

Audience behaviour and multiplatform strategies: the path towards connected TV in Spain

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Abstract

The convergence of television and the internet is profoundly changing the audio-visual market. Connected TV is offered through a wide range of internet-enabled devices. Taking audience perspective into account, the aim of this article is to describe television companies' strategies for their multiplatform portfolios and the impact that this new context has on traditional pay television companies. The main data sources are professional reports, case studies, and an original online survey carried out in Spain.

Keywords: multiplatform, connected television, audience consumption.

El comportamiento del público y las estrategias multiplataforma: el camino hacia la televisión conectada en España

Resumen

La convergencia entre la televisión e internet está cambiando profundamente el mercado audiovisual. La televisión conectada se ofrece a través de un amplio abanico de dispositivos capaces de conectarse a internet. Teniendo en cuenta el punto de vista del público, este artículo propone describir las estrategias empleadas por empresas de televisión para sus carteras multiplataforma y el impacto de este nuevo contexto en las empresas tradicionales de televisión de pago. Las fuentes principales son informes profesionales, estudios de casos y una encuesta original llevada a cabo en España.

Palabras clave: multiplataforma, televisión conectada, consumo del público

O comportamento do público e as estratégias multiplataforma: o caminho para a televisão conectada na Espanha

Resumo

A convergência entre a televisão e a internet está mudando profundamente o mercado audiovisual. A televisão conectada se oferece através de um amplo leque de dis-

positivos capazes de se conectar a internet. Levando em consideração o ponto de vista do público, esse artigo propõe descrever as estratégias empregadas por empresas de televisão para suas carteiras multiplataforma e o impacto desse novo contexto nas empresas tradicionais de televisão de pago. As principais fontes são informes profissionais, estudos de casos e uma enquete original levada a cabo em Espanha. **Palavras chave:** multiplataforma, televisão conectada, consumo do público.

Introduction

It is widely recognized that industry architecture and business models for digital television broadcasting are increasingly being transformed at several levels by convergence (Waterman *et al.*, 2012; Wessel, 2012; Jin 2012; Barwise & Picard, 2012). Arguably, digitalisation and convergence have disrupted the traditional, linear value-chain in TV broadcast media. In this context, innovative start-ups and incumbent players from adjacent IT industries have also entered the industry, offering generally cheap and accessible services and competing with traditional broadcasters. However, they do not usually own the most valuable asset: audio-visual content rights. On top of this, TV viewing habits have shifted and contents can now be watched anytime, anywhere.

As technology-driven processes compel TV managers to generate new business models, the real challenge for broadcasters today is how to reconfigure and reinvent value in the digital domain (Barwise & Picard, 2012; Küng *et al.*, 2008; Picard, 2011).

Connected TV refers to new TV services that provide access to internet-based services like traditional broadcast TV channels, catch-up online video services, VOD, EPG, interactive advertising, personalisation, voting, games, social networking, and other multimedia applications, all available via TV sets and other connected screens, such as tablets, smartphones, smart TVs, and videogame consoles, which create a multiplatform ecosystem.

Traditional audio-visual companies are trying to adapt their products to these new devices and to changing viewing habits (Medina & Prario, 2013; Medina & Ojer, 2011; Medina *et al.*, 2011; Doyle, 2010).

In this article, we first analyse consumption trends on television and digital devices in recent years and then describe the main players' digital and multi-platform strategy for connected TV.

Methodology

We reviewed the literature, conducted empirical research, and studied media companies' strategies through internal and industry reports and interviews. In order to have a detailed view of connected TV consumption habits in Spain, we developed an original survey, administered on May 2012 and carried out online by Netquest, a company specialised in such research. The target population was comprised of Spanish internet users. The definition of internet user matched the one outlined by AIMC (Communications Media Research Association), which is responsible for producing the EGM (Annual Media Audience Report). Hence, the definition of internet user is as follows: an individual between the ages of 14 and 64 who has accessed the internet at least once in the previous month. The initial objective was to compile a sample of 1,200 observations, which involved contacting 2,665 internet users, whose response rate was 45.02%. The final sample mirrors the structure of the theoretical sample.

