Advertising key factor in TV audience fragmentation

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Contrary to expectation, deregulation has not been the main cause of TV audience fragmentation in Spain; the cause appears to be advertising.

In 2007, the television industry in Spain had a turnover of 1.7 billion of euros, and in the first half of the year accounted for 44 percent of the total investment in media advertising.

This is one of the findings of the latest report by IESE's International Research Center for Media Companies (CIEC) and the University of Navarra's Communications Department working in collaboration with Carat and Deloitte. The report's coordinators, IESE's Juan Manuel de Toro and José Ignacio Bel and the University of Navarra's Juan Pablo Artero and Alfonso Sánchez-Tabernero, find that television is "the most efficient commercial communication channel for advertisers."

The 283-page report, "Television in Spain" ("La televisión en España: Informe 2007"), published by Deusto, offers a complete breakdown of the TV sector, divided into six chapters.

The first chapter reviews the milestones in the history of Spanish television - from its inception with the launch of TVE in October 1956 to the analog shutdown planned for 2010. It establishes categories for the different broadcasters currently operating in the country, according to their scope, type of ownership (public or private), broadcasting technology (terrestrial, cable, satellite or ADSL) and price (open feed or subscription).

In the opening section, IESE's Juan Manuel de Toro notes that the total number of TV broadcasting hours has grown by 30 times what it was a quarter century ago, starting with

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the appearance of regional channels, followed by the advent of private broadcasters.

Over the past decade, the big losers in terms of viewership have been Antena 3 and the publicly owned stations, both national and regional. The only one to keep up its numbers has been Telecinco.

With regard to the audience's socioeconomic profile, TVE 1 is watched mainly by people of the lower income bracket and the elderly; TVE 2 (a.k.a. "La 2"), by viewers of the upper class and all ages; the regional channels, primarily young and elderly people from all social classes; Antena 3, by young people of the middle and lower classes; and Telecinco, by middle-class viewers of all ages.

Slow to go digital

The second chapter takes a look at demand: the setup in people's households, as well as consumption and viewer profiles.

Nearly all (99.7 percent) Spanish households have a TV set, though considerable progress must still be made to convert those mainly analog sets to digital ones, or DTT (digital terrestrial television). With just three years to go until the heralded shutdown of analog, as of May 2007, barely one-fifth (19.4 percent) of Spanish households had made the switch to DTT.

Though Spain lags behind on digital uptake, the same cannot be said for average television consumption, which surpasses that of many other European countries. Viewing, which peaked in 2004 with an eye-straining 218 minutes a day, appears to have remained fairly even over subsequent years, at around 217 minutes, or roughly three hours and forty minutes a day.

These viewers are predominantly women (306 minutes a day, to the men's 205), seniors over 65 (also 306 minutes, to just 140 by children between the ages of 4 and 12), and the lower class (239 minutes, to 212 by those of the middle class and 191 by the upper class).

Advertising affects fragmentation

IESE's Julián Villanueva and researcher Fernando Baz analyze the process of audience fragmentation in the German, British, French and Italian markets. Not only do we see that not all of these markets are deregulated, but, contrary to expectation, the fragmentation of those markets that are deregulated is not so considerable.

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"In some markets," say the authors, "audiences are concentrated into just a few, but not because of regulations."

In the markets that are deregulated, Villanueva and Baz point to advertising investment as a key factor in determining the fragmentation level of the audiences and advertising.

If there is strong advertising investment with small audiences, enough can be gained so as to offer quality programming that can attract an audience, and there is increased fragmentation of audiences and advertising.

Conversely, if advertising investment is low, the audience continues to tune in to the same handful of channels, despite the market being deregulated.

The remainder of the report covers the Spanish advertising market, the effectiveness of TV as a medium, and the changes in the costs of buying airtime. It also discusses the broadcasters' content, both informational and entertainment programs, and analyzes the main industry figures. Finally, the report reviews the changes in television regulation implemented during the past year in Spain.

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