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Making French cable television a success

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ABSTRACT

MAKING FRENCH CABLE TELEVISION A SUCCESS

by Christian B. Gandjbakhch

This thesis examines the development of cable television in France. It investigates the current situation of the industry and the actions that should be taken to ensure the success of cable programs. The study specifically focuses on the supply of channels, foreign, thematic and local, and on the marketing efforts to promote and sell them.

A series of personal interviews with French cable industry executives reveal that the openings of networks and formations of channels have multiplied and presently continue to develop at a strong pace. However, subscriptions remain low due to intensive competition from over-the-air broadcasting, insufficient quality of channels and a relative stiffness in the pricing policy. Industry leaders increase their communication actions and rely on more aggressive selling methods to gain some pay-back on their massive investment. A stronger cooperation between major companies is needed to permit the introduction of strong products in the still modest French cable market.

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CHAPTER 1

Introduction

The Need to Develop Cable Television in France

The technology of cable television offers several advantages over traditional over-the-air broadcasting (Mission Cable, 1988). The quality of reception is sharply improved, the number of available channels is multiplied and interactive services such as pay-per-view are possible. Cable also introduces a new type of television consumption with the emergence of thematic channels that provide viewers with a greater freedom in choosing their programs. These features explain why most industrialized countries have developed the cable technology.

In 1982, the French Government launched an important plan to equip the country with cable. However, cable television today remains an almost obscure industry in France. The media newsletter Telescoop ("320,000 Abonnes a la Fin Juin [320,000 Subscribers at the End of June]," 1990) indicates the total number of subscribers to CATV and predicts a 400,000 figure by the end of 1990. In a survey of the European cable audience that took place in Spring, 1990, the Nielsen Institute did not include France among the research countries because of its meager potential audience, according to Agence Cable (1990). This relative failure cannot be accepted by both the public and private corporations behind cable television in France for a series of reasons.

The first reason is financial. The building of the cable infrastructure in almost 100 French cities represents a major investment that has been mainly supported by state-owned companies. Particularly involved is France Telecom, the French telephone and telecommunications company that plays a major role in the introduction in France of new technologies such as cellular telephone, satellite transmission or fiber optics data carriage. More than $4 billion has been spent and only a commercial success in the near future will permit the company to expect a pay back for this huge expenditure (Harrois-Monin, 1988).

The second reason is strategic and concerns France's role in the television and cultural industries. Cable television is already largely developed in several countries. At the beginning of the 1990s, more than 60% of households in the United States have access to cable and 50% actually subscribe. In Europe cable is provided to the majority of the population in countries such as Belgium, Holland, the Scandinavian countries and Switzerland. Germany has developed cable on a significant basis, too. Only countries in Southern Europe and the United Kingdom lie behind France in the development of cable (Hazard & Le Taillandier, 1990).

The success of cable television in the United States and Northern Europe shows that cable is not only a potentially marketable product in France, but also a part of the future standard media equipment of households all around the developed world. It is all the more important for France to develop its cable television industry because France has the ambition to be a major player in the shaping of European and world culture.

France and its Cultural Influence

France has long been a major cultural power and still has a cultural importance that outweighs by far its demographic or even economic power. France had only a population of 58 million people at the beginning of 1990 (Herzlich, 1990). However, its language is spoken on five continents and is, along with English, the official idiom of the European Community. Its movie production is only second to the United States in the western world. In contrast, Germany, with a superior population and economy, does not enjoy such a cultural influence.

France has a clear intention of maintaining and developing its cultural role. The French Government includes a Department devoted to the promotion of French language, Ministere de la Francophonie, as well as a strong Department of Foreign Cultural Relations within the Department of Foreign Affairs. In addition, a Department of Culture is responsible for the promotion of all domestic cultural industries, including television. This is a sign of the commitment of the French state to maintain a cultural vitality at home and abroad. However, several factors make the 1990s a crucial period concerning the evolution of French culture and its influence in a fast-changing European environment.

The 1980s were the decade of the explosion of commercial television in Europe. In 1980, television was almost exclusively a country by country state-owned industry. It is now a mainly private and commercial industry with major corporations building networks of subsidiaries on a European scale. The number of channels nearly doubled to more than 60 between 1981 and 1986 (Artwick, 1990). The fast development of satellite and cable telecommunications suggests that this growth is far from being completed. 200 European channels are expected in the 1990s. Programming needs are therefore likely to sharply increase as "EC officials predict a surge from 250,000 hours in 1987 to 400,000 in the 1990s" (p. 10). These needs open a market to both American and the various European countries' production industries. Satellite broadcasting also ignores national borders. A predictable evolution of the 1990s is that European television channels will become less national and more European in content as well as audience. The consequence is that European cultures and languages are going to find themselves in a state of increased competition between one another, which is both a threat and an opportunity to France's cultural influence.

A new political environment based on European integration sharpens this competition. France is a founder and a member state of the European Community that has been an instrument of free trade within Western Europe for 30 years. The success of the Community has led previously defiant and staunchly independent countries such as the United Kingdom, Denmark or Greece to accept a loss of their sovereignty in order not to be left isolated from an increasingly consistent and prosperous union. France and Germany, along with a number of smaller countries, actively support the transformation of the European Community into a federation (Lemaitre & Trean, 1990). The 12 state European Community already has an important administrative body of 15,000 people in Brussels, an elected Parliament in Strasbourg, a Justice Court in Luxembourg and has effective control over a large part of the European economy. Its rules already prevail over national laws (Hadas Lebel, 1985). The Community should have, by the end of the decade, a unique currency and a political union competent in foreign affairs. In October, 1990, 11 states out of 12 committed themselves to achieve the condition where members of "the Community have a unique currency, a strong and stable ecu that will be the expression of its identity and of its unity" (Lazare, 1990, p. 3). Concurrently, the 12 European states agreed to "expand the field of action of the Community to foreign policy and security" (Lemaitre, 1990, p. 3).

Even the supporters of the project do not expect Europe to reach total economic and political union by the end of the decade. But by 1993, the Community will surely be a unified market and, according to French-German expectations, a new treaty covering political union will be signed (Lemaitre, 1990). Taking into account the huge progress in integration that has been achieved so far and the collective will of the majority of the European population, there are few doubts that the European Community will continue to affirm its power over states and that Europe will soon take a federative or at least confederative face. Its culture will surely remain diverse, but it is likely that some cultures will prevail while others will see their influence diminish.

The recent "Television Without Frontiers" European directive represents an important step in this evolution. Its mere existence is a sign of the extended role of the EC because culture was not initially part of the realm of action of the Community (Hadas Lebel, 1985). In their analysis of the directive, American researchers have emphasized the somewhat protectionist attitude in the European proposition that most programs should originate from the EC whenever this is financially possible for stations (Artwick, 1990). But in European media circles, the most important part of the directive is the legal possibility to extend broadcasting of a television channel from one member state to the whole European Community. An article published in Sonovision ("Les Directives Europeennes: Une Bombe a Retardement [European Directives: A Bomb for the Future]," 1990) shows that the entire European television industry will be affected, because national regulations will no longer be obstacles to the carriage of foreign channels originating from EC countries. European television channels and the cultures and languages they convey will therefore be placed in a competitive situation.

Faced by these challenges, France cannot only rely on its past cultural assets to maintain its role in tomorrow's increasingly homogenized Europe. A government's actions are important, but cultural influence cannot be decided by decree. It is rather based on the success of a country's cultural industries, especially in the fields where new technologies are involved. Three examples, two French and one American, show how commercial success in new communication fields helps reinforce cultural influence.

In the early 1980s, France was the first European country to develop a pay-TV channel called Canal Plus (Commission Nationale de la Communications et des Libertes [CNCL], 1987). Its movie and sports programming has proved to be a success and has attracted more than 3 million French subscribers. Canal Plus is now present in Germany, Belgium, Spain and, in the near future, Sweden through subsidiaries that adapt the French formula. The proposed programs heavily draw from the French programming and therefore reinforce the French cultural influence in Europe.

Similarly, France experienced in the same period of the early 1980s an explosion in the field of FM radio thanks to a very deregulated legal environment. As a report from the Conseil Superieur de l'Audiovisuel indicates, French FM radio networks have become the strongest in Europe. This permits stations such as Paris-based Europe 2 to be now widely present in Eastern European cities such as Warsaw or Prague and constitutes another boost to French cultural influence (Amant, 1989).

In the field of cable, the strongest example of external cultural dominance through commercial success on the domestic market is, without doubt, CNN. The 24-hour news channel is now recognized as an indispensable work tool in European political, business and media circles. The CNN coverage of the Gulf crisis has been widely carried by foreign television stations. Through CNN, an American perspective on world events is constantly available around the world. This would not have been possible if the United States had not been the world leader in developing cable television. The success of CNN represents such an important asset for the propagation of American views, at least because of its agenda-setting function, that several French personalities have launched the idea of a French or European news channel that would provide the world with an alternative perspective.

These examples show that a solid domestic market in cultural industries is a necessary condition to envision success abroad. Television is probably the strongest instrument in the shaping of culture. The prosperity of the French television industry is indispensable to satisfying this country's ambition of cultural influence. Along with satellites, cable is the tool that permits the emergence of new television channels, particularly thematic ones, in the 1990s.

In order to assure an important French role in tomorrow's European thematic channels, it is necessary that these channels first be successful in France. A commercial success of cable television in France is therefore a condition for France to remain a major player in the shaping of European and world culture.

Given the economic and cultural interests of the development of cable television, one can wonder why France, a prosperous country with a per capita GNP close to American standards, has been so slow in promoting this technology. The explanations lie in the legal environment, the French media structure and in the strategy of the public and private institutions involved in the cable industry.

However, the results of massive investment are about to be harvested. The infrastructure has progressed and there are now more than 2 million households passed, which means that they have the possibility to subscribe and be connected. This building effort enables Michel Pericard, a Government official from Mission Cable, to state that "after being for a long time a subject of experimentation and of insiders' debate, cable has now entered the field of concrete achievements. The map of French networks begins to fill and this new infrastructure of communication, powerful but decentralized, is no more reserved to a circle of larges cities" (Mission Cable, 1988, p. 2).

The early 1990s will be the years when French cable television turns from the prospective area to the more concrete fields of programming and commercialization. On these two aspects the methods implemented until now have not proved to be very successful. This thesis examines the actions taken thus far by the cable industry and those that should be launched to ensure the success of this industry that is crucial to France's cultural role.

CHAPTER 2

Literature Review

The History of French Broadcast Media

France has a long tradition of centralization and state intervention in telecommunications. Reporting to the Government the situation of French broadcasting, an independent commission notes that "telecommunications have developed under a regime of state monopoly" (Paye, 1970, p. 38). The first state restriction on communications dates back to the time of the French revolution as a 1793 law grants to the state a monopoly on the use of signals for purpose of communications. An 1837 law asserts this monopoly on the emerging technology of telegraphy.

However, Autin (1984) notes that after World War I, radio developed through private initiatives. "Radio stations such as Radio Paris, Radio Tour Effeil or Radio Toulouse spontaneously appeared in a non-regulated environment" (p. 59). This freedom did not last long, as a law passed June 30, 1923 widened the scope of the state monopoly to include radio transmissions. In 1933, a special tax called "redevance" was established to finance a department of the Post Telecommunications and Telegraphs (PTT) in charge of radio broadcasting. During the 1941-1944 period, when a pro-nazi Government ruled France, a national radio service was founded. After the end of World War II and despite the return of democracy, a 1945 law maintained this national radio station and the state monopoly. At that time, broadcasting was a department of the Ministry of PTT and was managed as such (Paye, 1970).

The development of television in the late 1940s and in the 1950s took place in the same legal environment. Broadcasting was considered a public service, which was supposed to grant an equal access to the medium for all citizens. State monopoly was perceived, according to Paye, as "the best way to guaranty the respect of this public service" (p. 38). This monopoly was, in fact, multiple as it applied to the three fields of broadcasting, programming and production. However, this monopoly on production was not enforced.