Besides developing empirical research focused on audience point-of-view, we analyse the main media companies' strategies through industry reports and by testing their offerings on websites, online players, and multiplatform applications. It is relevant for this study to compare new viewing habits with services offered by the main TV operators.

After the literature review, we describe the Spanish audio-visual market from the audience's perspective and look at how TV broadcasters have developed strategies to design an appropriate multiplatform portfolio. Finally, we propose some conclusions in order to suggest what the future holds for traditional broadcasters.

Theoretical framework

The theoretical framework is based on a classification of business models in the digital economy applied to the audio-visual industry and on the impact of disruptive technologies on said industry (Palmer, 2006). A business model is the strategic management of how a firm creates, delivers, and captures value (economic, social, cultural, etcetera) from various sources (Osterwalder, 2010). We will look at the foundations of the economics of broadcasting throughout the process of digitalisation. The existing literature on social media monetisation in the audio-visual business identifies a precedent for the full convergence found in connected TV, which, as described before, includes more services.

The internet makes it possible to cheaply spread audio-visual products, multiply the consumption of these products, and increase audiences' knowledge of them. Programmes distributed in this manner have already been broadcast on television and have become a new type of rerun, though via different devices — mobile phones, portable media players, tablets, etcetera— and made available more expediently than before. The internet avoids the constraints of the traditional grid, not only by catering to users' wishes but also by rendering media more flexible in terms of time and place (Herrero, 2009). From the broadcasters' point-of-view, complex multiplatform techniques will play an increasingly important role in the exploitation of television content assets (Doyle, 2010).

Therefore, the current challenge for broadcasting companies is to deliver content through the maximum amount of devices, not only television but also the web and mobile devices (Martínez & Mena, 2013; Wildman, 2008; Jacubowicz, 2007). Media companies have transitioned from top-down to “bottom-up business model(s) emerging out of the consumption behaviour of media users” (Levin, 2009, p. 258). Lawson-Borders (2003) considers that innovation applied to media companies is “a process in which organizations must manage in order to integrate content across platforms” (p. 94) and explains that “the transformative relationship created by technology allows the individual to be proactive in selection of channels and content, and it forces traditional media gatekeepers to work harder at trying to determine what content or devices will succeed” (Lawson-Borders, 2005, p. 161).

However, mere technological changes are not enough to alter the rules of the market. A clear business model and audience acceptance are needed to set new market basics (Oliver, 2009). In this sense, it is difficult to predict what the most profitable business model will be.

In order to innovate and adapt to digital and disruptive technologies, Kachaner and Deimler (2008) suggest that organisations need to stretch their strategic thinking by questioning and challenging existing assumptions and business models. This is why Micó, Masip, and Barbosa (2009) point out that, to transform a business model, one needs to develop imaginative ways to generate income (Waterman *et al.*, 2013). However, in most cases, revenues from online services are not yet high enough (Medina *et al.*, 2011; Doyle, 2010). According to Chan-Olmsted and Ha (2003, p. 599), most television firms “largely use the internet to complement their core off-line business rather than deliver new online content or generating e-commerce or online ad revenues”.

Following this line of thinking, and regarding convergence with mobile phones, Chan-Olmsted, Lee, and Kin (2011, p. 88) assert: “The broadcasters, with a keen appreciation of the mobility and personalization value provided by the mobile platform and of its compatibility and complementarity with their current offerings, focus on enhancing mobile television content, finding ways to monetize the content beyond advertising revenues, and integrating the strategic value of mobile and fixed television to make their overall product portfolio more competitive”.

Hence, to launch a new business model in the digital economy, the key is to achieve a successful revenue stream. However, uncertainty still dominates the decision-making process and broadcasters have not invested much in these new digital businesses. There are two main types of revenue streams: advertising and direct payment, which can be divided into micropayment and subscription or premium payment (Waterman & *et al.*, 2012).

