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Strategic Market Creation

Enhancing value through new media and channels: the evolution of TV consumption and the Internet integration into the viewing experience

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Abstract

The thesis wants to explore the evolution of consumption patterns for television viewers. The role of new media in this process is taken into consideration and an effective integration with the Internet is seen as a possible solution to increase the value for the audience. Media users' behavior is analyzed accordingly to Uses and Gratifications Theory, which implies the existence of an audience who actively choose media based on its needs. The research moves gradually from a TV concept where the interactivity is limited to complementary services to a higher integration that culminates in social practices typical of online communities. Sky Italia customers are taking into exam as a premium audience for television, because of their high involvement in the product; their attitude towards Internet integration and towards its perceived relative importance, compared to other factors, is analyzed. The results show how the audience considers important the Internet to enhance the television experience, but do not show a significant interest for an integration that goes beyond a consumption facilitator role.

Introduction

Communication technologies had provided during the past fifteen years an enormous number of innovations and changing, which have shaped, by reflection, basically every single industry in the world economy. New communication methods have changed the way businesses operate, by fastening many processes and enabling a quicker exchange of information. While most of the economy gained only advantages from these innovations, the media industry, where communication is the core function, had to confront with a new and young-oriented competitor: the Internet. A contraposition between traditional media and new media is born, with the old incumbents being forced in many cases to change their business model and face new challenges, threats and also opportunities. Television, which has been the symbol of the mass media culture, is going through many changes in order to propose a new system of value proposition that goes through integration with the resources offered by new media.

In this study, the attention is directed to the television consumption experience and how the audience perceives its evolution. The research will debate whether it is possible for a traditional medium, such as television, to deliver value through enhancing new media and channels; the value generated is considered from the customer perspective, as the increase of benefits for the audience. Subsequently it will estimate the importance of the value created for the audience that will be studied in relation to other features typical of the viewing experience. The research will be conducted using qualitative and quantitative analysis, specifically in-depth interviews and an online survey.

The first chapter introduces the concept of new media and how new technologies had affected the media environment; in particular the effects of those on the so-called traditional media. The second chapter provides the television industry background and

explains the current trends documented by the experts. The more relevant innovations are described in the lasts paragraphs.

The third chapter underlines the problem statement and presents the theoretical framework on which the thesis is based. The formulation of the research questions concludes this chapter and opens the next one, which also describe the research's methodology and design.

Chapter number five illustrates the research development and the findings observed during the study. In chapter six the findings are reexamined and discussed in the light of the logical path that has conducted the investigation through the whole work. The managerial implications of the findings will then be discussed.

1. The new media environment and its dynamics

The evolution of communication technology had a significant impact in the economic growth of the last two decades. The tremendous impact of the Internet on the media environment has been addressed as one of the most relevant changing of the last century; the born of "new" media as something different from "traditional" media has been created. The importance of new media it is difficult to quantify and the most representative new media, the Internet, has been indicated as potentially the fifth world power by a report from Boston Consulting Group[1].

If there are many industries benefitting from innovation in communication technologies, there are a few that, inevitably, are suffering the increased competition. The media communication industry has pursued, through its different means, the purpose of communicate information to a restricted or large audience. The entrance of a new competitor that is mining the industry's balance has now changed the internal dynamics. Television has grown from the '50s till the end of the century to become the most important media, at least in terms of market revenues and usage among the possessors. Data are showing that the development of new technologies and the diffusion of the Internet are mining the dominance of television over other media, with the Internet who has become the first media choice among who has access to a connection.

In this scenario of changing we assisted at the transformation of many traditional media: newspapers and music especially have adapted and changed their business model to exploit new opportunities (and face the negative side effects). At the

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[1]

http://www.bcg.com.cn/en/newsandpublications/news/pressreleases/pressrelease20120319001.html

beginning television did not feel the necessity for a change, confident of the strong audience gained through 50 years. At the end of the first decade of the third millennium this conviction is fading out and a few pioneers are exploring new ways to define the television of the future.

1.1 New media vs Traditional media: an overview.

When talking about new and traditional media, most of the people seem to have clear in their mind the differences between one and another. But when asked for a punctual description is usually difficult to come out with a satisfactory definition.

The word "media" is, actually, a Latin expression, plural of "medium", which translates literally in "middle" or "center". The modern definition of communication media is constructed on the characteristic of the media to stand in between (therefore, in the middle) the sender and the receiver during a communication process (Croteau & Hoynes, 2003).

A general definition from Wikipedia states:

"Communication Media are the storage and transmission channels or tools used to store and deliver information or data. It is often referred to as synonymous with mass media or news media, but may refer to a single medium used to communicate any data for any purpose.[2]"

From the previous definition it is possible to think at many different *tools* that we use to transmit data: from the telephone to the computer, from the television screen to a simple written letter. However, even if the pure operation of those instruments is the transmission of data, the actors and the purpose involved in the process are so different

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[2] Wikipedia: http://en.wikipedia.org/wiki/Media

from each other that a further classification is needed. In the classification proposed by Crosbie (1998) the media are classified based on two essential characteristics: which medium is linking the sender and the receiver; who has the control on the content transmitted and how it is practiced.

