The convergence of media. Internet audiovisual platforms (Over-The-Top) and their impact on the audiovisual market in Spain

Convergencia de medios. Plataformas audiovisuales por Internet (Over-The-Top) y su impacto en el mercado audiovisual en España

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ABSTRACT
Introduction. Among the current pay television offer, the impact of OTT operators (streaming audiovisual services) in the transformation of the current panorama of the Spanish audiovisual market stands out. **Objectives and Hypotheses.** The general objective is to analyze the current situation of the television panorama in Spain and compare it with the available data about the emergence of OTT operators. We start from the hypothesis that it raises an initial growth situation towards a saturated but powerful model, which makes it possible to fragment audiences even more, but which calls into question the linear television model and raises serious questions about the viability of its business model. **Method.** An exhaustive review of the information published by secondary sources, whether periodic or not, at the national level, as well as of the specialized press was carried out. **Results.** The decrease in linear television consumption in benefit of IPTV and OTTs is confirmed. In Spain, pay television revenues are equal to those of free-to-air television, confirming the change of model towards a television system based on video-on-demand and mobile devices. The OTT market is increasingly diverse but is highly concentrated in just two operators, Netflix and HBO Spain. **Conclusions.** The hypothesis is confirmed by finding a saturated audiovisual panorama that represents a benefit for viewers in terms of increasing the quality of productions, especially those related to fiction, but which also entails a problem of visibility of the contents and a problem of exhaustion for the spectators.

KEYWORDS: Over-The-Top; Television; Convergence; Audiovisual Market; Online distribution.

RESUMEN
Introducción. De entre la oferta actual de televisión de pago destaca el impacto de los operadores OTT (servicios audiovisuales en *streaming*) en la transformación del panorama actual del mercado audiovisual español. **Objetivos e Hipótesis.** El objetivo general consiste en analizar la situación actual del panorama televisivo en España y compararlo con los datos disponibles acerca de la irrupción de los operadores OTT. Partimos de la hipótesis que plantea una situación inicial de crecimiento hacia un modelo saturado pero de gran alcance, lo que permite fragmentar las audiencias aún más pero que pone en discusión el modelo lineal televisivo y plantea serias cuestiones acerca de la viabilidad de su modelo de negocio. **Método.** Se llevó a cabo una revisión exhaustiva de la información publicada por fuentes secundarias, bien periódicas o no, de ámbito nacional, así como de prensa especializada. **Resultados.** Se confirma el descenso del consumo de televisión lineal en beneficio de la IPTV y los OTTs. En España los ingresos de la televisión de pago se equiparan a los de la televisión en abierto, confirmando el cambio de modelo hacia un sistema de televisión basado en el vídeo bajo demanda y los dispositivos móviles. El mercado de los OTT es cada vez más diverso pero se encuentra muy concentrado en sólo dos operadores, Netflix y HBO España. **Conclusiones.** Se confirma la hipótesis al encontrar un panorama audiovisual saturado que supone un beneficio para los espectadores en tanto al incremento de la calidad de las producciones, especialmente las relacionadas con la ficción, pero que conlleva también un problema de visibilidad de los contenidos y un problema de agotamiento para los espectadores.

PALABRAS CLAVE: Over-The-Top; Televisión; Convergencia; Mercado Audiovisual; Distribución online.

CONTENTS

Translation by **Paula González** (Universidad Católica Andrés Bello, Venezuela)

1. Introduction

Like other cultural industries, television, tending towards business concentration and both vertical and horizontal integration, confirms in Spain a duopolistic scenario marked by the division of audiences into small portions, more or less segmented, in a context that confirms the progressive positive evolution of pay television at the hands of telecommunications companies and the emerging Over-The-Top operators. However, the Spanish television industry still maintains a certain strength in the consumption of free-to-air or linear television, although advertising revenues have slowed in 2019, as we will see later.

Since the takeovers of Cuatro by Telecinco and La Sexta by Antena 3 became effective in 2009 and 2011, forming the Mediaset España and Atresmedia groups, respectively, their control over audiences and advertising investments has been practically absolute. It is confirmed that for free-to-air television there is no other viable business model other than concentration (García Santamaría, Pérez Serrano, and Alcolea Díaz, 2014: 398). According to the latest data published by InfoAdex regarding advertising revenue for 2019, Mediaset and Atresmedia concentrate 84.1% of the market share, which corresponds to revenues of 869 million euros for Mediaset, assuming a decrease of -5.7% compared to 2018, and of 815 million for Atresmedia, which registers -5.5% less than in the previous year. According to this study, conventional television loses 5.8% of advertising investment compared to 2018, reaching a total figure of 2,002.8 million euros (InfoAdex, 2020).

All this when the sum of the audiences (screen share) of the three general channels at the national level (La1, Antena 3, and Telecinco) has registered historical lows in February and March 2020 —35.8 and 35.9%, respectively— for the benefit of other (thematic) channels and other audiovisual content distribution media, such as IPTV and OTT operators (Barlovento Comunicación, 2020). However, despite these declines in audiences, Mediaset and Atresmedia have progressively managed to monopolize more and more advertising investments since they began their concentration processes.

Despite the recovery of investments in advertising during the 2014-2016 triennium, a period in which almost 500 million euros were recovered compared to 2007 (the year in which a historical goal of about 3,500 million euros was registered), this growth has slowed since 2017.

As will be analyzed below, the revenues of free-to-air television and pay television have practically become equal in recent years. Consequently, pay television is the sector that is managing to consolidate its growth year after year, accounting for 25.7% of total television consumption in 2019 (Barlovento Comunicación, 2019).

Among the current pay television offer, the impact of OTT operators (streaming audiovisual services) in the transformation of the current panorama of the Spanish audiovisual market stands out. Its growth is exponential, in some cases doubling its subscribers in just six months (as is the case with Netflix, for example). We currently find a multitude of OTTs operating in our market, including Disney+, AppleTV+, Rakuten Wuaki, Filmin, Amazon Prime Video, Netflix, HBO Spain, Sky, or FlixOlé, the latter mainly dedicated to Spanish cinema.

These platforms increase, even more, if possible, the overabundance of the audiovisual offer in the Spanish market through the various existing transmission media (airwaves, cable, satellite, and internet). In light of the concentration processes that have occurred in free-to-air television and based on the exponential growth of IPTV and OTT operators, there are many concerns and questions posed by both traditional companies and consumers. It seems that in recent years we are witnessing a bubble in OTT audiovisual services and, therefore, in the audiovisual offer available. John Landgraf spoke back in 2015 about Peak TV, it was to refer to a time of television overabundance (Marcos, 2016). This overabundance is a sign of a paradigm shift, characterized by an increase in platforms and devices and even greater fragmentation of viewers. However, in the face of this new golden age, especially in fiction, we wonder if these production and business models, proposed by the OTTs, will be viable in the long term or will they moderate once the natural selection has done its work and companies finally take positions in the market.