Thanks to free access to digital media, *advertising* is the main business model followed by media companies. Providing traffic to broadcasters’ contents may attract advertising, which is the traditional monetisation method in the broadcasting industry.

Due to content-sharing and the impossibility of stopping this practice, the *micropayment model* has become a solution within a “free” culture. Hayes and Graybeal (2011, p. 39) point out that “the mobile environment offers micropayment a clean sleight. Smart phones have ushered in a culture of paying, in fact, micropaying, for apps and games where the internet fostered a ‘free’ culture”.

The difficulty of charging for content lies in its nature as a public good of media products. Following Hayes and Graybeal (2011, p. 29), “by not charging for content, media providers have created a completely price elastic market for content.” In such a market, substitution of products is highly predominant, as does the possibility of costlessly sharing content among users.

Another business model is *subscription or premium payment* for contents and services. Audiences that pay —known in commercial circles as subscribers— tend to do so only for contents they regard as indispensable (Herrero, 2003; Picard, 2011). Pay-per-view media offer a wide range of consumer options and foster user-evaluation and personalisation of contents: users may pay to view a basic package, select specific contents, or access exclusive contents. Pay-per-view options grant the subscriber a decisive role in establishing which contents ought to be offered and which should be withdrawn on the basis that few or no users express

an interest in them. The pay-per-view model facilitates an almost perfect match between supply and demand, and takes into account the tastes and needs of subscribers. Users have become key players, as they also increasingly participate in the development of content.

Another challenge for broadcasters is how to monetise audience participation through social media. As Picard (2009) outlines, social media support interaction, but it is necessary to understand why interaction is needed and how its benefits will be measured. Technology allows enthusiasts to develop activities that go beyond reviewing or following programmes on television magazines. Audience members who have never met before can nevertheless share a communal feeling, which demonstrates the possibilities of engaging with audio-visual products. In this sense, not only have products spread to other media, but they are also understood in a significantly different manner by audiences.

Posts, clicks, and mentions on various social media can be measured, yet the difficult part is monetising them. “Some programs have used the internet to introduce interactive features, such as online voting for game show contestants and online commentary and questions for talk-oriented shows” (Wildman, 2008, p. 99). Benefits can be measured not only monetarily but also in terms of popularity and branding. In the new digital media context, profitability is more closely related to nearness, identification, satisfaction, engagement, entertainment experience, and branding than to mass audiences and large revenues. A number of scholars have used the term “social capital” (Burt, 2005), described as “the benefits individuals derive from their social relationship and interactions: resources such as emotional support, exposure to diverse ideas, and access to non-redundant information” (Ellison, Steinfield & Lampe, 2010, p. 873).

In fact, connected TV encompasses both the uncertain digital broadcast economy and social media in terms of revenue streams and business models.

Following the theoretical framework, we will focus on commercial strategies, distribution, revenue streams, and the audience’s impact.

Trends in audio-visual consumption

Managing opportunities created by digital convergence needs to adequately respond to environmental imperatives. Obviously, social factors, such as demographics, lifestyle trends, consumer attitudes, and opinions, are profoundly changing the user experience.

Today, television is changing on several levels: it is transitioning from analogue to digital, from scheduled broadcasts to on-demand TV on the internet, from lean-back (passive) to lean-forward (active) media, from straight watching to consumption of content connected to additional services, from the solitary TV viewer to the viewer who is part of social networks and communities related to TV content, from single-screening to multi-screening, etcetera.

Before analysing companies' multiplatform strategies, it is necessary to provide an overview of general trends in connected TV consumption.

In Spain, the number of internet users has grown steadily. In 2012, according to the *Instituto Nacional de Estadística* (INE: Spanish Statistical Office), there were more than 24 million internet users, who make up 69.8% of the Spanish population. In terms of frequency of access, 72.6% of users are online every day and 20.5% connect at least once a week. Summing up: 93.1% (22.4 million) of internet users access the web at least once a week.