Based on those features three macro-media are created, which will contain all the "*vehicles*" (what Crosbie thinks are television, newspapers, radio, etc):

- Interpersonal Medium. The medium supports one-to-one communication, where both the participants have control over the content that is individualized and need-specific. The basic example of this type of communication process is a face-to-face conversation between two individuals. Technology improvements had an important effect on this medium by enhancing its scope, overcoming geographical barriers: for example, even if it is not properly "face-to-face" a telephone call falls into this category; also e-mail correspondence as long as the content is controlled by all the participants. As said before, this communication process is possible only when the participants can control the contents; this is possible also with more than two actors, as long as the number of people involved does not make the process cacophonic and controlled by a limited number of participants.

- Mass Medium. The definition here takes into consideration any kind of *vehicle* that allows a communication flow from one subject to a (more or less) large audience. A single subject controls the content of the communication and delivers it to a large audience; any individual of the audience receive the same identical information. The mass medium rely on technology to increase its audience, but it does not necessary exist since a certain level of communication technology has been developed. The most common examples of this medium are television, newspapers, radio but also a simple sermon or a politician speech during a congress are part of the category.

- New Medium. The last category is strictly related to the latest innovation of communication technologies: it concerns a communication process that,

differently from the first two categories, was not available without the support of technology. With the New Medium it is possible to share an individualized message to an infinite number of receivers who all have control over the content. The two advantages of the not technology-dependent media can coexist in the New Medium, while the relative disadvantages are dismissed. The centrality of the Internet as a vehicle is the base for understanding how is it possible to create new way of communication. A practical example can be an online newspaper, where every newsreader could possibly customize his personal page based on the topics considered the most interesting.

The idea that comes from the previous classification is that thanks to new communication technologies, based on the Internet, a new way to communicate has developed based on the de-massification of communication, in total opposition with the media massification framework of the 20th century (Rogers, 1998). The overlapping between the concept of "New Medium" and the Internet and computer technologies by the public opinion has its ground on the impossibility of this new kind of communication without information technology devices.

Crosbie conceived only three "media" and describe all the particular channels of communication (such as television, radio, e-mail, sermons, etc.) as "vehicles", each of one can have different roles based on the usage it is made of them. In the common spoken language, those are simply called "media" and, for a matter of clarity and to make the results more understandable, that is how they are going to be denominate from now on in this research.

By only taking into consideration the codification of media by Crosbie it can be difficult to associate a particular media to a category. E-mails, for example, if used between two friends for discussing about their personal life fall into the "Interpersonal Medium" category; on the other hand, when a supermarket sends commercial e-mails to their customers with offers based on their frequent purchases it belongs to the "New Medium" categorization. New media particularity is that they allow also

communication processes that characterize the first two categories of media, mass communication and interpersonal communication. Definitions more focused on each single media characteristics can help in clarifying distinguish between "traditional" and "new" media. In the description offered by Atkin (2009) it is possible to identify three distinctive features that typify new media:

- Interactivity. Traditional media allow only one communication process at time: from a sender to a receiver. New media are characterized by the possibility of an exchange of information between the two subjects involved.
- Content digitalization. In new media the contents and information are digitized into bits.
- Distribution digitalization. The distribution of the new media occurs through digital devices and the exchange of those bits.

The three characteristics are complementary for the successful functioning of a general medium; digitalization technology is the tool that allows the high level of interactivity of New Media, a feature that the new communication forms cannot preclude.

1.2 The process of convergence

Convergence is the term to which is possible to describe the mechanism of diffusion of the "New Medium" through the media environment. The specification is necessary, because convergence is the process that characterizes any medium that falls into Crosbie's category, so it is a distinctive procedure typical of the New Media.

In the past, the creation, discovery or invention of a new medium was affecting the media environment following a cumulative process: not only there was a benefic effect because a new medium was available, but also all the previously existing media could gain benefits (more or less) or lose importance by the diffusion of the new instrument; anyway a new medium did not imply the replacement of an incumbent (Rogers, 1986).

The impact of the telegraph on the United States newspaper's industry is a relevant example of what has just been stated. Before the telegraph, newspapers were essentially reporting about local news and mostly used as a political propaganda instrument. With the possibility of long-distance communication it has been possible to report national and international news, which is considered by many the first step toward the modern function of newspapers. Newspapers took advantage of telegraph's diffusion because it made easier the news acquisition; anyway the communication scheme between the newspaper and the readers did not change.