2. Objectives and hypotheses

Based on the issues previously collected and the challenges faced by both old and new operators, one of the first objectives of this study is to weigh the defining limits of the Over-TheTop concept itself to refer to the distribution of audiovisual content. From this point, we will carry out an analysis of the current situation of the television panorama in Spain and its comparison with the available data about the emergence and development of OTT operators in our market.

Following these objectives, we propose a starting hypothesis based on the observation of the numerous movements of various companies to position themselves in the promising Internet television and video

(OTT) market. Subscriptions and revenues are growing rapidly and in relatively short periods, so the main operators are trying to define themselves in an increasingly saturated market. We foresee a natural selection process that will determine which companies will ultimately dominate the market for content distributed by the public internet network in the form of an oligopoly, in which the additional OTT services of telecommunication companies (Movistar, Vodafone, and Orange) will also have a fundamental weight. Therefore, we observe an initial situation of growth towards a saturated but powerful model, which allows the audiences to be fragmented even more, which puts into discussion the linear television model — at least as far as pay television is concerned— and it raises serious questions about the viability of its business model.

3. Methodology

To meet these objectives and respond to the hypothesis raised, an exhaustive and critical review of the information published by secondary sources at the national level has been carried out. Likewise, the data provided by these sources are evaluated and contextualized in the light of the information collected by the specialized press and academic literature.

Therefore, this article presents a study of the Spanish audiovisual scene through the analysis of information provided by sources such as InfoAdex, the National Market and Competition Commission (CNMN by its acronym in Spanish), Barlovento Comunicación, the Televidente 2.0 report -prepared by Telefónica, Ymedia, and The Cocktail Analysis-, the European Audiovisual Observatory, and specialized press, with special emphasis on the increasingly important role that Over-The-Top Players are playing in the Spanish audiovisual scene. In this way, the present analysis can provide a kind of specific X-ray that helps advance the understanding of the effects of digitization and media convergence on audiovisual production and consumption.

4. Definition of Over-The-Top Player (OTT)

The limits that would define an Over-The-Top operator can be quite fuzzy. Even more so when traditional pay television companies, such as HBO, or the television networks themselves began to launch their own OTT services. But it is that the Over-The-Top concept is also used to refer to other services that use the public Internet network and that have nothing to do with the audiovisual industry. The European Audiovisual Observatory (2016: 24) includes the definition that the Body of European Regulators of Electronic Communications (BEREC) makes of Over-The-Top services, and from which it follows that an OTT could define any content and communication services provider or other applications. The common note of all of them would be their disengagement from Internet access providers. Therefore, neither its services nor its contents have control of distribution to the user, which could affect their final quality. Hence, BEREC equates OTTs to any other electronic communications service. So, Skype, WhatsApp, or Spotify, among many others, would also be considered OTTs.

According to the European Observatory, since 2010, this term has been used to refer to general online access services to audiovisual content on demand. However, other more restrictive uses refer to specific applications for connected televisions, smartphones, or tablets, among other devices.

On the other hand, Simpson and Greenfield (2009), without using this name specifically, provided one of the most complete classifications of the different modes of distribution of audiovisual content through IP (Internet Protocol) networks. Initially, these authors distinguished between two terms that seemed sufficient to define the panorama of audiovisual services over the Internet: IPTV and Internet Video. With the first, they tried to describe the linear subscription television services that telecommunications companies began to commercialize with the generalization of broadband. With the second, basically, they distinguished the rest of the video distribution proposals over the Internet.

Their differences seemed clear and sufficient to determine the characteristics of this market. However, in a context of rapid technological change, it became necessary to define or develop new concepts that could more precisely designate other more recent uses and content.

To complete the scope of audiovisual services over the Internet, Simpson and Greenfield proposed the creation of two new categories located between IPTV and Internet Video. They called these categories Internet TV and IPVOD.

The first term, Internet TV, is similar in some respects to Internet Video, but shows a fundamental difference: this category defines services of content channels in continuous streaming (linear broadcast) instead of accessing a catalog of video files that can be played on demand. IPVOD, for its part, limits professional video production that can be reproduced on demand. In some cases, the use of strong restrictions of rights of use (DRM) is common.

Likewise, IP video services can be classified into two categories according to the type of distribution network they use. Basically, if they use public networks or private networks. The most relevant public network is the Internet, where users from anywhere in the world with a connection can access a vast list of sources with video content (if restrictions by region allow it). Although these sources can have public or private URLs, they all share the same distribution network, that is, the internet.

The three distribution models over the public network (IPVOD, Internet TV, and Internet Video) must be capable of operating on best-effort environments, in which providers and receivers must adapt to the loss of data packets and possible delays because of network traffic.

IPTV is the only modality that uses private networks, according to the classification made by Simpson and Greenfield. Each user is directly connected to a restricted access network, providing greater control over the parameters that affect the way the video will be delivered to the client.

IPTV services offer hundreds of continuous programming channels, upon payment of a general or specific subscription (thematic packages). For its part, the number of channels on Internet TV is subject to unpredictable and volatile variations. Many of the channels available on Internet TV exist in other conventional media. However, in some cases, Internet TV channels are replaced by video portals (Internet Video) that multiply the flexibility of use by their users.

IPTV services offer a user experience similar to any digital cable or satellite television service. In fact, it has emerged as the most important pay television formula in Spain, increasing its market share year after year.

Regarding the rest of the categories, the users of an IPVOD system will have an experience similar to the video-on-demand services of cable television or the operation of a digital video recorder (DVR). Internet TV and Internet Video traditionally provided an experience similar to web browsing, in both cases due to the access device (PC) and the method used to select the content (web search and link execution). However, as we will confirm later, the smartphone is currently the cornerstone of online consumption, especially among the youngest. What raises the review of these and other categorizations and the services and content that they define. Regarding the term Over-The-Top, we can see many of its characteristics reflected in the IPVOD, Internet TV, and Internet Video categories raised by these authors.

More recently, the Federal Communications Commission (FCC) established an interesting categorization in its annual report on the state of competition in the video and television market, in which it distinguishes between traditional cable or satellite pay television platforms (multichannel video programming distributors, MVPDs), traditional broadcast television stations, and, lastly, online video distributors (OVDs). It is in this last group where it classifies the Over-The-Top operators, both those that are native, such as Netflix; or others from conventional companies, such as HBO in the case of HBO NOW. However, OVDs, as defined by the North American institution, constitute a much more general category to also accommodate other providers of audiovisual content over the Internet, such as Apple through iTunes or Sony through its videogames console. Based on this report, the coverage area of an OVD could reach all regions capable of receiving high-speed Internet services. Consumers can access online content through multiple devices with network connectivity, including computers, smartphones, tablets, game consoles, SmartTVs, or other devices[1] (FCC, 2017: 620).