Different organizations were successively in charge of this monopoly. A state corporation called RTF (Radio et Television Francaise [French Radio and Television]) was founded in 1949 and gained independence from the Ministry of PTT in 1959. In 1964, the creation of the ORTF (Office de Radiodiffusion et de Television Francaise [French Radio and Television Agency]) represented a first step toward the autonomy of broadcasting vis-a-vis the French state. However the ORTF remained a state organization, whose president was chosen by the Government. The ORTF expanded as a second channel appeared in 1964, a third in 1971, and as color television was introduced in 1968. Commercial advertising was also introduced during this period (CNCL, 1987).

However, criticism against the state monopoly and Government's intrusions in the life of the public broadcasting organization developed during the 1960s and particularly at the time of the 1968 student upheaval. A 1970 report about the status of the ORTF led to a 1972 law which increased the autonomy of the organization. However, the president of the ORTF who "had asserted very strongly his independence had to resign after one year in office" (Autin, 1984, p. 60).

At this time, the state monopoly was attacked from many parts. A symposium at the Sorbonne University, which gathered leading personalities in politics, radio and television, became the theater of a clash between supporters and opponents of the monopoly in October, 1972 (Mercillon, 1984). Participants stressed the dominant position of broadcasting as Jean d'Arcy remarked that "those who control communications, control society" (p. 15). They also foresaw that new technologies such as cable and satellite TV would challenge the status quo.

Under the impulse of recently-elected President Giscard d'Estaing, a law passed on August 7, 1974 brought a new frame to the French media environment. The law was a new step toward liberalization as the ORTF disappeared and was replaced by four national broadcasting corporations, Radio France for radio, TF1, Antenne 2 and FR3 for television. The production department of the ORTF became the SFP (Societe Francaise de Production [French Production Corporation]) which was placed in a competitive environment. However, broadcasting remained a state monopoly assigned to TDF (Tele Diffusion de France) (Autin, 1984).

With this 1974 law, the system of total centralization disappeared. The concept of the independence of audiovisual media was asserted. Television was no more the "voice of France" as former president Pompidou once said. Nevertheless, if the monopoly of programming was shared between three competing public corporations, it still kept private initiative out of the market. In fact, private radio stations had long aired commercial programming from deregulated neighboring countries such as Luxembourg and pirate stations (mostly radio but also television) sometimes broadcast clandestinely. The state monopoly was attacked from many parts but still resisted.

The great leap forward in the history of the French audiovisual industry took place in 1982 as a new law altered its legal framework. Designed by the socialist Government in office since 1981, this law, passed July 29, 1982, suppressed the state monopoly on broadcasting and programming. Article 1 said that "audiovisual communication is free," article 2 that "citizens have a right to a free and diverse audiovisual communication." For Autin (1984), "the monopoly was succeeded by a regime of controlled freedom" (p. 62). An independent commission, somewhat patterned on the American Federal Communications Commission, was established. This Haute Autorite de l'Audiovisuel (Audiovisual High Authority) had two main missions: To "guaranty the independence of the public service," namely the three public TV channels and Radio France, and "to intervene in the regulation of the new fields of freedom opened by Parliament" (p. 65). The first field to benefit from the new law was radio as hundreds of FM stations were created in the early 1980s. However, the law maintained some restraints concerning advertising revenues and the existing TV channels remained public.

Reporting on the history of television during the 1982-1985 period, a state agency stressed the quick development of audiovisual communication (CNCL, 1987). Canal Plus, a national pay-TV channel that mainly programs movies like Home Box Office in the United States, was founded in 1983. This first national private channel benefited from a status of public service concession. A November 19, 1985 state decision created France 5, a fifth national TV network, quickly followed by a sixth one, a music channel called TV6. Both were privately owned.

As the 1986 elections brought the conservatives back to office, the legal framework of the broadcasting industry once more changed. Law 86-1067, passed September 30, 1986, is the last major law on audiovisual to date. It established the CNCL (Commission Nationale de la Communications et des Libertes [National Communications and Freedom Commission]) which replaced the Haute Autorite. The role of the commission was extended as the CNCL was in charge of assigning TV channels and had a regulatory power. The status of the national private channels changed, too. They were no longer public service concessions granted by the state but benefited from authorizations independently assigned by the CNCL.

On the other hand, the concessions of France 5 and TV6 were attacked for being politically motivated as the owners of the two channels were suspected of being close to the former socialist Government. Sued by potential new entrants to the French TV market, France 5 lost its concession through an April 16, 1986 decision of the Conseil d'Etat, a French judicial authority, and became La Cinq. TV6 also disappeared and was replaced by Metropole 6 (M6) through decision 87-13 of the CNCL. However, the most spectacular event of the period was the February 5, 1987 governmental decision to privatize TF1, the oldest and largest French TV network. On April 5, 1987, the CNCL attributed TF1 to a group of investors led by public works entrepreneur Francis Bouygues and by British media mogul Robert Maxwell.

The comeback of the socialist party at the head of Government in 1988 has thus far not led to major changes in French media. The new Government has just initiated a change in the name and scope of action of the regulatory commission. After Haute Autorite and CNCL, the commission is now the CSA (Conseil Superieur de l'Audiovisuel [Superior Audiovisual Council]). An improvement of law 86-1067, passed on November 8, 1988, gave the CSA the authority to sentence TV channels that do not respect regulations, such as a maximum level of commercial time. However, it seems that the September 30, 1986 law will remain the legal framework of the French audiovisual industry for a certain time as neither the conservatives nor the socialists challenge it.

This review shows the history of French broadcasting as very animated and complex. Since 1964, no general media law has lasted for more than 8 years. However, the evolution has steadily been in the direction of liberalization and commercialization.

The CNCL notices another constant feature of French television. It is "the domination of the concept of mass audiences TV channels and the rejection of the idea of thematic channels" (CNCL, 1987, p. 13).

In 1991, France has six national TV channels, including a pay-TV channel. Four channels out of six are commercial and attract the largest audience. Apart from Canal Plus, which mainly draws its income from its subscribers, and FR3, the smaller public network, advertising is the prime source of revenue of all networks, including the largest public channel. According to an article published in Le Monde ("Le Budget de l'Audiovisuel Public [The Budget of the Public Audiovisual Corporations]," 1989), public channel Antenne 2 is financed at 63% by advertising. The remaining part comes from the "redevance" tax on television equipment.

The History of Cable Television

The first experiments of CATV in France date back to 1973. A public company called SFT (Societe Francaise de teledistribution [French CATV Organization]) was at this time in charge of the experiments. As CATV finds itself at the crossing point between television and telecommunications, the SFT was owned by both the ORTF and the PTT. According to Autin (1984), the SFT "has not taken any action and has uselessly spent its capital" between 1973 and 1983, the year of its suppression (p. 23). Leteinturier and Balle (1987) at least credit the public corporation with one success, the building of a CATV network in Villeneuve de Grenoble, a town located in the Alps mountains. They also indicate that a March 20, 1978 state decision opened a breach in the then enforced monopoly. Some towns, such as Metz, began building CATV networks at this time.

However, the development of cable television remained very limited in the 1970s and in the early 1980s. In 1982, only 7 CATV were commercially open in France. They were only located in small towns and were mainly regarded as experiments. The owner of these networks is still TDF as stated in an article of Cable & Satellite Europe ("Frontline French Cable," 1989).

This very weak development of cable television was due to the state administration's conception of what television could and should be. In the 1970s, cable was considered as being necessary only where hertzian frequencies were not available. This is the case in border areas where foreign TV stations jam national broadcasting or in mountains where it would be too costly to build a relay station for some isolated rural communities (Autin, 1984). As a result, all CATV networks built during this period find themselves either near Belgium or Germany or in mountains areas.

Certain mass communications specialists also stress the potentialities offered by CATV for local television. Reviewing the situation of local CATV stations in French-speaking countries, Brottes (1986) notes that local television channels on cable have been successful in Quebec and Belgium. He considers that the development of CATV should be done for and through local television. However, Chauvet and Flechy (1983), two specialists who have advised state authorities and cable TV, consider this approach unrealistic. They estimate that the revenues of a local television station are "insufficient to pay back the investment of a cable network" (p. 14).

If local television is not enough to justify the building of cable networks, importing foreign channels may be a solution to bringing enough programming to attract subscribers. "Importation of foreign channels is at the origin of the building of networks in Belgium, Holland, Switzerland and Austria" (Chauvet & Flechy, 1983, p. 14). But the authors note that the cultural situation of these countries is clearly different from the French environment. These four countries are very small states where most people are at least bilingual and have a tradition of receiving foreign cultures. At the opposite, the French society is more self-centered and most French people do not speak foreign languages. Importing foreign channels to feed cable networks is therefore not a viable solution from a commercial standpoint. Moreover, it has long been opposed by the state administration because it would be a way to bypass the monopoly and would jeopardize French cultural identity.

The insufficiency of local television combined with the rejection of foreign channels brought French CATV to a standstill during the 1973-1982 period. The suppression of the state monopoly, a major Government plan, and new technological opportunities gave a new impetus to cable television in 1982.

Article 77 of the law on audiovisual communication, passed on July 29, 1982, gave to the Haute Autorite de l'Audiovisuel the right to grant authorizations for the building and commercialization of cable networks. On November 3, 1982, socialist prime minister Mauroy announced the launching of Plan Cable. The basis of Plan Cable was a radically new approach: "It planned the development of television and telecommunications networks over the next 20 years" (Chauvet & Flechy, 1983, p. 15). The emergence of fiber optics that can simultaneously carry data, images and sounds in a two-way flow was the technological basis for this project. The objective of Plan Cable was to prepare the time when telephone, computer and television networks would be integrated into one huge network.

Although coaxial cable is a cheaper and more reliable technology, the founders of Plan Cable decided that the new networks would have to be entirely built with fiber optics cable. From a technical standpoint, they based their decision on research carried out by the CNET (Centre National d'Etudes des Telecommunications [National Center for Telecommunications Research]). In order to permit interactivity and respect the long term objectives of the plan, the CNET designed an original and advanced structure for the new cable networks. They would have a "star structure," comparable to the structure of telephone networks, instead of the classical "tree structure" of coaxial CATV networks (Chauvet & Flechy, 1983).

Thanks to this fiber optics hardware, future networks were supposed to do far more than just carry images to subscribers. "Data base consultation, data and images exchanges between subscribers, telemonitoring, not to mention videotelephone and a la carte television are some of the theoretical potentialities of such networks" (p. 45). Another advantage of fiber optics is the maximum number of channels cable can carry: "Coaxial cable can transmit 20 to 54 channels whereas fiber optics can potentially reach 200 channels" (Leteinturier & Balle, 1987, p. 23).

The claimed objective of Plan Cable was to develop cable television on a large scale. It forecast that 1.4 million households should be passed at the end of 1987 and 2.4 million at the end of 1988 (Harrois-Monin, 1988, p. 57). It insisted on a democratic approach, making access to cable a public service that should be equally granted to all citizens. This means that network builders must equally connect all households, regardless of financial considerations and that, within a network, subscription fees and offered services should be the same for all.

Another major point was to make the DGT (Direction Generale des Telecommunications [Telecommunications General Management]) the builder and owner of the cable networks. The DGT, now called France Telecom, is the French state telephone company, which can be compared with ATT before the American corporation was divested into several companies. The choice of the DGT as the networks' builder was clearly related to the use of fiber optics because with this equipment networks became telecommunications, and not only television, networks.

However, some critics have asserted that an unclaimed goal of Plan Cable was to provide work for the employees of DGT (Harrois-Monin, 1988, p. 58). They also suggested that the DGT's main objective was to maintain its monopoly, which would have been jeopardized if a relatively cheap and easy-to-use technology such as coaxial cable had been chosen. Others think that the choice of fiber optics was linked to international trade considerations: "Coaxial cable is made of imported copper whereas France has plenty of sand, the raw material for fiber optics" (Autin, 1984, p. 21). Whatever the possible underlying motivations of its initiators, Plan Cable maintained a high degree of centralization by granting to the DGT a monopoly on the ownership of the networks.