On the other hand, the process that characterizes new media is called convergence and it is explained by Briggs & Burke (2000) in *A Social History of the Media*. Differently from the cumulative process, which starts from the new medium creation and its entry in the media environment, convergence is a process that brings to the creation of a new medium. Computer-based technology enabled the representation of any kind of information in a digital format, with the possibility of elaborating, transmitting, compressing and storing the data. The information's format is not crucial anymore and does not determine the content transmission modality (Briggs & Burke, 2000). With the new technologies it is possible to converge all the contents, previously carried by their specific media, in the New Medium, through their digitalization. Any newspaper article, TV show or song can be digitalized and distributed through the Internet, creating a new set of specific advantages. Then the opportunity to create an interactive communication comes naturally.

The process of convergence to the new media communication system had affected the whole media environment. The practice had revolutionized the media industry: newcomers took the place of incumbents not able to implement the process and new business model were created. Especially the biggest incumbents in the traditional media had to face a new set of competitors that have brought an entirely different value proposition to their customers, based on the three characteristics cited above. Some industries (i.e. music and movies) had a very hard time in changing their

business model but they have now assimilated and learned how to exploit the change. Some others have turned their business model quickly and revitalized their business (i.e. books). Some others are still struggling to understand how to make the most out of them by experimenting various formulas (i.e. newspapers) (Smith, 2005).

Television probably was, when the diffusion of new media started the most important and used among the traditional media; also it was the media with the highest total revenues. The convergence process started later for television, but nowadays it is a change that the business cannot ignore.

2. The television business between new technologies and traditions.

Television convergence process towards new media communication has shown a slower pace, if compared to other media convergence process. Intuitively it is not difficult to understand the reasons behind: digitalization and distribution over the Internet can be a great saving for, example, newspapers and music business, which do not have to rely on a physical support anymore (i.e. paper and compact discs) to deliver to their customers; television contents are distributed through a device which is a long-lasting good and already owned by the typical household and customer. It is possible also to discuss how a television set can play a status-symbol role in any living room, especially in west civilization countries. Interactivity was not seen as a relevant feature for television, which was conceived as a passive entertainment activity for the audience by most communication researchers. Interaction between audience and television was provided by basic tools (i.e. Teletext) or through other vehicles (i.e. telephone calls during shows).

However, there are distinctive aspects that pushed towards the digitalization of TV. Analogical frequencies for the broadcasting of TV channels were already saturated in most countries, limiting new companies to enter the business and contributing increasing the bargain power of the incumbents. In countries where terrestrial broadcasting is the most used reception method, the government and public opinion feared possibility of oligopoly. The space occupied by an analogical channel can be enough to broadcast from 4 to 6 digital channels. The possibility of increasing the offer of contents and channel was primary when the switch decision was taken. From an economical point view, the growth of digital distribution can lead to (Celata, 2000):

- More channels and more choices, both for audience and advertisers.
- The reduction of value of the right to broadcast on a determined frequency by the incumbents.

- The rise of the goodwill price of the channel or television company, based on the audience owned the share and the library.

Moreover, the digital signal can deliver a better image quality than the analogical signal more efficiently. This aspect enabled terrestrial broadcaster to catch up with Pay TV providers who differentiate their offer on High Definition TV.

1998 can be considered "year zero" for digital television diffusion for three reasons (Celata, 2000):

1. Satellite digital channels launch in major European countries.
2. The first terrestrial digital channel introduced in Great Britain.
3. Substantial digitalization of cable TV channels.

Digitalization is not based on the specific modality of reception, which are differently popular in each country: in Europe, for example, in the Latin area (Italy, France, Spain) television is most free to air and terrestrial broadcasted, while in Northern Europe more people adopted Pay-Tv.

The conversion to digital broadcasting in Italy follows the European Directive 95/47/CE approved in the 1995 by the European Commission and implemented by Italian government with a decree law in 1997 (d.l. 17 maggio 1999, n°191). The deadline for the full country conversion was, at first, the end of 2005, then moved to the end of 2008 and finally set at December 2012, the ultimate deadline scheduled by the European Commission. The switch-off process started in October 2008 with Sardinia and will be completed during the first semester of 2012[3]. The data explicated that at March 2011 more than 50 millions decoders for digital television have been sold, with the 78% of households who have been converted to digital broadcast.

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[3] Source: http://www.dgtvi.it/switchoff.php

2.1 Television market current trends

At first glance, industry statistics show encouraging results and a general increase of TV consumption: in the US, for example, measurement from Nielsen showed that in 2010 the average household watched eight hours and 21 minutes of TV a day, a new record[4]. Last February *Superbowl* has set the new high in television audience for a TV broadcast, with an average of 111 millions people in front of the screen[5]. Even if the total market revenues have decreased from 2008 to 2009, forecasts for 2010 say the 2008 peak will be exceed by reaching €282 billions, a new record[6]. Moreover consumers are spending more money for television with cable TV expected to dethrone terrestrial broadcast from being the most used reception method worldwide in 2011; Pay-TV is gaining subscriptions at an increasing rate of 6.8% per year, with Asia being the region were subscriptions are more diffused[7].

