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Programmming and Direct Viewer Payment for Television. The Case of Canal Plus Spain

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1. Introduction and concepts

The implementation of new technologies, the imminent establishment of the digital era and the proliferation of different systems of distribution have greatly altered the economics of commercial television. Moreover, in Europe, the way of funding television, basically supported by public funds and advertising, seemed far from the direct viewer payments due to the concept of television as a public service. Nevertheless, the development of pay television in most European countries is a real fact nowadays.

In order to accept a definition of pay-television we will take the one suggested by Brown: "Pay-television covers all television for which viewers pay directly, whether in the form of subscription or on a pay-per-view basis or a combination or two"[1]. Thus, the main change that pay television brings about is the fact that people have to pay directly for television products. Direct payment becomes a new element within the relationship between the audience and the television channel. Television products have a direct price for viewers while audiences have a price for advertisers under advertiser-supported television. Competition in product and price leads the television industry closer to a free market ruled by supply and demand.

Furthermore, direct viewer payment introduces modifications in the value chain for pay television. The basic value chain for traditional television includes programme production, broadcasting/packaging and transmission. Nevertheless, four stages can be identified now. Firstly, programme production or provision, which has mostly to do with acquisition of rights; secondly, the activity of packaging programming into channels; thirdly, transmission or delivery to the subscriber either via satellite, cable or terrestrial. Finally, conditional access and sub-

1 BROWN, D. (1997) p. 10.

scriber management. This last stage is radically new for the television industry[2].

Therefore the implications that direct viewer payments have for the economics of television are many and concern different areas such as distribution, promotion, price, etc. However, this study will focus on the key elements of the television business: the television product and the relationship established with the people who pay for the product, that is the subscribers. Direct viewer payments determine greatly the kind of product which is sold, as people will not pay for something that they can get "free" on public and commercial channels. Moreover, since a commercial link is established with the audience, viewer becomes consumer or even customer and thus the relationship among them is greatly altered.

It seems necessary to mention the different pay-television systems: premium or pay services (also known as pay channels); pay-per-view (PPV); Near Video on Demand (NVOD) and VOD (Video on Demand)[3]. Although all these systems have in common the fact of being supported by direct viewer payments, there are significant differences between a pay television channel and the others. PPV, NVOD and VOD systems work under a different and simple concept of pay television: special programmes and recently released movies are shown and viewers pay a separate charge in order to watch the programme. Thus they can be identified as providers of programmes that audiences want to watch when they want to do so. As Blumenthal and Goodenough point out: "PPV is a transaction based, one-purchase-at-a-time business that depends upon impulse buys, and requires a sophisticated marketing infrastructure"[4]. Conversely, pay-

2 GODARD, F. (1997) p. 10-11 and BROWN, D. (1997) p. 12.

3 The main difference between PPV, NVOD and VOD systems has to do with technological developments as each of these systems represents an advanced step in terms of flexible use of television programmes. PPV system allows viewers to choose a programme within a fix schedule whereas VOD is a fully interactive system in its most advanced form which gives individual subscribers VCR-like control over the programme. PARSONS, P.R. & FRIEDEN, R.M. (1998) p. 161-163.

4 BLUMENTHAL, H.J. & GOODENOUGH, O.R. (1998) p. 28.

television channels are closer to conventional channels in terms of working on a schedule basis and they do not position themselves as mere content providers. Moreover, since the pay television channel has been the first stage in the process of paying for television, it provides the necessary maturity to be studied as a new model of television organization.

In order to analyse the practical applications of these particular features, it is necessary to bring some examples. Canal Plus Spain provides a good one because of the possibilities I had of access to internal information; the important role played by Canal Plus in the European television market, and the rapid success achieved by Canal Plus Spain despite the bad predictions and the newness of the pay television experience. It is not a purpose of this research to analyse either the management or the history of the Spanish pay-television channel. Nevertheless, some specific actions carried out by Canal Plus in terms of programming and relationship with subscribers will illustrate the theoretical research concerning the implications of direct viewer payments in both aspects. When looking at Canal Plus' examples, we will focus on three different periods: 1991, 1994, and 1997. Canal Plus was launched at the end of 1990; it first made a profit in 1993 and the end of the monopoly in the Spanish pay-television market took place in 1997. Thus, the compared analysis between these key periods can offer interesting findings. Moreover, the amount of internal information gathered concerning 1997, will allow us to use the activity of Canal Plus as an example although we could not establish any comparison.

In order to understand the strategies developed by Canal Plus better it is necessary to study the context in which Canal Plus started and its current situation.

The Spanish television market was deregulated in 1988. Before deregulation took place, there were only two national channels, TVE 1 (Televisión Española 1) and TVE 2 (Televisión Española 2), both of them owned by the State and indirectly managed by the present Government. As a public broadcasting service, public funding supports TVE (both TVE 1 and TVE 2). In the Spanish case, the subsidies come from citizens' taxes. At the beginning of the nineties, Spain was the only European country in which public broadcasting service was not supported by a licence fee system[5]. Moreover, TVE benefits from the fact of being funded by advertisers' money as well. This is what is called a mixed system of funding. This system of funding is still in place today and has generated an endless debate about whether competition between commercial channels and the public broadcasting service is fair.

In 1988, the Spanish Parliament approved the 10/1988, 3rd of May, Private Television Law (Private Television Law 10/1988, 3rd May). In accordance with this law, monopoly of the public broadcasting service would finish and the Government would allow three private channels to operate in the Spanish television market. The Government, from among five potential candidates, selected three channels. Eventually, Antena 3 (which was one of the main national radio stations at that time), Tele 5 (partially owned by its homonymous Berlusconi's Italian channel) and Canal Plus (partially owned by Canal Plus France) were the ones to succeed.

Before describing the features of these channels, it is necessary to explain the relationship between Canal Plus and the PRISA media Group in order to better understand the activities of Canal Plus. PRISA is the biggest media Group in Spain. When Canal Plus was launched, PRISA was one of the shareholders and owned 25% (the same as Canal Plus France). Thus, PRISA (which owned the national leader newspaper, "El País" and one of the main radio stations, "SER") started its activities in the television scope, trying to become a powerful multimedia group.

PRISA was creating affiliated companies in order to develop an audiovisual division within the group. In December 1996, Canal Plus adopted the name of Sogecable as a Limited Liability Company, although Canal Plus was kept as the commercial name. Sogecable became the audiovisual division of the PRISA Media Group and all the affiliated companies were associated in 1997 under the name of Sogecable Company. The digital satellite platform Canal Satélite Digital,

5 Medina, M. et al. (1997) p. 17.

which was launched in January 1997, being the first one in Spain, also belongs to Sogecable. Canal Plus was the Premium Channel of the digital offer. Thus, regarding competition, Canal Satélite Digital took advantage of the well-known experience of Canal Plus, as well as of the film and football rights.

In 1990, in terms of competition, Antena 3 and Tele 5 appeared as commercial channels providing generalist programming and competing with each other to conquer the largest audience. However, there is an important difference concerning the kind of programming provided by them. Antena 3 highlighted programmes on current affairs and political issues as well as news programming. Most of their managers came from the national radio station Antena 3. Both these fact, led Antena 3 to be known as "the radio on screen" ("la radio televisada")[6].

Tele 5 followed the Italian model. Its programming mainly addressed a popular audience, offering erotic programmes, drama films and quiz shows[7]. Tele 5 had great success during its first two years.

Canal Plus was the only pay-television channel. At first, it seemed that success with the pay-television experience would be quite difficult to achieve, as people had not paid for television before and the offer of available channels had increased. Sports and films were the cornerstones of Canal Plus' programming in order to get subscribers.On the other hand, TVE suffered as the result of the end of the monopoly. There was a degree of loss of audience from the public broadcasting service to competitors. Moreover, the programming provided by TVE did not differ from the programming offered by the commercial channels. This meant a degree of loss of legitimacy by TVE.

At the beginning of the third millennium, some changes have taken place. Antena 3 has suffered changes of ownership and corporate identity. Although news programmes are still important, Antena 3 has started producing its own soap operas and created a new mod-

6 Noticias de la Comunicación, (22/28 April 1991), p.21.

7 Noticias de la Comunicación, (22/28 April 1991), p.21.

el of sitcoms used by its competitors, Tele 5 and TVE. Tele 5 gave up the Italian model, which provided it with a short-term success. A new corporate identity was designed which had nothing to do with the first. However, Canal Plus has followed the same strategies from the beginning, and its corporate identity has remained the same.

With regard to generalist channels, competition remains the same as before. Tele 5 and Antena 3 still compete with each other and with the public channel TVE 1, although their corporate identities and shareholders have changed. Nevertheless, the pay television market has been altered. The monopoly that Canal Plus benefited from finished in September 1997 with the arrival of Vía Digital, the second satellite platform and later, with the cable providers[8]. However, in April 2003 the Spanish Government approved a merger between Canal Satélite Digital and Vía Digital. Thus, there is a new monopoly in the satellite pay-television market under the power of sogecable. The new platform operates under the commercial name of Digital Plus.

It is necessary to define some key terms which will allow us to analyse the essentials of direct payments. Thus, we will discuss to what extent the introduction of direct viewer payments have made possible the creation of new products and new relations in the new era of convergence. Since this research will analyse the implications of direct viewer payments for the key elements of the television business, it seems necessary to establish a framework in which the television product and the relationship with the audience are defined.

8 The Spanish regulation concerning cable and satellite telecommunications gave a great step forward in 1995. Thus, two main rules were approved allowing the liberalisation of cable and satellite networks with some restrictions: the 37/1995 Law of Satellite Telecommunications and the 42/1995 Law of Cable Telecommunications. In September 1997, the first national competitor in the pay television market started its operations: the satellite platform *Vía Digital* partially owned by *Telefónica,* then the monopoly telephone company.

1.1. The Broadcasting commodity

1.1.1. The immaterial character of the broadcasting commodity

The media product, understood as the result of the activity of a media company, has a double condition, material and immaterial, which integrates both conceptions of product and service. Due to this double condition, Nieto and Iglesias describe the media product as a service materialized into a product[9].

Although the physical medium turns out to be essential for considering the media product as an autonomous reality, its value is determined by the content of what is broadcasted, i.e. the message. The higher value of the message over the material medium reflects the kind of needs that media products are intended to satisfy. As Tallón points out referring to the public, "what they are looking for in order to satisfy their need of information is exactly that, information, and not its physical medium"[10]. Therefore, the audience values, on the first place, the service that is provided in order to satisfy that need.

The majority of goods that compete in the market provide consumers with media that satisfy material needs and desires. Media products, for their symbolic and immaterial condition, can be described as cultural products. Cultural products deal with the meanings of life, and therefore the needs and desires they pursue to satisfy are aimed to the intelligence and the will of the person[11].

By virtue of their cultural nature, media products have the ability to promote knowledge, experience and imagination in individuals[12]. In economic terms, it could be stated that media products own externalities, be-

9 "It can be said that it is a service materialized in a product, a service-product, and as such, it operates in the media market. The purchasers or recipients mainly value the information service, which is possible because it has a material medium that provides it with its condition as product". NIETO, A. & IGLESIAS, F. (2000) p.131.

10 TALLÓN, J. (1992) p. 151.

11 BLUMLER, J. (1992) p. 3

12 DAVIES, G. (1999) p. 203.

ing these understood as the influence that one person's actions have on some other's welfare. If the influence is negative it is called negative externality, whether if it is good, it is a positive externality. Hence they can be considered as merit goods, as much as health, education or national defence, on account of the positive externalities that they are capable of. A good that is in conflict with a merit good is disapproved by society in general. Nevertheless, the very same cultural nature of media products makes them unadvisable in some cases the same profession has resorted to state intervention as well as to other self-censorship mechanisms[13].

The immaterial condition of media products presents certain peculiarities in the case of television products, as regards to both physical media and material elements. Journals and magazines necessarily give importance to the material elements that give shape to the medium, for these are part of the product itself. Thus format, colour, type of paper, etc. become factors that contribute to the whole quality and that even allow to identify the type of content. This is the case of quality papers in the United Kingdom, which are associated with serious and quality information.

Television products also have material elements that can define them. However, the main difference lies in the intangible condition of these material elements and in their independence from the physical medium. In the case of paper products, material elements give shape to the physical medium. By buying a newspaper or a magazine, its medium (of a tangible condition) is also purchased. Nevertheless, by consuming a television product, material elements are intangible for the consumer. The television set is the physical medium through which television products arrive to consumers, and it is the only tangible reality that he can perceive. This independence of the television set with regard to individual television products leads us to consider the absence of physical medium in such products.

The absence of a material medium intensifies the dependence of television products to the time factor further than any other's media product. Unlike

13 As DUNNET points out, "television is blamed for contributing to many social and economic problems. It is identified as contributing to the decline in educational levels in USA, to destroying social activities world-wide, to desensitising people everywhere, to widespread materialism, and to the rise in violence in many countries". DUNNET, P. (1990) p. 4.

any other products in the market, whose consumption can be repeated so many times as the need or desire persists, the value of a media product is determined to a large extent by its novelty. The value of watching a football match or a movie or reading a newspaper or magazine for a second time is quite different to the one it had during the first time, although the consumption of a same product can be sometimes repeated. Whereas novelty is an exigency for any kind of media product, either fictional or non fictional[14], time dependence mainly affects the information genres[15].

As for the product availability, the moment of reading the newspaper or magazine once they have been purchased, only depends on the will of the reader. Television sets a schedule to which viewers have to adapt. However, the introduction of video recorder and new systems such as pay-per-view, NVOD and VOD have allowed consumers to make a more flexible use of television programmes.

The immaterial condition of media products becomes more noticeable in the case of television products and the service has more obviously precedence over the product. As Nieto and Iglesias point out about the media products, "the character that service gives to the material medium explains the fact that the number of consumers of the product is generally much higher than the number of purchasers[16]. In order to apply this statement to television products, it is necessary to study the character of "public goods" that they are conferred with.

1.1.2. The broadcasting commodity as a public good

In a wide sense, two types of goods compete in the market: public and private ones. Despite this distinction allows to mention the owner of

14 Media companies must produce a new product in every production cycle: a new issue of the newspaper or magazine, a new episode of a television programme or a new edition of a news programme, a new advertisement, book, record or film". LAVINE, J. & WACKMAN, D. (1988) p. 32.

15 The time barrier applies less to some categories of programmes than others. News and live sports are highly time-dependent whereas much fictional television (soap operas, movies, etc) are not. COLLINS, R. (1988) p. 13 and MEDINA, M. et al. (1997) p. 79-80.

16 NIETO, A. & IGLESIAS, F. (2000) p. 132.

the commodity, that is to say, the State or a private enterprise, it can also delimit the economic nature of the commodities, which, by the virtue of a series of features, can be qualified as public or private.

In the first place, a public good is independent of the number of people that consume it, that is to say, the available amount of the commodity is not reduced by an increase in the number of consumers[17]. On the other hand, a private good is directly related to the number of people consuming it. Private goods are typically traded in markets. Buyers and sellers meet through the price mechanism. If they agree on price, the ownership or use of the good can be transferred. Thus private goods tend to be excludable and they have clearly identified owners. The purchase of a newspaper reduces the number of newspapers liable to be acquired by the rest of consumers and it obviously avoids that the very same newspaper is bought by somebody else. However, the fact of watching a television programme does not prevent it from being watched by an indefinite number of people.

Thus, a public good does not exclude (by its own nature) anybody that has access to the product. From this we can deduce that consumers find themselves in a non-rivalry situation for the enjoyment of the same commodity[18]. In the case of television products, the use of electromagnetic waves makes it impossible to prevent access of anybody provided with a television set. On the other hand, other media products involve a payment, which turns them into private goods[19].

Either being a public or a private good, the production activity is conditioned by the potential consumers that are intended to reach. In the case of an automotive company, the higher is the number of sold cars, the lower are the costs per unit. Therefore, according to scale economies, more cars are produced and more people can purchase them. In the case of tel-

17 Dunnet, P. (1990) p. 1; Owen, B. & Wildman, S. (1992) p. 23-24 and Picard, R. (1989) p. 18.

18 "Television programming has the public good attribute of being, in economic jargon a 'joint consumption good'. Joint consumption implies that viewers are not rivals in consumption". Hoskins, C., Mc Fadyen, S. & Finn, A. (1997) p. 31.

19 Gambaro, M. & Silva, F. (1992) p. 19-20.

evision products, it is true that they are "produced" taking into account the potential audience that the programme is able to reach. Nevertheless, production costs are not affected by the number of viewers.

Production costs in television industry are especially high. However, the marginal cost is very low, and in certain cases close to zero. Television products are not destroyed by the fact of being consumed. Consequently, it should be considered a reproduction rather than a production in a strict sense. Once the original is produced it can be reproduced an indefinite number of times without any increase nor decrease of production costs.

From their condition as public goods, television products involve a series of consequences that define some features of television industries. The high costs and the almost null marginal cost cause that scale economies operate strongly in the television industry[20]. Programme producers try to distribute their products among the biggest possible audience, so the cost-per-viewer can be reduced. From that follow, for example, distribution strategies (*windowing*), that intend to achieve the maximum economic profit of an only product by distributing it in different windows: movie theatres, domestic video, pay-television and commercial television[21]. These repetition strategies prove that the val-

20 According to Picard, "scale economies relate to advantages inherent in the size of a firm or the quantity of output produced. Several types of scale economies exist:
Those occurring due to production efficiencies and technology that result in declining average costs (as the quantity of outputs increase, the cost of producing each unit decreases)
Those occurring due to economies of scope, which is when the production of one product lowers the production cost of another product because they share inputs and spread the costs between them.
Those occurring due to distribution density (a product distributed densely in the market)". PICARD, R. (1989) p. 62.

21 This strategy consists on broadcasting the same programme in different distribution channels and in different times. For example, a film is first projected in the cinema, later it enters the domestic video market. Afterwards it is available in pay television channels and finally any citizen can enjoy it without a direct purchase in public or commercial open channels. Due to the high fix costs that audiovisual productions have, the price per person falls the larger is the reached audience. The use of different windows in different periods of time enables thus to optimize the used resources. For more details about this strategy see OWEN, B. & WILDMAN, S. (1992) p. 26-38.

ue of a television product does not come to an end with its first broadcasting. Old films and series constitute a very valuable material for television channels[22].Other implications make reference to the dimensions of the companies. If an operator wants to reach massive audiences it must have a considerable size. This makes difficult the entry of new operator and, as a consequence of it, television industry has a high concentration level[23] by which a few powerful operators set the rules of the game[24].

A particular and quite important feature of television industry can be deduced taking into account both the immaterial character of television products as their condition as public goods[25]. In this industry is practically impossible to gain optimal efficiency. By optimal efficiency we understand the welfare of both purchasers as sellers in resource allocation in a certain market[26].

22 "The profit motive has demonstrated that a television programme, once shown is still a valuable raw material for the industry. Old movies, old series and even old news programmes can be shown again and again. In the USA old British programmes from the BBC and *London Weekend* such as *Monty Python, The Two Ronnies,* and *Benny Hill* are shown on most evenings of the week". DUNNET, P. (1990) p. 39.

23 According to Collins, "the microeconomics of cultural production tend to develop towards oligopolistic structures even with new electronic technologies. In the absence of an active competition and takeover policy, small groups will still dominate commodity production just as in many other industries". COLLINS, R.; GARHAN, N. & LOCKSLEY, G. (1988) p. 110.

24 Although national and European regulatory bodies try to create a fair and competitive environment, the great multimedia groups develop numerous strategies to avoid the ownership limits.

25 As in other industries the conditions of supply and demand determine the main characteristics of the industry: the entry barriers, the nature of costs, the vertical integration, the role played by great corporations, the price competition, etc. We have studied some of them in this work. An exhaustive analysis goes beyond the purpose of this research but we will mention some of them.

26 "For this to be the case, three types of efficiency must hold. The first is *productive efficiency,* in which the output of the economy is being produced at the lowest cost. The second is *allocative efficiency,* in which resources are being allocated to the production of the goods and services the society most values. The third is *distributional efficiency,* in which output is distributed in such a way that consumers would not wish, given their disposable income and market prices, to spend these incomes in a different way". Http://www.xrefer.com/entry/441526.