Therefore, the FCC opens the range of analysis to other services whose business models may differ to some extent from those proposed by most of the more generalized OTT operators. That is, to the subscription, pay-per-view, and advertising formulas, they add the typical iTunes business model based on the sale or rental of digital copies. This model is commonly defined as Electronic Sell Through or Transaction Video on Demand (TVOD) (FCC, 2017; European Audiovisual Observatory, 2016). Consumers become owners of a digital copy of the content that they can store on local hard drives and/or remote servers (cloud storage). It is probably the closest thing to classic publishing businesses in its adaptation to the digital environment.

As Álvarez Monzoncillo and López Villanueva (2015: 35) point out, there has been a curious situation consisting of a certain inversion of the usual roles of each actor. Traditional payment channels, as well as large content creators (HBO or Disney, for example), are prioritizing efforts in building their own online distribution channels. However, emerging Internet distribution companies -such as Netflix, a paradigmatic example- are devoting more and more financial resources to the production of exclusive content and the acquisition of rights. An aspect that is confirmed when reviewing the investment data in production made public by Netflix and Amazon, among others.

This fact demonstrates a logical and even natural situation: the value of content as a claim and, ultimately, as an asset that justifies payment for certain services; and, also, the essential position that distribution occupies in the value chain of cultural industries.

Likewise, OTT operators have been defined to a large extent according to their business proposals. The long-tail model partly explains the operation of these companies, based on niche products. In other words, OTTs exploit a content catalog in a mass market, in which companies find a great potential demand for a very extensive range of specialized products (Ojer and Capapé, 2012: 192). In this sense, Kim, Kim, and Nam (2016) analyze the competition relationships between traditional operators and OTT companies in the Korean market according to the concept of niche theory. This theory would explain how "an organism competes and coexists in a dynamic environment" (2016: 713), looking for its specific space where it can subsist. In other words, niche theory has been used in multiple cases for comparative analysis between new and old media, and how the former define their space (their niche) and distinguish themselves from the competition in a determined environment of coexistence. In fact,

[1] "(...) an OVD's geographic service area potentially covers all regions capable of receiving high-speed Internet service. Consumers can access online video via multiple Internet-enabled devices, including computers, smartphones, tablets, gaming consoles, television sets, and other equipment."

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within the offer of OTTs, distinctions can be made between generalist OTTs (such as Amazon, Netflix, or HBO) and niche OTTs (such as Filmin and FlixOlé).

In short, after reviewing the different implications around the OTT concept, we can affirm that, and reducing it to the audiovisual field, an OTT is a distributor of audiovisual content that is not part of the traditional ecosystem of television media (airwaves, cable, satellite, and even IPTV) and that makes use of the public Internet network to reach its customers, without the control of the network operator in the transmission of content. Access can be made through any connected device, either through an application (app) or through the web through any browser.

In any case, besides the defining debates of what an OTT is or is not, important for the regulatory field, the growing concern of the conventional media and telecommunications companies about the transformations that these new companies are leading or may lead in the short and medium-term future is evident. Many of these companies, born under the digital umbrella, are replacing the old agents of the sector but are not subject to the same legal obligations.

5. Results: Analysis of OTT operators in a context of profound changes in consumption and income

The consumption of television (free and pay), as well as audiovisual content accessible through other channels (such as the web or apps) —and in many cases not professionally produced—, has been increasing until reaching a historical record in 2012 with a consumption of 246 minutes per person per day of linear television[2]. As of 2015, to the consumption of linear television, Kantar Media added the first measurements of consumption of delayed content. This means adding to the consumption of linear television, the time dedicated to viewing television content through online media, or through some digital recording media, during the seven days following its conventional broadcast. More recently, from March 1st, 2017, the audience of the "guests" in the home is also included. That is, they also count viewers who do not live in the home where they are watching television at that time. In other words, those viewers who do not belong to the family unit.

Therefore, in 2017, when the measurement of "invited" audiences began, these two other variables were added to linear television consumption: delayed consumption and "invited" viewers. Thus, according to Kantar Media data, in 2017, television consumption amounted to 240 minutes per person per day (223 minutes of linear television, 11 for "guests", and 5 delayed). However, what is also deduced from these data is the progressive decrease since 2012 in the consumption of linear or streaming television, except for 2017 when the minutes corresponding to "invited" viewers are added for the first time. In 2019, linear television consumption was 216 minutes (including the concept of "guests", which in 2019 amounted to 10 minutes), to which 7 more minutes of delayed consumption are added for a total of 222 minutes.

[2] Data published by Barlovento Comunicación based on information provided by Kantar Media. Available at: www.barloventocomunicacion.es [Last accessed on April 8th, 2020]