As far as network operators are concerned, a law passed August 1, 1984 and improved on January 29, 1985, determined their status and their role. They are independent companies gathering local authorities and private corporations called SLEC (Societe Locale d'Exploitation du Cable [Local Organization for Cable Management]). While keeping in theory state monopoly on the networks, Plan Cable left local and private initiative free to manage networks, select the carried channels and possibly make a profit (Mission Cable, 1988). Three major companies engaged through this opening in the cable industry: Caisse des Depots, Generale des Eaux and Lyonnaise des Eaux. Two of these corporations are water companies that entered the industry with the expectation of building networks at some point in the future.

The limited state monopoly also had some advantages for private operators as the DGT had to finance the cable infrastructure. It represented a total cost of 20 billion Frs ($4 billion). However, cities were asked to lend the DGT a sum covering an important part of the investment. Return on investment was brought to the DGT by a part of the subscription fee paid by the TV viewer, the other part of the fee being for the network operators and carried channels. The last measure of this Government's initiative was the creation of Mission Cable, a council gathering the Ministries of Communications, PTT, Industry and Culture. Its first president described its actions as being "incitement, help and intervention" in favor of cable (Chauvet & Flechy, 1983, p. 292).

The response of local authorities to this new legal framework was enthusiastic. From 1982 to 1984, more than 400 French cities or towns desiring CATV contacted the DGT or Mission Cable. Unfortunately, only a minority of these projects have turned into real cable networks. The DGT was indeed very slow in signing agreements with would-be local operators. In March, 1986, only 37 cities were linked with the DGT through feasibility studies and 14 "conventions cadres" (firm comprehensive agreements) were signed between the SLECs and the DGT (Harrois-Monin, 1988).

In 1987, five years after its launching, plan Cable was far behind its objectives. At the end of that year, only 300,000 households were passed instead of the 1.4 million planned. Commercialization was an even greater failure as less than 10,000 households subscribed to Plan Cable networks.

A report asked by conservative and free-market oriented minister Longuet in June, 1987, and published four months later, established that Plan Cable has not achieved any of its major objectives. Networks were supposed to be entirely built with fiber optics; they are based on an unique technology, a mixture of coaxial and fiber optics, which is expensive but does not allow much interactivity. The concept of a future integration between telephone, computer and television networks has been abandoned. French electronic and audiovisual production industries that were supposed to benefit from Plan Cable have not received much help. Last, the DGT, therefore the state and the taxpayer, may never get their money back. An international comparison shows the poor achievement of France in developing CATV. Germany, France's natural reference, launched a similar plan in 1982 and had, in 1988, eight million households passed and three million subscribers.

The reasons for this failure are multiple. The choice of fiber optics was questionable because this technology, which has great potential, was not operational at low cost in the early 1980s. The industrial companies in charge of manufacturing the cables were not able to meet their deadline and asked for more money for research. On the other hand, many cities were reluctant to help financing cable networks that were slow to show up. As a consequence, the DGT itself had to finance most of the investment. "When the state organization realized in 1984 that a financial disaster was looming, it decided to slow down the project" (Harrois-Monin, 1988, p. 58).

As far as commercialization is concerned, the low rate of penetration was a consequence of several factors: Additional programs proposed by cable were mainly from foreign origin and were not very attractive. The cost of the subscription charge (150 Frs [$30] per month) was high. Households in relatively poor areas had been passed, too.

These findings led the state authorities to modify their strategy. The law passed on September 30, 1986 provides the cable industry with a more flexible legal framework. City councils are free to authorize by themselves the establishment of cable networks.

They can also choose the builder and owner of their network as the monopoly of the DGT, which has become France Telecom, is abrogated (Leteinturier & Balle, 1987). Companies such as Generale de Chauffe or Caisse des Depots profit from this opening to make inroads into the building field. However, the cable industry still suffers from a lack of financing. Many cities, that have taken charge of financing their CATV network, consider with caution the warning of Autin, a leading media specialist. He declared that "any cabled town is a ruined town" in an article written by Grantham (1987) for American magazine Variety.

The free-market approach of the conservatives seems to have become the doctrine of the main part of the political spectrum. The currently ruling socialist Government has clearly indicated that no major change will be brought to the current legal framework of the cable industry. Pragmatism is now the key word of the Government's policy in the field. During the Mediaville symposium, which gathers the different players involved in cable television, minister Quiles announced ten propositions for a swift and profitable development. He remarkably proposed to abandon the public service status of cable; to permit operators not to carry a local channel under a threshold in the number of subscribers; to use coaxial technology in order to reduce costs; to enhance the commercial image of cable TV; and to reduce subscription fees (Chatras, 1988).

Although its cable budget has not been increased, France Telecom has also adopted a more flexible stand. The public corporation that has lost its monopoly tries to maintain its position in the CATV field by developing partnership agreements with private companies. In the city of Rouen, France Telecom has associated with Generale des Eaux to build and commercialize the city's network (Le Gales, 1988). As far as private corporations and cities are concerned, they have been the first ones to advocate a more commercial approach and they develop attractive services. Example of this new strategy is the Angers network where operator Caisse des Depots proposes a basic fee of 39.50 Frs ($8) for nine channels. Similar actions should develop in "social housing areas where pricing is a major factor of the penetration rate" (Chatras, 1988, p. 36).

The major problem of French cable has long been the poor attractiveness of the proposed programs. British journal Cable & Satellite Europe describes the French programming situation as "a unique mix of over-the-air feast and cable and satellite famine which makes being a cable subscriber a more unappealing prospect in France than virtually anywhere else in Europe" ("Frontline French Cable," 1989, p. 14). In order to remedy this situation, the three major cable companies, joined by a powerful new entrant, cash-rich pay television channel Canal Plus, have invested in programming. Several thematic channels designed for cable have been created over the last three years (Ganascia, 1989).

These channels include, among others, a documentary program (Planete), a children's channel (Canal J), a sports program (TV Sport), a news program (Canal Infos), and movie channels (Cine Cinema and Cine Folies). Most of them are owned by the major cable companies in association with French or foreign media partners (Chatras, 1988).

On the other hand, the cable industry is expected to be affected by another technological development: A new television standard, D2-Mac-Paquet, is expected to replace the PAL and SECAM standards. A first step toward high definition television, D2-Mac-Paquet will be used by direct broadcasting satellites, and European cable networks will probably have to adapt to this standard (Ganascia, 1988).

The Present State of Cable Television

The French cable industry counts five major players. These organizations are two water companies, the Compagnie Generale des Eaux and the Lyonnaise des Eaux, a public financial institution, the Caisse des Depots, the national telecommunications company, France Telecom, and a national over-the-air pay television channel, Canal Plus. Each of these companies has initially been involved in the field of cable television through different aspects and with different motivations. However, they have in common a development in almost all parts of the industry, from building and equipment to operations to programming, and the five of them virtually control the entire industry (Deransart, 1990).

1. Compagnie Generale des Eaux: Involved in cable through its "Teledistribution" division, the "Generale" owns subsidiaries specialized in engineering, satellite equipment, building and management. All its local operators have "Teleservice" or "Region Cable" as their commercial brand.

The Generale is deeply involved in programming. Its subsidiary, Compagnie Generale d'Images, has majority stakes in Planete, Cine Cinema and Cine Spectacles, Canal Bis, C'etait Hier, Humour plus minority stakes in Canal J, TV Sport, MCM-Euromusique, and recently in Bravo and Canal Infos.

2. Lyonnaise des Eaux: This second water company is present in cable through its subsidiary, Lyonnaise Communications, which gathers all the engineering, building, programming and commercial activities. All its local operators carry the "TV Cable" commercial brand. Lyonnaise operates the Paris network, the largest in France, and owns Paris Premiere, the local television channel which is regionally distributed. Lyonnaise Communications has majority stakes in Cine Folies and minority stakes in

Canal J and Canal Infos. It also controls TV Bercy, a subsidiary that mainly produces sports programs of events taking place in the Bercy stadium in Paris.

3. Caisse des Depots: It is involved in cable television through its subsidiary, Communications et Developpements (Com Dev). It builds and manages networks whose commercial brand is "Citevision." Com Dev has majority stakes in Canal Infos and TV Club-Bravo and minority stakes in Canal J, MCM-Euromusique, TV Sport, and recently in Planete, Humour and C'etait Hier, too.

4. France Telecom: Until 1986, France Telecom, then called DGT, was virtually the only builder of cable networks, particularly within the framework of Plan Cable. France Telecom invests more than 3 billion Frs ($600 million) per year in cable and has built 1.8 million installations out of the 2.4 million currently available in France. Despite the end of its monopoly, France Telecom still plays a significant role in the industry. It continues its building activity for which it receives important fees. It has developed a pay-per-view system called Visiopass. As a sign of this continued involvement, France Telecom has acquired stakes in Lyonnaise Communications and Compagnie Generale de Videocommunications and also plans to acquire some of Communications et Developpements (Mihail & Deransart, 1990).

5. Canal Plus: Financially secure, thanks to three million subscribers to its pay television program, Canal Plus has diversified in the cable industry. It has minority stakes in Planete, Humour, C'etait Hier, Bravo and Cine Cinema. It has created Canal Enfants which has now merged with Canal J and can be considered the largest French thematic channel. Canal Plus is also involved in building networks through its Visicable subsidiary. It has developed a pay-per-view system called Descat. Canal Plus is now a major player in the industry and is even accused by other protagonists of attempting to

gain a supremacy over the sector of cable, satellite and conditional access television (Gasquet, 1990).

At the beginning of 1990, France counted 77 cable networks in operation, a figure that has probably been increased since the census. The majority of the networks have been built by France Telecom, while private builders like Region Cable, Eurocable or Portenseigne are increasingly active (Hazard & Le Taillandier, 1990).

The number of available channels is less than 20 in 57 networks, while 17 networks propose between 20 and 30 channels, and only 2 networks, built by Region Cable, offer more then 30 channels. France Telecom has announced that most of its networks will have 30 available channels by 1992 (Bourelly, 1990). Except for some networks operated by Region Cable, pay-per-view has not yet been commercially introduced in France. France Telecom plans to begin providing homes with its Visiopass device at the end of 1990. Subscribers numbered 320,000 at the end of June, 1990, representing a 13.7% penetration rate.

Prospects concerning the future of French cable are relatively favorable. Although most protagonists agree that a lot of time has been lost, they anticipate a quick development over the next three to five years. Minister Quiles predicts that there will be 1.3 million subscribers by 1992 (Mihail & Deransart, 1990).

Certain media specialists assert that, in the long run, cable TV will develop to the point that it will jeopardize mass television channels (Le Diberder & Coste-Cerdan, 1986). However, the implementation of these perspectives requires that cable television become a popular and commercial success in the early 1990s and that appropriate strategies be implemented.

CHAPTER 3

Methodology

Research Question

The success of cable television is a financial as well as a cultural challenge for France. The literature review shows that a too-strict legal framework has long been an obstacle to the development of cable television. The current deregulation offers a more favorable environment of which the industry has not yet fully taken advantage. The review also shows that the explanations of the failure in commercialization are unclear and sometimes contradictory. Research is therefore needed to determine the actions that have been concretely taken by the different players of the industry and the improvements or changes that are necessary to ensure the success of cable television.

Certainly, the popularity of a complex product such as cable television does not depend on one single element but on a series of factors. The classic marketing plan takes into account four major elements which are product, price, promotion, and placement. The research follows this basic plan with the addition of a first section devoted to the industry and therefore focuses on the following five aspects:

1. The Cable Industry: Does the cable industry as a whole enjoy a favorable environment and is it properly structured? Certain specialists have argued that competition from over-the-air television and disagreements between operators have caused the difficulties of cable. The research examines these issues.