Classical economic theory postulates the efficiency of free markets. According to it, the laws of supply and demand lead to an efficient resource allocation. However, for this efficiency to exist, two situations must be hold. These situations are not always given though they are sometimes taken for granted. In the first place, markets must be perfectly competitive; there cannot be market power with an only purchaser or seller that has the control of prices. On the other hand, the presence of externalities confers some products a value that differs exclusively from prices and costs. The absence of both conditions allows us to speak of market failure, that is to say, the inability of some non-regulated markets to allocate their resources efficiently.

Both the absence of a direct buying and selling price and the practically null marginal cost make it impossible to apply the traditional parameters of economic efficiency to the industry of television. This industry fails to fulfil the conditions of optimal economic efficiency, because, even in a multi-channel environment, there will be too many types of programmes that will not be produced for not being considered profitable. This argument has been extensively used to justify state intervention[27].

The changes that television industry has gone through in the last decades have led some authors to question the character of public good of television products. The concept of television product has changed significantly. According to Noam "technology of distribution also made it easier to transform television from a public good, in economic terms, paid for only indirectly, into a private good with buyers and sellers, thus radically altering the economic foundation of the medium"[28]. In this way, the economic foundations of television, based on its conception as a public good, have been altered. Thus, television industry could aspire to achieve optimal economic efficiency, just as any other industry. That is the question raised by Hoynes: "Should we understand television as a commercial industry or a public good?"[29].

27 For a discussion on this topic, see DAVIES, G. (1999) p. 202-204; GAMBARO, M. & SILVA, F. (1992) p. 77 and NOAM, E. (1991) p. 77.

28 NOAM, E. (1991) p. 8.

29 HOYNES, W. (1994) p. 37.

1.1.3. The broadcasting commodity and its dimensions of content, form and logic

As a result of the activity of a television company, it is appropriated to use the name of "television product". However, regarding the content and following the definition proposed by the European Commission, we can refer to it as broadcasting commodity. As Collins points out, the concept of broadcasting commodity, due to its extent, can be applied to different realities. A programme maker sees an individual programme as the commodity, while for a broadcasting organization the commodity is the schedule. Furthermore, an individual that subscribes a certain pay-channel, would consider that the commodity is the totality of the channel[30].

The perspective of the television company is of main interest for this study. It is also possible to establish several categories of television product from this perspective. Some authors consider the programming schedule as the central product of television[31]. Depending on the time extension for which schedule is considered, a television product might be considered as the schedule of a certain day, as well as the totality of scheduling over a certain season. In both cases, the television product is understood as the totality of programmes resulting from the activity of programming. It is thus not just a matter of juxtaposing programmes, but rather the action-effect of programming, a key activity in television business. The result is called programming and it makes up another category by which a television product can be understood[32].

The technique of organizing offer concludes thus in the schedule—television product in the strict sense. Aroldi suggests three underlying elements for this technique: schedule's *content*, *form* and *logic*, which

30 "The definition of the broadcasting commodity will vary as between the broadcaster, the programme maker and the viewer. An independent producer may see an individual programme as the commodity while a broadcasting organization may define the commodity as the totality of scheduling over a season and beyond". Collins, R.; Garnham, N. & Locksley, G. (1988) p. 6.

31 Bustamante, E. (1999) p. 93.

32 According to Owen &Wildman, "programming is the industry's product". Owen, B. & Wildman, S. in Noam, E. (1985) p. 245.

represent an interesting paradigm for study[33]. By schedule *content* he understands the organization by genres. Therefore, it is possible to speak of generalist channels that consist of several genres, specialized channels, with one only genre, and segmented channels, that are organized upon some few genres.

The schedule's *form* reflects the dependence of the activity of programming in relation to the time factor. The schedule adopts the *form* resulting from working the programmes in time and on time taking into account the time zones, the type of audience, the social time, etc. As Dematté and Perreti point out, the television activity is represented by the composition of a sequence of audiovisual programmes according to the quantitative and qualitative forecast of public's demand[34].

By schedule's *logic* is understood the principle that rules the programming schedule, that is to say, which effects is pursued by organizing the schedule in a certain way. Obviously, the first common goal in every television company regardless of their financing is that the audience see their programmes. Nevertheless, the *logics* that may rule this goal can be very diverse, for it can be a question of either maximizing audiences in some cases, or of reaching certain segments in others, as well as a matter of carrying out the principles of a public service.

If we consider the schedule as a television product it will be necessary to mention the elements that make it up. The single programmes that comprise the schedule are also considered television products. For some authors the unit of the economic analysis is precisely the programme, understood as a segment within the programme planning[35].

Aside from the perspective, what it seems common in all the previous delimitations is the audiovisual content which is present in the chan-

33 Aroldi, P. in Colombo, F. & Eugeni, R. (2001) p. 238-243.

34 Dematté, C. & Perreti, F. (1997) p. 7.

35 "With any economic analysis, the typical object of attention (unit of analysis) is the produced product or service, which in the case of television broadcasting is the program segment". Walker, J. & Ferguson, D. (1998) p. 46.

nel, in the individual programme as well as in the programming schedule[36]. However, the schema of *content*, *form* and *logic* used by Aroldi referring to the schedule can be applied to other delimitations of the television product, i.e. to the individual programme and the television channel. It will be thus possible to build a definition of television product that goes beyond the simple audiovisual content.

Discerning the content of an individual programme and then assigning it to a certain genre is quite a simple task. On the part of the television company an individual programme is always broadcasted adopting a specific *form* and according to certain *logic*, that is, getting integrated into a programming schedule. The individual programme, understood solely from the *content*'s point of view, has no sense in the activity of the television company, whose role is to select, organize and broadcast it in time.

If we consider the television product as a television channel and we identify it with the television company, the concepts *form* and *logic* should be considered. A channel can be understood as the addition of schedules. Depending on the way of financing, the principle that rules the schedule's organization determines a *form* by which contents are placed. This daily task is continuous during a season or a year and confers the channel with some known *contents*, *form* and *logic*. For example, a television financed by advertising will pursue the logic of maximizing audiences and thus generalist *contents* organized according to the *form* that makes it possible to reach such goal.

Therefore the television product goes beyond the mere audiovisual content and could be defined as follows: unit of audiovisual *content* which, independent from its time duration, adopting a specific *form* and responding to a determined *logic,* is broadcasted by a television company.

36 "However what is clear is that content will always be primary (to attract customers or the advertisers attracted by the customers) and that owing intellectual property rights on programming will ensure a continuing future income". Paterson, R. in Briggs, A. & Cobley, P. (1998) p. 134.

1.2. The relationship with the audience

1.2.1. Interpersonal relationship and commercial relationship

As a media product, with its specific features, the television product establishes a special relationship with the audience. The media product is not an aim in itself but, as Tallón points out, "it is the instrument or medium that realises the real aim of the media company: the communication of information and ideas to different groups and people that integrate the social community"[37]. The media product is not finished, it expands in the relationship established with those that consume it. The sender is thus implicit in the product and therefore we can say that there is a relationship between the product and the audience. This is considered an interpersonal relationship. For the development of this relationship the audience must necessarily offer his time. The relationship established with the audience is thus always based on a time offer on the part of the audience.

It must be said that people offer their time for a product that, to a great extent, they do not know. A television programme is known and therefore cannot be enjoyed until it has been consumed. Media goods differ also in that from normal goods. Investing time on a television programme means to risk for a product that is still an expectation. The audience starts from a situation of ignorance, attenuated in the case that the programme is seen twice or when the audience is following up a serial or a quiz show or when we know about the programme from personal or written references. Nevertheless the first time compensation always started from a situation of ignorance[38].

When the conquest of the audience's time brings about an economic profit we can speak of a commercial relationship. By commercial relationship Nieto and Iglesias understand the "set of ideas, techniques and activities carried out by a company in order to place the product or service at the reach of consumers hoping that they acquire or accept

37 TALLÓN, J. (1992) p. 150.

38 NIETO, A. & IGLESIAS, F. (2000) p. 244.

it"[39]. The production of the television product and its placement in the programming schedule take into account that commercial purpose. The interpersonal relationship is linked to a commercial relationship the audience may not be quite aware of due to the indirect character of the compensation given by the presence of the advertiser. In the case of other media products in which a direct purchase is involved, such as a newspaper, it is easier to notice the integration of the interpersonal relationship in the commercial relationship.

By its own nature, the commercial relationship involves reciprocity of benefits and, as a last stage, pursues that the relationship ends in consumption. As Medina points out, "consumption is not the same as commercial relationship, but its consequence". If there is no consumption, the commercial relationship exists as an offer. The consumption is the acceptance of the offer by the demand[40].

The consumption thus means in practice the time offered by the audience that will become money paid out by advertisers. Moreover, in the strict sense, what the audience consumes is time, not the television product in itself. It is actually the time of the audience (understood as attention) that becomes "commodity", dealing object, and the audience, by extension, is understood as such[41]. However, technical development has enabled that the consumption of television products goes beyond the consumption of time.

1.2.2. Direct payment, contract and subscription

In the subscription to a television channel, the consumption or the culmination of the commercial relationship gets materialized in the subscription contract. The time devoted to enjoy the product is subsequent and does not affect the first expense although it can influence the later

39 NIETO, A. & IGLESIAS, F. (2000) p. 225.

40 MEDINA, M. (1998) p. 101.

41 For a complete analysis of the marketplace model (audience as consumer) and the commodity model of the audience (as a coin of exchange) see WEBSTER, J. & PHALEN, P. in ETTEMA, J. & WHITNEY, D.C. (1994) p. 22-35.

decision of keeping or cancelling the contract. The existence of a contract makes it possible to speak of a relationship because promises and thus contracts are essentially relationships that oblige, on mutual parts, two natural persons or legal entities[42]. A contractual relationship is therefore established. This contractual relationship enables the interpersonal relationship and is a consequence of the success of the commercial relationship that has culminated in the consumption, in this case the fact of signing the contract.

By contracting it is understood "to enter into an agreement (between two or more persons) about any thing or service, creating a legal link that did not exist before or regulating an existing one". Three requisites must be observed in any kind of contract: consent by the contracting parties, a true object being subject of the contract and the cause of the established obligation[43].

In a contract with a pay channel, the object of the contract involves the right to receive the programming of the television channel. In a strict sense, the client does not contract a set of channels, but the right to enjoy them whenever he wants within the limits of the programming schedule during a specific period of time. If the audiovisual contents are immaterial, so it is the object of the contract. However, in order to make possible the reception of the programmes, physical elements are required, such as the decoder, the antenna or the cable infrastructure.

The established obligation involves the programming supply on the one hand and the agreed payment on the other hand[44]. By lack of a spe-

42 "Promises (and therefore contracts) are fundamentally relational; one person must make the promise to another, and the second person must accept it". FRIED, C. (1981) p. 45.

43 DÍEZ-PICAZO, L. & GULLÓN, A. (2001) p. 39.

44 An obligation is a legal binding defined as "either the one established between two persons by which one of them will receive certain goods or services through the cooperation of others or the reciprocal exchange of goods and services by means of a reciprocal cooperation". In the frame of this relation takes place the payment: "the act of accomplishing the due obligation by virtue of a binding relation". DÍEZ-PICAZO, L. & GULLÓN, A. (2001) p. 119 and 164.

cific purpose, the cause of the established obligation is the purpose of reaching the goal of the business. This cause can be considered as "onerous", for it matches the one of a business: supply of a good or service[45]. However, it cannot be detached from the atypical cause, which is to broadcast and receive information according to the object that is also atypical.

In that respect it is necessary to elude the obligations that any television service must observe with regard to its atypical character. In Spain, although the management of the television service can be carried out by private companies, it is still considered a public service with the ownership of the state. The finality must be "to satisfy the interest of the citizens and to contribute to the pluralism of the information, to create of a free public opinion and to spread the culture".[46]

It is precisely the fact of subscribing which ratifies the consent, which enables us to designate the resulting contract as a subscription contract.

45 In an onerous agreement (for consideration) both parties pursue and obtain a benefit: "In an onerous business the sacrifices carried out by both parties obtain compensation in the benefit they win (...) commutative onerous agreements are those in which the equivalence between benefits has been fixed in advanced by them in a locked way (v.gr, trading contracts)". Díez-Picazo, L. & Gullón, A. (2001) p. 35.

46 Law 10/1988, 3rd May.

2. Essentials of direct payment for television

2.1. Pay television versus paying for television

The reception of televised material comes at a price that is determined by the type of television. In the case of public television, taxes or a special charge (license fee) are the price that the citizen pays to receive the service. Commercial television is financed by advertising, but one can see that there is a certain indirect compensation by the viewers, through the purchase of products and services advertised on these channels. Finally, pay television seems to offer a model that is closer to the buying and selling of other kinds of products on the market. In this case, in fact, a direct payment is made for the use of a certain channel or programme.

The introduction of direct payment for television programming has come up against a generalized view that television is free[47]. The indirect method of payment, particularly in the case of financing through general taxes as in Spain, has especially contributed to this perception. Furthermore, the public service nature of television programming hinders effective price discrimination, due to the uncertainty of the demand and the virtually nonexistent marginal costs[48] One can speak of a situation of lack of cost competition in the television industry, as occurs in other cultural sectors. Until the arrival of pay television, the audience had never had to consider cost when it came to choosing a particular channel or programme and enjoyed

47 As Frith assesses, "by and large radio/television culture is (like the Internet, but unlike publishing) based on the expectation that programmes are generally accessible and not subject to price restriction". Frith, S. (2000) p. 47.

48 Since television products are public goods, there is no direct price relationship between production and either the size or intensity of audience demand. Collins, R.; Garhan, N. & locksley, G. (1988) p. 15.

a certain free-of-charge sensation as far as television programming was concerned[49].

But there is another reason for which the television product can not be considered free. Nieto continues: "An act is free when two requirements are fulfilled: there is no compensation and the provider has free and disinterested intentions."[50] A television channel however, be it public, commercial or for pay, always asks something from the audience in order to develop an interpersonal relationship: the time that the audience offers in exchange for the television programmes[51]. Like the limited resource that it is, time becomes a currency of great value[52]. The time spent viewing particular programmes or channels is transformed into ratings that drive the advertising market and attempt to justify the public service activity[53].

It can thus be said that the compensation rendered by the audience is twofold: the financial compensation (although in most cases it is indirect) and direct time compensation. We will now concentrate on the ways this financial compensation is made.

49 "The term 'free' (says Sauvy) exercises an attractive power of extraordinary intensity. Being free is not only a material advantage but a delightful lessening of tension, a break with the intolerable constructions that weigh upon the economic life of all people." Nieto, A. (1984) p. 85.

50 Nieto, A. (1984) p. 85.

51 "Watching television may be without price but it is not without cost to the viewer. Even when the consumer watches a free show at no monetary cost he must sacrifice the opportunity of doing something else with his time. Television is a time-intensive activity and it competes for the limited time in the day with other activities". Dunnet, P. (1990) p. 20.

52 People possess a limited amount of time to enjoy television products and therefore a key question arises, following Dries: "people are wondering whether they will find time to be able to actually use, consult and enjoy the extra media outlets that will be offered to them in future". Dries, J. (1996) p. 17.

53 "When a television company demands time from the spectators and obtains a positive answer, it can achieve one or various of the following counter services: a) the spectator's time; b) to be able to offer part of this time to the advertisers and perceive a sum based on advertising rates; c) in some cases, paying the subscription to watch a television channel; d) at other times it receives the price for making it possible to receive via satellite, a specific programme (pay-per-view); e) besides, there are other counter-services through TV shop, TV marketing, etc.". Nieto, A. (2000) p. 83.

2.1.1. The funding of public service broadcasting

The dominant role of the state in the launching of television in Europe determined the first system of payment for programme reception: public financing. The monopolistic situation in which the first channels operated derived from the concept of television as a public service[54]. As with other services such as health or defence, it seemed logical that television should be financed with public funds and therefore that the perception of being free of charge should have governed the provision of the service from the beginning. Likewise, the principle or logic which controlled the selection and structuring of programming answered to the public service demands of informing, educating and entertaining.

It is useful to differentiate between the two methods by which public television is paid for by the citizens. First, financing can come from the general taxes, from which television receives a certain amount like any other public service. In the second case, a specific tax can be provided for, by which the citizen is required to pay a fixed annual amount to receive the television signal; this is known as a license fee.

Financing by a license fee reinforces the citizen's perception of paying for a certain service that he will not receive if the payment is not made. On the other hand, in the case of financing from the state budget, the reception of the signal is not conditioned on a specific payment for the service. Due to the growing commercialization of television, these methods are not always the only sources of financing. A distinction can be made between two types of public television depending on the variety of their sources of financing: non-commercial public television (fee or general taxes) and commercial public television, which also receives advertising income. The main difference between the two is not determined by the act of receiving advertising income and not but by

54 "It was the Scotman JOHN REITH who, as Director General of the BBC, first gave 'public service' in broadcasting an institutional form. Reith conceived of public service broadcasting as having four facets. Firstly, it should be protected from purely commercial pressures; secondly, the whole nation should be served by the broadcasting service; thirdly, there should be unified control, that is, public service broadcasting should be organised as a monopoly; and finally, there should be high programme standards". Mc DONNELL, J. (1991) p. 1.

the fact of operating as a monopoly. As Sepstrup shows, the crucial point is that in a monopolistic environment neither public television system competes with any other provider to obtain financing[55]. The difference lies in the fact that in a competitive environment commercial public television competes with other commercial channels for advertising income, in which case public television introduces economic considerations into its programming policy. In other words, when the *logic* of the programme schedule is modified and commercial considerations are introduced, the *form* and *content* also change, adapting themselves to the new ruling *logic* and beginning a process of convergence of *content* of public and commercial channels.

Public television financing has common characteristics and peculiarities that derive from both methods, fees and general taxes. They can apply, furthermore, to both commercial and non-commercial public television. Of these characteristics, it is useful to point out first the obligatory nature of the compensation. In a monopolistic situation, financing of television by means of general taxes amounts to financing of television as a whole and its involuntary character is self-evident. In the case of fees, the payment amounts to a subscription to the only television service available under the monopoly.

At the beginning of television in the United Kingdom, the license fee had the character of a subscription to the only television channel, which at the time was the BBC. With the arrival of commercial television in 1954, however, the license fee lost its subscription character and became a tax linked to the possession and use of a television receiver[56]. As Koboldt, Hogg and Robinson point out, subscriptions are voluntary but the owner of a television must pay the fee that goes to financing the BBC whether he watches this channel or not. Although it clearly differs from the concept of a subscription, it is still a payment destined to finance a certain range of audiovisual services[57]. The obligatory nature of the fee puts a different light on it. The act

55 Sepstrup p., in Humphreys, P.J. (1996) p. 125.

56 As Mac Cabe points out: "nobody is really sure what sort of a charge the licence fee represents. Even the Treasury is divided into those who say it is a poll tax and those who say it is some sort of subscription". Mac Cabe, C. & Stewart, O. (1986) p. 25.

57 See Koboldt C., Hogg, S., Robinson B., in Graham, A. et al. (1999) p. 53.

of paying for receiving the television service is voluntary but financing the public service is not voluntary. The impossibility of receiving other channels without paying the fee that finances public service television still further erodes the voluntary nature of the payment.

The obligatory nature of the compensation hinders the existence of an economic method for demonstrating viewer preferences. In a market economy, the needs and wishes of consumers are demonstrated by purchases of particular goods and services, as for instance in the press market readers show their attachment to a journalistic ideology or style by the purchase of a certain newspaper. In the case of public television, consumers do not enjoy the option of selecting the kind of programming that is offered, although they may pay for it. Public television decides what programmes might be of interest to the viewers and this is a consequence of the concept of public service.

It is up to the people in charge of public television to decide the needs of the citizenry and how to satisfy them. This attitude, which derives from the concept of public service and from the influence of television programming, is characterized by some as paternalistic[58]. Nevertheless, it is reasonable to require of those in charge of public television sufficient knowledge to discern the needs of the citizenry, as is the case with the rest of the public services, and to not be influenced by radical ideological, political or cultural agendas that hinder open relations. As communication professionals, whether public service or commercial, they are furthermore depositories of a specific body of knowledge that society asks them to administer[59]. The daily information provided by

58 "Reith had the idea (…) of 'serving a public by forcing it to confront the frontiers of its own taste' (…) 'the publics' are treated with respect not as nameless aggregates with statistically measurable preferences, 'targets' for the programme sponsor, but as living audiences capable of growth and development". Kumar, K. in Mac Cabe, C. & Stewart, O. (1986) p. 59.