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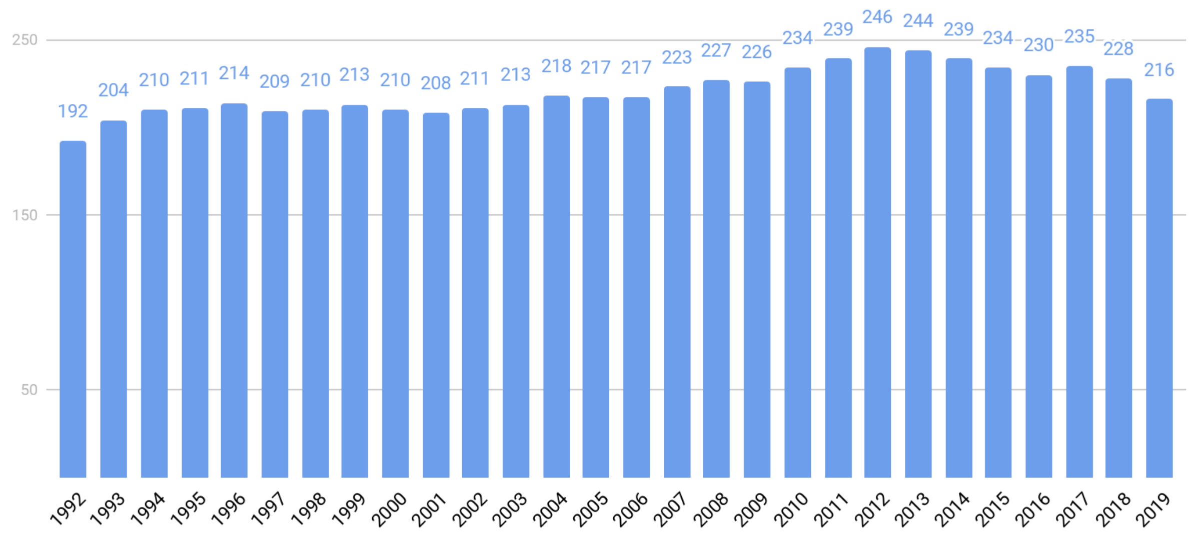
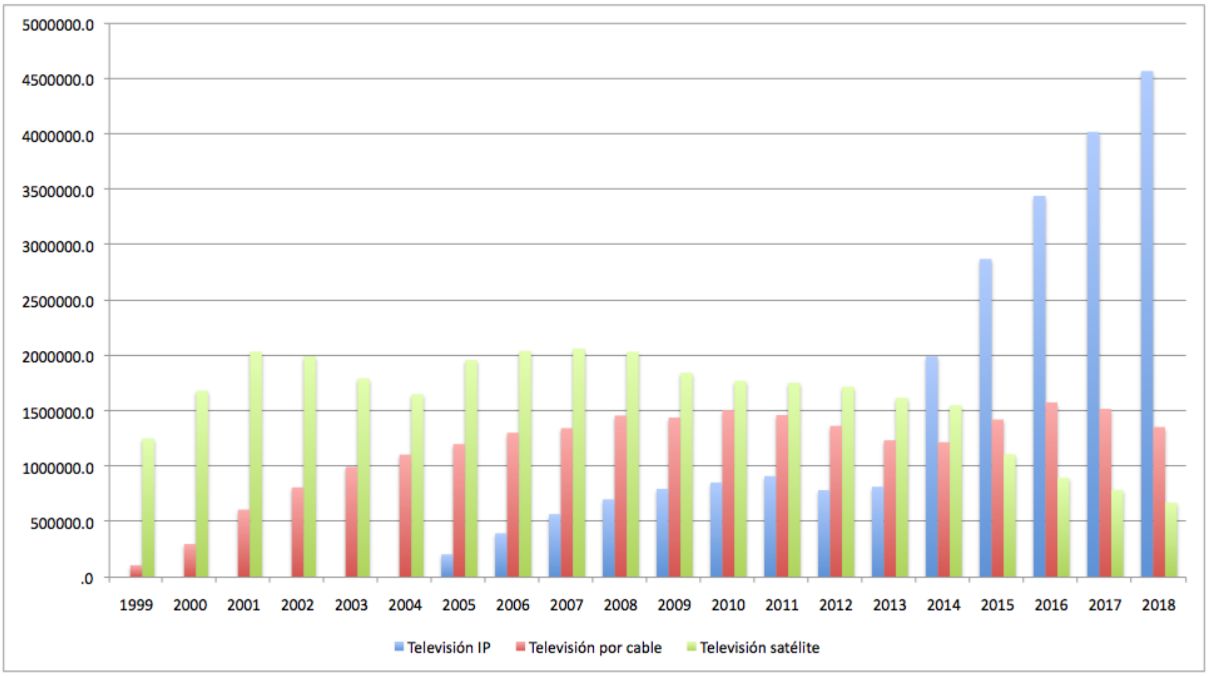


Graph 1. *Evolution of linear television consumption (excluding the "delayed" concept). Average minutes per person and day.*
Source: Self-made / Kantar Media

Thus, as can be seen in the previous graph, since 2012 (historical maximum of television consumption), linear television viewing has lost 30 minutes to 216 minutes in 2019. However, for a better comparison, if we exclude the value of "invited" viewers (a value that was not yet counted in 2012), 2019 registers a linear television consumption of 206 minutes, which would mean a reduction of 40 minutes compared to 2012. However, despite this new variable, the sum of the "invited" viewers, which sustained the consumption of conventional television in 2017, conventional television enters a progressive decline that corresponds, among other factors, to the consolidation of a context of multi-device and online consumption; to the push of Internet pay television due to the increase in fiber-optic connections (FTTH, Fiber to the Home), and the definitive commitment of OTT companies to the Spanish market, especially since 2015.

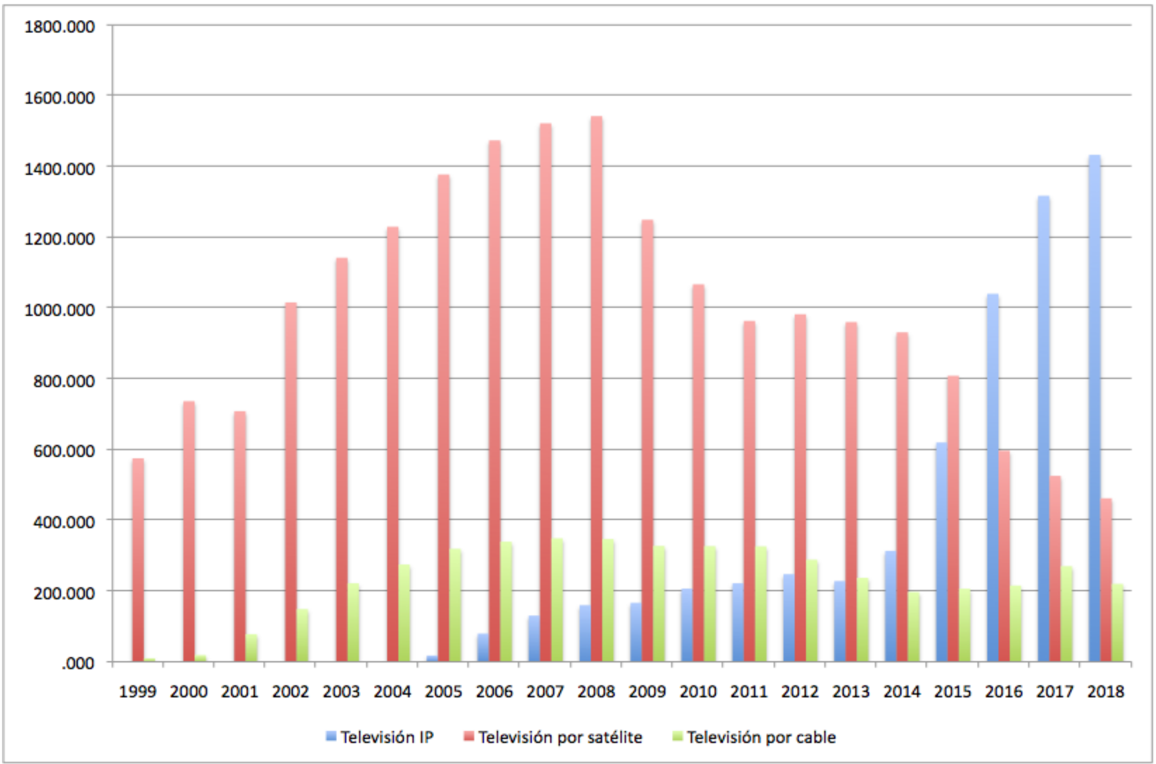
It is in this segment where the greatest increases in the consumption of audiovisual content in our country are being recorded. Pay television, in its various forms, has almost reached 7 million subscribers in 2018 (see Graph 2).