Pay-TV importance is grown worldwide, a reliable benchmark that consumers are still enjoying watching TV and are willing to spend money for a better experience. In 2009 the number of households with Pay-TV overcomes the households with free-to-air television, with revenues growing constantly since 2006 despite television global sales lost some shares in the same period[8]. Pay-TV reception models are not homogeneous, but very dependent on local national markets; cable is the most used worldwide, followed by satellite broadcast and with IPTV having the highest growth rate. Even if many international companies (e.g. BSkyB) have business in many different countries,

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[4] source: worldtvpc.com: TV Viewing Figures Reach All Time High http://www.worldtvpc.com/blog/tv-viewing-figures-reach-all-time-high/#ixzz1QkaP76FN

[5] source: http://www.guardian.co.uk/media/2011/feb/08/super-bowl-highest-ever-audience

[6] IDATE

[7] IDATE

[8] IDATE

television still remains a national product with its roots in the particular culture of where it is distributed.

Even if the sector is stable, there are a few hints that a strategic change will be needed for the medium term, in order to maintain a solid base of customers. Two factors seem to be particularly significant:

1 – The diffusion of free-to-air digital television will erase one of the differentiation points of Pay-TV: high definition quality viewing.

2 – The improvements in computer technology are making video streaming easier and   better, introducing a new form of entertainment especially among the youngsters.

Assuming that convergence between television and the Internet will characterize the future of the media landscape, a research conducted by IDATE have delineated what are the features typifying this trend:

- **In terms of consumption patterns:**
  - More time-shifted and personalized viewing;
  - Content portability;
  - Consumption that combines broadcast, personal and Web content.

- **In terms of access:**
  - A wealth of new image distribution solutions and a pervasive network;
  - Growing role of the device as the place where content is aggregated.

- **In terms of funding:**
  - Fragmentation of ad revenue;
  - Availability of free content, which makes it harder to generate revenue for pay programs.

Television value chain has been modified to foster the capitalization of the new direction taken. New business opportunities for both small start-ups and big incumbents are arising together with the convergence process.

2.1.1 Access

Integrating television and the Internet means increasing content distribution's wideness and being able to reach customers globally. Internet populations count more than 2 billions users at 31st of March 2011[9], with a network spread all over the world. The largeness of the net can, for example, solve the problem of watching television channels from a foreign country, otherwise impossible without a satellite device.

The connectivity of new devices will enhance the capability of aggregating contents from different sources. It could raise the capability of the viewer of personalizing the experience by managing only one instrument. The infinite resources made available by the Internet can enlarge the choice range for the audience and interactivity can be developed and brought to a new level.

2.1.2 Funding

The entrance of new actors in the media environment has fragmented the advertisement revenues: more media means more choices for the advertisers where to invest and more space available. Television is facing a reduction in advertising revenue, with the Internet that has dethroned TV from the top spot in many countries (e.g. the U.K.[10]). New advertising modality are rising with the Internet, with a customization of the advertising message for almost every single individual; TV capacity of reaching a large audience with a unified message does not seem to be the right choice in a more atomized market space. However, integrated advertising can be

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[9] source: Internet World Stats http://www.internetworldstats.com/stats.htm

[10] http://www.guardian.co.uk/media/2009/sep/30/internet-biggest-uk-advertising-sector

a good strategy and using TV to convey traffic on the website is the strategy chosen by many marketers.

Availability of free content online is an issue, especially for Pay-TV. Either legally or illegally there are plenty of contents on the web, from movies to TV drama and illegal streaming of sport events. Complete drama seasons are uploaded illegally on popular websites such as "Megavideo" and it is practically impossible to prevent the diffusion of the pirated video. The consequence is that not only free-to-air networks, but also Pay-TV channels are uploading on their website the latest episode of their TV-Drama for free right after the regular broadcast. Delivering a huge amount of contents is not anymore a "plus" for Pay-TV channels but a requirement, considered that it would be impossible to compete with the wideness of the Internet; the quality of the overall TV experience is becoming the relevant point for being successful.

2.1.3 Consumption patterns

The most important change that convergence brought is the modification of consumption patterns of television contents. Watching television was, at the beginning, a social aggregator, an occasion to share some time together with the family to enjoy a show and discuss. With the proliferation of contents and the multiplication of screens available around, viewing has become more personal and private, made in solitude and shaped around each individual personal tastes and interests. Not only people have isolated themselves from others in order to optimize their TV experience: they are also ousting the networks. Web streaming and devices, such as Digital Video Recording, have fostered an audience that is independent from TV's schedule; viewers are slowly losing the habit of randomly watch what is broadcasted during their free time. Since free time is decreasing constantly, people want to maximize its consumptions by watching something they are really interested into, using technology to tear down time and space constraint.