The most common devices in Spanish homes (of which, according to the INE, there were 15.5 million, as of 2012) are television sets and mobile phones (table 1).

Table 1. Technological equipment in Spanish homes.

| | % Household |
|---------------------------|-------------|
| Television | 99.4 |
| Mobile phone/smart phones | 95.9 |
| Laptop, netbook, tablet | 54.6 |
| Computer | 47.8 |

Source: INE, 2012.

Table 2. Use of different screens when watching connected TV. Spain, 2012.

| | Never or almost never | Once a month | At least once a week | At least three times a week | Every day | Total |
|----------------------|-----------------------|--------------|----------------------|-----------------------------|-----------|-------|
| Computer | 3.1% | 41.1% | 33.9% | 11.4% | 10.4% | 100% |
| Mobile | 81.9% | 8.7% | 5.7% | 2.2% | 1.6% | 100% |
| Tablet | 85.0% | 6.5% | 4.5% | 2.2% | 1.8% | 100% |
| Smart TV | 67.9% | 11.6% | 7.7% | 3.5% | 9.3% | 100% |
| Video console | 90.6% | 6.1% | 2.2% | 0.8% | 0.4% | 100% |

Source: own elaboration (n=508).

The results of our survey show that 42.3% of internet users (508 out of 1,200 individuals) watch connected TV (and in order to have access to connected TV services one must be an internet user). Table 2 lists the devices used for connected TV viewing. The computer is by far the most frequently used device: 10.4% of internet users view television contents online via computer every day, 45.3% do so at least once a week, 41.1% at least once a month, and only 3.1% never or almost never use their computers to watch television. According to previous research, there is a correlation between contents and screens. Different devices are used when watching different contents. For instance, fiction series and movies are watched mainly on computers (Diego, Guerrero & Etayo, 2014).

The rate of use for other screens or platforms is considerably lower. The second most commonly-used device is the internet-enabled or smart TV set, although only 9.3% of online television viewers said they use it every day, while 67.9% of respondents said they never or almost never use it. The percentages of those who watch television on smart TVs at least once a month or once a week are, respectively, 11.6% and 7.7%.

Most Spanish TV sets at home are not equipped with an internet connection. IAB Spain (Interactive Advertising Bureau) highlights that 21% of internet users owned a smart TV device in 2013. However, only 36% of these sets were connected to the internet. Nevertheless, the real number of connected TV devices is higher if one takes into account TV sets equipped with an internet connection via video consoles, laptops, computers, blue-ray players, and set-top boxes, in this order (IAB, 2013).

The use of the other three types of screens is practically negligible. 1.6% of such users employ a mobile phone to watch television contents online every day, 1.8% choose a tablet, and only 0.4% opt for a video console. Those who watch television at least once a week via these devices might also be described as frequent users: 7.9%, of mobile phones; 6.7%, of tablets; and 3%, of video consoles. However, the most striking figures show that 81.9% of connected TV viewers never use a mobile phone for TV contents, 85% never use a tablet, and 90.6% never use a video console (see table 2). The contents most viewed on connected TV are foreign fiction, series, films, and entertainment shows (Guerrero, Diego & Pardo, 2013).

Regarding the audience profile of those watching connected TV in Spain: younger users consume the most. Almost 57% of internet users between the ages of 14 and 24 watch television online. This figure decreases in the case of older

audiences. Although there is not much difference, men are more willing to watch connected TV than women (table 3).

Despite these facts, and parallel to the increase in internet use in recent years, Spanish consumption of linear television increased to 246 minutes per day. Arguably, television viewing has increased due to the convergence and digitalisation of television. Conventional television consumption has not been negatively affected by easy access to viewing via other screens. Rather than decrease, it has enjoyed a steady growth-rate in recent years, according to Kantar Media: in 2002, the average Spaniard watched only 211 minutes per day.