Graph 2. *Evolution of pay television subscribers by distribution medium.*
Source: Self-made / CNMC

The growth of IPTV as a distribution medium of pay television services stands out. Since the first IPTV platforms started in 2005, there has been an increase of 4,363,144 subscribers in eleven years (206,572 in 2005 and 4,569,716 in 2016). Currently, IPTV is the pay television distribution medium with the greatest weight in the Spanish market, surpassing 3,213,370 cable television subscribers (1,356,346 in 2018, decreasing its number of subscribers since 2016 when it achieved its best data since 2005) and 3,895,739 subscribers to satellite television (673,977 subscribers in 2018).

Satellite pay television has experienced a loss of 1,391,116 subscribers compared to 2007 when it reached the highest number of subscriptions since 1999 (2,065,093 subscribers). This drop in subscribers represents a drop of 67% for satellite pay television in nine years: from 2,065,093 in 2007 to 673,977 in 2018, registering for this last year the lowest number of subscribers in almost two decades (1999-2018).

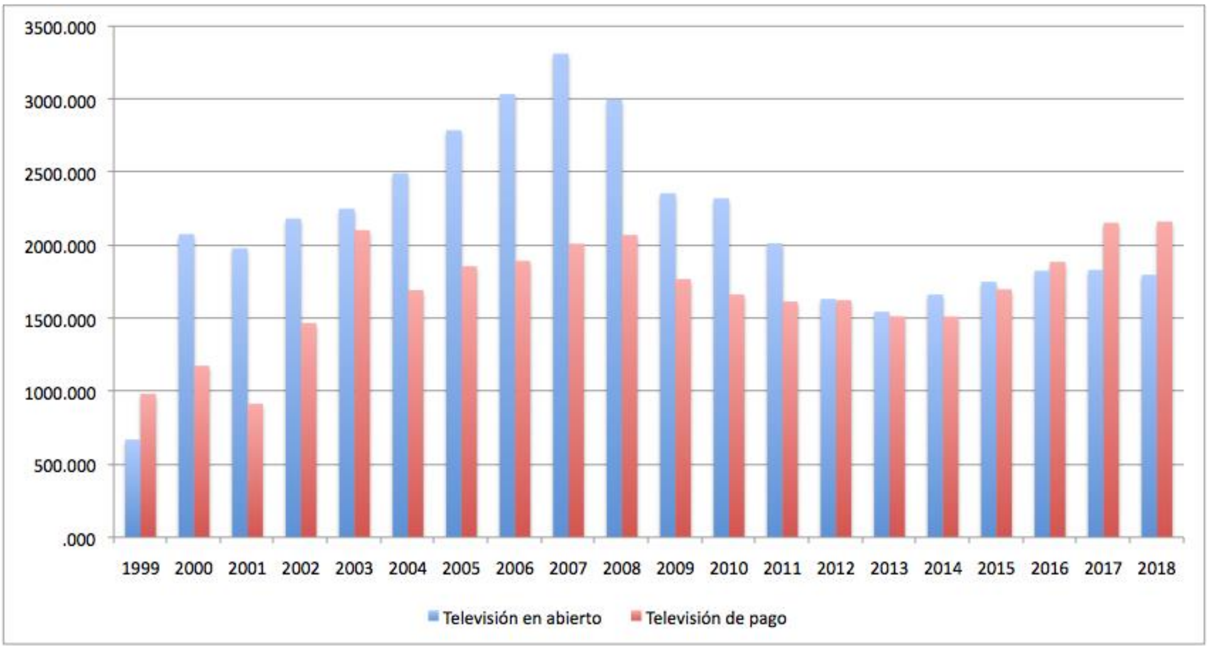


Graph 3. *Evolution of pay television income by distribution medium.*
Source: Self-made / CNMC

However, taking into account the income from pay television through transmission or broadcasting (see Graph 3), the satellite continues to be in the second position with annual revenues of 462 million euros in 2018 (1080 million euros less, a -70%, compared to 2008 when it reached its historical maximum). After satellite, cable recorded 220.2 million euros of revenue in 2018. IP television, on the other hand, increased its revenues by 1,119 million euros in just 4 years (from 2014 to 2018).

The data obtained by IPTV platforms is explained, among other reasons, by how telecommunications companies have marketed their services through packages. At present, it is the five-play or five-fold package that is registering the greatest increases, including the television to the usual telephone services (landline and mobile) and an Internet connection (at home and mobile phone). In fact, 9 out of 10 subscribers hired pay television through some service package, according to the CNMC. In this way, "bundled" services are allowing some retention of subscribers to pay television services based on the traditional offering of multiple linear broadcast channels. According to a recent survey by the consulting firm Deloitte (*Deloitte Digital Media Trends*), subscribers to these services, whatever the technology used, increasingly lose interest in platforms that offer hundreds of channels. What once was exciting access to thousands of hours of themed entertainment, although subject to the flow of programming, is now seen as unnecessary, bloated, and frustrating services (Dreier, 2018).

The following graph shows a comparison of the income of free-to-air and pay television, in which it is observed how, since 2016, pay television has obtained higher income than free-to-air television (2,162.11 million euros and 1,797.51 million euros in 2018, respectively).



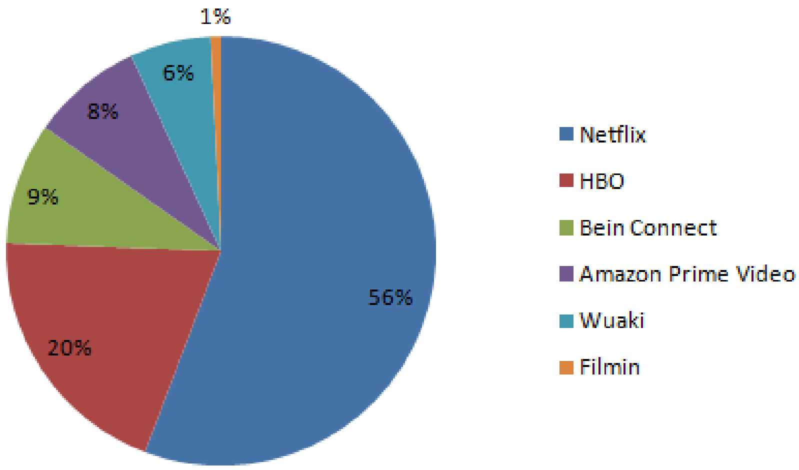
Graph 4. *Comparison between free-to-air and pay television revenues (without subsidies). Expressed in millions of euros.*
Source: Self-made / CNMC

As can be deduced from the results offered by the CNMC, except for the years 1999 and 2003, such equality has never existed since 2012. While free-to-air television is far from the income obtained during the period from 2005 to 2008, pay television has managed to recover part of the lost ground, reaching levels, and even exceeding them, to the previous years of the economic crisis that began in 2008. This recovery is due in part to the fact that the decrease in its income from 2008 has not been as accused as on free-to-air television.