2. Cable Programs: Are cable programs satisfying? The research aims at describing the current supply of cable channels (foreign, local and thematic), estimating their quality and proposing possible improvements.

3. Pricing: Is the pricing policy attractive? Some specialists have suggested that current subscription fees are too high. The research discusses this question and investigates the possibilities to introduce more pricing flexibility.

4. Communication: Is awareness sufficient? The research estimates the need for communication campaigns, describes actions taken by operators and their strategy, and investigates which further efforts could be made so that the existence and advantages of cable television be known by the majority.

5. Marketing: Are selling methods efficient? Operators have had much difficulty turning prospects into subscribers. The research estimates the different selling methods and indicates which are the most efficient ones.

Methods of Investigation

To answer these research questions, the researcher has relied on several sources of information. A continued monitoring of the press has allowed following the recent developments in the industry. Research at Agence Cable, the French Government agency for the promotion of cable television, enabled the researcher to have access to confidential newsletters, the results of marketing research, and to various documents originating from the major operators.

However, the main source of information has been interviews. Interviews constitute the most suitable type of investigation to carry out the proposed research. Only the persons working in the cable industry at executive positions have the knowledge of the actions taken by corporations, their results, the obstacles they meet, and the potentialities of the market that are not yet exploited. These people are also the most likely to come up with new ideas concerning the different aspects of the industry, from programming to selling.

Interviewees were part of a purposive sample. This method is described by Babbie (1986) as "a sampling method in which the researcher uses his or her own judgement in the selection of sample members" (p. 176). This method does not allow the advantages of probability sampling, such as estimating error and avoiding "conscious and unconscious biases in element selection on the part of the researcher" (p. 173). The study does not intend to find the popularity of ideas or opinions, but to discover facts, information and ideas. This objective makes the use of a purposive sample relevant.

Population

For this research, 15 persons have been interviewed. The choice of the sample was based on the following guidelines:

* Interviewees should hold decision-making positions.

* Interviewees should include executives from the three major cable corporations and from the state Government.

* Interviews should include persons working in the three main fields of cable television which are cable channels, national operators and local operators.

All interviewees were reached over the telephone either directly or through assistants and agreed to be interviewed. In two cases, the researcher was not able to make an appointment with a person who had been selected but he could meet someone working in the same department of the same corporation holding an executive position.

Time

All interviews were conducted during the months of September and October, 1990.

Place

All interviews took place in Paris, including those with persons working in the provinces. They were generally held in the office of the interviewee and, in some instances, in a conference room within their corporate building.

Duration

Interviews were from 30 minutes to 2 hours in duration.

Method

Interviewees were told that they were participating in a research project for San Jose State University in California and that their comments would only be used for this purpose and would not be reproduced in France. Interviewees were asked a fixed set of open-ended questions on which they could elaborate. The researcher sometimes asked them to reveal the actions they intended to take in the near future, but avoided being too pushy. However, the researcher insisted on receiving precise information as well as figures whenever possible. At the end of the meetings, interviewees were asked to give personal ideas and opinions, independently from their companies' official stands. All interviewees were eventually thanked for their cooperation.

Interviews were held in French and the notes were translated into English at the end of October, 1990. Being native French and a graduate from Paris University in mass media, the researcher had a perfect command of the French language and the ability to accurately translate the notes from the interviews.

Listing of Interviewees

* Bertrand, Alice is responsible for programs and communications at Agence Cable, the French Government agency for the development of CATV. She was met on October 10.

* Bourelle, Anne is the communication director of Generale des Eaux Teledistribution, one of the three major operators. She was met on October 4.

* Berkowitz, Isabelle is the marketing director of Provence Citevision, the local operator in Avignon, a city in Southern France. She was met on September 24.

* Bony, Philippe is the program director for Paris Premiere, the Paris local cable channel owned by Lyonnaise Communications. He was met on October 5.

* Bourgeois, Claire is the director of Planete, a cable documentary channel. She was met on October 2.

* Coustin, Philippe is the communication director of Lyonnaise Communications, one of the three major French operators. He was met on September 21.

* Degryse, Bernard is the director of Artois Citevision, a local cable network in Northern France. He was met on September 18.

* Diquero, Francois is the responsible of advertising and promotion for Generale des Eaux Teledistribution. He was met on October 8.

* Dujardin, Marie Jose is the chief editor of Telessone, a cable local channel broadcast in some Paris suburbs. She was met on September 17.

* Granchet, Isabelle is responsible for the communications of Canal Infos, a cable news channel. She was met on October 4.

* Leriche, Jean Francois is the director of Saint Etienne Teleservice, a local operator in St Etienne, a middle-sized city in central France. He was met on October 11.

* Papin, Isabelle is the communication director of Communications et Developpements, one of the three major operators. She was met on September 27.

* Pradalier, Fanchon is the director of Educable, an interactive cable network devoted to education. She was met on September 14.

* Truchon Bartes, Nathalie is the account executive for Taxi Jaune, a Paris-based communication agency that handles advertising and public relations for the account of Generale des Eaux Teledistribution. She was met on October 1.
* Waelly, Yannick is the communication director for TV Sport, a cable channel devoted to sports. She was met on October 5.

Interview Questions

* What does your position entail?
* What are the actions you are taking? On which rationale are they based?
* How do you estimate the current cable infrastructure and the building effort?
* How do you estimate the programs your company supplies and what improvements should be made?
* How do you estimate the need for local channels and their financial feasibility?
* What are the consumers' needs in terms of programs?
* What are the main points to communicate to prospective subscribers?
* Which level of subscription fees can be accepted by subscribers and prospects?
* Should major cable operators cooperate more in the fields of programming and commercialization?
* What are your methods to estimate the success or failure of your actions?
* How do you see the future of the French cable industry?

Interviewees were asked to be precise whenever possible in their statements by supplying hard data (figures, budgets, ratings, results of campaigns).

CHAPTER 4

Findings

Environment and Organization of the French Cable Industry

Outside Competition

Cable, as a means to receive television programs, is in competition with satellite and hertzian broadcasting. Until now, the development of European direct broadcasting satellites has been limited and the main competition facing cable television is over-the-air broadcasting. France currently counts six national hertzian channels. Viewers watch them four hours per day in average, according to Mission Cable (1988). The French situation is therefore clearly different from the Northern European media environments where over-the-air broadcasting is generally limited to two or three public channels. Two more hertzian networks are to open soon in France. A seventh network covers Paris and other areas, while the eighth network covers 22 provincial cities. A debate exists between those who wish over-the-air broadcast of thematic channels and those who consider that it would be an unbearable competition to cable television.

The seventh network was attributed on July 18, 1990 to Canal Enfants, a children-oriented channel (Colonna d'Istria, 1990). Canal Plus, initiator of the Canal Enfants project, considers that given the weak performances of satellite and cable television, over-the-air broadcasting is necessary to permit thematic channels to get out of the ghetto of small budget. In an article published in INF Satellite ("Des Cablo-operateurs Schizophrenes [Schizophrenic Cable Operators]," 1990) Com Dev, which also has stakes in Canal Enfants, considers that "as Canal Enfants will be a pay-TV program, it will not be a competition for cable" (p. 5).

On the other hand, Lyonnaise Communications is against the introduction of new hertzian channels, especially in the Paris area where the operator is strongly involved. For Lyonnaise, over-the-air competition has been one of the main handicaps of cable television and should not be encouraged by state authorities. France Telecom, who is only involved in cable infrastructure, has the same position as Lyonnaise Communications. Marcel Roulet, the CEO of France Telecom, indicates in an interview published in Le Monde that, if new free channels were introduced, France Telecom could not be considered responsible for cable difficulties any more ("Les Nouvelles Alliances du Cable [Cable New Alliances]," 1990).

The presently envisioned solution to this problem is that new over-the-air channels be all pay-TV channels, which reduces the threat to cable television. Moreover, they will be accessible through cable at a reduced price. Canal Plus, for example, has recently proposed that its monthly subscription fee be reduced from 150 Frs ($30) to 130 Frs ($26) for cable subscribers (Bourelly, 1990). It is doubtful that such a slight price discount will substantially diminish Canal Plus competition against cable.

Organization of the Industry

As far as infrastructure is concerned, Plan Cable networks and independent networks do not operate in the same way. In Plan Cable networks, the builder is France Telecom, the number of channels is generally under 20, local government has an important role in deciding the access areas, and no selection of cabled buildings takes place. On the other hand, independent networks are taking a more active attitude and only pass areas with some commercial potential. This "dynamic cabling" strategy will soon be used in Paris when Lyonnaise builds its own infrastructure, communications director Coustin indicates. Plan Cable networks are less successful than privately built networks with a penetration rate of 10.3% compared to 18.5%. It is preferable that cabling be based on commercial potential with less interference from public authorities.

In the programming field, opposition between Lyonnaise and its partners appears. An alliance gathering Generale des Eaux, Caisse des Depots and Canal Plus has recently emerged as the three companies now co-own five cable channels (Planete, C'etait Hier, Bravo, Humour and Cine Cinema). This leaves Lyonnaise somehow isolated in the sector. Moreover, Lyonnaise is in competition with the three other major companies in the field of movie broadcasting as it has not joined the alliance around Cine Cinema and maintains an alternative channel called Etoiles (Gasquet, 1990).

Another source of disagreement is the control of pay-per-view systems which are deemed as important future sources of revenues. France Telecom and Canal Plus are competing in this market. Lyonnaise has chosen the Visiopass equipment from France Telecom and the two other major companies are working with Canal Plus. At least Canal Plus and France Telecom have made their products compatible.

Even if a process of integration has developed in the cable industry, major companies still oppose each other on many aspects and pursue different strategies.

Cable Programs

In addition to the six national over-the-air channels, cable carries three major types of programs which are foreign channels, local channels and thematic channels.

Foreign Channels

Foreign channels used to be the backbone of French cable programming. They still account for 5 to 8 channels out of the 16 to 18 usually proposed. The body of foreign channels available on French CATV can be broken down into three categories which are the French language channels, the English language channels and other European language channels.

French language channels.

RTL: A private channel based in Luxembourg and a longtime broadcaster in Belgium and Northern France, RTL is a general channel with programming based on series, sitcoms, game-shows and movies that has proved to be successful with the French audience. It is widely distributed on French cable networks.

TSR: A public Swiss channel, very traditional in content, TSR is limited by its small size.

RTBF 1: The first public channel of the Belgium French-speaking community, it has a general format.

TV 5 EUROPE: A combination of public stations programs from France, Switzerland, Belgium and Quebec, TV 5 is primarily designed for cable networks in non-French speaking countries.

English language channels.

BBC 1: The famous British public channel is widely distributed on French cable and is appreciated for its quality programming.

MTV EUROPE: The European version of MTV, based in London, is widely present on French cable.

SUPERCHANNEL: Programming mainly music videos and series, Superchannel is often in competition with MTV Europe when operators select channels.

CNN INTERNATIONAL: A 24-hour news channel, CNN is actively distributed on French cable.

WORLDNET: A news channel from the Government of the United States, it is not widely carried by French cable networks.

EUROSPORT: A private channel devoted to sports, it competes with the multilingual European Sports Network represented in France by TV Sport.

Other European language channels.

ZDF: A general public German channel, ZDF is distributed on many cable networks.

SAT 1: A private general channel from Germany, SAT 1 is distributed on a few cable networks.

RAI 1: A public general Italian channel, RAI 1 is widely proposed by cable networks.

TVE: A program selection of public Spanish channels, it is distributed by a few cable networks.

