

Television Before And After Netflix. Traditional TV Still Running Ahead

By Luca F. Cadura

Italian television is undergoing a great change ... again, but this time in a surprising direction. The transition to digital terrestrial and the rise of on-demand players today offer Italian viewers a rich and competitive landscape, which they've never had before. Throughout the years, three main phases in the changing Italian TV landscape can be identified:

RAI after Mediaset in the 1980s. The first big change was brought by Silvio Berlusconi's Mediaset TV networks. After almost 30 years of monopoly, state television, RAI found itself challenged by young, daring and dynamic networks. The country opened up to U.S. content and started feeling the power of being able to choose its daily diet of entertainment programs.

RAI didn't take the competition seriously at the beginning, since the economics of the state networks were (and still are) protected by a tax on every Italian household. So, there was no incentive to be the best in town, since the revenue streams flew in anyway.

Italians perceived RAI as the institutional TV broadcaster, the place to watch the news and get "serious" information. Berlusconi's channels were the entertainment side: more fun, music, dancers and commercials. The '80s were the golden age of Italian TV. Mediaset opened fire and, belatedly RAI responded with a lot of experimental television that brought to Italians a new relationship with the TV screen: the place to be informed and improve their knowledge. Television became the place for fun and for setting the topics they would discuss the day after at a bar with their friends, while sipping the shortest coffee in the world.

RAI and Mediaset after Sky Italia in the 1990s. Once the two big players — RAI and Mediaset, then derisively called "RAIset" — found their equilibrium, dividing the TV revenue pie that benefitted both (the television tax went to RAI, and the bulk of advertising revenue went to Mediaset), a newcomer came to break all the rules ... again: Rupert Murdoch's Sky.

Given the already very rich TV environment in a country used to getting television for free — from football (soccer) to films — pay-TV had a very tough start. It required time, investment and a very aggressive strategy to make Sky the player it has now become — a player whose revenues are today higher than those of RAI and Mediaset.

No one would have placed a bet on a strong pay-TV market in Italy (not even Mediaset), but Sky invented a new way of entertainment for an upper class and highly demanding TV audience. Today, Sky is perceived as the must-have accessory for any household. If one doesn't have it, it's only because one cannot afford it, not because it is not worth the price.

RAIset after Netflix in the 2000s. In the

meantime, the switch-off from an analog to a digital TV standard increased the opportunities for Free-to-Air players (as well as for a new competitors in pay-TV). Immediately, RAI and Mediaset started occupying as many digital channels as possible in a defensive move to prevent other players to move in with scale. To a certain extent they succeeded, keeping out (or making life very difficult for) the small independent operators. However, RAIset couldn't manage to rake up everything. Today there's Discovery Italia, which is the third TV group by cumulative audience shares, achieved through bold acquisitions and aggressive TV offerings that includes three Free-to-Air channels. In terms of audience, Discovery ranks after RAI and Mediaset, but before Sky.

So much for "traditional" linear TV. But what about SVoD and, in particular, Netflix? Italians have been waiting a long time for this new evolution. Interestingly enough, while the country already had very strong on-demand offerings by the usual suspects — Infinity by Mediaset and Sky On Demand, as well as other rich VoD propositions like the OTT channel Chili TV — expectations for the new entrant, Netflix were high. At least among that part of the population that is up-to-date with the international media phenomena. The rest of Italians probably still think Netflix is a relative of the cartoon character, Asterix...


Such expectations may have been too high: the SVoD market was already well served, best content already gone and Netflix was bringing in just a great brand and a couple of desirable shows. The rest is below expectations. It will probably improve in the next months and years, but Italians haven't seen the expected (and feared) shock to traditional TV.

In terms of Netflix subscribers, there are no official figures, but they are estimated at 250,000

TVHH (out of a total 22.7 million), of which 100,000 are paying (starting at eight euro per month) and 150,000 are still utilizing the free promotion available since its launch last October. As for programming, it consists mostly of library material, with little original Italian programs, like the locally produced *Suburra*, currently in production.

Therefore, "traditional" may still be the essential word to describe the Italian TV diet: Italy is the country with the oldest population in Europe. For example, last February, Italy had its own Super Bowl-type show, Sanremo the song competition that gets very high ratings. One couldn't imagine a more traditional show: the archaic annual ritual on RAI has been repeated for the past 66 years. While talking about Netflix and expecting traditional TV shows to decline in popularity, the latest Sanremo — broadcast on five consecutive nights, four hours a day — got more than 50 percent of share.

So, for now, Italian television after Netflix is very similar to the one before Netflix. The real bet for the time being, is still on traditional linear TV.

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The Italian "Traditional" TV Universe

According to the Confindustria Radio TV Association, last year in Italy there were 406 national television networks that broadcast on digital terrestrial channels and/or satellite (Sky and Tivusat) for both free and pay services. There were eight fewer national channels than in 2014, but the number still included the 55 channels that broadcast in non-Italian languages.

Of those national channels, 163 were free (of which 130 were terrestrial), while 243 were pay.

As for local terrestrial TV stations, it is estimated that the total number of "call letters" (e.g., TVQ, TVN, Tele Venezia, etc.) is 500. Being digital, each local TV "call letter," carries several channels (some their own, other for a fee). The number of channel owners, however, is fewer than 500 (but not yet documented), since many broadcasting companies' own several "call letters."