In 2018, free-to-air television obtained revenues of 1,797.51 million euros, according to the CNMC. This means a reduction of 1,515 million euros compared to 2007 (a decrease of 45.7%), the year in which the ceiling of 3,312.54 million was achieved. For its part, pay television has achieved revenues of 2,162.11 million during 2018; which represents an increase of 58.51 million compared to 2003, when it reached its historical maximum (2,103.6 million).

Since 2014, pay television has managed to increase its revenues by 30% (from 1,511.95 million in 2014 to 2,162.11 million in 2018). On the other hand, free-to-air television managed to increase its revenues by 10% until 2017. However, in 2018 and 2019 (as we saw in the introduction to this work), free-to-air television revenues fell again.

Regarding the number of subscribers to OTT companies, the CNMC stopped publishing official data, so since 2019, we have no information in this regard due to the difficulty of obtaining reliable figures from this body. This is due to the corporate structures of these technology companies that are linked to the problem of their tax regime and their transparency obligations. Companies such as Netflix or Disney+ invoice their Spanish clients from headquarters located in Amsterdam (The Walt Disney Company BV and Netflix International BV), which allows them to "avoid" taxes and other obligations (fees for financing public television and film production), as well as the obligation to report on the number of clients or subscribers to organizations such as the CNMC (Martínez, 2020).



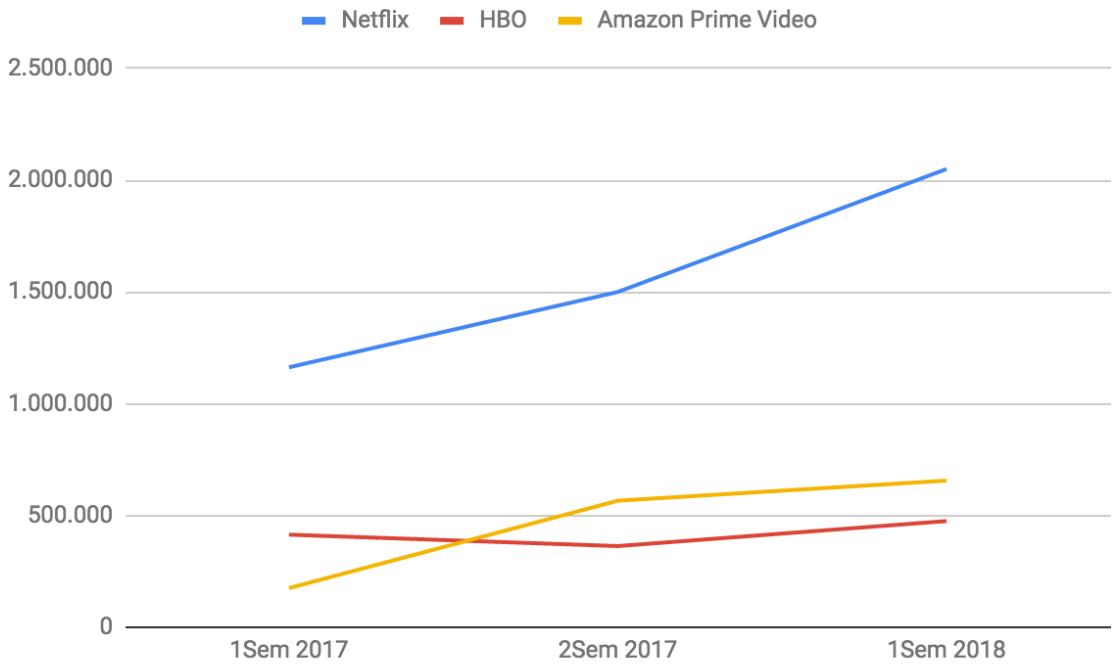
Graph 5. *Percentages per OTT over total subscribers (excluding telecommunications operators).*
Source: Self-made / CNMC

Data corresponding to the first half of 2017 placed Netflix as the leading company in Spain with 1,163,000 subscribers. HBO followed with 414,000 subscribers in its first year of activity. In third place was Bein Connect (a platform owned by Mediapro and which integrated Total Channel's services in 2014) with 191,000 subscribers. However, Bein Connect ceased its activity in our country in March 2020. For their part, Amazon Prime Video and Rakuten Wuaki accumulated 175,000 and 127,000 subscribers, respectively. And, lastly, the independent film platform Filmin registered 16,000 subscriptions.

In other words, Netflix concentrated 56% of the total subscriptions or accounts to services provided by OTTs (see Graph 5). Only between Netflix and HBO, they concentrated about 80% of subscriptions in Spain.

At the end of the first half of 2018, according to the CNMC (corresponding to the latest data provided by the commission) Netflix exceeded two million subscribed households, followed by Amazon Prime Video with 656,000 subscribers, and HBO with 475,000 accounts. Likewise, Rakuten Wuaki registered 147,000 subscriptions, Bein Connect 377,000, and Sky 114,000. This last platform, owned by News Corp, was launched in our country in September 2017 (El Español, 2017) and defines a variant of OTT called skinny bundles and designates those services that distribute audiovisual content packages that offer fewer pay channels than those traditionally offered, at lower prices.

There are still no data on the latest companies to join the assorted online content offer in the Spanish market: Disney+, Apple TV+, or the Spanish FlixOlé, launched by Mercury Films. The company led by Enrique Cerezo relies on technology developed by the Swedish company Magine, which already in 2013 tried to launch its own service in Spain (under the skinny-bundles formula) without much success, ceasing its activities in our market at the beginning of 2015 (Panorama Audiovisual, 2015).



Graph 6. *Evolution in the number of subscribers of the main OTTs (measured in semesters until June 2018).*
Source: Self-made / CNMC

During those same dates, the intentions of AMC Networks Spain to offer an on-demand service (baptized as "Selekt") with the inclusion of content from 10 linear television channels were announced. The exact formula to be followed by AMC was not known until, finally, it was confirmed that said content-on-demand service would be integrated as an additional service for telecommunications companies. Orange published on March 31st, 2020 that AMC Selekt would be integrated into its television service at no additional cost from that date on[3].