Foreign channels distributed in France are subject to French laws that establish quotas of French and European Community programs and movie broadcasting. Thus far, the French state has granted waivers to channels such as RTL. The "Television Without Frontiers" European directive to be enforced in October, 1991 will make it impossible for the French state to prevent the broadcasting of a European program because it does not respect French quotas, even if France is allowed to keep restrictions on its own channels in the French territory. RTL is soon to broadcast one movie every evening, which is illegal under French law. But, with the European directive, the French Government could not prevent the carrying of RTL in France. The consequence of the European directive is to make foreign channels, whatever their content, accessible to French audiences and eventually to make French current regulations obsolete, as a socialist Member of Parliament, Queyranne, forecasts ("Les Directives Europeennes: Une Bombe a Retardement [European Directives: A Bomb For the Future]," 1990).

Local operators receive foreign channels free of charge with satellite dishes and redistribute them to their subscribers at almost no cost. However, given the limited number of possible channels on most networks (15 to 20), the question of how many and which types of foreign channels should be carried is open to debate.

With French language channels, it seems that RTL is the subscribers' favorite channel. According to Berkowitz from local operating company Provence Citevision, "RTL is the most watched channel, except for national French channels." A national survey carried out on 1000 subscribers by IFRES, a French research institute, on behalf of Generale des Eaux shows that RTL is the favorite channel of these customers that are content with their CATV subscription ("Les Caracteristiques Socio-Demographiques des 4 Types d'Abonnes au Cable [The Social and Demographic Characteristics of 4 Types of Cable Subscribers]," 1990). Swiss and Belgium channels are of less interest to French cable subscribers who already have a number of quality general channels on hertzian television.

The weak percentage of bilingual French people represents an obstacle to the popularity of non-French channels. According to the previously quoted IFRES Institute survey, the majority of interviewees would be happy to have foreign channels replaced with French channels. Only a minority declare to appreciate them, mainly for "social representation" reasons (p. 2).

Because English is the most common foreign language in France and because of the lack of a real French news channel, there are good reasons for CNN to be part of the program selection. In a Lyonnaise Communications' corporate report, CNN is classified as a thematic channel and not a foreign one. Euromusique-MCM is a French all-music channel, but its very French tone leaves space for Anglo-Saxon music and therefore

MTV Europe. As for BBC 1, it enjoys prestige, but there are already plenty of general channels on French cable. ZDF, the German channel, has a very narrow audience, except in German-speaking Alsace. Some networks might replace it in the future with the new French-German cultural channel based in Strasbourg that was officially created on September 25, 1990. As far as other European channels are concerned, their interest depends on the origins of the local population. Many French people have Italian, Spanish or Portuguese backgrounds. An access to their original culture through television represents an incentive for them to subscribe to cable. Leriche, director of the St Etienne cable company, has noticed that RAI 1 is very much watched in his city because of a past Italian immigration.

Local Channels

France counts three major local channels, Telé Toulouse in the South, TLM in Lyons and 8 Mont Blanc in the Alps, which benefit from hertzian broadcasting, plus a number of smaller local channels distributed only through cable. As Marie Jose Dujardin, the chief editor of local channel Telessonne, explains, local cable channels are often closely linked to city councils. Their existence represents a key electoral favor from incumbent mayors.

Local production averages only 15 minutes a day. Programs are mainly devoted to local news and magazines. Rerun programs and videotext services keep the channel open during daytime. The yearly budget of local channels varies from 2 to 5 million Frs ($400,000 to $1,000,000). Volunteers account for 55% of their staff according to an article published in specialized newsletter INF Cable ("L'Agence Cable se Penche sur l'Emploi et la Formation dans le Secteur du Cable [Agence Cable Investigates Jobs and Training in the Cable Industry]," 1990).

Program director Philippe Bony indicates that Paris Premiere, the Paris local channel, is the only local cable station to propose longer programming (from 5:30 PM to 1:00 AM). It mainly focuses on Parisian events, from theater shows to sports, and is mostly internally produced. News is broadcast at 9:30 PM, which is, according to Bony, the prime time for Parisians. He indicates that 55% of Parisian cable subscribers watch Paris Premiere at least once a week.

There is a debate over whether to develop local channels. Lyonnaise Communications' Francois de Coustin considers that "local channels are indispensable to subscribers." However, a survey from Generale des Eaux, reported in newsletter Cable Marketing shows limited interest in local channels, as only "36% of subscribers who do not have access to a local channel wish to receive one" ("Generale des Eaux: Des Abonnes Assez Satisfaits [Generale des Eaux: Pretty Satisfied Subscribers]," 1990, p. 5). Many local channels have stagnated as Christian Lalu, the director of the Association of Large Cities Mayors, admits ("Mediaville 90: Du Cable au Satellite [Mediaville 1990: From Cable to Satellite]," 1990). Lalu says that "what has been done with radio, where maximum results were obtained with minimum means, cannot be repeated for television" (p. 24). Local production, the backbone of such channels, is expensive and absorbs an average 80% of their budget. According to Philippe Bony, no French city, except for Paris, is large enough to represent a viable market for a local channel. Bony also points out the difficulty for local channels to draw commercial revenues because advertising for retail stores is illegal on French television. As journalist Bourelly (1990) remarks, "the time when each cabled city had to have a local cable channel is far away" (p. 94).

Local channels that mainly draw their income from municipal funding can only have limited objectives. It is more realistic to envision local windows into national programs than to maintain local channels that cannot finance quality program production. Local channels in Avignon, Angers, Marseille and Rennes subscribe to Bravo, whose programming they carry for a yearly subscription of 1 million Frs ($200,000). Paris Premiere, the capital city local channel, is distributed through suburban local channels BB Com and Yvelines Premiere which insert a 15 minute-a-day program they produce themselves. M6, a national network, also proposes agreements with local stations as has been done in Bordeaux.

Thematic Channels

Whereas France did not count any thematic channel in 1985, these programs have flourished to the point that almost all possible segments now have some specifically designed TV channel. Information about these channels is provided by Agence Cable, the French government agency for the promotion of cable television that keeps a record of all the cable channels.

Child-oriented channels.

Canal J: The first French television channel designed for cable, Canal J caters to children aged 4 to 13. Co-owned by the three major operators and Hachette, it mainly programs cartoons, series, documentaries, and game shows. Canal J internally produces an important part of its programming, whose main characteristic is the exclusive presence of children on the screen. Canal J is financed by both advertising and subscription fees.

Canal J can be considered a success. Received by 300,000 subscribers, it appears to be the first motivation of cable subscribers. It is not only received on most French cable networks but in some parts of Switzerland as well.

Canal J has recently undergone a major change in its structure. Canal Plus has created a competing child-oriented channel, Canal Enfants, that has obtained a direct satellite and an over-the-air broadcasting license over certain parts of France. This represents a huge commercial advantage. On the other hand, Canal J enjoys a temporary legal monopoly on children's programs on cable. A merger between Canal J and Canal Enfants is actually in process and will leave the brand Canal J remaining. The new channel is expected to benefit from an extended budget of 90 million Frs ($18 million).

Culture and documentary channels.

Planete: Initiated by Canal Plus and co-owned by Generale des Eaux, Communications et Developpements and Canal Plus, Planete is a documentary channel. Its programming is fed by some foreign French speaking channels and previously neglected, and in some cases censored, French documentaries. Planete is beginning to play a role in production, too.

Planete has a yearly budget of 18 million Frs ($3.6 million), a tiny staff of less than ten persons and an inexpensive transportation medium. Whereas many channels use satellite transmission, Planete just sends videotapes to cable networks. This is made possible by the timeless nature of its programs. Other channels have since adopted similar cost-efficient formulas.

Planete is a great success. It has been rated by cable subscribers as their favorite channel. Exclusively financed through subscription fees, Planete is on its way to being carried by all cable networks.

La Sept: A public cultural channel, La Sept has been actively promoted by French public authorities who have imposed its broadcasting one day a week on FR3, a national over-the-air public network. However, this channel is not a great popular success, in part because of its very elitist tone. La Sept is in the process of being transformed into a French-German cultural channel. Although their concepts are different, La Sept and Planete are in competition as networks generally carry one of them but not both.

TV Mondes: This documentary channel is in a peculiar position. After a brief distribution on some Teleservice networks, TV Mondes found itself in 1989 uncarried by any network. TV Mondes, which intends to bring world cultures to the French audience, is an independent program and does not have the support of any major operator. A code of ethics that would grant carriage to independent channels is in discussion and constitutes the last hope of TV Mondes to resume operation.

Movie channels.

Ratings show that movies are French TV viewers' favorite program. However, cable operators have been slow to create movie channels because of the dominant position of Canal Plus, which has three million subscribers. Moreover, French law compels any competing movie channel to be a pay-TV program. As far as general channels are concerned, they are limited in their programming of movies at certain hours in order to protect movie theaters.

However, the attractiveness of the format has led two industry leaders, Generale d'Images and Lyonnaise Communications, to create their own channels. As it is financially impossible for emerging channels to propose quality popular movies, these channels have to focus on narrow segments of movie programs.

Cine Cinema: Born in 1988 under the impulse of Generale d'Images, Cine Cinema specializes in old, classic movies and recent non commercial releases. Although Cine-Cinema programs have to be inexpensive, they are not cheap or low quality. Cine Cinema caters to cinema amateurs who are happy to watch on TV movies that are rarely programmed on general channels. A lighter version of Cine Cinema, called Cine Spectacles, is also proposed to local operators. These channels are currently owned by the alliance formed with Generale, Com Dev and Canal Plus.

Cine Folies: Launched in 1988 by Lyonnaise Communications, Cine Folies is an entertainment channel that programs westerns, detective, and karate movies as well as B comedies. Lyonnaise Communications is currently replacing Cine Folies with Etoiles. This new channel should begin operating in 1991. It has a projected 50 million Frs ($10 million) annual budget. It will focus on old popular or prestigious movies from the 1950s and 1960s. The monthly subscription fee will be 40 Frs ($8).

A third movie channel may appear in 1991 as the Generale-Com Dev-Canal Plus group plans to divide Cine Cinema into two channels. One should specialize in old classical movies as Etoiles will. The other channel should focus on more recent movies to attract a larger audience. Each channel will cost the viewer 30 Frs ($6) per month.

Cable movie channels have had a narrow audience because they do not have the financial means to compete with Canal Plus. However, national operators are currently putting emphasis on these types of channels which are expected to become leaders of cable programming.

Sports channels.

TV Sport: Inaugurated in February 1988, TV Sport is the French version of a European program called Screensports in Britain, Sportkanal in Germany and Sportnet in Holland. As national over-the-air channels have exclusive rights to Europe's favorite sporting events such as the European Soccer Cups or the Tennis French and British Opens, TV Sport features many American sporting events. Through contracts with ESPN and the National Hockey League, it broadcasts football and hockey. The rest of the program is made of second class European sporting events. TV Sport has recently improved its programming with the broadcasting of rugby matches or the 24-hour car race in Le Mans, for example. TV Sport's programming is 18 hours long on weekdays and 24 hours long on weekends.

Competing with TV Sport is Eurosport, which is handicapped by the exclusive use of English. On the French field, another sports channel called Sport 2/3 is in project and has obtained a channel on the direct broadcasting satellite TDF 1. Mainly owned by public channels Antenne 2 and FR 3, Sport 2/3 benefits from an important prospective budget of 100 million Frs ($20 million) a year. However, it has not begun broadcasting yet and its satellite has undergone technical problems. According to sources who wish to remain anonymous, Sport 2/3 would like to merge with TV Sport even before beginning operation. Yannick Waelly from TV Sport has indicated that her channel is not looking to merge with the still non-operating Sport 2/3.

News channels.

Two channels, Canal Infos and Canal Bis, define themselves as news channels. However, they do not distribute news programs but constantly updated computer-generated silent images. No commentaries are added to the written text, which limits the interest of such programs. In fact, these channels are closer to videotext services than to regular television. With a 13 million Frs ($2.6 million) budget, Canal Infos carries general news programs whereas Canal Bis only provides weather, financial reports, astrology, and cable information. Both Canal Infos and Canal Bis have begun to offer local information in partnership with regional newspapers.

Two factors explain the lack of a real news channel in France: One reason is the important place of news on national hertzian channels, and the second one is the gigantic cost of a real news channel comparable to CNN.