Table 3. Connected TV audience profile, Spain 2012.

| | Do not watch connected TV | Watch connected TV |
|--------|--------------------------------------|---------------------------|
| Gender | % | % |
| Male | 56.6 | 43.4 |
| Female | 59.0 | 41.0 |
| Age | % | % |
| 14-24 | 43.3 | 56.7 |
| 25-34 | 53.6 | 46.4 |
| 35-44 | 64.8 | 35.2 |
| 45-54 | 72.0 | 28.0 |
| 55+ | 70.7 | 29.3 |
| Total | 57.7% | 42.3% |

Source: own elaboration.

Table 4. Spanish connected TV market in figures (2012).

| | |
|--------------------------------------|-----|
| Standard TV set penetration | 99% |
| Smart TV penetration | 21% |
| internet penetration | 70% |
| Online consumption every day | 73% |
| Online users who watch TV | 42% |
| Traditional TV consumption (minutes) | 246 |

Source: INE and own elaboration.

In table 4, we collect useful data to understand the TV market and forecast the penetration of connected TV in Spain. Although market trends are changing, there has been no considerable impact on the traditional consumption of television.

Overall, to close the gap between convergence technology and consumer need, television managers need to understand the importance of environmental impacts, such as changes in consumer demand. Again, managing opportunities in convergence is contingent upon these dynamic changes in demand imposed by changing consumer behaviour.

Television companies' multiplatform strategies

Television broadcasters are trying to develop sophisticated connected TV integration tools. They aim to drive viewer tune-in, engagement, and loyalty to boost ratings, online viewing, and ad revenue. In addition, TV apps and multi-screen solutions open new avenues for usage. These apps let users:

- See what their friends are watching and invite them to watch simultaneously.
- Chat, share, and tweet about TV programs.
- Receive additional information about on-screen content.
- Instantly purchase products and download contents (songs, series, books, games).
- Interact with enabled adverts to enter competitions, voting, polls, etc.

Historically, the Spanish television market has been predominantly terrestrial. Cable and satellite providers appeared during the late nineties and their position in the market has not been as strong as that of broadcasters. Analogue switch-off took place in April 2010, and traditional broadcasters became free-to-air DTT providers. Only three digital terrestrial pay channels were licensed. Beyond such pay television channels, the range of television services on offer also grew significantly. In 2004, Spanish viewers had access to five private channels. By 2012, this number had grown to fifty, although some were recently closed down due to legal requirements. As a consequence of mergers and acquisitions within the broadcasting market, and in the context of an economic crisis, there are now three main players in the Spanish broadcasting market: two commercial channels (Atresmedia and Mediaset Spain) and the public service corporation (RTVE, or *Radio Televisión Española*). Moreover, cable, satellite, and IPTV providers complete the digital television offer through their pay television platforms.

Regarding broadcasters, Tele 5 has led the pack these past few years in terms of audience. Nowadays, Tele 5 belongs to Mediaset Spain, a division of the Italian media company. Tele 5 acquired a multiplex and merged with Cuatro, owned by PRISA group. At present, Mediaset Spain has six DTT channels, such as FDF, Divinity, Boing, Energy, Cuatro, and Tele 5. Atresmedia belongs to Planeta Agostini and Ufa Films (RTL). It acquired the La Sexta channel and now owns the following DTT channels: Antena 3, Neox, Nova, La Sexta, and Gol TV, which is operated by Mediapro. Finally, the third big player is the public corporation (RTVE), which has two multiplexes and five channels: La 1, La 2, Clan, 24 horas, and Teledeporte. Some of these channels are simulcasting in high definition (HD).

Strategies will be described according to commercial strategies, business models, services and deliveries, and audience impact. As table 5 shows, the three broadcasters have been very active in developing online services around television programs, but they have developed different strategies regarding digital offer.

