

Digital terrestrial television: enhancement or obligation?

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Digital terrestrial television (DTT) promises to revolutionize our airwaves, but all may not be as great as planned.

Digital terrestrial television (DTT) allows for three to five TV channels to be broadcast on each multiplex or UHF channel. Without a doubt, this will enable a greater variety of programs to be broadcast, delivered in DVD-like quality, and hopefully viewers will be able to find something to match their individual tastes.

Viewers aside, operators, providers and advertisers will also see changes to the status quo. From the deadline of April 3, 2010, it is anticipated that 95 to 98 percent of Spanish households will be hooked up. However, at current adoption rates, only 50 percent will have the adapted system. Furthermore, in a market the size of Spain's, the new arrangement does not guarantee returns for the majority of DTT operators using the existing models.

These are among the opinions expressed by [IESE Prof. Julián Villanueva](#) at al. in the book, *La TDT un negocio imposible (DTT: An Impossible Business)*. Given the potentially unattractive prospects, will providers and advertisers dare step into the ring?

The suppliers

The key to success appears to be differentiation, even though, according to the data analyzed, a large proportion of both the audience and the advertising revenues will be concentrated in just a handful of operators. This trend, in fact, can be observed in countries where the number of operators has grown. Only those markets with a larger amount of

advertising investment show greater levels of fragmentation.

In Spain, there is hardly room for any more general-interest channels. The advertising market is quite limited, and the only option for these channels is to offer quality content. This means that the vast majority of DTT channels will not be profitable. According to the book, there is a 96 percent probability that many will actually lose money.

If the solution to this problem is market segmentation, then generating revenues with a specialized channel will require selecting the right target, content and price, along with the necessary coverage to reach those viewers.

Meanwhile, the challenge facing established operators is the ongoing struggle for content. Their new channels lack significant audiences; however, they could deal in content and formats that currently have no place on general-interest channels. Also, they will have to keep a watchful eye on the new generalist operators, who are striving to gain an audience toehold quickly to help them achieve profitability.

In the medium term, a greater penetration rate for pay TV would pose a threat to these channels. With low audience numbers and reduced budgets, they would increasingly have to compete with those offering quality content.

Other platforms could compete with DTT in the long term. It is hard to make predictions as to the evolution of the market and the future business models to be determined between video on demand (VOD), mobile TV and Internet TV. For these, the key will be to develop content that can be adapted to multiple platforms and to promote the brand image of existing channels. At the same time, operators will need to develop teams of professionals specialized in getting profitability from their content on multiple technology platforms.

Advertisers

With technological innovations already in place, as well as those to come, the relative stability of the various conventional measures used by advertisers will be difficult to maintain. Conventional media will gradually see their share of the advertising pie diminish as others such as the Internet and mobiles start to be used more.

Developing models for assigning advertising to different media platforms will become increasingly complex as well as more important. Greater efforts will be needed to gauge the effectiveness of advertising, and measuring its return will be far more difficult.

Measuring audiences is key for developing the sector; however, the systems currently in place are insufficient, say the authors. The new broadcasters, moreover, will have very small shares and occasionally be restricted to defined geographical areas.

Even though platforms such as the Internet can help achieve better advertising efficiency ratios than traditional media, the influence in virtual communities is not easy to calculate. As such, the campaigns that generate word of mouth will be measured with ratios that are not comparable across media platforms.

Faced with this scenario, operators will have to seek alliances with other media in order to improve their competitive position and create virtual communities. While the leading Spanish communications firms already have an online media presence, studies show that the younger generations are more active on platforms where these companies are less active.

Creativity is one option - not only in the messages transmitted, but also in formats and inserts. Advertising campaigns will become increasingly complex and will most likely continue using television as a means of communication between consumers and companies. However, creating strong brands will require campaigns to be complemented by viral marketing or activities that stimulate word of mouth.

We could also conceivably see the entry of smaller advertisers into the realm of niche channels, focused on a very specific target. That could expand the advertising pie, although it will be hard to quantify. In any case, the increase will not be significant, the authors believe.

Content providers

Content providers will face a massive increase in the number of available products. Operators will look to create competitive advantage by differentiating content through sociological positioning and singular editorial lines.

Under this scenario, the spectator will become the programmer. That will mean new formats for products adapted to new niches, which will exist alongside the old ones, despite the fact that those with a greater capability to invest in expensive primetime programs will have a greater share of advertising investment. This interactivity has the potential to generate new customers and new business opportunities. along with increased production outsourcing, to maximize quality.

It may be unrealistic to expect high returns from the new operators, especially those channels without an analog license. Furthermore, it is doubtful whether the new channels will

bring higher quality, since the revenues they generate will be minimal. Factoring in the advertising paradigm shift only complicates things further.

Nevertheless, there is greater potential for innovation and more participation from the general public. Perhaps, as the authors suppose, that will be the solution and the key to the new model that gets developed.

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