Cable wars and business battles in broadcasting markets: implications for Internet television

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Context of research

- Emergence of multi-sided platforms
- Bottlenecks in distribution facilities
- Double gatekeeper role
- Troubled relationship with broadcasters
- Struggle for platform leadership
- Customer relationship
  - Online video platforms (OTT)
  - IP-connected devices (CPE)
- Building multi-tenant platform?
- Or being reduced to data provider?
Research questions & method

• Relationship between broadcasters and distributors
• Consequences for Internet television
  • Highly topical and almost unexplored research area
  • Effects on competition, access and diversity for policymakers
• Focus on Flanders and Denmark
  • Document analysis
  • Interviews with 22 experts (companies, regulators, academia)
Television distribution market (2010 Q4)

<table>
<thead>
<tr>
<th>Operator</th>
<th>Market share</th>
<th>Operator</th>
<th>Market share</th>
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</thead>
<tbody>
<tr>
<td>Telenet (C)</td>
<td>84.9%</td>
<td>YouSee (C)</td>
<td>56.7%</td>
</tr>
<tr>
<td>Belgacom (I)</td>
<td>12.1%</td>
<td>Canal Digital (S)</td>
<td>14.6%</td>
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<tr>
<td>TV Vlaanderen (S)</td>
<td>2.9%</td>
<td>Viasat (S-I)</td>
<td>10.5%</td>
</tr>
<tr>
<td>Mobistar (S)</td>
<td>0.1%</td>
<td>Telia Stofa (C-I)</td>
<td>9.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Boxer (T)</td>
<td>2.5%</td>
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<tr>
<td></td>
<td></td>
<td>TDC TV (I)</td>
<td>5.4%</td>
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<td></td>
<td></td>
<td>Dansk Brødband (I)</td>
<td>1.3%</td>
</tr>
</tbody>
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- Comparable countries (market size, cable dominance, PSB)
- Telenet and YouSee respectively virtually control access market
  - Only opportunity for broadcasters to have success in the market
  - Considerable market power *vis-à-vis* broadcasters
  - Power asymmetry (also financial resources)
Relationship ‘content vs. distribution’

- Payment for retransmission (*distribution fees*)
  - Discriminatory treatment in Flanders
  - Payment for must-have content in Denmark
- Transparency regarding author rights
- New remuneration for comfort services
  - Record, skip ads, fast forward, pause etc.
- Vertical integration of platforms
  - Premium content & digital channels in Flanders
  - Almost no content activities for Danish platforms
Implications for Internet television

- Business battles may be reproduced online
- ‘New’ entrants combat ‘old’ players
  - Leading to complex multi-player environment
  - Aim to become central gatekeeper in industry
  - Directly connect broadcasters with audience
- ‘Old’ players defend ‘their’ market
  - Fear of ‘cord-cutting’
  - Reinvent bottlenecks
  - Broadcasters demand transmission fees
- Controlling access and content, but no real innovation
- Can and should governments intervene?
Conclusions

• Cable wars between content and distribution
  • Should be nuanced, depends on culture and market structure
  • Depends on bargaining power of broadcasters (local content)

• Three main points of contention
  • Level of retransmission fees
  • Fees for new exploitation modes
  • Distribution in ‘open’ Internet

• Symbiotic relationship needed
  • Common threat: US-based market entrants

• Policy intervention may be needed
  • Regulate monopoly power in competitive bottlenecks
  • Horizontal rather than vertical integration may be a problem
Policy recommendations

• Strengthen regulation
  • Stricter use of competition rules
  • Coordinated approach

• Open cable networks
  • Infrastructure competition difficult
  • Equal treatment with telecommunications networks
  • Would intensify competition in distribution market

• Functional separation
  • No discriminatory treatment
  • Full equivalence of internal and external access seekers
  • Impact on investments and innovation (cost-benefit analysis)

• Re-balance broadcasters and distribution platforms
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