With the empowerment of high-tech portable devices the possibility of having TV contents on a pocket size screen has become more attractive. Receiving the TV signal on cell phones, for example, was already possible years ago, but the bad screen quality and poor speed of the bandwidth limited the diffusion. Now that a new generation of portable devices is born (smart-phones and especially tablets) high definition quality contents can be enjoyed also on small screens. It is natural that who pays for premium channels wants to be able to enjoy the contents on multiple screens; if the subscription comes (like many does now) together with an Internet connection it is clear that integration is expected. Content-owners are playing this game carefully: allowing too much portability can bring to product dilution.

TV consumption has definitely overcome the boundaries of simply sitting in front of the screen watching. The audience wants to improve the overall experience and new media are the tools that can help reaching the purpose. The content provided by the broadcaster will be combined with web content and personalized for each single viewer. Data showed that more than 78% of web users have visited a TV network's website (Ferguson & Perse, 2000). The response is designing a channel's website based on extending the viewing experience, by adding Internet features to enhance the viewer involvement (Ha & Chan-Olmsted, 2004). Consumer habits are changing and also their relationship with the media. Particular attention has been given to the practice of "multi-tasking" among the youngsters: data evidence how much the phenomenon of consulting two (or even more) media at the same time has become usual, creating the paradox of being able to fit 12 hours of media exposure into 9 hours[11]. A research by Nielsen showed that three out of four Americans surf Web and watch TV simultaneously[12]; the number is growing and the diffusion of product such

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[11] http://hbr.org/2011/01/vision-statement-multitaskers-may-be-advertisers-best-audience/ar/1

[12] http://www.adweek.com/news/television/simultaneous-viewing-and-surfing-commonplace-102771

as the iPad will propagate the custom, with 98% of iPad users turning on the mobile device while watching TV at least once per day[13].

The integration of web contents into TV is changing what the viewing experience was until some years ago; all the actors in the market made changes to conform their business to the new consumption pattern. When advertisers have noticed this behaviour, new advertisement strategies and innovative web-related campaign spread quickly. For example, many companies bought 30 seconds ads during important live events, in order to gather customers from the mass to more detailed and customized web-spaces. Integration between TV and the web has grown from the audience and forced the business to an evolution (Napoli, 2008).

2.2 Towards television of the future

Consumption that combines broadcasted and web content has been developed profusely in the recent years: basically every single TV channel has its own website when it is possible to access premium contents, have a news area, information for the customers, a forum and many other features. Many popular shows have their own website as well, with the latest news about it, maybe games, special contents and even the possibility to watch some episodes in streaming. The frequency of access to these websites is related to the level of involvement in the particular show (Lin & Cho, 2010). The creation of these websites is supported by TV programmers, which see them as a way to increase loyalty, retention and attract new viewers or subscribers (Fahey, 2000; Griffin, 1996). Moreover, stimulating the use of new media is not going to cause cannibalization of traditional media. The time dedicated to new media will not completely substitute the time dedicated to the traditional one, but it will be generated in two ways: contemporary usage (multitasking) and new time frames

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[13] http://www.pcmag.com/article2/0,2817,2363551,00.asp

creation (i.e. new occasion when to use media, previously not feasible with the traditional ones) (Enoch & Johnson, 2010). However there seems to be limited space in this direction. Offering premium contents through a website has certainly its benefits in term of brand recognition and diffusion, but nowadays it has become a common standard.

It is much more interesting to notice how television programs are generating a second audience on social sites. Just to make an example, it is possible to find plenty of scenes taken from popular movie or TV drama on YouTube commented and rated by the users. Not to mention the increasing number of forums and discussion area created to support and share news on shows, actors and directors. Recently an American market research company called *General Sentiment* is trying to promote an innovative product evaluating system based on the "buzz" generated on the Internet. When applied to TV, results highlighted that many shows' audiences are underestimated if the only metric considered are Nielsen's ratings[14]. New technologies have transformed TV consumption in a more intimate experience, where people are enjoying more watching contents in which they are really interested into, also if it means do it on their own, rather than in group. However, the need to discuss and share with other people the pleasure of their activity has not decreased. It is necessary for TV networks to take care of this problem and propose a solution that will maximize the outcome for the two opposite desires.