59 García-Noblejas has made an interesting study of the specific knowledge of communication professionals "We communication professionals have a specific knowledge that society asks us to administer. We know (or should know) about the nature and condition of free human actions, about the habits and feelings that accompany them, independent from the outer ambits of specialization(…) the same that jurists know (or should know) about Justice, independently of the outer legal, labour or mercantile specialties". García-Noblejas, J.J. (1997) p. 43.

the viewer indexes comprises a valuable instrument to learn the preferences of the viewers, but it does not make up for the absence of a direct economic means of testing them.

The impossibility of selecting the products that are paid for enables public television to be a means of access to a variety of services. Frith shows an interesting parallel between the BBC and public libraries, emphasizing an idea: what matters is not so much the act of watching certain programmes, but rather enjoying a wide available range[60]. Payment for some products not likely to be selected would be partially justified by an offering that tried to satisfy the most varied demands.

In order to place a wide range of services at the disposition of the citizenry, public television has available each year a fixed income previously agreed upon: in the case of fees, the annual charge paid by the users of television receivers; in the case of general taxes, the amount designated for its financing. The availability of financing not subject to commercial pressure or audience preference gives public television great freedom of movement in managing its resources. In the same way, it frees it from the uncertainty to which commercial and pay television are subject[61].

Nevertheless, the fact of being on the sidelines of commercial activity and enjoying a fixed income limits the growth possibilities of the public television industry. Although other methods exist, the quickest and most effective one to increase income (which would be from an increase in the fee or in the amount received from taxes) does not seem either the most

60 "What matters is having programmes available to watch if required (the possibility of choice is more significant than the viewing choice itself). In this respect the best analogy for the BBC is the public service library. We may not use it much but we aggrieved if we cannot when we want to, and we expect it to have a range of programmes and programmes types". FRITH, S. (2000) p. 47.

61 "Public television, because it does not have to sell its product, is ostensibly insulated from the market and accompanying constraints. It is, most fundamentally, the continuing existence of state funding that provides public television with this market insulation". HOYNES, W. (1994) p. 89.

popular or the most feasible[62]. Therefore, in an age of rigorous competition in the television industry public television organizations have entered the arena of commercial operations and into alliances to increase their income and their market presence. This strategy has set off an interminable debate that accuses public television of funnelling taxpayers' money into ventures that many of them will never benefit from[63].

2.1.2. The funding of commercial television

The commercial channels which were born of the deregulating process that took place in Europe in the eighties and nineties brought with them a new method of financing[64]. Advertising income seemed sufficient to support the activity of the few channels that began to make their way in the various countries.

The first peculiarity that derived from this method of financing is the presence of a third agent: the advertiser, who made the financial outlay. Television is financed by income received directly from advertisers, but not in the form of payment for the televised programme. Advertisers do not purchase programmes but rather transmission time in which to insert their commercials. Not just any time but rather that of the programmes that bring together an audience suited to their purposes. In this context Owen and Wildman point out that commercial television does not produce programmes but rather audiences that will be sold to advertisers. This activity has become one of the economic foundations of commercial television[65].

It is therefore difficult to speak of economic compensation by consumers of televised services. In fact, the programmes are presented to

62 Other incomes come from merchandising, selling programmes, organization of events, etc.

63 The BBC started its commercial activities in May 1994, through BBC Worldwide funded by the *licence fee*. For more information about these activities see MISTRY, T. (1994) p. 32-34 and SNODDY, R. (1997) p. 11-12.

64 BLUMLER, J. (1992) p. 23-28 and HUMPHREYS, P.J. (1996) p. 161-174.

65 OWEN, B. & WILDMAN, S. (1992) p. 3.

them as gifts. One might speak of a certain amount of indirect economic compensation which would be that which comes from buying the products advertised on television. In paying for them, the viewers in a way finance television activity by contributing to an increase in income of those firms that invest in advertising their products on television. The indirect character prevents the establishment of a relationship that would provide the viewers rights for receiving the television product in exchange for pay. Furthermore, this indirect compensation-if it is recognized as such-is not in any case an economic method that would permit the preferences of the audience to be shown.

The economic compensation made by the advertiser to the television broadcasting company sets the audience up as an object of commerce. It is therefore beneficial to identify the type of information that allows the advertisers to make decisions about transmission time purchases. The daily audience ratings provide the information that unleashes high-stakes economic processes guided by the data and condition of the audience.

It is possible, however, to question the validity of the information that the audience ratings provide[66]. As Ang shows, the industry has agreed to accept the audience ratings as a trustworthy measure, without paying attention to the significance of the act of watching television[67]. As it is a practice within the private sphere, it is hard to control this activity from the outside, or the attention that is paid to or the influence that is wielded by advertising in purchase decisions. Television stations do not seem interested in providing data relating to how much attention is paid to commercials. In the first place, because it is not easy to gauge, and in the second place because it would be up to the advertisers to insure the effectiveness of their messages[68]. Besides, firms that do such meas-

66 Both television stations and advertisers trust the selected samples, knowing that in reality they represent a small number of viewers. The absence of a better system of measurement leads to trust in the only available information. BLUMENTHAL, H.J. & GOODENOUGH, O.R. (1998) p. 414. For a detailed analysis of the audience measuring methods, with their strengths and weaknesses, see WEBSTER, J.G. & LICHTY, L.W. (1991) p. 84-118.

67 ANG, I. (1996) p. 57.

68 WALKER, J. & FERGUSON, D. (1998) p. 124.

uring can be affected by other interests that might make doubtful the veracity of the information that they provide.

Commercial television is thus ruled by uncertainty, both of the station and of the advertisers. The first because in their programming activity they can never be certain of the audience for their programmes, and the advertisers because they invest their money before knowing the audience results of the programmes in which they insert their commercials. Furthermore, as it is an activity within the information and entertainment spheres there are many uncontrollable influences that can change someone's plans.

The total dependence upon advertisers for financing causes great financial instability to commercial stations, since audience ratings control the amount of income. The stations' activity will revolve around offering those programmes likely to be watched by the most people in the different time frames, since their economic viability depends upon this. Here the *content* and the *form* of the schedule are linked. As Bustamante notes, "Advertising-supported television does not pursue equally all viewers but rather in its quest for the greatest profit it has to maximize the results per viewer or, which is the same thing, reward the most marketable segments of its audience[69]. It is thus a matter of gaining the greatest number of viewers within the expense/nature of audience grouping that the advertiser is interested in. It is good to keep in mind that advertiser financing is a limited resource, which increases the pressures. In a competitive environment, the audience war means a war for income.

2.1.3. Duplication of contents

There is no shortage of studies that show the relationship between the television financing system and the type of programmes that the public, commercial or pay stations can broadcast[70]. Flores notes two con-

69 BUSTAMANTE, E. (1999) p. 73.

70 GRAHAM, A. (1999) See also SEPSTRUP, P. (1989); STEINER, P. O. (1952); BEEBE, J. (1977); SPENCE, A. M. & OWEN, B (1977); OWEN, B. M. & WILDMAN, S.S. in NOAM, E. (1985); and BROWN, K. S. (2000)

cepts to explain this reality: *extensiveness* and *intensiveness*. A programme can be considered *extensive* if it has a wide potential audience base but shows a quite low intensity of viewer preference for it; a programme is classed as *intensive* if the potential audience base is less but with a higher level of preference[71].

According to the logic of commercial television an *extensive* programme has a greater possibility of being broadcast because it performs the function of maximizing the audience. An *intensive* programme requires a level of attachment or acceptance capable of motivating a direct expenditure. Attracting segments of intense preferences does not answer to the habitual logic of advertising-financed television. As a general rule it can be said that the economic basis of commercial television, based on sales of the viewers' time to the advertisers, makes the audience ratings the main point of reference. No matter how commercial television needs to sell "audiences" to advertisers, it will broadcast programmes that attract the greatest number of persons, regardless of the intensity of preference[72].

Along the same line, and using the concepts of *extensiveness* and *intensiveness*, although not explicitly, Koboldt, Hoggs and Robinson distinguish between four types of television programmes:

Programme A: *small niche*, highly valued by a small percentage of the public; for example, a particular social, cultural or sporting event.

Programme B: *mass appeal, low value,* which attracts a high percentage of the audience without it valuing it excessively, but which

71 Flores, D. (2000) p. 4. This classification consists of a theoretical approximation that facilitates understanding the relationship between *logic* and *content*. It is thus not a quantitative method for applying in an empirical manner to the business practice of the television industry. Furthermore it falls into the quantitative dimension of audience time in referring to extensive programming. Nevertheless, the intensity of preference reveals the quality of time spent by the audience enjoying these programmes, with the resultant advertising value. Also, this classification does not encompass the possibility that a programme can at the same time be "intensive" and "extensive".

72 As Cave points out "advertiser support concentrates the channel manager's attention on one point only-how large its maximum audience is". Cave, M. in Hughes, G. & Vines, D. (1989) p. 21.

enjoys a wide general acceptance; for example, a situation comedy or game show.

Programme C: *large special interest,* with the power to attract a considerable number that hold it in high esteem, although a smaller percentage will never watch it; for example series considered of high quality or a sporting event.

Programme D: *wide appeal, high value,* with a large number of viewers, for some of whom the level of preference is very intense; for example, news programmes.

In the opinion of the quoted authors, with respect to the respective methods of financing, public television (understood as non-commercial public television) will produce all four types of programmes; commercial television will manage to produce programmes that attract the greatest number of viewers, regardless of the value that they place on it, therefore only type B. Finally, pay television will attempt to produce the programmes that produce the most income and profits, which is to say type A and occasionally B and C[73].

As a consequence of the attention paid to the ratings, there are some implications concerning programming. If commercial broadcasters are in the business of producing audiences to be sold to advertisers, they will try to get the largest audience through their programmes. Therefore, if channel owners are competitive and advertiser supported, then programming decisions show a strong tendency toward duplication as they are demanded to rely on the same kind of programming[74]. Television channels will offer duplicates of programming types that have large audiences if

73 KOBOLDT, C.; HOGG, S. & ROBINSON, B. in GRAHAM, A. et al (1999) p. 65-70.

74 HUMPREYS suggests a series of circumstances which have led commercial television to rely on the same kind of programming: “The plethora of new channels were all competing for a limited and ultimately limited source of revenue; advertising was still the main source (…) in addition, audience fragmentation (another logical consequence of channel multiplication) made the competition to attract advertisers even more remorseless. Faced with those economic realities, the new commercial broadcasters had every reason to rely upon the kind of programming that was most likely to maximise audiences and that was at the same time relatively inexpensive. Such programming typically comprised light entertainment programmes, game shows, cheap drama series and popular ‘soaps’”. HUMPREYS, P.J. (1996) p. 230.

fractions of these audiences are larger than the audience of a single programme for a minority taste audience[75]. This is why Steiner suggests that duplication would not happen if all channels were controlled by a monopolist. Thus, "the monopolist will minimize costs by producing only one version of each programming type that is produced"[76].

Although public and commercial television may not in every case compete for the same source of income, in practice in Europe both try to reach the maximum audience. The public stations are ever more obliged to justify their activity and in this way the offering *logics* are identified. Even if only one commercial channel existed, duplication of content with that offered by public service television would result[77]. One might speak in

75 As Litman assesses "(…) hence they appeal toward the centre of the mass taste rather than to the special interest viewer. This naturally creates the tendency to imitate the most popular programmes in an attempt to siphon off some of the viewers from the original prototype. Consequently, in terms of ratings, there has been a trend toward lower (not higher) 'quality' in the last few years". Litman, B. R. (1979) p. 110. In the same way, Cave gives the next example: "Suppose, for example, that of a total audience of 10,000, 8,000 prefer programme type A and 2,000 programme type B. Suppose also that there are two channels, both advertiser supported; all programmes cost the same to make; and advertisers place the same value on all members of their audience. In a competitive system each channel will broadcast type A programmes, and only 8,000 potential customers will be satisfied". Cave, M. in Hughes, G. & Vines, D. (1989) p. 21.

76 Wildman, S.S. & Owen, B.M. in Noam, E. (1985) p. 251 and Brown, K.S. (2000) p. 7.

77 In 1965, Oliver Withley, from the *BBC*, recognised such as convergence in his speech: "*Broadcasting and the National Culture*": "The influence of the commercial television on the *BBC* and vice versa forced them to become more like each other than either, left to itself, would have wished. ITV knew that in order to wind and hold enough esteem in the corridors of power to survive, it must make a good showing in some serious programmes, carrying prestige of the kind the *BBC* had pioneered and set standards for. The *BBC* knew if it were to content itself with the role of purveyor of news and culture, which some of the companies openly hoped it would, it would cease to count as the national instrument of broadcasting in Britain or the world. So both had excellent reasons for competing with each other in most of the main kind of programming". Mc Donnell, J. (1991) p. 46-47. A few years later, *The Economist* gave an example which shows the same idea: "Those who only ever watch ITV's 'Coronation Street' (financed entirely by advertising) rather than the *BBC*'s 'East Enders' will have more reason to ask why they are subsiding other people's entertainment". *The Economist* (15.3.1997) p. 61.

this case of convergence or duplication in the type of public service and commercial television programmes, or in a broader sense of the duplication of the *contents* of the general-interest channels[78].

By general-interest channels is understood those whose contents are not thematic or specialized but rather that are put together according to various genres. This concept allows grouping together both public and private stations; in the case of the Spanish market Antena 3, Tele 5 and TVE. The convergence of public television and commercial channels is evident in the Spanish market, with one public entity, Radio Televisión Española, competing with the private stations for advertising income. In this sense, they can be called general-interest channels.

The duplication of content in the general-interest channels is a decisive factor in the offerings of pay television. As Bustamante points out, "It can be said that pay television also comes into being due to the shortcomings and structural problems that we have analysed in advertiser-financed television, resolving in part its contradictions"[79]. Canal Plus España was born with the rest of the private channels, and thus not as a response to a duplication of content that had not yet happened. Nevertheless, it should be pointed out that the offerings of Canal Plus are based on exclusivity with respect to the other channels and by virtue of these offerings is perceived as different.

The evolution in content of the general-interest channels in Spain is relevant in forming the environment in which Canal Plus operates. It is not so much beneficial to study the evolution of the offerings of each channel separately as what these offerings as a whole represent with respect to the contents of the pay channel. Tele 5, Antena 3 and the

78 DE BENS, KELLY & BAKKE, in the chapter *Television content: Dallasification of culture?* analyse the programming structure of public and commercial channels in Europe during the early nineties. Fiction is the prevailing genre in all channels, whether public or commercial. Another significant detail confirms the duplication of contents. The rate of programmes considered as popular in public television services raged between 45% and 55%, whereas it was between 60% and 70% in commercial channels. In both cases this kind of contents increased its rate during *prime time*. DE BENS, E.; KELLY, M. & BAKKE, M. in SIUNE, K. & TRUETZSCHLER, W. (1992) p. 75-100.

79 BUSTAMANTE, E. (1999) p. 155.

public channel, TVE furthermore cannot be considered competitors in the strict meaning of the word, since they seek the audience's time and the pay channel the payment of a subscription.

The duplication of content in the programming environment in which Canal Plus operates can be seen in the following table which shows the development of programmes by genre of the general-interest channels: TVE1, Tele 5 and Antena 3. The data shows the percentages of programming according to genres in three alternate years, 1994, 1997 and 2000. The distribution of genres performed by SOFRES according the calendar year, which is the time period in which SOFRES works, has been taken as a reference. Sofres is the Spanish company which carries out television audience measurement.

Table 1:

Programming share by genres (%): A3, T5 and TVE1 (1994, 1997 and 2000)

GENRE	1994			1997			2000		
	A3	T5	TVE1	A3	T5	TVE1	A3	T5	TVE1
Religious	0	0	1.1	0.1	0	0	—	—	—
Cultural	2.5	9.1	6.5	0.1	2.3	7.9	0.6	2	9.9
News	8	7.7	12.3	13.6	17.7	25	12.3	21.9	21.8
Various	8	3.9	11.2	22.9	15.5	10.7	30.7	20.6	13
Infoshow	—	—	—	2	5.1	5.2	7.3	0.1	2.7
Quiz show	3.2	9	5	1.9	2.1	5.7	8.6	6.3	6.9
Sports	2.2	3.6	4.6	1.9	0.8	2.5	0.1	0.7	6.5
Bullfigting	1.7	1.2	1.7	0.1	0.2	1	—	—	0.6
Musical	0.4	0.3	1.6	0.8	0.1	0.6	0.1	0.7	1.7
Fiction	55.1	48.3	43.3	49.6	56	41.4	30.1	39.8	36.9
Tele sales	—	—	—	7	0.2	0	10.5	7.7	—
Others	18.8	16.9	12.6	0	0	0	0	0	0

Source: Own elaboration with data from SOFRES (1995, 1998 and 2001).

The parallel development of genres by the three channels in this study period is interesting, directing the attention to the majority and minority genres, without entering into details for each specific channel. The growth of news programming shows some very similar patterns in Tele 5 and TVE 1, and in a quite smaller degree in Antena 3.

Although fiction is the majority genre every year, 2000 shows a considerable drop, which seems to have as a repercussion the increase of programming classed as miscellaneous in the cases of Tele 5 and Antena 3. In TVE1 this drop is considerably less and it is not clear what other genre has absorbed said reduction. The non-differentiation in the fiction classification between films and series hinders the collection of more interesting details.

Duplication is also reflected in the scant attention paid to minority contents, for which the percentages show an astonishing similarity: musical, religious, and bullfight broadcasts, and even sports programming, which except in the case of public television, have suffered a considerable reduction. Cultural programming also shows a slight difference with respect to TVE1, with the percentage decreasing in parallel in the commercial channels.

Thus the evaluation of percentages of programming genres makes plain the primacy of three categories of content in the three general-interest channels: fiction, information and miscellanea. In this sense, without going into the evaluation of the content of each category, it is possible to speak of duplication because of the parallels in percentages, as well as in the majority and minority contents

2.2. The pay-television channel: economic features

Direct payment for television products introduces a price discrimination into an industry previously considered to be of free and universal access. For the first time, the consumption of the television product does not depend exclusively on whether the product satisfies the wants and needs of the audience. Other factors such as income or sociocultural level influence the decision to subscribe[80].

80 Álvarez Monzoncillo, J.M. (1997) p. 13.

As an immediate consequence, the income that is received does not depend on audience rating but rather the number of subscribers. Although this figure is subject to daily fluctuations the channel has available a contract-based income that allows it some room to manoeuvre. The advertising-supported channel, on the other hand, bases its contract with the advertisers on the viewer rating, with the drawbacks that have been described. From the point of view of income stability, the pay channel is situated in an intermediate point between the public and advertising-financed channels. The peculiar features caused by this contractual relationship are described below.

2.2.1. Are television products still public goods?

Until the arrival of pay television, the audience had never had to consider the price when selecting a particular channel or programme. The "consumer surplus", which is "the difference between the total value that consumers place on all units consumed as a commodity and the actual payment they make to purchase the same amount of the commodity"[81], was very high.

Encrypting the television signal makes it possible to assign a price to the television product and thus establish discrimination in access to the service[82]. For satellite service installation of an antenna also becomes necessary and for cable, the prior creation of an adequate infrastructure. Thus the pay television product takes on the characteristics of private goods that are obtained by means of a financial expenditure. Other media products such as newspapers and magazines function in the same way at the point of distribution.

Television products are considered public goods because, among other reasons, one person's consumption does not reduce the amount available to other potential consumers. In this sense the fact that a di-

81 For an explanation on *consumer surplus* see DUNNET, P. (1990) p. 19; NOAM, E. (1991) p. 30-31 and MANKIW, N.G. (1998) p. 140. For a law vision, see COLLINS, H. (1993) p. 373.

82 GODARD, F. (1997) p. 2.

rect payment exists does not in itself change the nature of the product. Although the audience may make expenditure to enjoy a particular programme, this programme can be seen by all those that want to pay for it without this causing extra production expenses. The same is not true of other informational products such as newspapers and magazines, whose marginal cost is greater than zero. Dependence naturally continues to exist between the production and programming of television products and the number of persons that consume them. Products not considered likely to reach a number of subscribers that will make them cost-effective will not be offered, because income depends on the acceptance of these products.