Also, Huawei, in alliance with Atresmedia as a content provider (Muñoz, 2017), announced at the end of 2017 its intention to enter the business with Huawei Video during the first quarter of 2018. According to the information published in the press as a result of this announcement, the objective of the Chinese company is to launch the service first in Spain and Italy, to later extend it to other European markets. The agreement reached with the Atresmedia group is a sign of its commitment to local content, combined with international productions.

In the following graph, according to the latest panel of households carried out by the CNMC, in which data is collected for the first half of 2018, it is possible to observe the evolution in the percentage of use of OTT services for the total of households with internet access in Spain.

[3] "AMC Selekt, the most varied on-demand service exclusively on Orange TV", published on March 31st, 2020. Available at: https://poptv.orange.es/en-orange/amc-selekt [Accessed April 10th, 2020].

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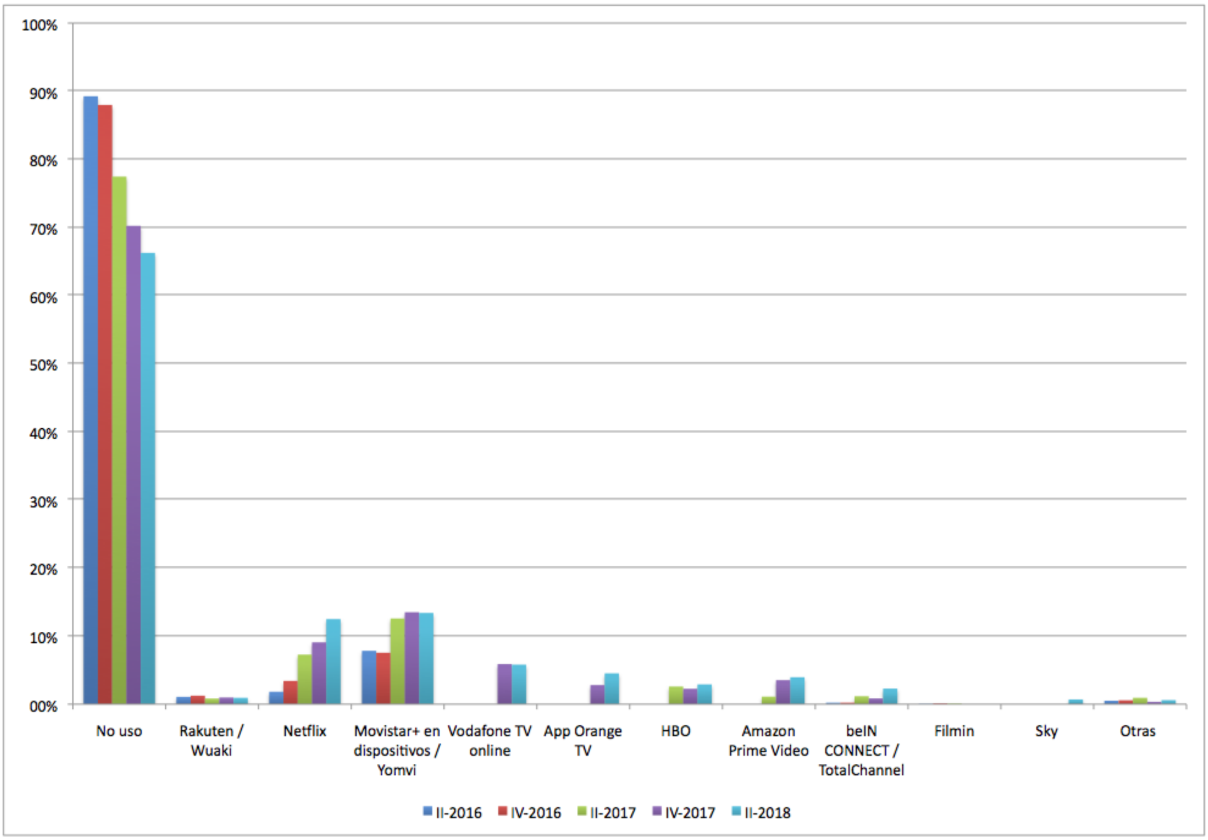

Graph 7. *Evolution in the use of paid OTT services (percentage of households). Data for the second quarter of 2019.*
Source: Self-made / CNMC

It is therefore clear, in the light of the observed data, that the percentage of households that declare not to use these services is still significantly high, although it has been reduced by 23% from 2016 to the first half of 2018. Which can also be seen as a sign of the potential of the online streaming services market. Among all of them, Movistar+ (former Yomvi) is in the lead with 13.4% (5.6% more) until the first half of 2018 thanks to the wide customer base of its paid services for IPTV.

Therefore, among the independent companies concerning telecommunications operators, the momentum of Netflix in the Spanish market stands out as expected with a growth of 10.7%, during the same period, in terms of households that use Netflix to view paid audiovisual content online. Thus, the momentum in the audiovisual offer of this segment in the last year is evident with a wide variety of players that has continued to grow in recent months. The unknowns arise around their business models and forms of differentiation regarding the competition, as well as the viability in the number of actors and the perception and uses of Internet users.

Likewise, it is significant to include in this analysis the estimates of the budgets that companies such as Netflix dedicate to the production of original content, which is the great asset of these companies to attract and maintain subscribers (with exceptional cases such as Friends, whose price continues on the rise after 30 years since its premiere). According to recent data, Netflix spent more than $14.5 billion in 2019, an increase of almost five billion over 2017.