2.3 Social experiments with television

Watching television has always been an activity that provides incentives for interpersonal communication. Either when sitting together in the same living room rather than a quick discussion on what happened during last night episode, television

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[14] http://semanticweb.com/tv-sweeps-season-could-be-a-semantic-season-too_b17511

yields arguments for social interaction more than any other media. The new media environment has certainly had an impact on social uses of TV, with many researchers and innovators looking for the right approach that will enhance the TV experience (Chorianopolous & Lekakos, 2008). Basically web social interaction could be the "solution" when there are no other people to whom discuss the television streaming, either because not physically present or because not interested (Harrison & Amento, 2007). Different modalities have been experimented to find the best way for an optimal communication. Cooperative Media Lab presented in a paper (Gross et. al., 2008) a project for a common platform TV-attached that allows instant communication among participants; when turning on the TV it is possible to see a list of "online" friends, with the indication of what they are watching. The "common view" is then capable of adapting to the context: it is possible to send text messages that will pop-up on a side of the screen, having voice conversation and seeing friends profile on the background. Using a different approach, CollaboraTV is an integrated system that allows synchronous and asynchronous communication among a group of selected individuals.

2.3.1 Miso, Philo, GetGlue: social networks for TV.

Although the previous cited systems proposed an innovative communication system to enhance interaction among TV audience, the technical difficulties that derive from the laboriousness of implementing said system are an issue. The limited functions offered by television constituted one of the reasons of its success: it was intuitive and easy to use, qualities appreciated by the masses.

The sensational success registered by Facebook among the cybernauts in the past years, have drove attention and commercial interest into the social network phenomena. Although Facebook was not the first social network website created it has been the first one to reach a considerable number of users, up to gathering the largest

number of users a website has ever realized. As a consequence of Zuckerberg predominance, new start-ups entering the market had decided to differentiate their product by focusing on niche segments: instead of sharing information and communication with friends, new social networks allow to share, for example, only short messages (i.e. Twitter) or their physical location (i.e. Foursquare) or images and blogs (i.e. Tumblr).

A TV-related branch of social networks has grown since 2009 when the first-comer, called GetGlue, hit the market. GetGlue is based on the "check-in" concept developed by Foursquare, where users can share their location with friends and gain virtual "points" and "badges" when visiting the same place repeatedly. GetGlue allows user to "check-in" their entertainment choices, from TV shows to movies, books, celebrities and even wine, and earn "stickers" related to the form of entertainment consumed that will award prizes and premium contents. After checking-in it is possible to get in touch with other users who share the same interests and passions, and interacting with the web community. Not many months later, social networks based on GetGlue concept but exclusively focused on TV shows have entered the market. Miso and Philo compensate their users check-in with "badges" and "rankings", but the purpose is the same: gathered together people who shares interest for a TV shows and creates many small web communities open for discussions and recommendations. All the three previously cited have developed their own mobile and tablet applications, hoping it will encourage the practice of multi-tasking and live checking. The rewarding has always had an appeal for consumers and it is demonstrated by the increasing numbers of users; during *True Blood* season 4's premiere on HBO in June 2011 over 38,000 people checked-in on GetGlue[15] and earned a sticker. Cooperation with TV channels became a natural step to take in order to improve the user experience; it is a win-win situation for both parts (social network and broadcasters) that has persuaded Comcast

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[15] http://en.wikipedia.org/wiki/GetGlue

(also owner of Mtv and one of the biggest cable providers in the U.S.) and CBS (the U.S. most watched network) to develop their own social networks[16].

If people start autonomously saying what they are watching, along with all their personal information, it will be a remarkable turnaround for advertisers and audience analysts. make useless any Nielsen rating or share percentage. At the moment the phenomenon is still limited, also in the American market where all the biggest players are operating. But are people really going to tell networks everything they need for some virtual stickers from now on?

2.4 Social networks

It is a common practice to use the term "social networks" to define websites such as Facebook, Twitter, etc., while a more appropriate term would be "social networking service" or, more specifically, "social networking website". A social network is "a social structure made up of individuals (or organizations) called "nodes", which are tied (connected) by one or more specific types of interdependency, such as friendship, kinship, common interest, financial exchange, dislike, sexual relationships, or relationships of beliefs, knowledge or prestige", as defined by Wikipedia[17]. Consequently, Facebook is the skeleton that supports the creation of the social network. From now on "social network" will be used as a synonymous of "social networking service".

Besides the semantics clarification, social networks have been the latest explosive trend in the media environment. The colossal growth of Facebook users (from 100 million users in August 2008 to 750 million in July 2011[18]) has spurred the market,

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[16] http://gigaom.com/video/can-miso-philo-and-tunerfish-compete-with-cbs-social-tv-app/

[17] http://en.wikipedia.org/wiki/Social_network

[18] http://www.facebook.com/press/info.php?timeline

with many competitors exploiting the niche segments left and web-users exploring alternatives to the mainstream and becoming more and more used to share anything online. The numbers are quite explicative with a number of social networks' users in the U.S. that has increased from 84.5 million in 2008 to 127 million in 2010 and expected to reach 165 million in 2014[19]. One consequence will be the normalization of the users' age, from a concentration of users in the young demographic to a more homogeneous distribution.