But outside the subscriber service area, the introduction of direct-payment does change the marginal cost. If the expenses of marketing are dispensed with, in public and commercial television reaching a new viewer does not mean an expense to the channel. As Pratten said in 1970, "The marginal cost of providing the same programme to other areas is zero"[83]. The same does not happen with pay television. Each new subscriber creates a new expense in the form of decoders, antennas or cable infrastructures. Although the subscription charge attempts to recover the costs over the long term, the large initial investment is at the expense of the station[84]. The increased costs do not affect the production process but rather the transmission process. Within the home subscriber service area, the fact that one receives a programme does not reduce the amount available to others[85]. The public goods character disappears when one tries to make the products available to an audience, that is, at the point of distributing them. It is therefore a matter of privately providing goods that retain the characteristics of public goods.

Nevertheless, the private providing of the goods causes in some cases the television product to become excludable goods. One can speak of a natural monopoly, which occurs when in an industry a single firm

83 PRATTEN, C.F. (1970) p. 16.

84 To this should be added all the expenses caused by the establishment of administrative systems for attending to the client and collecting subscriptions. HENRY, J.B. in NOAM, E. (1985) p. 20-24.

85 OWEN, B. & WILDMAN, S. (1992) p. 24.

can offer certain goods or services to an entire market at less cost than two or more companies, in the providing of cable television in some places and in the beginning of pay television in Europe[86]. In these cases there is no rivalry for the consumption of the goods, but certain exclusion may exist deriving from the cable infrastructure, which may not reach certain areas, and from the inability to pay the set price, which prevents the reception of these services in any manner because of the absence of a competitor to provide it.

With a subscription to a pay channel the television products are not bought directly, but rather the ability to enjoy them. Even in the payment for individual programmes (pay per view) in which the exchange of money for programme is more obvious, a material interchange of the type that occurs with other informational products is not possible. Technology has permitted the purchase or rental of a piece of hardware, the decoder, which is independent of the audiovisual content and assures the subscriber the availability of the contents.

2.2.2. Subscription, adhesion and freedom

Subscription contracts for television channels adopt standardized forms that bring together the general conditions of subscription set by the television company, to which the subscriber gives his assent. This type of contract seeks to resort to two legal concepts: general conditions and adhesion ("standard-form") contracts[87].

86 For an explanation on natural monopoly see Mankiw, N.G. (1998) p. 288 and forward.

87 The features of the adhesion contracts which differentiate them from other types of contracts should be pointed out: "1. The so-called principle of unity and invariability of contractual content, that is to say prior dictation of the contract by only one of the two parties 2. The principle of complexity and technicality by which the contract collects or is composed of a series of clauses of a certain technical complexity that sometimes keeps the consumer from understanding them, and even if they are understood from being comprehended in all their true meaning and scope. 3. The generalized and permanent nature of the contract since the person to whom it is directed is not a certain individual, as is the case in classic individual contracting but rather the consumer in general (think of the offers made

The expression "general condition of contracts" refers to the effect of the predisposing of the content of the contract by the businessman, that is to say the clauses which will control the contractual relationship[88]. In a subscription to a pay channel, the television provider sets certain conditions which the potential customer signs on to. The term subscribe itself, which has served to typify the contract, presupposes this state of affairs. That is why people speak of an adhesion contract, because it is concluded by the simple acceptance or signing by the client of the document in which are gathered those general conditions[89].

From the point of view of the television provider, the adoption of general conditions as the basis for the contract is due to several factors. In the first place, as with any other business, it is due to the business exercising its prerogatives. This leads the businessman to formulate the terms under which he is willing to contract and that must be assumed by the potential client if he wants the goods or services. In the second place, it is due to the economic advantages that accrue to the business through greater efficiency in its business activities that results from standardizing and accelerating contracting[90]. Finally, the novelty of this type of dealing with the audience causes the contract signing to be seen more as the acceptance of an offer than as the beginning of a business-client relationship.

to an indeterminate public by large department stores). 4. The principle of superiority or economic preponderance of the business which monopolizes the goods or services 5. Lastly, another point made by some authors can be considered a specific feature, the situation of a state of necessity in which the subdued party (user or consumer) finds himself confronted by the monopolistic situation which the businesses in fact enjoy in the elaboration and providing of the goods or services that they present in an abstract or generic manner to the public". VIGURI, A. (1995) p. 10.

88 "The general conditions of the contracts are characterized by three elements. First, they are contractual clauses, that is to say clauses that are intended to form the content of the contract. Second, they are pre-composed, that is to say they were dictated prior to the moment of use. Third, they are imposed clauses, that is to say they are presented to the client on a 'take it or leave it' basis. The notion of general conditions is unilateral". ALFARO, J. (1991) p. 472.

89 BALLESTEROS, J.M. (1999) p. 61.

90 ALFARO, J. (1991) p. 467.

For the consumer, the adhesion contract is a logical response to what he seeks from the subscription: the enjoyment of a television product, generally of an exclusive character with respect to existing television programming. As Ballesteros points out, "The adhesion contract is nothing but a particular way of showing the acceptance of the contractual offer: by signing the contract the conditions that the provider has formulated are fully accepted"[91]. The client does not perceive the signing of the standard form or contract as the beginning of a contractual relationship in which he has the right to negotiate, but rather as the joining-up that is necessary to enjoy the product.

On a conceptual level adhesion contracts with general conditions bring up the problem of the existence of contractual freedom, and therefore the question of their nature as true contracts[92]. By contractual freedom is understood both the freedom to contract or to decline and also participate in the internal configuration of the contract[93]. The simple signing of the clauses, as happens in the case of a subscription to a pay television channel, prevents any possibility of participation in the drawing up of the contract. In this sense, an element of contractual freedom is denied.

From the business' perspective, the absence of contractual freedom gives great power to the businessman, who dictates the conditions from a position of dominance and knowledge of what there is to offer. The client, in contrast, often does not even have the means to evaluate the offering, especially in monopoly situations as has happened in the beginning with almost all pay television in Europe. Thus a situation of clear inequality occurs between the two parties to the relationship which also usually characterizes business-client relationships in the market in general.

91 BALLESTEROS, J.A. (1999) p. 113.

92 "In many consumers and business transactions, the contract will be concluded on the basis of a printed document which purports to contain all the terms of the contract (…). Some doubt has been expressed about the validity of such standard forms to count as contracts. The process often resembles an imposition of will rather than mutual consent to an agreement, so these transactions have been described as contracts of adhesion". COLLINS, H. (1993) p. 116.

93 BALLESTEROS, J.A. (1999) p. 42.

Nevertheless, the inferior situation in the contractual relationship is not relevant to the client at first, precisely because he does not look at the relationship in this way. The adhesion contract, which is the only thing that is required, and the impossibility of drawing up the contract make the consumer look at the subscription as an act of consumption and the culmination of a business deal. By the signing and the direct payment, he can use some television products that it is not possible to acquire in any other way. Neither the situation of the television market when pay television emerged, nor the manner in which the consent was given (adhesion contract) allowed the viewer to in any way establish a new relationship in the television ambit.

Therefore, one may speak of a contractual relationship in the sense that there exists a link, described as a subscription contract and expressed in the form of an adhesion contract. The perception of a business-client relationship subject to rights and obligations, however, comes later to the client, who simply wants to enjoy some products. The cancelling of the contract is the greatest expression of contractual freedom in this case[94].

In this manner, although the cancelling of the contract or "churning" allows some method of expressing dissatisfaction by the subscribers for the product as a whole, it is not sufficient for measuring the intensity of the demand for specific programmes[95] Hollins argues that only

94 LAGUNA DE PAZ allows the possibility that the content of the contract can be negotiated but in fact in practice this does not happen: "Generally a contractual relationship, which is the legal title which gives a right to the use of the service, is established between the user and the provider of the service. This is what happens with Canal Plus and in general with all forms of pay television. The content of these contracts may be totally predetermined but also the user may retain a certain capacity to negotiate the quality and content of the service. In any case, substantial alteration of the content of the service would seem to legally open up to the user the possibility of cancelling the contract". LAGUNA DE PAZ, J.C. (1994) p. 282.

95 There is an interesting argument taken from *News Statesman*: "A significant number of people have demonstrated that they are prepared to pay considerable sums to watch television, but they have not been able to pay to watch the television they value most. With the exception of top-quality football, the most popular and most appreciated programmes have so far remained on free terrestrial television". *News Statesman* (30.8.96). p. 11.

a pay-per-view system can reflect the intensity of consumer demand for individual programmes. According to this view, a pay television channel would fail the test of economic efficiency[96]. Nevertheless, the setting of a definite charge can exclude potential subscribers, whose payments taken all together could exceed the income obtained if the fixed price were lower[97].

As Koboldt, Hogg and Robinson suggest: "The extent to which a funding mechanism such as PPV allows viewers to indicate their valuation is closely related to the extent to which that funding mechanism leads to exclusion (because the profit-maximizing price is too high for many would-be viewers)"[98]. Strategies for setting prices try to maximize profits, but continue to be subject to uncertainty deriving in large part from the immaterial and cultural character of audiovisual products.

The concept of the audience as client, together with the possibilities provided by technology, favours the idea of freedom in the use and enjoyment of television products. The freedom of choice and subscription permits the client to be described as the freest television audience that has ever existed[99]. When the relationship of clients with the pay television industry is analysed, with the nature of the contracts already studied here being taken into account, it will be possible to evaluate the extent of this freedom.

96 HOLLINS, T. (1984) p. 24

97 Unit costs of consumption are so low that it is difficult to create effective price discrimination between individual programmes. COLLINS, R.; GARHAN, N. & LOCKSLEY, G. (1988) p. 15.

98 KOBOLDT, C., HOGG, S. & ROBINSON, B. in GRAHAM, A. et al (1999) p. 59.

99 "The idea is that the audience of the mass media has been eager to be active for centuries, if not millennia. It has been impatiently waiting to be freed. Now it can finally decide about angle cameras in football games, about happy end in movies; it may click on hyperlinks in a new cast in order to access a wealth of archival materials". SCHÖNBACH, K. (2000) p. 12.

3. The programming of a pay-television channel

3.1. Making Exclusive Programming from Popular Programmes

3.1.1. Programmes and Subscriptions: Consumer Surplus and Monopoly

In order to achieve a subscriber base a pay channel must offer very intensive programming. Perhaps that is why pay television has subscribed to the idea of minority interest television. According to this argument, if popular programmes are available in public and commercial channels the pay channels have no other choice but to cater to minority interests. However, it should not be forgotten that television products are possessed of a high degree of uncertainty; trying to motivate people to pay for unknown products in an environment in which they can be had for free is not just risky, it is naïve. Pay channels thus based their initial development on programming genres that the audience was already familiar with and had accepted, which were quite different from minority interest genres[100].

A study of the origins of pay television shows that in every country recent films and sporting events made up the first programming to be offered. The monopolistic situation into which nearly all the European pay channels were born and the absence of a true price in the television industry permitted the pay channels to achieve exclusivity in those types of programming, which were considered of majority interest.

A distinction should be made between the concepts of monopoly and exclusivity. A monopoly is the market position of a pay television channel

100 "It is not surprising that subscription channels have thrived on programme genres where viewers have a good idea in advance of what they are buying (films, sport, cartoons, repeats) or that consumers have so far shown themselves largely reluctant to pay for broad range entertainment delivered over the Internet". Department of Trade and Industry (2000) p. 49.

when there is no alternative, either because of its administrative concession or because no competitor yet exists, although the law would allow one. Exclusivity refers to the programming offered, which due to the purchase of rights or by the opening of a new "window" is transmitted only on the pay channel. Obviously a monopolistic market structure favours the acquisition of programmes on an exclusive basis.

Table 2 shows the first and final years of pay television monopolies on the national level in the main European countries. In all of them, except in the peculiar case of the United Kingdom, the final year coincided with the beginning of digital television service. Although cable was being introduced in almost all of the countries, it did not act as an effective competitor in the pay television market.

Table 2:

Pay Television in Europe

COUNTRY	CHANNEL	ORIGIN	DISTRIBUTION	MONOPOLY END
France	Canal Plus	1984	Terrestrial	1996 (TPS)
Germany	Teleclub	1986	Cable	1996 (DFI)
United Kingdom	Sky	1989	Satellite	1990 (BSB)
Italy	Telepiú	1991	Terrestrial	1996 (Stream)
Spain	Canal Plus	1990	Terrestrial	1997 (Vía Digital)

Source: Own elaboration.

The cost-free character attributed to television products and the absence of a true value have as a corollary a very high consumer surplus. The pay channel must figure out for which types of programmes the consumer surplus is highest. Normally it is for genres that the audience is already familiar with and which therefore have a definite popular and entertainment character. As Brown points out, "over the past ten years pay TV has begun to exploit that consumer surplus"[101].

However, if these programmes continued to be offered for free in the public and commercial channels where the audience got to know them

101 BROWN, D. (1998) p. 5.

it would be harder to motivate a person to decide to pay[102]. The key to exploitation of the consumer surplus lies in making the programmes exclusive, shutting off their broadcast by the other channels. The exclusivity of exploitation acquired through the purchase of rights becomes the key to the creation of a subscriber base. This exclusivity is made possible by a monopolistic situation in the pay television market.

The scant diversity and concentration on two main types of programmes on the pay channels also has an economic justification. Steiner suggests a monopoly as a means to insure diversity of programmes in commercial television, thus resisting the duplication of content. Spence and Owen, however, consider monopolies to be harmful to varied programming in pay television.

The problems of exclusivity and diversity in programming are related to the total production surplus. It is necessary to distinguish between consumer surplus and producer surplus A direct-pay television system will produce programmes potentially able to attract more income, depending on the unrestricted programming. In this sense, programmes with high consumer surplus but with high production costs do not seem advisable for pay channels. Content that is of high value but that has a small potential audience will not have the power to attract enough subscriptions to justify its transmission. In a monopolistic situation, a pay channel does not have any problem offering programming based on two exclusive pillars that are likely to generate a large number of subscriptions and therefore high income[103].

102 "The key unanswered question surrounding the possible demise of broadcast television is whether viewers are willing to pay for programming that was once free. Even if the viewers are willing, will their finite leisure time justify the incremental expense of pay television". WALKER, J. & FERGUSON, D. (1998) p. 192.

103 KOBOLDT C., HOGG, S. & ROBINSON, B. in GRAHAM, A. (1999) pp. 65-68. OWEN & WILDMAN analyse and amplify SPENCE & OWEN's model concerning programming diversity under pay television monopoly: "SPENCE & OWEN do not evaluate the performance of an advertiser-supported monopolist. However, they show that a monopolist of pay services displays some of the same tendencies of a Steiner monopolist. A pay monopolist will be concerned with the internalized costs of cannibalization. For this reason, the pay monopolist will tend to offer too little diversity. Some programmes for which the increase on viewer plus producer surplus would exceed costs will not be provided because the firm is concerned only with the change in producer surplus". OWEN, B.M. & WILDMAN, S.S. in NOAM, E. (1985) p. 253.

The preceding views largely agree with those of Spence, Owen and Waterman as regards pay television and that programming that is considered of minority interest. In the opinion of these writers both commercial and pay television encounter difficulties in transmitting minority interest programmes, for the reasons having to do with the consumer and producer surplus that have already been explained[104]. But Sherman, referring to the introduction of pay services, points out a change of objectives in television, from "broadcasting" to "narrowcasting", that is to say from reaching the largest possible audience to concentrating on certain segments with specific respective interests[105].

The exploitation of the consumer surplus in popular programmes that generate subscriptions goes away from the idea of attending to minority segments. On the one hand, newly-released films and sports events are specific interests in that they make up two quite clear-cut genres, but on the other hand they are programmes that arouse the interest of the great majority and that do not have any problem reaching audiences in the general interest channels. Therefore the monopolistic situation favours exclusivity in the offering of these programmes and allows a further step to be taken by suggesting a limited pay transmission (narrowcasting*)* of programmes attractive to massive audiences (broadcasting). The pay television channel would be at this midway point.

In this sense it is interesting to compare the programmes with the highest ratings on the general-interest channels with those with the largest audiences among subscribers to Canal Plus. The data on the general-interest channels, since it comes from SOFRES, is of the calendar year

104 Flores, D. (2000) p. 6. In the same line, Brown studies Spence & Owen's model: "They find that certain types of programmes, notably 'niche' programmes, are likely to be under produced under both pay TV and free TV, but that the bias is worse under a regime of advertiser-supported shows. The availability of pay TV can improve welfare, but only if there is unlimited open entry". Brown, K. S. (2000) p. 8.

105 "Both pay cable and pay-per-view change the goals of television programming from broadcasting (reaching as great an audience as possible) to narrowcasting (targeting specific programmes and services to specific interests)". Sherman, B. (1995) p. 15.

while that on Canal Plus, done by Demoscopia[106], refers to seasons. For this reason the five most-watched programmes of three calendar years (1996, 1997 and 1998) are included, in order of audience percentage achieved. In Canal Plus both football and new-release movies, since they are programmes with fixed spots on the schedule, show the highest average ranking and not that of particular games or films.

Table 3:

Most watched programmes (audience share) in Spain (1996, 1997 and 1998)

PROGRAMME	GENRE	YEAR	CHANNEL	SHARE
Navidades a veinte duros	Miscellaneous	1996	TVE1	53.8
Football Extra Time: King's Cup: At. Madrid-Barça	Sport	1996	TVE1	51.6
Football: King's Cup: At. Madrid-Barça	Sport	1996	TVE1	50.8
Hostal Royal Manzanares	Fiction	1996	TVE1	48.9
Emisión Imposible	Miscellaneous	1996	TVE1	42.5
España-Nigeria. World Cup 98	Sport	1998	TVE1	39.7
Post. Football. Champions League	Sport	1998	TVE1	37.4
Brasil-Holanda (penaltis)	Sport	1998	TVE1	34.4
Barça-Madrid	Sport	1997	Antena 3	33.2
Barça-Mallorca (penaltis)	Sport	1998	TVE1	32.5
Médico de familia	Fiction	1997	Tele 5	30.7
Médico de familia	Fiction	1997	Tele 5	29.0
Médico de familia	Fiction	1997	Tele 5	28.3
Médico de familia	Fiction	1998	Tele 5	28.1
Médico de familia	Fiction	1997	Tele 5	27.4

Source: Own elaboration with data from SOFRES (1997, 1998 and 1999).

106 Demoscopia is the leading Media Market Research Institute in Spain and provides Canal Plus with continual studies about potential subscribers and subscribers' satisfaction which are used for management decisions. Demoscopia has the main Spanish Media Companies among its clients: TVE, Telefónica, El País, or Tele 5. http://www.demoscopia.com.

Table 4:

Most watched programmes among Canal Plus subscribers (96/97 and 97/98)

PROGRAMME	GENRE	SEASON	SHARE
Football Premier League	Sport	96/97	44.2
Football Premier League	Sport	97/98	40.4
Wimbledon	Sport	96/97	22.8
Documentaries (premiere)	Cultural	97/98	21.8
Cinema premieres	Fiction	97/98	20.6
Cinema premieres	Fiction	96/97	20.4
Summary Oscars Ceremony	Miscellaneous	97/98	20.0
El día después	Sport	96/97	19.5
Documentaries (premiere)	Cultural	96/97	19.0
La Nochevieja del Guiñol	Miscellaneous	97/98	17.0

Source: Canal Plus, "Informe de Audiencia 8º año de emisiones regulares" (1998) p. 22.

Football and fiction (especially series, thanks to the outstanding case of "Médico de familia") each year achieved the highest audience ratings on the general-interest channels. Sports and fiction, in this case newly-released movies, also account for the highest-ranked audiences on the pay channel. Of the programmes that they pay for the subscribers prefer to watch those of the same popular character as those that get the highest rankings on the general-interest channels. Newly-released documentaries, as cultural programmes occupying the five first positions in rankings in both seasons, are the principal exception as far as the content of the other channels is concerned.

Football and fiction are the genres with the most following, a fact that confirms the economic theory of the consumer surplus, but one must go a bit further and study the common elements of these two entertainment genres. They are the only two likely to attract massive audiences and generate a financial expenditure. Without wishing to delve into a theory of genres not germane to the purpose of this research, one can deduce some common element from the perspective of mimetic leisure activities previously noted.