Table 5. Digital offer of Spanish broadcasters.

| Digital offer | TV channels | Multiplatform delivery | Business |
|----------------------------------|---|---|--|
| Atresmedia: Atresplayer & Nubeox | Antena 3 Neox Nova La Sexta Antena 3 HD La Sexta HD Gol TV (pay channel operated by Mediapro) | Computer Tablet Smartphone Smart TV Blue Ray Video console App: Atresplayer Interactive app ¹ : Atresmedia Conecta | Free/advertising Premium: monthly subscription; PPV (packs) |
| Mediaset Spain: Mitele | Telecinco Cuatro FDF Boing Divinity Energy Telecinco HD Cuatro HD | No smart TV Tablet Smart phone App: Mitele Interactive app: Mio TV | Free/advertising Premium: sports, movies, o.v. |
| RTVE: RTVE a la carta | La 1 La 2 Clan 24h Teledeporte TVE HD | Smart TV: Red point Apps: +24, rtve.es, Clan, and +TVE for smart phones and tablets | Free Sponsorship |

Source: own elaboration.

Atresmedia and RTVE are the most active players. Both companies offer services for any connected screen. Regarding applications for smart TV sets, in September 2013, RTVE launched the most ambitious service in the Spanish market, called *Botón Rojo* (red button), which allows people with smart TVs to enjoy all contents available on the internet and interact with them.

Beyond television, the three companies have created mobile apps and on-line players for their channels: Atresplayer and Atresmediaconecta, in the case of Atresmedia; Mitele and Mio TV, for Mediaset contents; and +24, rtve.es, Clan, and +TVE, for RTVE contents. Although the following data are not very significant, since they do not provide a complete view of the market, some figures show the audience's impact. For instance, Atresplayer had 4.8 million users per month in 2013, while Atresmediaconecta had 120,000 (plus those registered on Nubeox, an online video store owned by Atresmedia, with more than 1,500 movies). One of its most popular fiction series, *El tiempo entre costuras*, was followed online by 1 million users (Sangrador, 2013). As for RTVE, its website was followed by 1.15 million users, while Tele 5's was followed by 1.16 million users per month at the end of 2013 (OJD Interactiva, December 2013).

Beyond these figures, Atresmedia seems to be more actively-involved in innovating its business model. It differentiates among users, registered users, and subscribers, trying to maximize information about users for advertisers, and exploits different revenue streams: advertising, subscription (premium users), and PPV. The cost of CPM is 10 to 12 euros for videos and 2 to 4 euros for graphics. Obviously, these amounts are much cheaper than those on traditional TV. In 2013, 9 million euros were made on online advertising, equal to 1.7% of TV advertising revenue, which is 512 million euros (Sangrador, 2013). However, it is important to remember that the cost of online delivery is very low and that it also differentiates prices for users who are willing to pay for specific contents. There is a premium quota of €2.69 monthly. Access to a premiere costs €1.81, but it is cheaper in the case of a pack (3 x €4.49). PPV is around €0.72. Yet these prices are not stable. In the case of RTVE, its offer is rooted in the foundation of public service and is available for free. Mediaset Spain is not as active as Atresmedia, probably because of its leadership in the traditional business. Its PPV fee is more expensive (€1.21 - 2.0), but the rest of its offerings are free. In Mitele, the price of a film goes from €1.45 to €3.00.

Previously, we pointed out that the key to launching a new business model in the digital economy is gaining a successful revenue stream. However, this desired

context has not yet arrived and online revenues are very limited, derived mainly from advertising. Although the main commercial broadcasters have introduced direct payment for contents and services —micropayment, subscription, or premium payment (Waterman *et al.*, 2012)—, the results are not good enough. Investments in this field are not yet profitable.

Table 6. Summary of online services of Spanish TV broadcasters.

| | Atresplayer | Mitele | RTVE a la carta |
|--------------------------------|-------------|--------|-----------------|
| Revenue streams | | | |
| Free contents | | | |
| Advertising | | | |
| Premium | | | |
| Subscription | | | |
| Services & Contents | | | |
| Catch up/VOD | | | |
| Live TV | | | |
| Own content | | | |
| Acquired content | | | |
| Exclusive online content | | | |
| O.V. | | | |
| Movies and series | | | |
| Premieres* | | | |
| Sports | | | |
| Social media | | | |
| HD | | | |
| Dolby | | | |
| Downloads* | | | |
| Playlist* | | | |
| YouTube Channel | | | |
| Deliveries | | | |
| Smartphones | | | |
| Tablets | | | |
| Smart TV | | | |

Source: own elaboration. Items highlighted with * are exclusive for paying users.