It is interesting to have an overview on the reasons why so many people have partially moved their social life on the web and what are the advantages of being part of an online community. The reasons why people join social networks are various and can vary from person to person. Among the most popular there are meeting new people, entertainment, maintaining relationships, learning more about people and information. Some Characteristics of online communities' member are basically the same that characterize offline groups (Bagozzi & Dholakia, 2006):

- Consciousness of kind. Members' identification within the community and sense of estrangement from non-members

- Ritual and traditions. Shared behavior, values and practices among the members. Sometimes rules are also explicitly written, but in most of the cases the norms are silently followed

- Duty and obligation. Members are there to benefit from the community, but they must contribute when they can be relevant.

Previous researches have explained how social networks can conduct to the creation of two different types of groups: strong ties groups, where the relationship with other members is intense, and weak ties groups, where the relationship is more superficial but the number of members to which there is a connection is way wider (Kang et. al., 2011). Ren et al. (2007) applied common identity and common bond theory at online

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[19] source: *eMarketer*

communities: the member can feel attachment to the group as a whole or to its topics and characteristics (common identity), rather than feeling attached to the particular members of the group (common bond). Although is not uncommon that both the dynamics occurred together within the same community, it is possible to drive the establishment of one rather than the other by making some precise design choices (Ren et. al., 2007).

3. Theory and problem delimitation.

3.1 Problem Statement

In a various multimedia environment where television is suffering from the diffusion of new technologies, one of the consequences is a decline in the consumption of traditional media. The thesis starts from the problem of the decreasing use of the medium "television", especially by young people, in favor of other instruments of mass communication, such as computer or mobile phone, based on the transmission of information via the Internet. If the Internet could be considered an alternative for television has been analyzed in the past (Ferguson & Perse, 2000; Coffey & Stipp, 1997; Robinson, Barth & Kohut 1997) and the general sentiment was that it could replace some needs (information, distraction) but not completely overcome television in its main role: entertaining (Ferguson & Perse 2000). The consequence is a reduction of the average time spent by viewers watching television, the decreasing importance of having a wide variety of channels for the audience and the loss of customers by those who offer pay television services.

Given the enormous possibilities that the new tools of communication offer, it is necessary to reduce the field of investigation to a single aspect. The aim of this research is to understand if it is possible to provide a better experience of the consumption of television content using the interactive features of the new media. The idea is that since many industries have taken advantage of the possibilities offered by new media implementation, also television, the most important among the traditional media, can increase its value proposition to the customers by providing additional services through new media.

First research question (Q1): How does the integration of an online interactive space into the TV consumption experience affect the value for the customers?

The purpose is to understand what the feelings of the audience towards the implementation of an enhanced TV experience are, exploring the attitude regarding distribution of contents through different platforms and if the customer perceives an increase of the service value. In particular, it will be considered if an Internet-based tool that simplify the social connections among members who enjoy the same TV content can represent a positive augmentation for the viewing experience.

The second question will consider the customers television experience as a service offered by a provider to a consumer. Specifically it will investigate the impact that new technologies features have on the customer overall vision of the television viewing experience and value proposition.

Second research question (Q2): How important is an improved viewing experience to increase customers' evaluation of the service offered, compared to other characteristics of the offer?

Even if it is difficult to measure marketing metrics such as brand retention or brand loyalty, it is important, from a managerial point of view, having the possibility to study some indications to justify the decision-making process. The confrontation of the viewing experience with other features of the offer (price, assistance, wideness of contents, etc.) will help to understand the significance of investing on this aspect.

3.2 Theoretical Framework

In an attempt to clarify the context and the field of studies, this chapter will present the theories and variables that will be applied through the research. Uses and

Gratifications Theory will be the frame through with the mass media world will be approached and which will help to formulate some assumptions. The concept of value will be explored and defined in order to acquire knowledge on the term and to be able to recognize its formation factors.

3.2.1 Uses and Gratifications theory

Mass communication developing has been one of the biggest innovations of the last century; many researchers and academics have studied and formulated theories, trying to raise the knowledge on the topic. While most of the studies were focused on how media influence people, the Uses and Gratification Theory examined the reasons behind a particular media adoption by a heterogeneous audience (Katz, 1959). The theory started from the assumption that an "active" public is able to choose the best one among a range of media; the consequence is a process of media selection by the public, which leads to competition among different media, in order to gratify consumer needs (Katz, Blumer, Gurievitch 1974). The particularity of this theory is the adoption of a consumer perspective in analyzing the mass media, which highlighted how people choose media based on how they can satisfy their needs, like any other product or service (Rubin & Windahl, 1986). An example of what these needs are can be explained through this classification (Katz, Haas & Gurevitch, 1973):

- <u>Cognitive needs</u>, related to strengthening information, knowledge and understanding.
- <u>Affective needs</u>, related to strengthening aesthetic, pleasurable and emotional experience.
- <u>Personal integrative needs</u>, related to strengthening credibility, confidence, stability and status.
- <u>Social Integrative needs</u>, related to strengthening contact with family, friends and the world.