Music channels.

Euromusique: This channel was created in January, 1990 and, following a merger process, it is now called MCM-Euromusique. It is the last of a series of projects that have failed. Two of the three major operators have a stake in the channel, which has been granted a channel on the TDF 1 direct broadcasting satellite. A 120 million Frs ($24 million) budget is planned for the first year.

A 24-hour channel, Euromusique-MCM, broadcasts videos of which more than 55% are French, both a legal obligation and a deliberate strategy of the channel. Euromusique, indeed, wishes to distinguish itself from MTV, which is widely available on French cable networks.

Other thematic channels.

Humour is a channel entirely devoted to comedy and laugher. Programming movies, one-man shows, theater plays, or situation comedies, Humour was launched in December, 1989, by Generale d'Images. It has a yearly budget of 22 million Frs ($4.4 million). Two versions, 4 hours long and 7 hours long, are proposed to local operators.

C'etait Hier (meaning "it was yesterday") is a channel exclusively carrying images prior to 1970. Sports, music, news, situation comedies, French and American series from the 1950s and 1960s are the backbone of its programming. An agreement with Gaumont, the French movie major, has enabled Generale d'Images to have access to thousands of hours of old programs and to launch the channel in October, 1989. Its budget is 20 million Frs ($4 million).

Bravo, formerly TV Club, is another channel which capitalizes on the French taste for old programming. It caters to those disappointed with the commercialization of French television, mainly professionals over 35. French series, movies and documentaries from the time of the ORTF and the 1970s are mainly proposed. Its budget is 15 million Frs ($3 million).

Canal Inter was launched in October, 1989, and caters to ethnic minorities living in France. It naturally developed, at first, programs in Arabic, thanks to an agreement with 2M, the Moroccan television channel. Thus far, it is only carried in some Northern France cable networks. Canal Inter plans to extend its programming to other minorities, such as the Portuguese.

Educable was founded by the CNDP (Centre National de la Documentation Pedagogique [National Center for Educational Materials]). It proposes 450, and soon 600, educational programs for elementary and high schools which are programmed according to viewers' needs. It is only received in 16 cities because of high subscription fees of 250,000 Frs ($50,000) for 5 years and of a limited choice of programs. According to director Fanchon Pradalier, Educable has received propositions to be transformed into an all-public education channel.

Education and training currently appear to be a very promising part of cable programming. Seven projects are currently being developed and new channels should soon emerge.

Thematic channels generally do not include advertising in their programming and draw their resources from fees paid by the local operators in proportion to the number of subscribers. The common situation, in which channels such as Canal J, Bravo, Planete, C'etait Hier, Humour or TV Sport find themselves, is a monthly fee from 4.50 Frs to 6 Frs ($0.90 to $1.20) per subscriber. Canal Infos is the least expensive with a 3 Frs ($0.60) fee. With a typical budget ranging from 15 to 25 million Frs ($3 million to $5 million), their break-even point lies around 400,000 subscribers (Deransart, 1989). At the beginning of 1990, only three channels, Canal J, TV Sport and Planete had more than 100,000 subscribers. It is also estimated that 400,000 people is the threshold audience to represent any interest for advertisers, explains Bourelle from Generale des Eaux. Bertrand from Agence Cable warns that advertising revenues would be weak and would also break the positive image that thematic channels currently enjoy.

Even at the cost of a deficit, these channels have very limited means to buy and produce programs. It is estimated by specialized newsletter <u>La Lettre du S2PA</u> that the average hour of thematic channels program only costs 20,000 Frs ($4,000) ("Le Marche du Cable: Premiere Approche des Besoins et des Budgets de Programmes [Cable Market: A First Approach of Program Needs and Budgets]," 1990, p. 6). In comparison, national networks spend from 500,000 Frs to 2,000,000 Frs ($100,000 to $400,000) for an hour of prime-time program. It is therefore no surprise that 50.4 % of interviewed subscribers find cable programs to be no better than hertzian ones and show some disappointment in a previously quoted IFRES Institute survey . Another survey of non-subscribing Parisians indicates that 72% of them find that "programs carried by cable do not bring any advantage in comparison to the over-the-air supply" (Institut National de l'Audiovisuel, 1989, p. 18).

For a long time, actual and potential subscribers had complained about the absence of programs designed for cable. Now they appreciate the proposed diversity but demand a sharp improvement in the quality of thematic programs. Only once this requirement is met can cable become a commercial success. According to surveys, subscribers appear to be satisfied with current child and documentary programs. Sports, news, and movie channels need improvements. This is particularly important because, as Papin from Communications et Developpements explains, "movies and sports are the most appreciated television programs in France.

The strengthening of these types of programs is surely costly. To cover major sporting events and world affairs or to program recent popular movies requires more fiscal resources than to program cartoons and old documentaries. Moreover, in the three fields of sports, news, and movies, cable channels face heavy competition from national networks in terms of audience sharing as well as rights bargaining. Under these conditions, it is vital that channels currently involved in these fields join their forces. Rousselet, the CEO of Canal Plus, said in a newspaper interview that France cannot afford having several thematic channels competing on the same field and that common sense requires that major operators, who are not locally competitors, join their resources to propose attractive programs to cable subscribers (Deransart, 1990).

TV Sport has recently greatly improved its programming, but remains absent of first class events. Although its strategy is not to compete directly with the national networks, it needs to show more popular sports. A merger with Sport 2/3 would probably enable a unique channel to efficiently compete to obtain coverage rights of major events. Sport 2/3 budget is, indeed, four times higher than TV Sport current budget.

The current competition between movie channels Etoiles and Cine Cinema reflects a struggle between Lyonnaise Communication and the Canal Plus-Com Dev-Generale group and makes impossible the emergence of a strong movie channel. Bony, from Lyonnaise Communication, estimates that protagonists are conscious that "there is room for just one channel" but that "each group tries to go forward as much as possible with its own channel in order to enter possible bargaining in a strong position."

As far as news channels are concerned, it is necessary to improve Canal Infos and progressively transform it into a real television channel instead of a videotext service. According to Granchet, communication director of this channel, this would multiply the Canal Infos budget by ten and would require an agreement with a source of images such as CNN. Another possibility is the achievement of the three-year-old project of a European news channel co-produced by major European public networks such as BBC, Antenne 2, RAI and ZDF. However, several interviewees show some skepticism about the future of this project.

Pricing of Cable Television

The connection fee, which has to be paid once for all systems, varies from 100 Frs to 600 Frs ($20 to $120), with most networks charging around 300 Frs ($60). The monthly subscription fee to networks built by France Telecom in the frame of Plan Cable, which represent the majority of the infrastructure, ranges between 130 Frs and 150 Frs ($26 to $30) for 15 to 19 channels, 6 of which can be equally received over-the-air. Networks built by independent companies are generally cheaper to subscribe to with fees revolving around 100 Frs ($20) (Hazard & Letaillandier, 1990). There is a current debate over the possible need to reduce prices.

Constraints on the Pricing Policy

A previously quoted survey from IFRES reveals that current prices are considered fair among 63% of actual subscribers. Potential subscribers are more critical about the pricing. A survey for the account of an association of French cities published in newsletter INF Cable ("Comment Vendre le Cable [How to Sell Cable]," 1990) showed that only 10% to 15% of interviewees are ready to accept a 150 Frs ($30) fee whereas 50% to 60% of them would be ready to subscribe for less than 100 Frs ($20) a month (p. 6). Rousselet, the CEO of Canal Plus, recently said that operators "should be realistic and would better lower their price than risk losing their investment" (Bourelly, 1990, p. 95). In the newsletter Cable Marketing ("Boulogne, Neuilly, Levallois: Des Prospects a Soigner [Boulogne, Neuilly, Levallois: Prospects to Care About]," 1990), Pascale Heninot, the director of the BNL network in a Paris suburb, agrees that cable for less than 100 Frs would be an attractive offer, but she argues that it would be financially impossible for local operators to survive at this price (p. 7).

Lyonnaise Communications has advanced a typical budget of a local operator that would have 21,000 subscribers. Variable expenses per subscriber amount to 101 Frs ($20): 53 Frs ($10) is the fee of France Telecom, the network builder; 28 Frs ($6) is the fee of carried channels; and 20 Frs ($4) is spent on administrative expenses. Unvariable expenses amount to 20 Frs ($4), bringing total expenses per subscriber to 121 Frs ($24) (Institut national de l'Audiovisuel, 1989, p. 18). Trimming down the fee to 100 Frs ($20) would therefore put cable operators in a deficit situation. Moreover Coustin, from

Lyonnaise Communications, estimates that current prices are commercially fair and are well accepted by prospects.

As a matter of fact, the best pricing varies according to cities, neighborhoods and families. A 150 Frs ($30) monthly fee has not prevented Canal Plus from gathering 3 million subscribers. Yet, many families are not ready to pay any significant sum, either for economic or lifestyle reasons. Cable needs to adapt prices to the customer's financial means and wills.

Price Flexibility

Degryse, commercial director of Artois Citevision, indicates that this network proposes several packages. A "gold" service, which includes 16 channels, is accessible for 95 Frs ($19) a month, while a "platinum" service with 23 channels is proposed for 145 Frs ($29). However, Degryse indicates that certain technical specifications must be met to allow the creation of packages, as the seven supplementary channels of the "platinum" service are gathered on a separate frequency range. Many French networks would need technical adaptation to propose separate packages. Conditional access devices, such as Visiopass, planned to be introduced in 1991, will be instruments to adapt prices and the supply of programs to viewers' needs.

Multiple family dwellings account for one-third of French households and represent a market particularly sensitive to pricing. The Angers network, operated by Com Dev, has been the first one to develop a specific policy toward this market. Under the condition that the building owner pays for the apartments' connections and that 70% of the renters subscribe, the local operator proposes a 39.50 Frs ($8) fee which gives access to nine channels. Artois Citevision is planning the introduction of a "silver" service oriented toward collective social housing that would provide subscribers with 10 channels for 25 Frs ($5). A "service antenne," which provides through cable the main national channels, is being offered to collective housing for a price as low as 20 Frs ($4) by Generale des Eaux. However, the financial balance of such a service has not yet been found (Bourelly, 1990). Networks from all three major operators plan to generalize this type of offer in 1991.

Price promotions are another tool for flexible pricing. Many local operators offer a promotion on their connection fee. BNL, in the Paris area, regularly offers a 50% discount on a 350 Frs ($70) connection fee ("BNL: Des Prospects a Soigner [BNL: Prospects to Care About]," 1990, p. 7). Subscription fee reductions are more scarce because thematic channels and France Telecom have to be paid back. These promotions mainly concern collective housing and social institutions such as hospitals, schools, and retirement houses. Temporary free offers are sometimes used to convince households to subscribe. Out of a one-year subscription, one to six months are free of charge as network 3S has proposed.

However, major national operators are skeptical about the idea of providing temporary free cable service. Bourelle, from Generale des Eaux, estimates that such offers undermine cable positioning as a quality product. She considers that it would be a mistake to promote cable the way soap is promoted.

A major cost factor in Plan Cable networks is the France Telecom fee. Any policy oriented toward the reduction of prices implies a lowering of this fee, which public authority can legally impose. Paul Quiles, the minister in charge of the cable industry, has just asked France Telecom to restructure its pricing policy in order to allow diversified and attractive subscription fees.

Communication About Cable Television

Potential Subscribers

A previously quoted survey from the IFRES research institute brings information about the demographics of cable subscribers. It shows that retired people and families with teenage children are overrepresented among subscribers, while young adults, especially unmarried and blue collar workers, are underrepresented. The conclusion of this research is that cable subscribers are a little bit better off and largely older than the general population. According to Diquero, from Generale de Videocommunications, families with adults over 35 and three children represent the target market of cable television. For Coustin, from Lyonnaise Communications, married professionals with at least two children are at the heart of this target.

