitor for established broadcasters, both operators have started to launch also digital thematic channels in cooperation with local production houses. These channels do not directly compete with the generalist broadcasters, but are a real threat for digital thematic channels that focus on specific target groups. Telenet started, for example, a kids channel (with Studio100), which competes for market share with similar initiatives set up by the public broadcaster and the leading private broadcaster. It is fair to say that some of these thematic channels are far from successful and have failed to realize profits.

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[4] For example, cable operator Telenet enables consumers to access content on a variety of devices. See http://yelo.yelo.be/wat-is-yelo.

Several stakeholders fear that the combination of the different distributors' business roles being a gatekeeper, content aggregator and content producer at the same time might lead to conflicts of interest and abuse of market power, resulting in discriminatory treatment of non-affiliated program suppliers. As the operators select, package and position channels, it is possible that platform operators are reluctant to offer good distribution conditions to channels that directly compete with one of their channels. In worst case, the operator can decide to withdraw it in order to protect its own content. If, for example, a sports channel wants to enter the market, it needs a distribution agreement to get its programs to the viewers. The question then raises whether an operator is willing to provide access to a channel that has the potential to cannibalize its own content and under what conditions the carriage will occur. In Flanders, several rather small broadcasters complain about this platforms' bottleneck and contend that they are blackmailed to accept poor distribution conditions although such accusations are hard to proof and verify. As the cable operator holds a market share of about eighty percent, channels are completely subject to the obligingness of the quasi-monopolist, which enjoys significant horizontal market power.

As market shares of distribution platforms are more distributed among several players, the situation in Denmark is slightly different. Despite the lack of cross-ownership regulations and despite the mutual dependence, broadcasting and distribution somehow remain separated businesses. No distribution company operates a television station, except for satellite provider Viasat, which has stakes in the TV3 network. Because of their independence from content providers, Boxer was granted a 12-year license for managing the digital terrestrial television network. In the past, cable operator YouSee tried, but failed, to establish a sports channel. To date, YouSee shows no interest to enter the content industry, except for providing video-on-demand services (in cooperation with domestic broadcasters). Instead of holding broadcasters, the company says to prefer establishing a strong relationship with all major content providers that is based on trust and respect. Nevertheless, it is often argued that YouSee holds an 'indirect ownership' of channels as its market share allows for a strong bargaining power *vis-à-vis* the broadcasters that are keen for distribution.

The ownership of its own programming provides satellite operator Viasat with greater leverage in distribution. By exclusively offering its TV3 network in non-cable areas, the satellite platform aims at foreclosing the satellite platform market. By controlling the distribution of TV3 channels, which have high customer appeal thanks to its sports rights, Viasat aims to lure consumers from other platforms to its own platform. Viasat and its competitor Boxer could not agree upon the distribution of TV3 giving the terrestrial platform a disadvantage in terms of programming variety. After years of disagreement, an agreement was reached with competing satellite platform Canal Digital to distribute TV3 only within antenna communities. There had been serious concerns that Viasat would withdraw its bouquet from all antenna communities that signed an agreement with Canal Digital. The deal now allows every antenna organization to choose suppliers who do not cooperate with Viasat.

Internet television

Compared to traditional television markets, the Internet has nibbled the gatekeeper role of incumbent distributors as it provides content providers with a direct access to the end-consumer. As broadcasters are increasingly investing in online platforms as part of their Internet strategy, this move amplifies the need for innovative business strategies from competing incumbents in their attempt to counter or leverage the rising popularity of new market entrants (see Chan-Olmsted & Ha, 2003). This evolution may also affect the relationship between broadcasters and distributors, and might result into current market behavior being reproduced in the online environment. Regarding the topic discussed in this paper, two trends are unfolded in Internet television markets.

First, traditional media players such as broadcasters and cable operators do no longer solely claim the delivery of television content. Instead, a new battlefield has emerged in which 'new' entrants combat the 'old' providers of television programs. A number of platforms and devices are successfully entering the market facilitating a shift from a more or less dual broadcasting system to a multi-player environment. As discussed previously, online platforms such as Hulu (a joint ABC, NBC and Fox initiative), Netflix (movie streaming), iTunes (movie downloading) and Amazon Video On Demand (movies and shows for rent or purchase) may lead to changing media usage while more hardware-driven platforms might have a rather disruptive impact on the industry architecture and existing business models. IP-connected television platforms (Apple TV, Google TV, Roku, PlayStation 3, etc.) are keen to make agreements with content providers allowing them directly connect with the consumer and position themselves as the main gatekeepers in the industry. These services and platforms can be regarded as a substitute to the traditional distribution platforms and are therefore a threat to incumbent distribution companies.