Football and movies share a popular character which is more the result of the kind of emotions that they excite than from the content of these programmes, which is quite different. Elias and Dunning point out that, "what human beings look for in their mimetic recreational activities is not to free ourselves from tensions but on the contrary, to feel a certain kind of tension, a form of excitement often associated with fear, sadness and other emotions that we would try to avoid in our daily lives"[107]. This applies in principle to any television entertainment genre, as for example a game show. Nevertheless, what the types of tension created by films and football have in common is found in the search for reality that accompanies these two entertainment experiences. The reference to reality in football, which is more explicit, is made because of the very nature of the event's transmission. In motion pictures, the reference is made to the search for stories in which one recognizes the dramatic conflicts of his own life.

3.1.2. Films as a cornerstone: vertical integration

The exploitation of the consumer surplus of those programmes that generate subscriptions consists of a well-guided acquisition of exclusive rights. The management of the contents of a pay channel centres around forging agreements and signing purchase contracts for the exploitation of film and sporting rights. The programme schedule is more the result of commercial operations than of production itself, above all in the case of the contents that attract subscriptions: recent films and sporting events[108].

The development of home video and of direct-pay television has favoured the diversification of the film distribution industry. "Windowing" strategies, which allow maximum marketability to be derived from the public goods nature of television services, opened up a new display "window": that of the pay channel[109]. As far as film producers

107 ELIAS, N. & DUNNING, E. (1986) p. 106.

108 DEMATTÉ, C. & PERRETTI, F. (1997) p. 45.

109 See HILMES, M. (1990) p. 159 for the origins of the relationship between the majors and the television networks in USA.

are concerned, pay television channels are a new source of income that is becoming more relevant. It is thus not surprising that in the decade of the eighties pay television began to be one of the main sources of income for Hollywood studios.

This new situation allows films to be seen sooner on television. Pay television channels exploit the concept of "new release" based on the time period corresponding to it. In Spain until 1997 Canal Plus had exclusive rights to release every day recently-produced films that only twelve or eighteen months before had been shown in theatres, and that had not been transmitted over any Spanish television channel. Furthermore, they could not be seen in any other Spanish channel until at least another year. Beginning with the arrival of pay television, the first release of films on television will always be made under a direct-pay system, either by subscription or pay-per-view[110].

Acting as sole operators put the European pay channels in a privileged position to enter the corresponding "window" of showing movies. The monopoly in the exploitation of this "window" gave them more ability to negotiate, and they found themselves in an ideal situation to offer exclusive first releases. This was the situation of almost all the European pay channels during their first years.

This explains why the agreements signed by Canal Plus with Hollywood producers were season contracts, since the absence of competition made it easy to retain exclusive rights to new releases. It was not until April 1997, when the arrival of Vía Digital was imminent, that Sogecable signed the first output deal, which was with Disney[111]. This type of contract allows the studios an outlet for the large quantity of products they turn out and means a greater commitment by the pay channel. The packaging techniques lead to the channel having to acquire, together with the programmes it wants, other products that are

110 "Pay television services are for the most part, in the business of exhibiting recent motion pictures about a year after they have appeared in theatres. The period when a motion picture is released for pay TV is called 'pay television window'". Blumenthal, H.J. & Goodenough, O.R. (1998) p. 86.

111 Godard, F. (1997) p. 97 and Noticias de la Comunicación (Mayo 1997) p. 10.

part of the same packet and that otherwise would not go on the market. Strictly speaking an output deal, which is the end result of this technique, consists of acquiring ahead of time everything the studio produces[112]. A multi-channel offering like that of Canal Satélite Digital requires a quantity of content which is likely to be supplied by this type of contract[113].

The exclusivity of contracts with Hollywood producers for exploiting this "window" increases the importance of the US film industry in the offerings of Canal Plus. The license to Canal Plus, however, set a series of requirements relating to programming of European and Spanish films that will be examined further along. Despite this, half of the films transmitted on Canal Plus are from the United States[114].

The US film releases are not only those with the biggest audiences but also those with the highest performance. The performance index is used by Canal Plus to evaluate some programmes in order to measure, on the same scale, the audience and its acceptance. The audience is measured in percentages, and the acceptance and the performance on a scale from one to ten. The index is based on the premise that to the channel both variables have the same importance, because they enter equally into the decision to keep or cancel the contract.

The release of a film always occurs in prime time, around 10:00 pm and obviously in encrypted form. The evaluation that is done by Canal Plus of the acceptance and the audience of the new release concentrates on this time slot. The following shows the development of the average Canal Plus audience and the audience, acceptance and performance of the feature film.

112 GODARD, F. (1997) p. 8.

113 Since 1997, Sogecable signed agreements with the Hollywood Majors from which Canal Plus benefit from: Disney and Polygram (Noticias de la Comunicación, May 1997, p. 10); Dream Works, (Idem, June 1997, p. 17); Time Warner (Idem, July-August 1997, p. 8); 20th Century Fox (Idem, March 1998, p. 24 and Cine & Tele Informe, October 1996, p. 45); Universal, Columbia Tristar and Alta Films (*TBI,* April 1998, p. 49); Aurum and New World (Noticias de la Comunicación, September 1999, p. 18).

114 Canal Plus, "Folleto Promocional" (1995/1996 and 1999/2000).

Table 5:

Average daily share and audience, acceptance and performance of the new release films on Canal Plus (1990-2000)

	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00
Average Daily Share	41.5%	42.2%	42.8%	37.1%	38.5%	41.3%	41.3%	39.9%	39.0%	36.4%
Audience of film release	18.9%	19.7%	21.0%	17.0%	17.8%	19.2%	20.4%	20.6%	19.0%	17.1%
Acceptance	7.0	6.9	6.8	6.7	6.6	6.6	6.6	6.7	6.5	6.7
Performance	4.44	4.43	4.45	4.2	4.19	4.26	4.32	4.38	4.2	4.2

Source: Own elaboration with data from Canal Plus, “Informe de Audiencia 9º año de emisiones regulares” (1999) p. 13 and “Informe de Audiencia 10º año de emisiones regulares” (2000) p. 10.

The audience of the new release stays in a quite stable progression with respect to the average audience and accompanies the average audience in the drop of the last three seasons, when there was a competitive environment. The figure for acceptance enjoys great stability and this does not permit many variations in the yield index, although there was a slight decrease in this also in the last three years.

The evaluation of the average performance indexes will be more complete if they are compared with the indexes of highest performance. The following table shows the five films with highest performance in two seasons, 98/99 and 99/00 with measurements of audience and acceptance and listing genre and nationality, which will also permit other conclusions to be drawn.

Table 6:

Highest-performing films on Canal Plus (98/99 and 99/00)

TÍTULO	Country/Genre	Season	Audience	Acceptance	Performance
Titanic	USA/Drama	99/00	58%	8.1	6.95
Six days, seven nights	USA/Adventure	99/00	54%	7.5	6.45
Ransom	USA/Action	98/99	43%	7.9	6.1
Saving Private Ryan	USA/War	99/00	35%	8.4	5.95
Jerry Maguire	USA/Drama	98/99	42%	7.6	5.9
One fine day	USA/Comedy	98/99	39%	7.8	5.9
Con Air	USA/Action	98/99	42%	7.6	5.9
Devil's own	USA/Suspense	98/99	34%	8.2	5.8
A perfect murder	USA/Suspense	99/00	37%	7.9	5.8
As good as it gets	USA/Comedy	99/00	37%	7.8	5.75

Source: Own elaboration with data from Canal Plus, "Informe de Audiencia 9º año de emisiones regulares" (1999) pp. 19-21 and "Informe de Audiencia 10º año de emisiones regulares" (2000) p. 21.

The high performance achieved by "Titanic" is explained if one considers that it set the audience record for a movie transmission in the history of Canal Plus (58%). As for the rest the figures do not show great differences, nor is there much variety in the provenance of the highest-performing films. The performance of the US releases achieved the highest levels, and not only in the top five positions. In the 99/00 season the fifteen highest-performing releases came from the United States, and in 98/99 thirteen out of fifteen[115].

As for film genres significant differences are found between the acceptance and the audience. While the action genres are among the most-watched, acceptance tends to favour dramas. The performance indexes, however, do not show a clear polarization around a particular genre, albeit half of the highest-performing films were dramas or action films in the two seasons for which data is available.

115 Canal Plus, "Informe de Audiencia 9º año de emisiones regulares" (1999) pp. 17-21 and "Informe de Audiencia 10º año de emisiones regulares" (2000) pp. 17-21.

The evaluations of audience, acceptance, provenance and genre of newly-released films permit an insight into the close relationship between releases in movie theatres and releases on television. The income obtained from theatres and the number of subscribers are the measuring parameters for purchasing rights[116]. Likewise, hit movies in theatres translate into hits on the pay channels. Therefore it is only to be expected that the United States commercial motion picture industry would be the strongest ingredient in Canal Plus movie releases, because these are the films that people pay to see in theatres. The following table collects the five top-grossing movies in Spanish theatres in 1998, with the corresponding genre and nationality. The films that were released that year correspond in viewing periods to those released on Canal Plus in the 99/00 season.

Table 7:
Top-grossing movies in Spanish theatres (1998)

TITLE	COUNTRY/ GENRE	GROSS*	SPECTATORS
Titanic	USA/Drama	37,184,760	10.577.785
As good as it gets	USA/Comedy	12,076,581	3.304.700
Torrente el brazo tonto de la ley	España/Comedy	10,264,008	2.835.220
Six days, seven nights	USA/Adventure	9,985,500	2.771.051
Saving Private Ryan	USA/War	8,313,100	2.234.979

Source: ICCA in CINEinforme (Mayo 1999) p. 12.

* In euros

Of the five films that were the greatest box-office successes, four were also those that were most successful on Canal Plus in the corresponding season. The only exception was the Spanish “Torrente el brazo de la ley”. Likewise, the historic audience share achieved by “Titanic” on Canal Plus finds a parallel in the spectacular performance of the film in theatres, which even tripled that of the second-place film. In fact, the worldwide film figures for 1998 are in large part explained by the so-called “Titanic Year”.

116 Dematté, C. & Perretti, F. (1997) p. 98.

Although Canal Plus releases European and American films, those of the greatest audience, acceptance and performance tend to be the latter. First-run films are one of the driving forces in obtaining subscriptions, since it is hard for a minority-interest film industry for specialists to generate subscribers. What the consumer data about subscribers says is that the offer of films of a more popular and commercial character, from the United States, is what produces the highest yield.

In this context it should be mentioned, if but briefly, the peculiarities of the US film industry as an explanation of its success. The conventional wisdom considers European films as transmitters of national cultures and values and US films as representing universal values. Without exploring deeply the universality of these values, which would be a subject for another type of study, it can be seen that Hollywood's modus operandi reveals the main aspects of popular cinema, understood as popular culture and mass communications media[117]. The "commercial" qualification has implicit in it a series of principles that has formed a film language that is recognized worldwide and outside of which it is hard to succeed. There is no doubt that the public understands Hollywood cinema and has familiarized itself with these narrative principles.

Nevertheless, the pre-eminence of the US film industry should not be attributed solely to the characteristics of its films. The major companies' integration of their production, distribution and exhibition systems means that almost all the films that are produced get to the theatre. In contrast, the European industry faces an almost endemic problem in integrating these activities[118]. It is thus logical that audiences have become accustomed to Hollywood cinema and do not readily embrace substitutes which are initially strange to them[119].

117 "Movies are popular culture in the sense that their appeal depends on skilful combination of familiarity and novelty and often involves a certain degree of empathy between the audience and the creator, with much of the latter success depending on personal 'style'. In many other instances, however, movies are mass culture products since they are designed to please the average taste of an undifferentiated audience". JOWETT, G. & LINTON, J.M. (1989) p. 16.

118 See VAN HEMEL, A. in VAN HEMEL, A. et al. (1996).

119 "Are audiences in one European country willing to watch films or television programme of another European nation, if the American option is open to them?". HUTCHISON, D. (1999) p. 209.

Canal Plus, as a contact point for distributing and exhibiting films, acted as an exhibition "window" for television releases until Canal Satélite Digital and Vía Digital began to offer film releases under the pay-per-view system. Canal Plus, now with competition, continues to benefit from the exploitation of the subscription channel "window" but has now also added an earlier "window", that of pay-per-view[120].

With the new pay-per-view technology, PPV has begun to be considered a threat to the home video market. The small size of this market, however, and the interest on the part of the large production companies in exploiting to the utmost every exhibition "window" lessen this concern[121]. Full implementation of video on demand (VOD), which takes the form of a home video club, can be considered serious competition for the flexibility of consumption that it brings and its immense assortment of audiovisual products. Until now, pay channels have functioned as a supplementary offering, and as has been shown have been closely linked to screenings in movie theatres[122].

The nature of films as audiovisual products and the market environment determine a dominant tendency in pay channel activity. Concen-

120 Canal Plus keeps the subscription channel "window", but now in competition with movie channels of cable stations. Before the merger, Vía Digital with its premiere channel "Gran Vía" became the major competitor.

121 See *Pay-per-view in Europe: A threat to video?* in *Screen Digest* (January 1998) pp. 9-16

122 One of the obstacles that digital television platforms encounter in increasing their income from pay-per-view is that the films are only sold for three months under this system. Subscribers to Canal Satélite Digital operate on the premise that in three months they will be able to see on Canal Plus that are being offered at that moment on the "Taquilla" channel Canal Satélite Digital at added cost. In order to increase income in the pay-per-view "window" different marketing and price-discrimination strategies can be resorted to, normally with hit movies for which it is more likely the expenditure will be made. For example, the experiment performed with the film *The Matrix* by Canal Satélite Digital in June and July 2000. The frequency of the transmission was increased (every 15 minutes) in the third week, when normally beginning with that week it is reduced to 30 minutes. Furthermore, during a single day it was offered for 2.5 euros when the habitual price was 3.75 euros. The results were very positive and in this last experiment 40% of the subscribers who paid 2.5 euros for *The Matrix* had not bought a movie in the last six months. Cfr. *New Media Markets* (25.9.00) p. 7.

tration of property and convergence have favoured vertical integration, which allows the exploitation of synergisms to increase efficiency and cut costs[123]. The main satellite television platforms in Europe are vertically integrated and Canal Plus España, as part of the PRISA group, illustrates this fact very well.

Moreover, in some cases, as Canal Plus France and Spain, the Government imposed some conditions trying to promote domestic film production[124]. In the proposal presented to the Spanish Government in order to get the television licence, film programming was assessed as the main element of Canal Plus' programming[125]. Thus, Canal Plus committed itself to high investments in the Spanish film industry as a co-producer. Furthermore, Canal Plus assumed other commitments in terms of scheduling Spanish films[126].

The conditions imposed on Canal Plus Spain in 1990 when the television licence was given to it, determined the management of film programming. The 40% of European films demanded (and within that, the 50% of Spanish films) were challenges which Canal Plus had to meet.

PRISA had already created an affiliated company from which Canal Plus benefited even before the pay-television channel started its operations: the film production company Sogetel[127]. In 1992, IDEA (Iberoamericana de Derechos Audiovisuales)[128] was created in order to manage the acquisition of film rights.

123 BROWN, D. (1997) p. 32-35.

124 See JEZEQUEL, JP. & PINEAU G. in SILJ, A. (1992) p. 514.

125 Canal Plus (1989) "Anteproyecto del servicio a prestar".

126 Canal Plus committed to broadcast 25% of Spanish films whereas the limit imposed by law was 20%. Moreover, it assumed an investment of 1.2 million euros in Spanish co-productions with other countries and an advance of 1 million euros purchase for Spanish scripts. Canal Plus (1989) "Anteproyecto del servicio a prestar".

127 The creation of Sogetel was the first step that PRISA took in the audiovisual market. Sogetel started in 1984 as a film production company. Alonso, F. (1999) p. 391.

128 IDEA, S. A. (Iberoamericana de Derechos Audiovisuales) was created in July 1990, before Canal Plus was launched and its aim was to sell, buy, distribute and exhibit audiovisual works. ALONSO, F. (1999) p.401.

Therefore, Canal Plus used these instruments within the PRISA group for the management of film programming. Through Sogetel, Canal Plus could fulfil the requirements in terms of Spanish films, as the films produced by Sogetel in collaboration with other producers were showed in Canal Plus[129]. In fact, in 1996, Sogetel became the Spanish film production company with the highest income[130]. Through IDEA, it could manage the acquisition of film rights.

In 1997, all the affiliated companies within the PRISA audiovisual division were absorbed by Sogecine which had the aim of promoting the production, distribution, exhibition, selling and acquisition of audiovisual works. This company was the result of the vertical integration that the PRISA Group had started.

On the other hand, the offer of premiere films that Canal Plus made was very demanding: one television premiere film every day. The increasing investment in film production is reasonable taking into account the number of daily films broadcast[131] (7 films a day)[132]. Firstly, because the acquisition of film rights from American Studios requires a high investment and it is very difficult to stage an American premiere film every day; secondly, because Canal Plus presented itself as a promoter of vanguard and novel Spanish cinema.

Therefore, the actions developed by Canal Plus in terms of acquisition and production of film programming were very much decisions of the PRISA Group as a result of the vertical integration strategy. Without the support of these affiliated companies it would have been very difficult for Canal Plus to meet the specified conditions and to build the traditional schedule of a pay-television channel mainly based on the exhibition of recent motion pictures.

129 Sogetel signed an agreement with one of the main Spanish Producers, Lola Films for 30 films in 3 years. Sogetel invested 51% of the total budget in each film. Canal Plus, internal information.

130 "5 Días" (19.3.1996).

131 Juan CUETO, General Director of Canal Plus in 1991 confirmed that Canal Plus was going to promote audiovisual production, and it was not going to limit its film activity to provide premiere films. Noticias de la Comunicación (March 1992) p. 8.

132 "Canal Plus" magazine (1991, 1994 and 1997 issues).

3.1.3. Football rights

Sporting events exploitation differs from film exploitation in the existence of a single audiovisual exhibition "window", television. Television creates its own discourse in the transmission of the events and becomes more than a mere transmission medium. First because as occurs with the coverage of any other event television is faced with the challenge of not only doing a transmission but also offering the audience what amounts to a festive experience by trying to supplement the action on the field[133]. Furthermore, because television benefits from such technology as the tools of audiovisual language for turning the sports phenomenon into media material. That is why televised replays, for example, have become a decisive element and guarantee of truthfulness, something that is impossible for radio, which is limited to narrating with varying degrees of animation the happenings on the field[134].

From an economic viewpoint, however, and continuing with the comparison to film releases, the existence of only one "window" hinders a temporary projection in building audiences: the perishable nature of these products means that a second transmission lacks value. In this sense the chance of deriving maximum profit from a single product is weakened in the case of transmissions of sports events. It is possible, however to exploit exclusive rights on a channel, pay or otherwise, in such a way that the transmission of different competitions, encounters or clubs is limited to that of the channel which owns the rights.

The recent history of the purchase of sports rights cannot be separated from the liberalization process that the television industry has undergone. The purchase of transmission rights to various competitions and encounters or to certain clubs in many cases deprived the other channels of the ability to offer programmes of wide general interest since what was once offered free now came at a price. A new business was created, that of the purchase of sporting rights, and a desire was

133 See DAYAN, D. & KATZ, E. in CURRAN, K.; SMITH, A. & WINGATE, P. (1987) p. 175-197.

134 See SIMONELLI, G. & FERRAROTTI A. (1995) pp. 15-27 aroused in the audience to enjoy mass-appeal programmes with regularity hitherto unknown[135]. Along with this a war was set off for the purchase of sporting rights in which all public, commercial and pay channels competed[136].

Direct payment introduces a new philosophy that exceeds the expectations of public television and goes beyond the *logic* of attracting advertisers with programmes of massive public appeal. It has to do with charging the true price for the enjoyment of certain events in the case of pay-per-view and the availability of some of them (leagues, tournaments, competitions) on the pay channel[137].

The monopoly that most European pay-television channels enjoyed was a key factor at the beginnings. For Canal Plus, this situation made the acquisition of football rights easier. However, a few years later, competition forced Canal Plus to develop different strategies in order to retain this cornerstone of its programming.