However, all interviewees agree to be cautious with such definitions of a target audience. Specific studies about potential cable subscribers are lacking, as Diquero acknowledges, and operators consider that the general public, more than any specific group, is the target of their communication. Families subscribe, but this requires the agreement of all members and, therefore, communication must equally appeal to children, young adults, middle-age and retired people.

Major Operators Actions

Before any attempt to sell subscriptions can be made, it is necessary that the population be aware of the availability of cable TV and of the programs it can deliver. Major operators have shown different attitudes regarding this issue and about the need for advertising campaigns.

According to Coustin from Lyonnaise Communications, a corporate survey has revealed that three prospects out of four know what cable television is. Advertising is not considered necessary and could even have negative effect, as it would reach people who cannot subscribe yet. "Advertising a product that is not available is not only a waste of money, it also cast a negative image on the product."

Conversely, the staff of Generale des Eaux is convinced that cable is not known yet by the majority. Anne Bourelle explains that many people feel overwhelmed by the number of channels, arguing that they do not have time to watch them all. Pre and post tests of over 1,600 persons in the frame of an advertising campaign showed that after the campaign, only 33% of prospects knew that cable is "a cord which replaces the TV antenna and brings national, thematic and foreign channels," up from 19% before the campaign. Papin from Communications et Developpements has not brought precise figures but estimates that awareness and knowledge about cable remain weak. This opinion is shared by interviewed local operators such as Berkowitz. According to Papin, the somehow isolated stand of Lyonnaise is due to the fact that this company largely operates in Paris where people are more informed about cable than in the provinces. Generale and Communications et Developpements have chosen to launch advertising campaigns.

Diquero indicates that a 35 million Frs ($7 million) advertising campaign was launched in April, 1990, by Generale des Eaux with the objective to increase awareness about cable. A second 24 million Frs ($4.8 million) campaign followed in October, 1990. Papin points out that Communications et Developpements has led 3 campaigns with a 4 million Frs ($800,000) budget each. Diquero and Papin agree that a sustained effort is needed. A one-shot campaign cannot change the nation's attitude about cable.

Operators have different strategies concerning the messages that should be carried and their positioning of the product. The campaign led by Taxi Jaune, a communication agency, for the account of Generale des Eaux has two goals: It aims at informing the public first and, as a second point, at stimulating its curiosity and desire for cable. Their strategy takes into account the fact that television is often considered a "necessary evil" that absorbs people's time. The campaign explains that cable does not mean more television but smarter television, with more freedom of choice. Its catchword is "Cable TV: TV that I love when I want" and it can be found on all promotional documents of the Generale and its subsidiaries.

Thematic channels are presented in the advertising campaign in order to fulfill the catchword's promise of flexibility because they allow viewers a certain programming freedom. "Too bad you don't like sports: On TV Sport, there is nothing but sports." "Too bad you don't like to laugh: On Humour, there is nothing but comedy." "Too bad you are not curious: On Planete, there is nothing but documentaries." Thanks to this ironic tone, prospects discover the content of thematic channels. They become more open to receive further messages about cable TV, too.

Strategists have deliberately chosen to be vague in this campaign: There is nothing about price, connections or subscriptions. At first, this was an introductory campaign. Moreover, as Bourelle explains, cable does not want to position itself as an alternative choice to Canal Plus, whose subscription fee for a movie and sports programs is equivalent to the cable fee. "Cable television has to be perceived as a change in technology and TV consumption and not simply as a series of new channels."

Communications et Developpements has a somehow different strategy. Papin explains that operators have at first emphasized in their communication the technology involved in cable and its advantages. A first campaign from Com Dev that said "You have TV, you will have cable TV" was part of this approach based on technology. This strategy has been altered as the operator has realized that programs are what really attracts TV viewers. Its principle is that what is important is not cable, but what cable carries. The Communications et Developpements campaign has deliberately no educational value and mainly intends to advertise programs. Because sports and movies have been identified as France's favorite programs, two French stars, Eric Tabarly, the winner of several transatlantic sailboat races, and Valerie Kaprisky, a French actress, have been asked to participate in the Com Dev campaign. The billboard advertising asks "What makes Valerie cry?" and answers "Movies on cable, what an emotion!" The Tabarly version is "What stirs up Tabarly? Sports on cable, what a performance!" The catchword has been transformed into "You have TV, you will love cable." In this strategy, the emotional factor prevails. However, Truchon Bartes warns that the use of stars implies a risk of "cannibalization," the audience remembering more the stars than the message they are supposed to convey.

Communication based on technology is still used. Bourelle and Diquero indicate that Generale des Eaux stresses the quality of cable TV images in regions where hertzian signals are sometimes difficult to receive. This communication is reserved to the regional media and has proved to be efficient in these particular areas.

Whether about programing or technological advantages, cable communication needs to be very substantial. Vague or abstract statements are to be avoided because prospects need to know which concrete advantages they will draw from subscribing to cable.

In the field of media planning, geographical factors are the main constraints of cable advertisers. Papin says that the necessity to reach selected neighborhoods, where cable is available, in selected cities transforms the national campaigns of major operators into multi-local efforts. Demographics or psychographics are not used in media planning and operators define their target as "everybody in the passed areas."

The largest campaign in favor of cable, on behalf of Generale, relied on local radio for 60% of the budget, and outdoor advertising represented 30% of the budget, while press, mainly regional newspapers, accounted for the remaining 10%. In Communications et Developpements campaigns, billboards are the most frequently used.

Press relations are part of the communication efforts of national operators. Directly or through specialized agencies, they inform the media about their development. Because of past problems of delays and financial hazards, much negative publicity has affected the image of cable television. This image currently tends to improve, thanks to better results, at least in the specialized press. Major events, such as the Mediaville yearly gathering of the cable profession, draw journalistic attention, but not enough to make cable be perceived as a day-to-day reality. As long as its programs are not published in the press, a TV channel remains something very abstract for most of the public.

Even if some TV weeklies have created a section devoted to cable programs, they remain absent in much of the press. This has led major operators to publish their own program magazines ("Magazines de Programmes: Telecable se Lance [Program Magazines: Launching of Telecable]," 1990, p. 4). Lyonnaise and Communication et Developpements co-own TV Cable Hebdo which has a circulation of 55,000 copies. Generale, for its part, has recently launched Telecable. Subscribers are the target of these publications, but their mere existence at the newsstands and the promotion campaigns in their favor have a positive impact on the public awareness.

Cable Channels Actions

Paris Premiere does not rely on advertising to promote itself, mainly because only 30% of Parisians have a potential access to it, Bony indicates. The Parisian channel wishes to position itself as culture and entertainment oriented and it sponsors shows, concerts, and other cultural events. Applying methods largely used by radio stations, Paris Premiere "advertises" upcoming events while the channel's logo appears on all publications associated with the event from print programs to billboards.

The promotion of Planete, the successful documentary channel, is based on the quality of its programming. Bourgeois, the director of the channel, says that "Planete has been the first channel to broadcast a previously censored documentary about the Algeria war. This has been the occasion of a press relations campaign and of the printing of a flyer that was given to all local operators." A recent operation has been the "20 greatest French documentaries" series. Previews of the programs have been organized in cities and subscribers had the opportunity to discuss them with film makers.

TV Sport promotional efforts are targeted toward cable subscribers and sportspeople, Waelly indicates. Regarding subscribers, the channel distributes a promotional leaflet, participates in events built by local operators, and offers a telematic service. Aimed towards sportspeople, TV Sport advertises in 15 specialized press magazines and participates in all shows and fairs devoted to sports.

Canal Infos has created an informative leaflet that is mailed to subscribers. It participates in local events. Granchet explains that after a period during which they refused to use any promotional gimmick because "news is serious," Canal Infos has just begun creating a set of promotional objects such as T-shirts and pens. More importantly, it has organized an international meeting of all news channels of the world, which has been the focus of a public and press relations campaigns.

Because customers do not subscribe to one channel, but a number of channels at the same time, channels' promotional efforts are mainly oriented toward actual subscribers and are often limited to public relations. Some channels such as Planete are going to allow themselves specific advertising budgets. This could have a very positive impact because it would provide prospects with a more concrete view of what cable programs are.

Local Operators Actions

Most local operators indicate that they have relied on advertising at some point. Outdoors billboards are their favorite advertising medium. In Avignon, for example, Provence Citevision has only used them because they enable the operator to reach the selected neighborhoods very precisely.

Local FM stations are also frequently quoted. Region Cable Riviera, in the city of Nice, exchanges advertising space, thus reducing costs. Radio stations have their program broadcast on the multichannel option of the cable network while they pass free messages promoting cable.

As far as press is concerned, regional newspapers are not often selected as a mean for advertising. According to Degryse, from Artois Citevision, their advertising space is expensive and these papers generally cover geographical areas far wider than the neighborhoods where cable is available. Local magazines are the favorite print media for cable advertising. Cable networks benefit not only from their geographical selectivity but also from the close relations between local operators and city councils that often publish some city press.

Apart from advertising, local operators actively try to increase awareness through multiple channels. Press relations are generally handled by the director of local networks for cost reasons, Truchon Bartes from the Taxi Jaune communication agency explains. In addition to feature articles, which are very important at the opening of the network, the integration of cable TV programs in the daily TV guide proposed by all local newspapers is the best way to generate interest for cable. Provence Citevision has obtained that two local daily newspapers, Le Provencal and Le Meridional, indicate in their television section the detailed programming of the 15 channels the operator proposes.

A different way to build awareness is to directly confront people with cable programs. Leriche, from Saint Etienne Teleservice, has clinched a deal with major television retailers. All the TV sets exhibited in their showrooms broadcast the multichannel screen, which enables shoppers to see the diversity of the offered programs. Several operators have conducted similar operations. Berkowitz, from Provence Citevision, has organized in cities in Southern France public projections of cable programs on plazas. Such exhibitions are generally part of special events organized to promote cable.

Another way to entice people to watch programs is the use of a demonstration truck. Degryse, from Artois Citevision, has equipped a truck which is placed in public events and fairs.

As Leriche, the director from St Etienne cable network says, local operators are often linked to city councils, which represents an opportunity to get attention. For example, the mere fact that the grand opening of the St Etienne cable network has been made an important event by the city council has been a major factor in this network's success.

Methods to Sell Cable Television

Local operators are in charge of selling cable television. This commercial activity employs on average 45% of their staff. Berkowitz, from Provence Citevision, indicates that commercial budgets of local operators range from 500,000 Frs to 2,000,000 Frs ($100,000 to $400,000). Degryse, from Artois Citevision, explains that, in his network, the average cost of communication per subscriber lies between 350 Frs and 500 Frs ($70 to $100). With selling expenses and the cost of promotions taken into account, it appears that each subscriber has cost more than 1000 Frs ($200) to the local operator.

Direct Marketing

Even though they do not directly sell subscriptions, major operators have recently begun to promote cable television through mass mailings. In coordination with a new advertising campaign, Generale des Eaux is to send 1.3 million letters to passed homes. Com Dev is preparing a similar operation in its 22 cities. Diquero, from Generale, insists that this mass mailing is supported by radio announcements which entice people to look in their mail box and answer the promotional letter.

However, most of the direct marketing activity is carried out by local operators. A listing of passed households is their primary tool. Surprisingly, this has been a slow process that, in some cases, is not totally completed. France Telecom, the telephone company which has built most networks, has provided operators with files that have proved to be incomplete or inaccurate. In Rennes, out of 23,000 names on the list, only 16,000 are really potential subscribers because 7,000 connections concern shops, factories, doctor's or lawyer's offices which are not susceptible to subscribing to cable. In the Paris area, the operator of the 3S network has had difficulties finding the telephone number of many passed homes. As Claire Carpentier indicates, French privacy law protects the right of citizens to keep their telephone number secret. In the city of Paris, 30% of telephone subscribers use this legal possibility. In order to remedy this situation, 3S has launched a couponing operation in local newspapers to have people living in passed neighborhoods reveal their telephone number ("Le Marketing des Reseaux Cables [The Marketing of Cable Networks]," 1988).