Second, as a result to the aforementioned threat, 'old' players are eager to defend 'their' historical grown market by deploying strategies for preserving market power, creating scarcity, and reinventing bottlenecks. As they fear that free and legal online video platforms like Hulu will cut into their revenue models, American cable operators Comcast and Time Warner Cable have joined forces and launched the 'TV Everywhere' service. Increasingly, incumbent cable operators are confronted by 'cord-cutting' whereby especially younger people tend to drop cable subscriptions and to connect with the Internet for watching television programs. With the TV Everywhere initiative, operators aim at convincing existing subscribers to pay more for premium content and to appeal to the on-demand-everywhere demands of next-generation viewers. Most broadcasting networks are inclined to offer their content through Time Warner Cable's and Comcast's platform, and are, in line with their offline strategies for broadcasting platforms, negotiating retransmission fees, which add to their revenues.

The entrance of these cable operators on the Internet television market should be considered as a means of controlling access and content rather than being a disruptive innovation to the sector, and might affect the online content market in a negative way. The recent Comcast/NBC merger may challenge Hulu's bright future as it is not unthinkable that NBC would want to withdraw its programs from Hulu and similar platforms to protect Comcast's pay-television business while the latter has incentives to discriminate against non-affiliated content providers or restrict access to other online television platforms. The question then is whether policy intervention would be justified in some cases in order to protect the growth of Internet television services from market foreclosure.

Conclusion and recommendations

In this paper we investigated on which issues distributors and broadcasters are divided and whether points of disagreement are merely centering on financial issues. Notably, we observed a difference between the Danish and Flemish markets. Whereas conflicts between operators and broadcasters are very conflictive in Flanders, there seems to be an understanding between the two parties in Denmark. This shows that the idea of a cable war in Europe deserves some nuance and is, in spite of the single market, dependent on specific cultures and market structures in the EU's Member States or regions.

There are three main points of contention. First, there are disputes about the level of retransmission fee being paid by operators to broadcasters. Second, broadcasters ask for remuneration for so-called comfort services, which go beyond the simultaneous, unabridged and unaltered distribution of their content. Third, facing competition from new competitors like Apple and Google, operators attempt to capture distribution on the 'open' Internet as well, asking (*i.e.* forcing) broadcasters to offer content through their online portals. This adds a bottleneck to their entire platform network and will eventually increase broadcasters' dependence upon operators. The latter should be nuanced to some extent as both in Denmark and Flanders three to four broadcasters hold over eighty percent of market share. In spite of the power asymmetry between operators and broadcasters, the attachment to domestic content and *ditto* channels is an advantage to be exploited by broadcasters.

Coming to the question what the consequences of the looming business battles between operators and broadcasters may be, a number of remarks can be made. First, in light of new – mainly – American competitors entering the market, European operators and broadcasters should realize that they have to make things work together. Broadcasters need operators for distribution, while *vice versa* distributors need the must-have content catered for by domestic broadcasters. In order to protect the European audiovisual industry from an American hegemony, both content providers and platform operators should join forces and establish a symbiotic relationship. Despite this common threat of American-based platform leadership, policy intervention should be concerned about regulating the dominant position of competitive bottlenecks in distribution as they may harm competition, foreclose markets and have reverse effects on pluralism in the content sector. As cable systems are increasingly vertically integrated, this raises concerns that cable operators may exert a significant amount of market power. However, rather than vertical integration in cable systems, monopoly power in platform bottlenecks poses a real threat to competition in the program supply markets. Therefore, policy intervention should primarily focus on cable operators' horizontal market power obtained through significant market shares in platform bottlenecks. When content suppliers have different alternatives to connect with consumers, they gain more bargaining power *vis-à-vis* distribution platforms and can negotiate higher financial compensation for the exploitation of their programs.

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