In July 1990, Canal Plus and the Spanish Professional Football League (LFP)[138] signed an agreement by which Canal Plus was allowed to broadcast exclusive football programming[139]. Canal Plus paid 12.000 million pesetas (72 million euros) for these rights[140]. In accordance

135 As Frith points out: “Programme pricing is increasingly organized around the rising cost of rights (sport rights most obviously, but increasingly the rights to exploit all sorts of performing talent”. Frith, S. (2000) p. 42.

136 “The ad-supported channels are real competitors to pay services for rights. The top sports product in each European market, the weekly football championship match, is as well suited to pay-TV as it is to free-TV”. Godard, F. (1997) p. 108.

137 “The tradition of universal access to sporting events is under threat: increasingly, to enjoy a major television sporting event you must have the financial ability to purchase a satellite receiver, or subscribe to a cable network”. Blain, N.; Boyle, R. & O’Donnell, H. (1993) p. 21.

138 The LFP (Liga de Fútbol Profesional) is the association for all the Professional Spanish Football Clubs.

139 The agreement allowed Canal Plus to broadcast: one “live” football match, encrypted and without any adverts every fixture of the Premier League Championship and the King’s Cup and maximum 38 football matches every football season from 1990-1991 till 1997-1998. Noticias de la Comunicación (18/24 May 1992) p. 23.

140 Noticias de la Comunicación (18/24 May 1992) p. 23.

with the agreement, Canal Plus enjoyed these exclusive football rights until 1998; hence the management of football programming was quite easy. In fact, Canal Plus had no problems for the enjoyment of the already mentioned rights either in 1991 or 1994.

Canal Plus started developing a new way of broadcasting football, which was a new concept: football as a show. This was carried out by means of a great number of video cameras installed in unusual points of the stadium and the commentary of the football match. This new concept provided football programming with quality, originality, and added value. According to the Programming Director in 1997, it was not just a matter of providing exclusive programming but also the way in which this programming was offered and shown on the screen[141].

The commitment to pay is inspired more by the novelty in frequency than in content. In Spain Canal Plus represents a revolution in the relationship between sports and television by making the most popular spectacles regular occurrences[142]. The audience is offered by subscription the exclusive enjoyment of the main mass-appeal sport, taking over a spot in the schedule that follows the seasonal rhythm of league play. Here lies the main distinctive character of Canal Plus as a "football channel"[143]. The percentage of subscribers that follow Premier League football play proves the primordial character of this type of programming. In the following table the daily audience share among subscribers is compared to audience share of Premier-

141 Noticias de la Comunicación (May 1997) p. 36.

142 "(…) the new tendency to conceive of football as a popular art form instead of the lowest of low art, and so on. However, part of the reason for such changes in football culture is the counter tendency (sponsored by television moguls such as Silvio Berlusconni and Rupert Murdoch) to create an army of passive 'couch-potatoes' whole sole contact with 'real' football is through the mediation of television. Though it is mistaken to create a simple dichotomy (passive versus participatory) since many of those who have consumed *BSkyB Premier League* matches on satellite TV in Britain have been committed, travelling, fans wishing to imbibe even further their favourite mass 'opiate'". REDHEAD, S. (1993) p. 6.

143 "In economic terms, the telecasting of sports provides a television entity with a level of product differentiation that distinguishes it from its rivals. This often takes the form of branding". BELLAMY, R.V. in WENNER, L.A. (1998) p. 73.

ship League. As it is shown, the two figures run almost in parallel and the football audience share since 93/94 exceeds the daily average audience share.

Table 8:
*Average daily share and average Premiership league share of Canal Plus (90/91-99/00)**

Season	90/91	91/92	92/93	93/94	95/96	96/97	97/98	98/99	99/00
Football share	33.1%	33.6%	39.3%	41.7%	45%	44.2%	40.4%	39.2%	35.3%
Daily share	41.5%	42.2%	42.8%	37.3%	41.3%	41.3%	39.9%	39.0%	36.4%

Source: Own elaboration with data from Canal Plus, "Informe de Audiencia 4º año de emisiones regulares" (1994) p. 2; "Informe de Audiencia 8º año de emisiones regulares" (1998) p. 19; and "Informe de Audiencia 10º año de emisiones regulares" (2000) p. 10.

* There are no available data for 94/95 season.

The frequency of transmission of sporting events begun by the pay channels does not go unnoticed by the public and commercial channels, for which sports programmes continue to be highly valuable material. In 1996 some football clubs became separated from the Spanish Professional Football League (LFP) and decided to negotiate their own football matches with the various Spanish television broadcasters[144]. At that time (May 1995), Canal Plus had created an affiliated company in order to manage audiovisual sport rights: Gestsport. However, this was not enough for them to acquire the rights to these matches. The battle for getting football rights between Antena 3, Canal Plus and TV3 (Catalonian Public Television) finished with the creation of a company owned by all of them on 27 January 1997: Audiovisual Sport (Canal Plus 40%, Antena3 40% and TV3 20%). Canal Plus invested a great amount of money, which affected its accounts in the 1997 Annual Report. The agreement gave Canal Plus football rights until the year 2008.

This level of investment has two explanations. Firstly, football is one of the cornerstones of Canal Plus' programming: for many subscribers, football is the main reason to subscribe (35.4% versus 23.5% who stated that

144 ALONSO, F. (1999) p. 368.

the film content of programming has been their reason for subscribing in 1997)[145]. Therefore, Canal Plus had to keep exclusive football programming almost at any price. Secondly, due to the close relationship between Canal Plus and Canal Satélite Digital, Canal Plus absorbed this cost as an investment so that Canal Satélite Digital could enjoy football rights under the pay-per-view system. Since 1997, the strategies carried out by Canal Plus concerning football rights acquisition and the management of the latter are very much related to Canal Satélite Digital's activities.

The multichannel offer has allowed closer relations between pay television channels and football clubs[146]. Besides the high percentage of the clubs' income that comes from television viewers, agreements have been made for exploiting image rights, as in the case of Sogecable with Real Madrid through Canal Satélite Digital[147].

3.2. Other Programmes and the Peculiarities of Scheduling

3.2.1. Minorities and own programming

For it to be capable of motivating an initial decision to pay, programming should have two basic characteristics: exclusivity and general interest. Sports and movies, however, are not enough to fill up the entire pay channel schedule[148].

There are some implications of funding for broadcasting output which suggest that television channels funded by direct viewer payments are

145 Demoscopia (1997) "Estudio entre abonados y no abonados. Imagen, satisfacción e intención de suscripción. Conocimientos y actitudes ante la televisión digital" p. 24.

146 "As an extreme example, owners of sport franchises are sometimes owners or shareholders of media corporations. For example, The Atlanta Braves baseball team is owned by Ted Turner, who also owns cable stations *WTBS* (which broadcasts most of the Brave games), *CNN* and *TNT*". KINKEMA, K.M. & HARRIS, J.C. in WENNER, L.A. (1998) p. 28.

147 As an example, the creation of the thematic channel Real Madrid TV. Noticias de la Comunicación (September 1997, pp. 11-12; September 1999, p. 14; February 2001, p. 9; and April 2001, p. 11).

148 De Vescovi, F. (1997) p. 38-40.

likely to offer minority programmes[149]. According to Pratten, in advertising supported-television, the benefits of offering minority and specialist programmes to individuals are quite high for the viewer, but the costs of programming are too expensive for the channel[150]. However, direct payments for specific programmes or channels are more likely to satisfy minority-taste audience. According to Owen and Wildman, "under pay television, unlike advertiser-supported television, the potential revenue per viewer is higher for preferred choices"[151]. Therefore, specialised programming becomes a key content for a pay-television channel. People pay for this sort of programming because it is difficult to be found in "over the air and free" channels.

It is also important to bear in mind the general trend towards individualisation in the media market. As Wolf argues, the numerous new magazine titles that have targeted special interest areas and themes seem to support this. Moreover, and following Wolf, "the preferred thematic areas for these magazine innovations have oriented themselves to the growing market in hobbies and leisure time activities"[152].

It is quite interesting to look at the example of the magazine industry, which today is specialised, with most publishers targeting smaller markets of readers. Vivian uses the term demassification to describe how the magazine industry is targeting audiences with products designed to meet specific interests and needs[153].

Moreover, according to the Periodical Publishers Association, the personal one-to-one relationship which magazines enjoy with their readers has been a key factor in attracting advertising revenue[154]. The publisher is able to identify a special group of target readers and

149 For a complete analysis on the implications of funding for broadcasting output, see KOBOLDT, C., HOGG, S. & ROBINSON, B. in GRAHAM et al (1999) p. 47-71.

150 PRATTEN, C.F. (1970) p. 26.

151 OWEN, B. & WILDMAN, S. (1992) p. 95.

152 WOLF, M. (1993) p. 46.

153 VIVIAN, cited in ALBARRAN, A.B. (1996) p.165.

154 Periodical Publishers Association (1999) *Magazine Handbook*. http://www.ppa.co.uk/

even more if is the case of subscribers. The publisher then lets advertisers know that a circulation audience of a certain size can be guaranteed[155].

There seems, therefore to be a close relationship between magazines and pay-television channels in terms of segmentation of demand. Segmentation of demand allows both magazines and thematic television channels to target a group of potential readers or viewers that share the same demand for a specific kind of information or entertainment[156]. Once again, content is the key factor.

However, segmentation of demand and therefore the provision of minority taste programming are easier in a multichannel environment under the activity of "bundling". In the case of a pay-television channel, the application of the magazine industry case is limited. Certainly, through minority taste programming, the pay television channel may attract subscribers which would never receive those programmes for free. Thus, it seems logical that pay-television channels do not fulfil the left broadcasting hours with similar programmes to the ones offered by commercial and public television and try to position themselves as different channels.

In fact, pay-television channels build a considerable base of subscribers by offering exclusive popular programmes (films and sports), but many of the rest of the programmes are minority-taste ones. An interesting evolution can be observed in the variety of programmes that Canal Plus has been providing. However, the evolution started when the monopoly was about to end. The continuous studies provided by Demoscopia concerning subscribers' satisfaction and the arrival of satellite platforms in 1997 led Canal Plus to introduce some changes in terms of programming.

The subscriber's satisfaction survey carried out by Demoscopia in 1997 may help to understand these changes.

155 WILLIS, J. & WILLIS, D. (1993) p. 85.

156 HAFSTRAND, H. (1995) p.9.

Table 9:
Subscriber's satisfaction concerning programming (1997)

	Very Satisfied	Quite Satisfied	Not really satisfied	Not satisfied at all	Do not Know
Documentaries	34.9%	53.1%	2.1%	0.3%	9.6%
Films	19.6%	59.0%	1.7%	1.7%	5.2%
News programmes	14.5%	55.3%	8.7%	3.1%	18.4%
Football programmes	20.2%	44.6%	6.3%	12.9%	16.1%
Other sports	12.5%	49.1%	8.7%	8.6%	21.2%
Children's programmes	1.6%	13.8%	3.9%	3.2%	77.6%
Sitcoms	3.5%	22.7%	10.3%	6.8%	56.7%
Canal Plus programming	11.3%	76.0%	7.3%	0.5%	5.0%

Source: Demoscopia (1997), "Estudio entre abonados y no abonados. Imagen, satisfacción e intención de suscripción. Conocimientos y actitudes ante la televisión digital" p.53

According to the Programming Director in 1994, one of main Canal Plus' strategies concerning programming was to offer programmes which allowed Canal Plus to differentiate itself among the other channels, apart from films and football[157]. Moreover, subscribers assess documentaries and other sports very well, as the data shows above: 87% are pleased with documentaries and 62.6% with sports programming.

Furthermore, as a pay-television channel, which relies on subscriptions, Canal Plus has to attract minorities' tastes, in order to get more subscribers. An evolution in the strategy of adding minorities can be observed. The programming cornerstones remained the same but new programmes were introduced in order to increase the number of subscribers, even though the audience rate may have been very low. Thus, in 1994, Canal Plus acquired the rights to broadcast National Geographic Documentaries[158] and by 1997, sports such as boxing, golf, basketball or rugby were already been broadcast[159].

157 Rafael GARCÍA MEDIANO, Programming Director in 1994, personal interview.

158 Canal Plus signed an agreement with National Geographic Television in January 1994 which allowed it to have the only right to broadcast National Geographic Documentaries in Spain. Moreover, there was also a possibility of making co-productions. These programmes were, obviously, non-encrypted ones. Noticias de la Comunicación, January 1994, p. 9.

159 MEDINA, M. et al. (1997) p. 78.

Therefore, the strategies of Canal Plus concerning programming which have been described follow the conception which is in the roots of a pay-television channel. Part of the programming offered is intended to satisfy minorities, and the strategy accordingly is very much to add minorities who are interested in paying for exclusive programming. However, most of the programming which is added keeps itself within the same formula: films and sports.

3.2.2. The special case of non-encrypted programming

In the case of Canal Plus, own programming cannot be separated from the obligation imposed by law to broadcast six hours of non-encrypted programming every day[160]. The combination between non-encrypted and encrypted programming allows Canal Plus to be considered as a model of pay-television channel closer to commercial and public channels. This is why it is worthy to look briefly at the relationship between own and non-encrypted programming as an interesting peculiarity of Canal Plus Spain.

As a result of vertical integration, the pay television channel may broadcast its own motion pictures or the ones produced in co-operation with other production companies[161]. When referring to own programming, it is meant by the programmes which are not result of either acquisition but produced by the television channel itself.

Under the condition imposed, everybody could have access to what Canal Plus offered. However, subscribers should not have the feeling of paying for something that non-subscribers can get for free as well. Therefore, the cornerstones of Canal Plus' programming (football and premiere films) have been always encrypted programmes and Canal Plus have mainly scheduled own programmes as non-encrypted programming[162].

160 Boletín Oficial del Estado (31.8.89)

161 HBO, considered as the first pay television channel operates 4 production companies: HBO Independent Productions; HBO Downtown Productions; HBO Animation and HBO-NYC. BLUMENTHAL, H.J. & GOODENOUGH, O.R. (1998) p. 84-85.

162 "Canal Plus" magazine (1991, 1994 and 1997 issues).

Non-encrypted programming is a window, which has increasingly been used as a means of self-promotion. For instance, in 1991, 1994 and 1997, the programme scheduled before the Sunday football match was a non-encrypted football magazine[163]. Through this programme, potential subscribers could observe how Canal Plus dealt with football programming (as a show) and started to appeal the channel. Moreover, once the football match started (just the moment the referee whistled), the encrypted programming began.

The same strategy was used on Monday with the programme "El día después" which summarises the football matches of the day before. The references to the football matches that only subscribers could watch made potential subscribers to appeal the benefits from subscription in terms of football programming.

Furthermore, bearing in mind that the non-encrypted programming is considered as the best way of promotion, Canal Plus made an effort in terms of added quality to the content and scheduling of its programming. The investment in graphic design and the importance given to the style elements between programmes made Canal Plus to differentiate itself from the others[164]. Hence, this novelty contributed to the fact that Canal Plus was perceived as a quality channel which was doing something quite different in comparison with its competitors.

The scheduling of the non-encrypted programming experienced interesting changes in terms of its approach to prime time[165].

163 "Canal Plus" magazine (1991, 1994 and 1997 issues).

164 Rafael García Mediano, Programming Director in 1994, personal interview.

165 In Spain, there are two periods of time which can be considered prime time as most people go home at lunch time and spend there about two hours. Thus, there is a prime time which goes from 2:00 p.m. until 4:00 p.m. and another one from 8:30 p.m. until 11:00 p.m.

Table 10:
Non-encrypted programming schedule (1991, 1994 and 1997)

	Prime time (afternoon)	**Prime time (evening)**
January 1991	News (non-encrypted) Encrypted film (14:05)	Encrypted film (20:05) Encrypted film (22:00)
April 1991	News (non-encrypted) Encrypted film (14:05)	Sit com (20:05) Encrypted film (22:00)
January 1994	News (non-encrypted) Sit com (non encrypted, 14:05)	Sit com (20:05) Encrypted film (22:00)
January 1997	News (non-encrypted) Sit com (non encrypted, 14:30)	Sit com or "Lo + Plus" (20:30, non-encrypted) Encrypted film (22:00)

Source: "Canal Plus" magazine. 1991, 1994 and 1997 issues. Own elaboration.

The main changes took place in April 1991. Canal Plus had agreements with the main American Studios; as a result it was able to broadcast the most famous American sitcoms. This gave potential subscribers an indication of the kind of programming that they could access when subscribing. Besides, the schedule of own-production magazines at prime time such as "Lo + Plus" (non-encrypted) and "El día después"[166] every Monday supports the increase of interest of Canal Plus in showing its own corporate identity and the quality of its programming to potential subscribers.

In fact, the latter programmes were the most popular within Canal Plus' programmes in 1997 among non-subscribers: 42.6% watched News programmes; 24.5%, "El día después"; 22.1%, "Lo + Plus"; and 20.4%, sitcoms[167].

The evolution of news programming (own and non-encrypted programme) is very interesting as it shows the dependence of pay televi-

166 "El día después" was broadcast every Monday at 20:00 p.m. It is a magazine which summarizes the football events of the day before (Sunday). As it is a non-encrypted programme, non-subscribers can appreciate how Canal Plus deals with the sport programming.

167 Demoscopia (1997) "Estudio entre abonados y no abonados. Imagen, satisfacción e intención de suscripción. Conocimientos y actitudes ante la televisión digital" p.17.

sion channels on commercial and public ones in a non multichannel environment. It also confirms the increasing importance given to the scheduling of non-encrypted programmes.

Table 11:
Evolution of Canal Plus' News schedule (1991, 1994 and 1997)

	Afternoon news	**Evening news**	**Night news**
January 1991	Not fixed time (5 m)*	20:00 (5 m)	21:55 (5 m)
April 1991	14:00 (5 m)	20:00 (5 m)	21:30 (23 m)
December 1991	14:00 (5 m)	20:00 (5 m)	21:30 (23 m)
January 1994	14:00 (5 m)	20:00 (5 m)	21:30 (23 m)
December 1994	14:00 (5 m)	20:00 (5 m)	21:30 (23 m)
January 1997	14:15 (15 m)	No news	21:30 (23 m)
December 1997	14:15 (15 m)	No news	21:30 (23 m)

Source: "Canal Plus" magazine. 1991, 1994 and 1997 issues. Own elaboration.

*In brackets the duration of the news programme

The changes concerning news programming have to do with length of time and schedule. The main change took place in April 1991, when the night news programme began to last for 23 minutes. This model was closer to the news programmes broadcast in the other channels (both private and the public broadcasting services)[168]. In fact, the last change experienced in 1997 (15 minutes for the afternoon news and no evening news) led Canal Plus even closer to the conventional model (in terms of schedule and duration).

On the other hand, news programmes were scheduled just when the other channels' news programmes had finished (in the case of evening news) or when they had not yet started (in the case of the afternoon news). Thus, they put themselves into a position of an alternative programme rather than competing directly with established programmes.

168 Spanish television channels broadcast the two main news programmes around 3:00 p.m. and 9:00 p.m.

The approach of the conventional model and the strategy of scheduling news programmes in the same period but at different time can be explained by three reasons. Firstly, Spanish people have the habit of beginning any period of watching television with a news programme[169]. Secondly, news programmes are usually scheduled at prime time. If Canal Plus wanted to attract the attention of potential subscribers it seems reasonable to follow the latter strategy. Furthermore, a high investment was made in terms of creativity, graphic design, etc in order to create a unique image through these programmes[170]. Finally, although there is an approach to the conventional model, there is a difference in terms of content. Canal Plus' news programmes were intended to offer something different and the style of giving news was completely original.

3.2.3. Repetition and multiplexing techniques

A distinction is useful between paid service that offers only one channel and multichannel offerings. The first pay channels, the subject of this study, operate only one channel and arrange their programming in a schedule the same way general-interest channels do. There is still a dependence on the time factor in this offering and programming is done taking into account the prime time and the nature of the material, such as sports events, that has little value if not transmitted live.

The pay channel's only chance to introduce a little flexibility of usage is by repeating the same block of programmes at different hours. As a pay-television channel, Canal Plus wanted to create in its subscribers a sense of flexible use of the programming for which they had paid. Thus, since the launch of the channel, Canal Plus scheduled the same films at different times and at different dates[171]. Moreover, this repeat scheduling strategy was used by Canal Plus as a way to maximise programming resources, especially during the first year.