The opening of a local network is always the occasion of a mass mailing, with follow-up actions generally continued afterwards. As major operators are becoming more active in marketing and the need for a consistent strategy is recognized, local operators are less and less responsible for the content of mailings. In networks operated by Generale des Eaux Teledistribution, the communication agency Taxi Jaune writes in Paris all local mailings, taking into account specifications indicated by local operators.

The classical form of direct marketing efforts led by local operators is a mailing and a telephone follow up. According to Provence Citevision, the response rate to their mailing is from 2 to 5% depending on the neighborhood. Among those who have answered the mailing, 80% eventually subscribe. According to Bourelle, the response rate to a national mailing can be as high as 10%.

In addition to improved communication contents, the introduction of promotional gimmicks partially explains this high response rate. Diquero, from Generale, explains "that a gift is included in all 1.3 million letters that are sent and that a game will also be proposed in the same letter in order to stimulate responses." This game also has the advantage to increase awareness: Its questions are based on information provided by the mailing, which leads people to take a close look at the letter they receive. Papin indicates that Com Dev will rely on the same type of marketing gimmicks in the near future.

However, it has become clear to operators that mailings are not sufficient to convince prospects to subscribe. Telephone follow-up has proved difficult, too. In Rennes, for example, two waves of calls have been launched. Only 50% of households could be reached the first time and 30% remained untouched after the second wave. As far as gathering subscription is concerned, results have been disappointing. Selling images through the phone is a difficult job, operators admit.

Door-to-Door and Community Marketing

A commercial approach based on individuals that tries to convince prospects one-by-one has therefore proved to be necessary. According to all interviewees, door-to-door selling is the most efficient type of commercial action. For example, it represents 80% of the subscriptions harvested by the 3S network in the Paris suburb, Carpentier indicates.

Interviewees, however, point out the difficulties of door-to-door marketing. Prospectors have to work mainly between 6 and 9 PM and on Saturdays. Because of electronic codes that prevent prospectors from entering many buildings and of people's natural resistance to let strangers get in their apartment, door-to-door operations have to be carefully prepared. Contacts with building managers have to be taken, flyers on walls must indicate the visit of prospectors or, even better, appointments have to be made.

Operators insist that adequate training of the door-to-door prospectors is crucial to their success. Alice Bertrand, from Agence Cable, indicates that this is the first need of local operators. She remarks that national operators are setting specific programs to remedy the insufficient training of commercial employees and she does not consider that state intervention in this field is necessary.

Some operators use their actual subscribers to make door-to-door sales easier and to convince potential subscribers. Local operators in Rennes and Paris indicate that neighbors are invited to the homes of satisfied subscribers who themselves try to convince prospects.

This technique of "organized word of mouth" is also used by Artois Citevision where Bernard Degryse proposes subscribers to convince their friends to subscribe. In exchange, they receive advantages such as free supplementary channels, free cable TV guides and gifts. Other local networks plan to organize similar programs in the future. This use of existent social structures to generate interpersonal communication about the CATV product has been labelled "marketing associatif" (community marketing).

Other Ways to Sell Cable Television Subscriptions

During our interview, Diquero launched the idea of shops where people could come, receive information and subscribe, before estimating that it would probably be too costly. However, the idea of giving people the possibility to subscribe outside their homes at convenient places is attractive. Canal Plus, the successful pay TV channel, has mainly relied on consumer electronic stores to sell its subscriptions.

All local operators have premises where prospects can subscribe, but this is far from being a network of convenience stores. Some of them, such as the Paris operator, try to apply the same technique as Canal Plus. However, this method brings several problems. Berkowitz explains that the sellers need important training in order to know where cable is available, with which types of technical possibilities and which packages of channels can be proposed. Moreover, the electronic store sellers have to be financially motivated, which jeopardizes the profitability of local operators. Papin, from Com Dev, explains that consumer electronic store managers at first had been very reluctant regarding cable because they were afraid it would suppress one of their activities, which is tuning up people's TV antenna. She indicates that Com Dev is now actively seeking the cooperation of these stores.

Telephone can also be used to enable convinced prospects to subscribe quickly. Coustin indicates that customers can have their subscription contract established by telephone in networks operated by Lyonnaise Communications. However, telephone still has a limited role. No operator proposes a national toll-free number, mainly for two reasons. One reason is its cost; the second one is the diversity of program supply among local operators which makes it almost impossible to manage local subscriptions from Paris. Only Communications et Developpements proposes a partially toll free number, Papin indicates.

CHAPTER 5

Conclusion and Recommendations

Conclusions

France currently counts 2.4 million passed homes and 340,000 subscribers. Officials predict 1.3 million subscribers by 1992. Germany, which had initiated cabling of the country in 1982, the same year as France, counts 14 million passed homes and 6 million subscribers, with a population only slightly superior to the French one (AFP, 1989). This shows that there is room for further progress in the French cable industry.

All interviewees were optimistic about the future of French cable television. Although this optimism may be just a part of the positive attitude imposed by their professional responsibilities, industry leaders must genuinely realize that the time for hesitation has passed and now is the time for action and success. The backbone of the industry, infrastructure and programs, is, for the first time, decent and the multiplicity of projects, especially in the programming field, indicates that media corporations are increasingly ready to invest in the cable field.

The following conclusions and recommendations reflect in many cases a dominant position among interviewees. In some cases that are indicated, there seems to be no agreement and I introduce my own position, based upon the preceding research findings.

The Cable Industry

The cable industry suffers from three types of problems which are the over-the-air competition, an insufficiently developed infrastructure, and its own division.

The competition of national hertzian channels has been a major handicap to the development of French cable. French over-the-air networks are numerous and attractive. In comparison, cable has flourished in Germany where only three public stations with a rather traditional content are broadcast. The introduction of two new over-the-air networks in France is certainly not favorable to cable and should be managed so that the development of cable not be damaged. Fees for the new hertzian pay-TV stations have been lowered in the case of cable reception in order to compensate for the competition they represent for cable. However, it is necessary that the price difference between hertzian and cable reception of the same channels be substantial, as is currently not the case, to permit cable to maintain its competitiveness.

The building effort has been important but remains insufficient. All interviewees insist on the difficulty of marketing a product that is not available to the majority. Builders may hesitate to involve themselves further at the sight of the high number of households that do not subscribe to the service they have access to. However, classic marketing rules, as well as interviewees' opinions, suggest that a critical mass should be reached before awareness and commercial success are achievable. A more comprehensive infrastructure would also generate scale economies in which operators could reach more prospective subscribers with the same budget.

However, if building should be accelerated, it should also be carefully managed. The selection of cabled areas and buildings should be decided on the basis of commercial potentiality. Research carried out by operators is a source of indication on where these areas are located. This is particularly important for France Telecom which has a history of passing places with no potential subscribers.

Regarding the organization of the sector, it appears that the industry is divided into two poles that compete on several fields. This lack of unity is damaging because in many fields it prevents scale economies and financial resources are scarce. It also prevents the industry from presenting a united front in areas of common concern, such as over-the-air competition or the shaping of the legal environment. A cooperation between operators is all the more possible since they are not direct competitors and each of them manages its own local networks.

Programs

The research shows recent improvements in the quality and diversity of cable channels and the progress that still needs to be done.

As far as foreign channels are concerned, they are generally of little attraction to subscribers and their presence is less important than the carriage of thematic channels. RTL, CNN and MTV are probably the most interesting ones to French audiences, while the selection of additional foreign channels should be based on the linguistic characteristics of local population. Programs in minority languages, mainly Spanish, Portuguese and Arabic, are currently insufficient.

The role of local channels is still a subject of discussion. Given the restrictive regulations on television retail advertising, most cities do not have the means required to finance a local channel. The formula of local windows within national programs and the creation of regional associations should permit the development of local expression at a lower cost.

An absolute need in order to attract cable subscribers, thematic channels have blossomed over the last three years. However, the French cable industry cannot afford, at least for the present time, three movie channels and a total number of 17 thematic channels. This plethora is all the more questionable since most of these channels do not have the financial means to propose quality programming. Merging of channels competing on similar niches should be encouraged. An agreement between Lyonnaise Communications and the Canal Plus-Com Dev-Generale group would be a necessary step toward this integration, especially in the field of movie channels. The transformation of Canal Infos into a real news channel would meet subscribers' needs and represents a stake for the whole French television industry.

Pricing

A disagreement remains over the necessity to reduce prices. However, several surveys suggest that prices are an important factor in the subscribing decision and they should go down, at least for a basic service of ten channels or so. Price flexibility should be developed, especially with the introduction of conditional access services. France Telecom fees should be redefined to permit this flexibility.

Communication

The need for more public information is recognized by most interviewees. The three major operators pursue different strategies in this respect whereas they sell the same product and are not direct competitors: Customers never have a choice between operators when it comes to subscribing. A coordination of their communication efforts is necessary. The launching of a unified campaign in favor of cable would permit the industry to gain a higher volume of media coverage and would have a favorable impact on the entire industry.

As far as messages are concerned, they need to stress the concrete advantages of cable, especially programming. Most subscribers do not look for a new technology but for convenience and more entertainment pleasure. Channels should be highlighted in this approach. As it is unlikely that people get quickly familiar with the name and contents of 17 new channels, communication should concentrate on some bigger and potentially popular channels. In this respect, CNN is probably the best known cable channel in France.

Cable has long suffered from the "failure" image portrayed by the press and should attempt to regain credibility. The current progress in building, programming and subscriptions is the occasion to project a more positive image. The coordination of the press and public relations of the cable industry would help achieve this goal.

Selling

Selling subscriptions remains the final problem of the cable industry. Operators have realized that mailings were not sufficient and personal communication is the only effective selling tool. The involvement of community based networks in the commercialization of cable has proved to be an efficient means to reach customers and should be developed. Information and inquiries should be made easier thanks to toll-free numbers.

For those who wish to have cable, subscription and connection should be simplified. A customer should only have one interlocutor. Currently he or she has to get in contact with both the builder (France Telecom, for example) and the local operator. Connection delays should also be kept short, which is not always the case.

Recommendations

* Cable operators should collectively lobby to obtain significant discount in the fees of the pay-TV programs they carry (Canal Plus, Canal J and the upcoming eighth network).

* The industry should accelerate building in areas where subscribers are most likely to find themselves, especially middle-class family neighborhoods.

* The industry should try to establish cooperation between its major players. A common organization could be established with the objective to unify stands on important issues, to lobby in favor of the whole industry, and to develop cooperation whenever possible.

* With the exception of popular RTL, CNN and MTV, the selection of foreign channels should be based on the linguistic characteristics of the population on a local basis.

* Operators should include local windows within national or regional programs and not try to maintain local channels that can not break even.

* The number of thematic channels should be reduced in the frame of merging processes that would strengthen them.

* The industry should develop pricing flexibility in cooperation with France Telecom.

* Messages in favor of cable should be unified, at least for a common theme.

* Communication should stress the concrete advantages of cable, particularly in terms of programming.

* Channels should be more involved in promotion and should try to gain notoriety.

* A public relations campaign presenting cable as a technological and programming success should be launched.

* Community based networks should be used to reach customers efficiently.

* Information and subscription should be made easy thanks to a toll free number.

* Customers should only have one interlocutor.

Final Comments

This research paper has focused on the actions that are necessary to gain the success of cable television in France. In most fields, the key seems to be the unification or at least the coordination of the actions taken by the three major operators as well as their partners, France Telecom and Canal Plus. Given the current investment in building and programming, the outlook for the industry appears favorable in the long run.

With similar progress in other European countries and a more homogenized economic, political and legal environment within the EC, the attention is probably going to shift in the near future on the formation of European thematic channels. Further research is needed to estimate the feasibility of such channels, the form they should take in order to respect the various European cultural and linguistic characteristics, and the possible role of American corporations in this evolution.

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