The commercial strategy is completely linked to the business model. Atresmedia, RTVE, and Mediaset Spain offer all TV channels plus some extras. The table 6 sums up the online services offered by the main TV broadcasters in Spain.

It can be concluded that Atresmedia has developed the more sophisticated business model, with exclusive services for premium users. From the point-of-view of innovation, taking into account each type of content, service, and delivery, the most developed model is again Atresplayer. Then comes Mediaset, which has neither developed an offer for smart TVs nor launched its own YouTube channel. Mediaset Spain is more focused on the traditional TV business due to its leading position within this sector. Though the TVE channels have the most complete on-line offer, its business model is not as innovative as those of private companies, given its public nature.

As for direct payments, free-to-air broadcasters compete with traditional pay television platforms. Hence, to understand the current pay TV market in Spain, one must know what these players have done in terms of connected TV and multi-delivery.

Impact on traditional pay TV players

Pay television services under cable, satellite, and IPTV have experienced a sustained and significant drop these last few years. As a whole, their number of subscribers decreased almost 11% from September 2012 to September 2013: from 4,195,250 million subscribers to 3,740,138 (CMT, 2013).

As for digital satellite offerings, there is only one provider in the market, Canal Plus. The multiplatform satellite provider appeared in 1997, merged in 2002 with its competitor, and has since then become the only player. In September 2013, its number of subscribers was 1,723,530, or 5% less than the previous year. In October 2011, Canal Plus launched a service called Yomvi, to spread its offer to connected devices and allow subscribers to access contents anywhere, anytime. Table 7 shows Yomvi's current digital supply.

Yomvi offers TV channels that specialize on movies, fiction series, documentaries, and sports. However, there is no originally-produced content because no broadcaster supports it.

In the case of cable television, the drop is even worse. There were 1,176,382 subscribers on September 2013, 11% less than the previous year. Although there are more providers in the market, they do not compete among each other. There are

three regional providers in specific regions and one more provider, ONO, which leads the market since it operates within many regions in Spain. ONO offers Tivo as part of the connected TV experience, since the provider allows users to enjoy apps and internet contents from their TV sets thanks to fiber optic cable.

Both companies are accumulating large debts and both are in the process of being sold. PRISA's net debt rose to 3,227 million euros and its EBITDA decreased 82% between 2012 and 2013. On June 2014, Telefónica announced its intention to purchase Canal Plus, and the National Market and Competition Commission (CNMC) is analysing the case. ONO's debt also rose up to 3,400 million in 2012. It was sold to Vodafone for 7,200 million euros.

IPTV services enjoy the smallest piece of the pie, and their decline was even worse. In a year, between September 2012 and September 2013, their number of subscribers decreased 24%, or 673,482. The main provider is Telefónica.

The service is called Movistar TV and, on July 2013, Movistar TV GO was launched for all Movistar TV subscribers. Movistar TV GO is similar to Yomvi and allows subscribers to access contents from different devices at any time. The table 8 shows services offered by Movistar TV.

Outside of these main players, there are other competitors in the Spanish market for online video distribution (OTT), such as Filmin, Filmotech, Youzee, Waki TV, and adnStream. However, these were born in the digital distribution era and, in this article, we are focusing on the transformation of traditional television companies, both free-to-air broadcasters and pay TV operators.

Finally, as a summary, we add table 9, which describes the best suppliers of connected TV in Spain in order to compare them with those of other countries.