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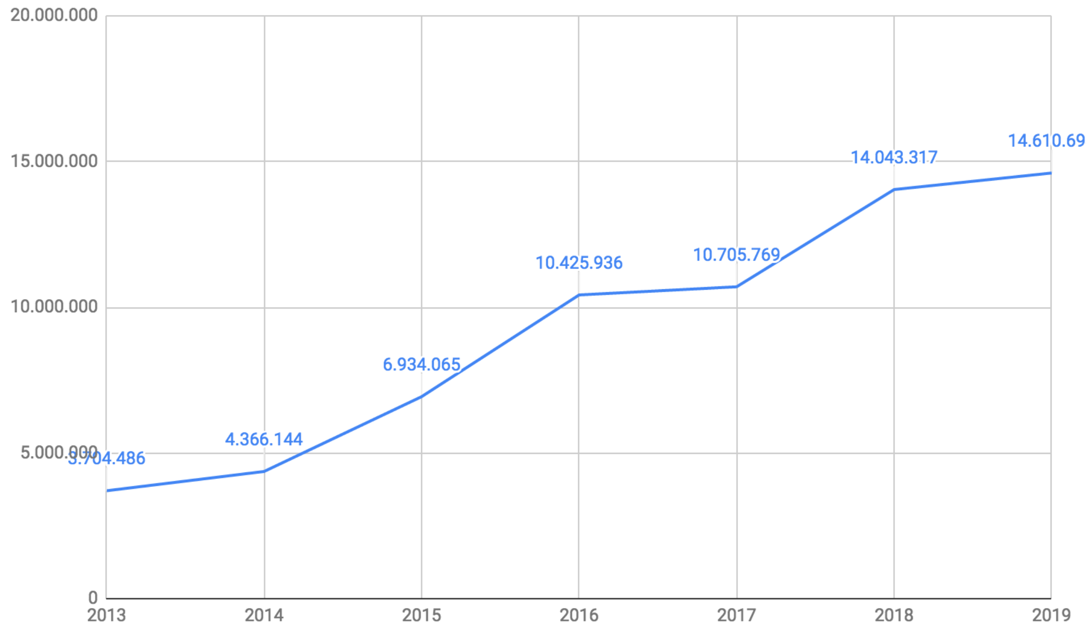

Graph 8. *Netflix's investment in original content (in thousands).*
Source: Self-made / Netflix Investors

Based on the data that Netflix makes public for its shareholders, the Los Gatos company has increased spending on original production by almost $11 billion in 7 years. Their commitment to this type of content entails a practically exponential expense, although the expense between 2018 and 2019 is practically the same (an increase of just over half a million).

Equally noteworthy is the significant growth of pay television regarding advertising revenues in its different transmission media. According to data from the latest Infoadex report, pay television channels have seen their advertising revenue, grow to just over 100 million euros. In terms of payment platforms, Movistar+ leads the way in revenue thanks to its aggressive content concentration campaign. Especially those related to sport, an area in which it has acquired broadcasting rights on the most attractive competitions for the public (football, Formula 1, MotoGP, Euroleague, and ACB basketball league). Furthermore, Movistar+ joins the key action of all these companies: the serious commitment to the production of exclusive fiction content. An example of this is the premiere on January 8th, 2018 of the series *La Peste*, undoubtedly one of the best premieres of the platform for a fiction series, surpassing large international blockbusters such as *Game of Thrones* (before its denouement) or *The Walking Dea*d.

The tenth wave of the Viewer 2.0 report, prepared by Telefónica, Ymedia, and The Cocktail Analysis[4], provides interesting information about technological evolution and its impact on changes in the consumption of audiovisual content. Its methodology, based on discussion groups and surveys, is aimed at a general Internet population between 18 and 55 years old.

The report reveals a significant drop in linear content consumption among the sample under study, especially in DTT but also among the conventional channels offered by IPTV. Despite everything, its weight within audiovisual consumption continues to be very important, constituting practically half of

[4] Viewer 2.0 Report 2016-2017 (X Oleada), available at: https://www.tendencias21.net/telefonica/attachment/846973/ [Last accessed March 12th, 2018].

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the views of the Internet users participating in the study (30% in the case of DTT and 23% for channels in IPTV services). The other half of the Internet users' views are divided into different forms of consumption on demand (non-linear or delayed, following the definition given by Barlovento Comunicación), such as catch-up, apps, the web, or some recording system (in the cloud or on local hard drives).

According to this report, 51% of Internet users have contracted a pay television service (OTT or IPTV) of which 16% are subscribed to both services, 9% are exclusive clients of OTT operators, and 26% exclusive clients of IPTV.

6. Conclusions

In the light of the analyzed data, the trend of change towards a more unstructured and, to a certain extent, more compulsive form of audiovisual consumption is confirmed, especially among the youngest. The satellite has lost much of its weight in the market as a vehicle for the transmission of pay television services to the benefit of the Internet, which is consolidated as the most important system.

Although the impact of these changes in the industry is evident in the economic and consumption data of traditional platforms (linear television), it is really in the paid sector and its online services that the largest changes are taking place. In fact, conventional television maintains a certain positive trend in minutes of consumption per person per day in older audiences. Even more so in recent years by adding the measurements of “invited” audiences, a value that increases consumption and considers an audience invisible to date for the advertising market.

However, the different aspects of paid services through the internet have equaled their weight in the Spanish industry concerning traditional operators. Therefore, it can be affirmed that the transformations of the industry are mostly limited to the online field. With particular emphasis on telecommunications companies as engines of development of pay television. A modality based on the commercialization within the packages of communication and entertainment services, which in many cases results in the degradation of the perceived value of these television services.

OTTs and their business model based on long-tail compensate for the tight prices of their subscriptions with intensive exploitation of scale economies and by the increasingly important commitment to a mixed model in which advertising serves as complement thanks to the intelligent use of product placement. In fact, in the last year advertising investments in OTT grew slightly more than 30%, although the absolute figures still represent a marginal value of their total income based on a fundamentally subscription-model.

Authors such as Álvarez Monzoncillo and López Villanueva (2015: 36) highlighted that one of the possible keys to the growth of OTTs lay in their ability to obtain rights to content that was already in the possession of other conventional operators such as Movistar+, for example. However, these companies have become strong in the creation of original content and the consolidation of a flexible and adaptable consumer ecosystem. Which is its main advantage and differentiating element compared to conventional pay television formulas. Its penetration among the youngest is being dazzling, which will also bring into question the role of linear free-to-air television.

On the other hand, some ways that could allow the viability of these models would be to replicate the more conventional television strategies, such as the distinction between generalist and thematic channels. A plausible trend can go through the launch of OTTs focused on a theme or public and thus exploit the multiple and diverse niches based on the long-tail model. It is a trend that could be marketed in packages, as telecommunications companies do for their telephone, internet, and television services.

Thus, the hypothesis raised at the beginning is confirmed by finding a superabundant audiovisual panorama that is transforming the forms of consumption but also the perception and expectations of the public regarding audiovisual entertainment. This is a benefit for viewers regarding the general perception that television productions are obtaining a very significant increase in quality, especially those related to fiction. But this saturation also entails a problem of visibility of the contents and a problem of exhaustion for the spectators. Furthermore, increased competition tends in turn to increase production costs. OTT operators, for the moment, are more focused on the creation and acquisition of original content, however, it cannot be ruled out that in the short-term future they may compete for the rights of certain high-demand broadcasts such as football (as Dazn intends by betting exclusively on sports), major events, and internationally successful films. Which would derive serious damage for the conventional television services.

For all the above, a stagnation of production is expected for all platforms and a reordering of the panorama, which will lead to the consolidation of on-demand models and foreseeable business movements aimed at concentration.

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