169 MEDINA, M. et al. (1997) p.86.

170 Rafael GARCIA MEDIANO, Programming Director in 1994, personal interview.

171 Noticias de la Comunicación (April 1991) p. 21.

However, this scheduling strategy was not always well appraised by subscribers. Within the twenty things that subscribers disliked of Canal Plus in 1997, the repetition of films was the fifth one[172].

Another possibility is to offer additional channels (multiplexing), which allows the rebroadcast strategy to be extended still further with the aim of maximizing resources invested in programming. Also, as Albarran points out, this strategy answers the question that many subscribers have begun to ask themselves: What is the use of a pay channel if most of the programming is repeated only once a month? Thus HBO, Showtime and Cinemax began to offer additional channels by means of the multiplexing technique[173].

Sogecable's digital offering on Canal Satélite Digital allowed the multiplexing technique to be applied to Canal Plus. Until then, Canal Plus could not offer multiplex channels because its private television license granted it only one channel in the ground radio wave spectrum. Digital technology and satellite transmission presented Canal Satélite Digital with a large number of channels and it was a simple matter to include the multiplex versions of Canal Plus, the flagship of the Sogecable group and the driving force in subscriptions to the digital platform.

In order to enjoy the multiplex channels it was not necessary to subscribe to the basic Canal Satélite Digital package. Although the analogue offering was not suspended, it was possible to subscribe to Canal Plus' digital version through Canal Satélite Digital. Canal Plus Digital included Canal Plus and its two multiplex operations, Canal Plus Rojo and Canal Plus Azul. The following table shows the valuation that Canal Satélite Digital subscribers put on the multiplex offering. It should be emphasized that the available data is from subscribers to the basic package of the platform, and not just to Canal Plus Digital. The responses are given in percentages.

172 Demoscopia (1997) "Estudio entre abonados y no abonados. Imagen, satisfacción e intención de suscripción. Conocimientos y actitudes ante la televisión digital", p. 48.

173 See Albarran, A.B. (1996) p. 109 and Baldwin, T.F., Mc Voy, D.S. & Steinfield, C. (1996) p. 89-90.

Table 12:
Canal Plus within Canal Satelite Digital's offer: valuation of multiplexing (1998-2000)

	December 98			May 1999			December 99			May 2000		
	Yes	No	Dnk	Yes	No	Dnk	Yes	No	Dnk	Yes	No	Dnk
C+ Azul and C+ Rojo repeat programming very much	70.3	20.9	8.8	67.1	24.0	8.9	73.8	20.3	5.9	74.4	19.1	6.5

Source: Demoscopia, "Estudio entre abonados. Imagen y satisfacción. Investigación cuantitativa" (Julio 2000) p. 74-75.

Except for the data from May 1999, which is generally more favourable to Canal Plus, there is a growing tendency, very high in all cases, to rate multiplexing more negatively. Repetition increases the sensation of lack of variety and even more so when there are channels with differing content in the same package. From December 1998 to July 2000 this view has risen four points (from 70.3 to 74.4).

The valuations of the multiplexing technique are thus closely related to the enlargement of the offering. Within a multichannel offering, such as that of Canal Satélite Digital, multiplexing is viewed more as a lack of variety than as flexibility of use and as the multichannel offering becomes better known and evaluated the pay channels and their reruns lose the starring role. The novelty introduced by the pay channels in the *form* of the offering does not get a very favourable response from the subscribers. Repetition even within the analogue offering was high on the list of reasons for cancelling: multiplexing, in the digital offering, reflects a growing sensation of lack of variety.

Thus, just as the pay channels were defined in respect to their content as popular content channels, in respect to their *form* one can speak of conventional channels that arrange programmes on their schedule and utilize techniques to repeat the same content, whether it be by conventional means such as reruns or by more highly developed means such as multiplexing, with the intention of giving easier flexibility in the consumption of the programming.

4. The Relationship with the audience

4.1. The commercial relationship: promotion or looking for subscribers

Whereas commercial television establishes with the audience a relationship based on the conquest of time in order to sell it to advertisers, a pay channel pursues the economic expenditure carried out when signing the contract[174]. In this sense one can speak of a commercial relationship with potential clients when the product is made available to consumers intending that they purchase or accept it. This is what in other words is known as promotion. Unlike a channel financed by advertising, a pay channel endeavours to attract the right audience rather than the largest one[175]. The decision of subscribing is preceded in some cases by a time consumption of (necessarily) the unrestricted programming.

When studying the strategies carried out by Canal Plus concerning promotion, it is necessary to bear in mind two main factors. Firstly, Canal Plus was the first pay-television channel in Spain and people had not paid for television before; secondly, as a pay-television channel, Canal Plus addressed its promotional activities to a unique customer: potential subscribers. Although Canal Plus shows some advertisements and hence advertisers could be considered as customers, this study will not focus on that particular issue. In fact, advertising has little impact on the total sales (11.68% of total sales in 1991; 5.4% in 1994 and 5.1% in 1997)[176]. It is necessary to point out that as it has

174 "Under advertiser-supported television, broadcasters try to achieve the largest audience so that audiences can be sold to advertisers whereas under pay-television, programmes are sold directly to viewers who are willing to pay for them". OWEN, B.M. & WILDMAN, S.S. (1992) p. 147

175 "In pay-television promotion, it is more important to attract the right audience (who will be most inclined to appreciate the programme) rather than the largest audience". EASTMAN, S.T. & KLEIN, R.A. (1982) p. 230.

176 ALONSO, F. (1999) p.307.

been studied in the third chapter, non-encrypted programming has been also used as a means of self-promotion.

4.1.1. The investment in advertising

When the pursued aim is the subscription to a pay channel, the advertising message does not demand the time of viewing the programme or advertised channel, but the economic expenditure. The advertising campaign is a part of the advertising promotion activities in the rest of television channels.

The difference in the aims of the pay channel gives a special importance to the concept of advertising campaign. The fact that selling subscriptions is the main aim of every campaign enables a reformulation in terms of linking three elements: commercial relationship, social time and exclusive contents. We do not consider social time from the point of view of the time devoted to television consumption. It is a question of selling subscriptions to a television channel and the social time as a determining element is therefore that time in which the expenditure is more likely to be carried out. The same as in other sectors, there are times of the year that are more favourable for consumption. Paired with this element that is common to other goods and services in the market, television consumption according to the times of the year, which affects other television channels, also has repercussions in the sales of a pay television channel.

There are two main strategies which will be briefly highlighted: the place of advertising in other television channels; and the link established between advertising campaigns and specific programming according to the time of the year.

Unlike the other commercial television channels, Canal Plus made use of television channels for promotion[177]. Between 1990 and 1995, 65 Canal Plus' adverts were broadcast in other channels[178]. This was possible because Canal Plus was able to differentiate itself from the other

177 Medina, M. et al. (1997) p. 144.

178 Canal Plus (1997) Marketing Department, CD Promotion, List of adverts.

channels. Moreover, this strategy can be explained bearing in mind the audiovisual character of Canal Plus as a product. Through audiovisual media, an audiovisual product may attract some particular audiences better. In fact, a great investment in the adverts was made in terms of creativity and graphic design concerning self-promotion.

In order to understand the link established between commercial relationship, advertising campaigns and specific programming/time of the year, it is worthwhile to look at the pattern of annual advertising campaigns.

Table 13:

Annual advertising campaigns

MONTH	CAMPAIGN	MEDIA
January	Christmas	TV, radio, daily press
January	Free home instalment	TV, radio, daily press
February	Corporate image	TV, radio, press and magazines
March	Film	Daily press, film magazines
April	Free home instalment	TV, press and radio
April	Wedding lists and films	Daily and Sunday press
April	Sports	Press and magazines
May	St. Isidro (bullfighting)	TV, TV magazines, radio, press
May	Films	Sunday newspapers
May	Sports	Daily press and magazines
June	End of Premier League	Sport and daily press
June	Wimbledon	Daily press
June	Summer films	Press, radio
August	Gamper (Tennis Open)	TV3 (Catalonian TV) and Press
August	September Campaign	Press and TV
September	Donosti Film Festival	Press
September	September Campaign	TV, radio, press, magazines
October	Free home instalment	TV, press and radio
October	Sitges Festival	Not specified
October	Catalonian Rally	Not specified
November	Autumn Films	Press, Sundays and magazines
December	Christmas	TV, radio, press and magazines

Source: Canal Plus, internal information, Marketing Department, 1997. Own elaboration.

As the table shows above, advertising campaigns were scheduled in accordance with the different events of the year. Sport events such as

Wimbledon or the end of the Premier League carried their own advertising campaigns, as well as the Bullfighting festivals in Madrid, San Isidro. These campaigns had the aim of attracting minorities interested in specific events. However, there were specific campaigns at the beginning of autumn (September) or at Christmas time with the purpose of attracting a greater number of people. People are usually prepared to spend more money at Christmastime and The Premier Football League starts in September. Thus, Canal Plus made a greater effort in terms of length of the campaign (both of them for two months) and use of more media.

Although a direct relationship between advertising campaigns and impact on total sales has not been proved, it is notable that the greatest number of subscribers is gained during January, September and December as the table on Total sales shows:

Table 14:

Total sales (1991, 1994, 1997)

	1991	**1994**	**1997**
January	14,802	37,537	34,579
February	11,372	22,579	14,361
March	12,230	22,140	11,741
April	11,011	18,259	20,046
May	8,199	15,155	15,603
June	6,066	6,375	7,743
July	5,280	5,665	6,045
August	13,273	14,417	10,078
September	34,421	50,456	20,502
October	26,780	33,477	21,466
November	26,881	25,794	20,027
December	35,799	34,562	20,670

Source: Canal Plus. Sales and Promotion Department, 1997.

4.1.2. Sales promotion activities

The temporary character of both the events and the times of the year that are most favourable for consumption restricts the promotional actions carried out in the framework of advertising campaigns to specific periods of time. In order to overcome these time barriers and to promote the act of buying, the pay channel introduces a novelty in the commercial relationship with the television audience: the sales promotion.

Traditionally the concept of sales promotion applied to television referred to the activities that contributed to selling broadcasting time of the channel to the advertisers[179]. The privatization of the commodity (as a consequence of setting a price) enables the pay channel to use the general techniques of sales promotion.

The sales promotion is an action carried out by a company in order to encourage the buy by giving a profit to the consumer, with a short time effect and time restriction. In the case of a pay television channel, a sales promotion intends to facilitate the purchase of the product by improving the usual sale conditions by offering potential subscribers an added value. This benefit can be either tangible or intangible, such as gifts, discounts in subscription or advantages inherent to the type of product, such as free home instalment.

Although the sales promotions try to overcome the temporary character of the sales, the temporary nature of this time-restricted activity cannot be obviated. The time limit of the promotion can coincide with major advertising campaigns in the year, related with events or times of the year distinguished by a higher consumption. Sales promotions are often associated with football matches or competitions, as well as with special dates, such as Father's or Mother's Day. In this case the sales promotion reinforces the existing factors favourable for consumption[180].

The novelty of the sales promotion understood as such in the television market requires to adapt promotions to the specific type of product and to find out what is a benefit in them for potential subscribers. When ap-

179 EASTMAN, S.T. & KLEIN, R.A. (1982) p. 13.

180 As an example we will take the slogan of the following promotion in 1995 for a football match: "Subscribe Canal Plus and we will install it for free. This way you will be able to watch the Rácing de Santander-Real Madrid match.". Canal Plus (1995) "List of adverts".

plying gradually this technique we will check both its global effectiveness and as a type of promotion.

Before dealing with the strategies carried out by Canal Plus in order to get subscribers through sales promotion activities, it is worthwhile to look at the pattern of the evolution of these activities and the impact on total sales.

Table 15:

Sales promotion activities

Year	Total Sales	Sales through promotion activities	Sales rate through promotion activities	Promotions carried out
1991	206,144	7,986	3.9%	5
1994	286,416	23,356	8.2%	17
1997	206,025	99,050	48%	113

Source: Canal Plus. Sales and Promotion Department, 1997.

Through sales promotion activities, Canal Plus offered potential subscribers an added value product or service: special gifts, tickets for film or sport events, free home instalment or one month subscription free[181]. The increase in sales promotions was especially high between 1994 and 1997, both in the rate of sales and in the promotions carried out. However, there is not a corresponding growth in sales, in fact, the total sales figure decreased. The increasing number of promotions that Canal Plus carried out made potential subscribers think that they could always expect something else through the subscription, so many waited for the sales promotion before subscribing and would not have subscribed without it[182].

On the other hand, besides the sales promotions, Canal Plus started a new way of distribution in 1997, which made it easier for potential subscribers to access Canal Plus: self-service[183]. Canal Plus was avail-

181 Canal Plus (1997) Sales and Promotion Department.

182 Enrique de Ocio, Sales and Promotion Department in 1997, personal interview.

183 Promotion and distribution are related activities. Before self-promotion started, Canal Plus was distributed through different distributors (big supermarkets, small shops or chain of specialised shops). This method of distribution remained the same after the launching of self-promotion.

able in the big supermarkets in a small box in which the potential subscriber could find the decoder and a guide book to install Canal Plus without the need of a qualified person.

Through the increasing number of promotions and the easier availability of Canal Plus, the channel wanted to lead potential subscribers to an impulsive purchase[184]. Thus, if Canal Plus wanted to make subscription the result of an impulsive rather than a thoughtful decision, it seems reasonable that potential subscribers looked for sales promotions and therefore sales decreased where there were no promotions.

This had a consequence in terms of costs, as in most cases it was more expensive to get subscribers through sales promotions unless there was a large number of subscribers. As Canal Plus budgeted for a fixed cost per subscriber, the profitability of the sales promotions was measured in terms of keeping the promotions below the budgeted cost. In 1997, 36% of the sales promotions were below the budgeted cost[185]. Since then, the massive sales promotion activities decreased.

In search of specific subscribers it was more difficult to keep to the allotted budget. In 1997, Canal Plus had already started promotional strategies in order to attract collectives and targeted potential subscribers through direct marketing strategies. In 1997, 19.42% of the sales promotions were developed through direct marketing activities and the cost per subscriber was greater than the allotted budget[186].

However, the development of this strategy (despite of the high cost in many cases) can be explained by the length of time that Canal Plus had been operating in the market. It seemed necessary for Canal Plus to attract subscribers through special and direct means because many people were not affected by the ordinary means of promotion. In fact, the results in terms of collectives were really good. Hundred collectives were expected in 1997, and Canal Plus achieved 119[187].

184 Enrique DE OCIO, Sales and Promotion Department in 1997, personal interview.

185 Canal Plus (1997) “Análisis comercial Canal Plus 1997”.

186 Canal Plus (1997) “Análisis comercial Canal Plus 1997”.

187 Canal Plus (1997) “Análisis comercial Canal Plus 1997”.

4.2. The relationship with the subscriber

4.2.1. Creating the necessary infrastructure to establish a relationship

The established contractual relationship allows the pay television channel to develop other mechanisms to know the preferences of its subscribers. According to Lavine and Wackman, the research for knowing the preferences and desires of the audience has increased at the same time as the attempt to develop products and promoting strategies to attract specific groups[188]. Due to the contractual relationship between subscribers and the pay channel, providing tools to carry out research about their preferences.

Achieving the audience's satisfaction becomes one of the fundamental tasks of the pay channel. The management of subscribers not only consists of trying to offer the programming they are willing to pay for. The relationship between them extends to a number of tasks in which the channel places at stake the perception of the product's quality on the part of the subscribers. Telephone assistance service, enquiries about technical problems, invoice collection and other administrative task are an important part of this relationship.

The success of *BSkyB* is attributed to a large extent to the efficiency of their management of subscriber services. This service was established in Livingstone (Scotland) and was crucial not only in administrative terms, but also in order to reduce the number of subscription cancellations and to increase the subscriptions to new channel packages. "'Livingston is an absolutely wonderful set-up' says a senior TV executive, who looked into the idea of creating an ITV subscription management service for digital TV in 1996. 'If you haven't paid your bill, they will cut you off in the middle of a Manchester United football game. Then, when you call to complain, they not only get you signed up for direct debit, but they even try to sell you another channel' "[189].

188 Lavine, J.M. & Wackman, D.B. (1988) p. 104.

189 Horsman, M. (1997) p. 53.

The management of subscribers of Canal Plus has been supported since the launch of the channel by key instruments which work autonomously and interdependently: CATSA[190], SAT, and the magazine "Canal Plus". The aim of these supporting activities is to maintain a fluent and effective relationship with subscribers.

The CAT (Telephone Assistance Centre) was created in order to manage the complexities inherent in the process of subscribing: enquiries for information; subscribers' doubts and complaints concerning programming and technical problems; subscribers wishing to cancel their subscription and many other issues. Moreover, the administrative work (letters, bills, etc.) and the relations with distributors also depend on CAT. The following table shows an example of the actions carried out by the CAT and its activities.

Table 16:

Activity of the CAT (telephone assistance centre)

Phone calls received	**May 1997**	**April 1997**	**March 1997**
Subscribers	144,657	147,486	145,233
Distributors	61,428	74,143	58,686
CAT Catalonia	11,664	14,684	13,016
Information	12,148	19,844	12,376
TOTAL	**229,897**	**256,157**	**229,301**
Phone calls made by CAT	**May 1997**	**April 1997**	**March 1997**
Solutions for technical problems	6,601	10,096	8,945
Bills	3,202	1,411	34
Distributors	4,741	5,110	3,090
Anti-piracy campaign	2,588	11,120	3,124
Decoders issues	2,466	3,480	523
Avoiding churning	0	8	0
Merchandising	0	68	1,072
Internet	5,546	6,756	5,698
Others	5,531	5,251	3,875
TOTAL	**30,675**	**43,300**	**26,361**

Source: Canal Plus (1997) "Informe de actividad comercial Canal +"

190 The letters SA after CAT mean that the company is a Limited Liability Company.

The idea of having such a centre was borrowed from Canal Plus France which had a similar one inside the company. However, from the beginning, the CAT in Spain became an affiliated company, CATSA. The strategy of creating an affiliated company instead of having a centre inside Canal Plus allowed CATSA to expand as a business in itself. In fact, in December 1994, the success of CATSA led Canal Plus to offer its services to other clients. By then, CATSA had more than 400 employees and received between 15,000 and 25,000 phone calls daily[191]. As a result, in 1997, the sales growth of CATSA was around 90%. Most of the revenues came from activities within the PRISA Media Group[192].

There exists a close relationship between CAT and the Technical Assistance Service (SAT). This relationship is vital in the management of subscribers. The CAT can often solve subscribers' technical problems, but if unable to do so, CAT sends the problems onto SAT. In May 1997, CAT received 20,757 phone calls concerning technical problems: 17,170 of them (82.72%) were solved by CAT whereas only 3,578 (17.28%) were sent to SAT[193]. This proves the efficiency of the CAT, which is referred to as the "back bone" of Canal Plus[194].

SAT activity is funded by charging the cost of its activities either to subscribers or to Canal Plus, depending on the kind of technical problem involved.

Table 17:

Number of actions carried out by the SAT (technical assistance service)

	May 1997	April 1997	March 1997
Number of actions	3,542	3,467	2,654
Paid by Canal Plus	1,761 (49.72%)	1,601 (46.18%)	1,331 (50.15%)
Paid by subscribers	1,781 (50.28%)	1,866 (53.82%)	1,323 (49.85%)

Source: Canal Plus (1997) "Informe de actividad comercial Canal Plus"

191 Noticias de la Comunicación (December 1995) p. 16.

192 ALONSO, F. (1999) p. 322.

193 Canal Plus (1997) "Informe de actividad comercial" p. 10.

194 José ANTONIO GUISASOLA, director manager of CATSA from 1990 until 2000, personal interview.

The third instrument, the magazine “Canal Plus”, is distributed exclusively among subscribers and sent to their homes monthly. There is no direct relationship between CATSA, SAT and the magazine. However, it acts as an autonomous instrument which contributes to the management of subscribers in creating a link between the channel and its subscribers, and helps to strengthen in subscribers a sense of belonging. The content consists basically of information about programming such as film reviews or sport reports, events for subscribers and various issues concerning the channel. The number of magazines circulated is exactly the same as the number of subscribers. Thus, “Canal Plus” has become the monthly magazine most widely circulated in Spain.