Table 7. Yomvi offer.

| YOMVI | TV Channels | Live TV control | VOD (Video On Demand) | OV (Original Version) | Technical VOD |
|---------------|-------------|-----------------|-----------------------|-----------------------|---------------|
| IPlus | | | | | HD |
| PC | | | | | HD |
| IPad | | | | | SD |
| IPhone | | | | | SD |
| Smart TV | | | | | SD |
| Video console | | | | | SD |
| Smartphone | | | | | SD |

Source: Yomvi.

To sum up, free connected TV in Spain is presently very limited. It basically consists of a set of applications that allows users to access the same content they could find through the broadcaster's website and online player, with the addition of some extra features, like social interaction. The exception is RTVE's *Botón Rojo*, which adds enhanced contents. Regarding pay TV, the main provider is Canal Plus. Its larger competitor, Telefónica, offers Movistar TV Go. Most of these services can be enjoyed through a smart TV or set-top-box devices, such as the Apple TV or iPlus (exclusive to Yomvi subscribers), some video consoles, tablets, computers, and smart phones.

Conclusions and further discussions

During the last decade, the effects of digital transformation have become highly visible in TV broadcasting. The successful launch of digital television services, the widespread diffusion of mobile screens, and the looming disruption of online TV services have created a "sense of urgency" among incumbents in TV broadcasting to reform their business models. Building on media convergence literature, this article addressed key issues of convergence in digital television broadcasting towards connected TV.

In conclusion, there is no *one best way* to generate, formulate, and implement an optimal multiplatform strategy applicable to the variety of management domains. No strategy fares equally well in all situations. However, some features stand out in most connected TV services: customization, enhanced contents, audience participation, and a mixed business model regarding revenue sources (advertising and direct payment). In spite of these changes, audiences and contents continue being the cornerstones.

Table 8. Movistar TV offer.

| MOVISTAR TV | TV Channels | Live TV Control | VOD (Video On Demand) | OV (Original Version) | Technical VOD |
|--------------------------|-------------|-----------------|-----------------------|-----------------------|---------------|
| Decoder/recorder | | | | | HD |
| Computer | | | | | SD |
| Tablet (iOS/Android) | | | | | SD/LD |
| Smartphone (iOS/Android) | | | | | SD/LD |

Source: Movistar TV.

Yet the emerging ecosystem for connected TV services is immature and each provider is struggling to realize an optimal business model strategy and organisational form. Hence, the preliminary state of the industry urged us to adopt a case study approach that is explorative and descriptive in nature. More extensive and comparative studies with other countries, including interviews with more professionals, are certainly necessary in future research. The challenge is still open.

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Table 9. Connected TV offering in Spain.

| Provider | Value proposition | Finance |
|-------------------------|--|---|
| TV broadcasters | | |
| RTVE | Free & quality content, complete connected TV ecosystem (smart TV, mobile apps, social TV) | Public funding, cultural sponsorship, private broadcasters and telcos fee & royalties |
| Atresmedia | Freemium, Free content, quality image and sound for premium content (HD & Dolby), complete connected TV ecosystem (smart TV, mobile apps, social TV), offline consumption, playlists | Advertising, subscription, pay per view & royalties |
| Mediaset España | Free content, premium content, mobile apps, social TV | Advertising, pay per view & royalties |
| Pay-tv providers | | |
| Canal Pus (Yomvi) | Pay & exclusive content, premium content, complete connected and multiplatform TV ecosystem (smart TV set, mobile apps, social TV) | Subscription and pay-per-view, advertising. |
| Movistar TV | Pay & exclusive content, premium content, complete connected and multiplatform TV ecosystem (smart TV set, mobile apps, social TV) | Subscription and pay-per-view, advertising |
| ONO (Vodafone) | Pay & exclusive content, premium content, Tivo decoder (only for TV sets) | Subscription and pay-per-view, advertising |

Source: own elaboration

itiveness for the period 2011-14 (CSO2010-20122); and *The impact of digitalization on the Spanish audiovisual industry* (2011-13), financed by the University of Navarra (PIUNA).

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