The fact of being a magazine which is sent to the subscribers’ home and the special features of the subscribers known by the channel, made the magazine very interesting for advertisers. In fact, the number of adverts in every issue is very high (approximately half of pages of the magazine)[195].

The pay channel’s magazine has its raison d’être in rendering a service to subscribers. In this sense, despite of being not only an autonomous media product but also a press product, its aim as media good is only achieved when it is linked to the television product. It is therefore an added value conceived as a service to the main product/object of the contract: Canal Plus television programming.

From this idea of complementary product conceived as a service, the positive valuation of the magazine is closely related to the useful information found by subscribers. The following table shows data of December 1999 and July 2000 in which subscribers are asked about the useful information of the magazine. The interest rates rage in a scale from one to four.

195 “Canal Plus” magazine (1991, 1994 and 1997 issues).

Table 18:

Useful information in the sections of Canal Plus magazine (1999-2000)

SECTION OF THE MAGAZINE	December 99	July 00
Subscribers section	2.07	2.05
Daily programming guide	3.01	3.10
Articles about the programming of the current month: cinema, sports	2.54	2.61
Rerun schedule	2.20	2.26
Next month's preview	2.47	2.50
Plus News	---	2.30

Source: Demoscopia, "Estudio entre abonados. Imagen y satisfacción. Investigación cuantitativa" (Julio 2000) p. 35 and 36.

Satisfaction rates for the different sections are never lower than 2 and show a close parallelism between both periods with a slight increase in the last one. The highest rates of usefulness are reached in those sections that are closely linked to the object of the contract, strengthening therefore the magazine's character as complementary product. The daily programming guide presents in both cases the highest rate being the only section that reaches 3. In both studies it is followed by articles about current's month programming mostly about especially successful films or sport competitions of interest. Subscriber's section has the lowest rate.

Together with the usefulness found by subscribers in the different sections, there is a 1 to 10 assessment for every one of them. Coincidences between usefulness and assessment confirm again the idea of complementary product. The daily programming guide leads the scores with 7.86 in December 1999 and 7.79 in July 2000. The second position is for the articles about current months' programming with 7.45 in 1999 and 7.09 in 2000[196].

Finally, the positive assessment of both the magazine in general as of the different sections and the high usefulness rates reached by sections tightly linked to programming leads us to conclude with a positive consideration of the interpersonal relationship between subscribers and

196 Demoscopia, "Estudio entre abonados. Imagen y satisfacción. Investigación cuantitativa" (January 2000, p. 22; and July 2000, p. 34) the magazine. This interpersonal relationship is efficient bearing in mind its character of commercial relationship subordinated to the major interpersonal relationship, that is to say, the relationship between subscribers and the television programming.

4.2.2. Avoiding churning and recuperation activities

By virtue of the established contractual relationship subscribers have an economic mechanism to show their satisfaction about the product. It simply consists on cancelling the subscription[197]. The following table shows the evolution of cancellations in Canal Plus during three years.

Table 19:

Cancellation of subscriptions (1991, 1194 and 1997)

Month	1991	1994	1997
January	637	5,462	9,212
February	591	5,772	9,409
March	541	6,809	10,393
April	1,471	6,592	10,524
May	1,054	5,431	9,420
June	1,470	10,185	11,343
July	1,626	9,303	12,550
August	1,456	9,825	11,487
September	1,334	7,326	10,564
October	2,071	6,147	12,227
November	1,802	6,418	10,831
December	1,608	5,122	8,149

Source: Canal Plus (1998) "Análisis histórico de bajas de Canal Plus".

A cancellation is never a gradual process and it cannot thus show the assessment of single programmes. As in the case of generalist channels, pay

197 "Many economists support subscription television because it creates a clearer link between viewers and broadcasters (i.e., consumers and producers). It is argued that viewers' tastes and preferences, in particular the strenngth of their preferences can best be expressed within a system which allows the viewers themselves (rather than advertisers or politicians) to choose which programmes or channels to pay for". Congdom, T. (1992) p. 93.

ones must resort either to audience indexes or to studies carried out by the channel among its subscribers. Thus, once the pay channel has received the economic compensation by its audience it must win its time. The purchase of the pay channel services will only be justified if they are actually enjoyed. In order to keep the time compensation that justifies the investment it will be necessary to broadcast programming subscribers are willing to pay for. Despite all, in some cases the subscription to a pay channel involves belonging to a social class and it is thus considered as another electrical household appliance regardless of the time devoted to its use.

The relationship with clients goes further when it is a question of persuading them not to cancel the subscription or when special events are created for them. Subscribing to a pay channel becomes something else than buying television products.

Canal Plus has made use of external instruments in order to manage its subscribers. Before looking at some examples, it is necessary to examine the annual rate of cessation over some years:

1991	1994	1997
17.80%	10.99%	9.23%

The decline in cessation of subscription can be explained by the evolution of reasons for ceasing to subscribe:

Table 20:

Reasons for ceasing to subscribe (1991, 1994 and 1997)

	1991	**1994**	**1997**
Technical problems	30.0%	8.8%	4.2%
Piracy	4.6%	1.1%	0.9%
Administrative reasons	11.5%	5.7%	2.3%
Economic problems	4.6%	15.1%	14.8%
Moves	9.5%	11.9%	9.2%
Programming	8.9%	10.2%	11.3%
No specifications	12.2%	29.1%	38.7%
Return equipment	15.2%	9.8%	6.3%
Personal problems	1.5%	8.0%	12.1%
Others	1.9%	0.4%	0.2%

Source: Canal Plus (1998) "Análisis histórico de bajas Canal Plus".

The problems inherent in the launching of a new technological system affected Canal Plus greatly in 1991. Most subscribers (30%) gave the channel up due to this reason. However, Canal Plus managed the technical problems properly through CAT and SAT, as the figures show: only 8.8% in 1994 and 4.2% in 1997 left Canal Plus for this reason.

Most subscribers do not specify their reasons for ceasing to subscribe during 1994 and 1997. Moreover, personal problems have also increased. This makes it more difficult for the channel to take measures in order to avoid cancellations. In fact, from the point of view of the channel there are no strategies to deal with personal and economic problems as well as with those which are not identified. Apart from the previously mentioned reasons, the next main reason for ceasing the subscription is due to dissatisfaction in programming both in 1994 and 1997. It seems logical that the strategies should address this problem.

In 1995, the information provided by Demoscopia allowed Canal Plus to identify the features of the subscribers who gave up Canal Plus: upper class; 35-55 years old; great interest in cinema, but not in sports; and little use of the channel[198]. Subscribers with these features were identified as the risk group.

The strategies in order to avoid the ceasing to subscribe were not developed until 1997. Until then, no specific actions on subscribers took place though the risk group was already identified. Therefore, we will analyse the strategies developed in 1997.

In 1997, the subscribers department started the creation of a qualitative data base concerning subscribers' features, hobbies and needs. The purpose of this database was to divide subscribers into four main groups of satisfaction: very satisfied, satisfied, unsatisfied and passive subscribers. New subscribers, unsatisfied and passive subscribers were considered the risk group on which action should focus.

198 Demoscopia (1995) "Estudio Prospectivo sobre el Mercado de Canal + (Fases Abonados y Ex-Abonados) Síntesis Final y Conclusiones".

Two main strategies were carried out:

- Improvement in telephone assistance. Thanks to the qualitative database, CATSA's employees already knew if the subscribers phoning CATSA were within the risk group. Therefore, they could make a special effort with their phone calls.

- The creation of special events for subscribers in different cities: films passes, tickets for football matches, festivals, etc. The events were announced in the magazine "Canal Plus" and subscribers belonging to the risk group were sent a personal letter as well.

However, there are some problems concerning these strategies. Firstly, the difficulties involved in the process of gathering data from subscribers. Although a special gift was sent to those subscribers who answered the survey, many of them did not do so. It is very likely that the most unsatisfied subscribers were unwilling to spend time answering a long survey and those were precisely the customers the channel wanted to know about.

Secondly, and according to the Head of the Subscribers Department in 1997, the creation of events is able to satisfy only a small group of subscribers. These events took place only in the larger cities (so subscribers from towns were excluded). The number of tickets was also limited; therefore the degree of dissatisfaction among those who wished to attend the event was even higher[199].

The aim of the strategies aforementioned (especially the latter) was to increase commitment to the channel. According to Canal Plus, these activities are called fidelity actions. Through these activities, subscribers can perceive the added value of Canal Plus. However, it is worth looking at the main causes of dissatisfaction to see to what extent these strategies have to do with the subscriber's reason to cancel the subscription.

199 Alexia DODD, Head of the Subscribers Department in 1997, personal interview.

Table 21:

Changes demanded to Canal Plus in order to consider subscribing again (1995)

Survey among ex-subscriber who declared to cease subscribing because of dissatisfaction

Improving film programming, more quality and more new films	42%
Less scheduling the same films at different times	12%
General programmming improvement	11%
More documentary programmes	6%
Including new programming genres: news, children's programmes	6%
Less bullfighting and sports programmes	5%
Better selection of football matches	4%
More sports, not only football	4%
More independence and impartiality	1%
Fulfilment of the accorded commitments	1%
Technical service and assistance improvements	6%
Better technical equipment	7%
Cheaper subscription	6%
Never consider to subscribe again	3%
Do not know	12%

Source: Canal Plus (1998) "Análisis histórico de bajas de Canal Plus".

Thus, in 1994 (this data refers to the period 1994-1995), programming was the main reason for dissatisfaction: 90% of the responses were in connection with programming.

In 1997, the arrival of the satellite platforms had an impact in the reasons for ceasing to subscribe among ex-subscribers. The reasons connected with the arrival of digital television accounted for 12.5%. Satellite platforms offered the exclusive programming that Canal Plus had offered under monopoly during the previous seven years: films and sport events, and especially football.

Therefore, the product itself is the root of the cause of the subscribers' dissatisfaction. The strategies developed by the Subscribers Department are addressed to create a closer and effective link between the subscriber and the channel so that subscribers perceive Canal Plus as something other than a television channel. However, we must not forget that the main cause for cancelling subscription is programming and not the added value serviced offered. It is dissatisfaction with the product what mainly causes cancellations[200]. We find out thus a tight relationship between the management of programming and the management of subscribers.

A special mention is required for recuperation activities. In 1994, according to Canal Plus, 57.5% of ex-subscribers would consider subscribing again if the original cause of their dissatisfaction was corrected. Only 19.5% of ex-subscribers would not do it[201].

These figures led Canal Plus to address ex-subscribers and encourage them to subscribe again. Although there are available figures concerning earlier years, the recuperation activities officially started in 1994. The only strategy developed in 1994 was to phone ex-subscribers once they had asked to cancel their subscription. That year, of the 20,460 ex-subscribers contacted, only 1,996 of them agreed to subscribe again[202]. In 1997, 3,546 ex-subscribers subscribed again through the same strategy[203] .

200 As KOTLER points out, "consumer retention is thus more important than consumer attraction. The key to consumer retention is consumer satisfaction". KOTLER, P. (1997) p. 22.

201 Canal Plus (1998) "Análisis histórico de bajas de Canal Plus".

202 Canal Plus (1998) "Análisis histórico de bajas de Canal Plus".

203 Canal Plus (1998) "Análisis histórico de bajas de Canal Plus".

Table 22:

Actions adopted by Canal Plus in order to persuade ex-subscribers to subscribe again: 1997

Survey among ex-subscriber who declared to cease subscribing because of dissatisfaction

	Total subscribers	Subscribers coming from ex-subscribers
January	5,781	349
February	5,434	246
March	6,438	185
April	5,124	304
May	4,662	220
June	7,329	219
July	7,438	197
August	5,342	271
September	6,895	270
October	6,911	526
November	4,253	359
December	3,902	400
Total	**69,509**	**3,546**
Subscribers coming from ex-subscribers' rate		**5.10%**

Source: Canal Plus (1998) "Análisis histórico de bajas Canal +"

Furthermore, in 1997 a specific assistance group was created within CATSA in order to dissuade subscribers from cancelling the subscription. This group received special formation so that they could identify the reasons of the subscribers and convince them during the same phone call. This action was begun during the phone call that subscribers made in order to request a cancellation of their subscription[204]. There are no available results about the efficiency of this activity.

204 Canal Plus (1998) "Plan de prevención de bajas".

What seems clear is that Canal Plus realised that ex-subscribers were in fact potential subscribers and developed a simple strategy accordingly. However, as with the other strategies mentioned earlier, this is an adjacent instrument which does not go the root of the problem: the customers' dissatisfaction with the product itself, that is to say, programming.

Some Conclusions. The pay television channel as a transition model to the multichannel offer

1. It is necessary to formalize a conceptual framework about the permanent elements that shape the television business. The first element is the television product, understood as a dynamic concept that includes the following dimensions: *content, form and logic*. This triple perspective allows us to advance towards the definition of the other two key elements in the television business, the audience and the financing or paying system.

By delimiting the concept of television product we are lead to analyse its nature as a public good, immaterial, cultural and free in most cases, with the resulting repercussions on television industry. The schedule becomes an object of analysis from the mentioned triple dimension, that is to say, the *content* that refers the genders, the *form* that those contents adopt or their organization in the time and the *logic* or governing principle that articulates the activity. This activity is also closely related with the financing system. The differences in the way of doing the compensation describe different relationships with the audience. On the other hand, the nature of the compensation is useful for the traditional classification of public, commercial or pay television. This dynamic way of understanding the television product allows to understand the implications of direct payment in more depth.

2. Direct payment calls into question the television product understood as a public good, for it works as a private good when it is purchased by paying a certaing price. Until pay television appeared, the relationship with the audience centred around two aspects: the interpersonal relationship by which the audience owns somehow the message in a deliberated way and the commercial relationship by which the time consumption on the part of the audience involves an

economic benefit. By virtue of the stablished relationship the audience of the pay channel become subscribers. The definition of subscription contract to a pay channel allows to delimit this relationship in a more precise way.

3. When studying the *schedule* of a pay channel it is necessary to consider the programming environment in which it operates, that is to say the *contents*, the *form* and the *logic* of public and commercial channels. The proliferation of channels, the absence of a regulation in the television market and the commercialization of television have lead to a convergence process in terms of schedule's *contents* and *form*. In the root of this convergence lies the *logic* of maximizing audiences in order to attract advertising revenue or to legitimize the activity of the public service. The time of the audience becomes thus a dealing object and the relationship with the audience becomes commercial. The aim is to achieve the biggest audience. The means is offering contents that bring positive response reflected in high audience ratings.

In such a context, in which television products are presented as free, has appeared the pay channel offer. The birth of pay television is accompanied by an important historical circumstance: the fact of being sheltered by a monopoly regime. This circumstance favours the offer of exclusive contents as a maget to attract subscribers. Direct payment meets the offer of contents that allow to exploit a high consumer surplus. These programmes coincide with those that maximize audiences in commercial television and with those shows for which people queue on the street: movie premieres and sport events. The management of cinema rights and the rights for broadcasting live sport events becomes thus an essential activity for the programming of pay television.

4. The novelty in schedule's contents lies above all in the polarization around the genres offered as exclusive. It consists on creating a formula that sets football and cinema in the centre and most of the rest of programmes around them. Own production and vertical integration activities are centred on those. Moreover, as it corresponds to a direct payment financing system, the pay television channel includes in its schedule some programmes for minorities, with the aim of attracting subscribers whose wishes are not satisfied in other channels' schedules. In short, the offer is specialized in popular contents that are pre-

sented to the audience in exclusive regime. These are combined with other contents that are typical of generalist televisions and a reduced minority offer.

Regarding the *form*, the estructure of the schedule pursues to win a certain social time for certain programmes to be accepted. Pay channels do not introduce a novelty in the dependence of programming with regard to social time because football matches are broadcasted live and movie premieres at prime times. The reason for broadcasting at that time is not related with the aim of increasing income but whith the fact that it is the social time devoted to watch television. The novelty in the way of programming lies in the flexibility of use, thanks to the introduction of repetition techniques and later to multiplexing. What is also peculiar is the *form* of the organization of non encrypted programming, which is used as a window for promoting a commercial relationship with the potential audience.

5. As regards to the relationship with the audience, it is necessary to make a difference between potential customers and subscribers. The commercial relationship with the potential audience aims to promote the subscription of a contract, while with subscribers the aim is to maintain the established contractual relationship. The techniques applied in each of these cases are different and also differ from those applied by traditional channels to attract audiences. On one hand, the *form* of the *schedule* is organized taking into account the social time and the non encrypted programming. On the other hand, specific promotion activities are launched. These represent a real novelty in television. These actions are aimed to consumption understood as an economic expenditure. New strategies are thus adopted in order to promote an impulsive consumption by means of sales promotion, advertising campaigns, direct marketing, etc.

In order to manage that the commercial relationship culminates in consumption, the pay channel needs to have an appropriate structure. This will be to a great extent the “face” of the company for potential subscribers. The customer assistance service, by which potential subscribers manage subscriptions and continuity is achieved, is the spine of the pay channel.

6. The subscription contract shapes a new relationship that admits several possibilities. Relationships with subscribers are governed by the importance of the object of the contract, that is, the television programming. These relationships pursue at last a time consumption that justifies the continuity of the contract. Therefore, any commercial relationship is subordinated to the satisfaction with the television product itself. Whithin these commercial relationships the pay channel uses the contractual relationship to offer subscribers added value products or services that go beyond the audiovisual contents that are object of the contract. Other services are provided in a preferential way to subscribers. This is the first step towards the extension of the notion of product.

The implications of direct payment on the channel's programming and on the relationship with the audience allow to consider the role played by the pay channel as an intermediate stage towards new products and new relationships in the digital offer. A fundamental question arises from the described situation: whether the fact of paying directly involves a higher quality in the supply of television products and more freedom for the consumer.

7. The pay television channel can be considered as an intermediate stage towards the multichannel offer. It can be stated that the latter has increased both exclusive contents and minority programming. This increase is a consequence of the abundance of contents, for these are organized in the *form* of channels. If diversity is understood as a distinguishing sign of quality, direct payment contributes to quality with the multichannel offer. Nevertheless, Canal Plus has kept its own entity within the multichannel offer because of its peculiar programming model, close to the conventional offer in the *form* and in some of the *contents*, and keeping popular programmes in an exclusive way. We can therefore still consider Canal Plus to be the only pay channel in the Spanish market.

As far as freedom is concerned, in the relationship with the costumers of pay channels this freedom was restricted to their capacity to cancel the contract. The digital offer opens up a new outlook for relationships. The freedom to choose is increased as a consequence of the nature of the offer but it is restricted by certain conditions about price and content. These are fixed by the television company and no negotiation is possible. Once the contract is formalized there is more freedom to choose and more use flexibility. The pay-per-view system allows the audience to show their preferences or needs, since it is possible to maintain individual relationships with regard to contents. However, the nature of the contents offered under this regime (cinema and football) restricts the freedom to choose and involves again the exploitation of consumer surplus for popular contents. Nevertheless, this is carried out in another window in which the television company obtains a higher income.

8. Both the increase of the content's offer, which affects directly the quality, and the increase of the possibilites to choose, which influences subscriber's freedom, reveal that abundance is a key factor. The offer of programmes becomes the offer of contents in various channels. In this way, the digital offer differs from the pay channel's basically in the fact that it increases the offered programming time, raising the real time of enjoyment of television products at the audience's disposal.

On the other hand, exclusive programmes are offered under a pay-per-view regime so that the contents by which consumer surplus is exploited require a new expenditure. Spanish legislation established that all pay television operators had the right to broadcast sport events with the consequent transfer of rights done by the operator that owned them in a monopoly regime.

These circumstances have favoured the recent tendency to mergers in this market or the disappearance of some operators. The programmes that generate subscriptions must be present in all offers as an unavoidable consequence of business and legislation. The rest of the offer consists fundamentally in an increase of specialized contents for which there will never be a real enjoyment time. Subscribers will never have the necessary time to enjoy not even a quarter of what they pay for. In this context, a sole operator is capable to satisfy such an offer.

Finally, if pay channels allow to enlarge the concept of product regarding the contractual relationship, the digital offer includes from the object of the contract a series of services that the audiovisual content. A path that leads to a novelty that goes beyond the mentioned difficulties is growing. The application of new communication technologies facilitates the possibility of increasing the participation of receivers in shaping the contents that are object of the subscription.

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