- <u>Tension release needs</u>, related to escape from the reality and weakening of contact with self and one's social roles.

Thanks to this perspective, Uses and Gratifications Theory makes comparisons among different media and audiences otherwise impossible (McQuail, 1984); it has been demonstrated, for example, how different media can gratify the previously mentioned needs, more or less effectively (Katz, Haas & Gurevitch, 1973). According to this Theory, it is not important the content, the sender or the message-making, but the choice, reception and manner of response of the audience (McQuail, 1984). Uses and Gratifications can lead to an analysis of media in a much broader social and cultural context (McQuail, 1984) towards a model that concerns a strong interaction among media, society and audience (Rubin & Windahl, 1986).

Uses and Gratifications Theory was formulated and discussed since 50 years ago, many critics have been moved, but it seems now more than ever that it can help understand the new mass communication scenario. Its focus on motivations and needs seems to be crucial now that, thanks to new technologies, media alternatives have consistently increased (Ruggiero, 2000). A common critique to the Theory was that it does not explicitly investigate if the audience is actually "active" when choosing the media (Swanson, 1979 in Ko, Cho & Roberts, 2005); this does not apply to the new media environment, where "interactivity" is the basis and a passive approach is hardly possible (Ko, Cho & Roberts, 2005).

By considering Uses and Gratifications Theory as a theoretical framework, it is possible to formulate some assumptions related to the research:
1. Since audience needs can be satisfied through many different mass communication media, the "new media" have probably addressed some needs previously satisfied by "traditional media".

2. Since consumers will switch media in order to gratify their needs we can imagine that if the Internet will be able to better meet all television audience's needs, everybody are going to switch in the long run.
3. If new media users are increasing, it means that the new media are able to satisfy traditional media audience needs more efficiently or can satisfy needs that traditional media do not meet.

The concept of needs lays in the psychology field, more than in the economic approach. Since we want to keep an economic view on this matter it is important to reason in term of value. In particular we want to understand how different is the value brought to the consumers by the new media compared to the traditional ones. And, more important, from where does this value derive? Hence a clarification of the term value is essential.

This theory seems to create a valid framework for the research: an "active" behavior of the audience has been observed increasing in the last decade and there are many more possibilities for the audience to choose the preferred media. The Theory supports the assumption that the audience may look for different media in order to satisfy their needs. Many scholars (e.g.: Ruggiero, 2000) have argued that Uses and Gratifications theory can be successfully applied on the Internet-related media, but a review of some concepts (for example an "active audience" today is something very different from one during the '80s) has to be conducted.

3.2.2 Customer value

The concept of "customer value" gained popularity among scholars and researchers at the beginning of the '90s. Articles from popular magazines (such as *Business Week*) helped the theme fame to spread, until the recognition of the topic as a research priority from the Marketing Science Institute in 1996. What emerged from the theoretical researches is that there is not a unique direction to define "customer value"

(Woodruff, 1997). The reason has to be found in the interactive nature of value creation; value is generated by the interaction of a subject with an object and by the relativistic nature of this interaction (Holbrook, 1996). For the purpose of the research, it is important to understand what the value "to" the customer is: what the term "value" represents for the customer? How do consumers perceive value? How is it possible to improve their perception, in relation to a particular product?

"Customer value" is commonly defined as "the ratio between the customers' perceived benefits (economic, functional and psychological) and the resources (monetary, time, effort, psychological) used to obtain those benefits" (Schiffman & Kanuk, 2000). Many other definitions of customer value have been given: a common obstacle to a definitive clarification has been the impossibility to avoid the use of other terms not completely defined, such as "utility", "worth" or "benefits" (Woodruff, 1997). A definition of customer value based on a customer perspective point of view has been formulated by Woodruff (1997:142):

Customer value is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations.

The definition is based on a theoretical model defined by Woodruff and Gardial (1996) that shows how the customers capture the customer value essence.

The model is based on a means-end approach: consumers identify products as a bundle of attributes, which will bring, through utilization, to desired consequences; those consequences are desired by the consumers because they reflect their own goals (Gutman, 1982). Theprocess is not only applicable when searching the desired value, but also when evaluating the received value (Gardial et al. 1994; Zeithmal, 1988). Moreover it has to be remembered the importance of the use situation: the very same

products can have different value evaluation (or desires) if moved to a different context (Woodruff, 1997).

Utilizing a consumer centred definition of customer value is necessary; Uses and Gratifications Theory is essentially customer-centred and conceives consumers as goal-oriented in the same way the customer value hierarchy model does. Being goal-orientated seems the way media should address their consumers in order to being chosen; increasing the value to the customer should be the final purpose, if an increasing in the firm value is wanted in the long run (Soman & N-Marandi, 2010).
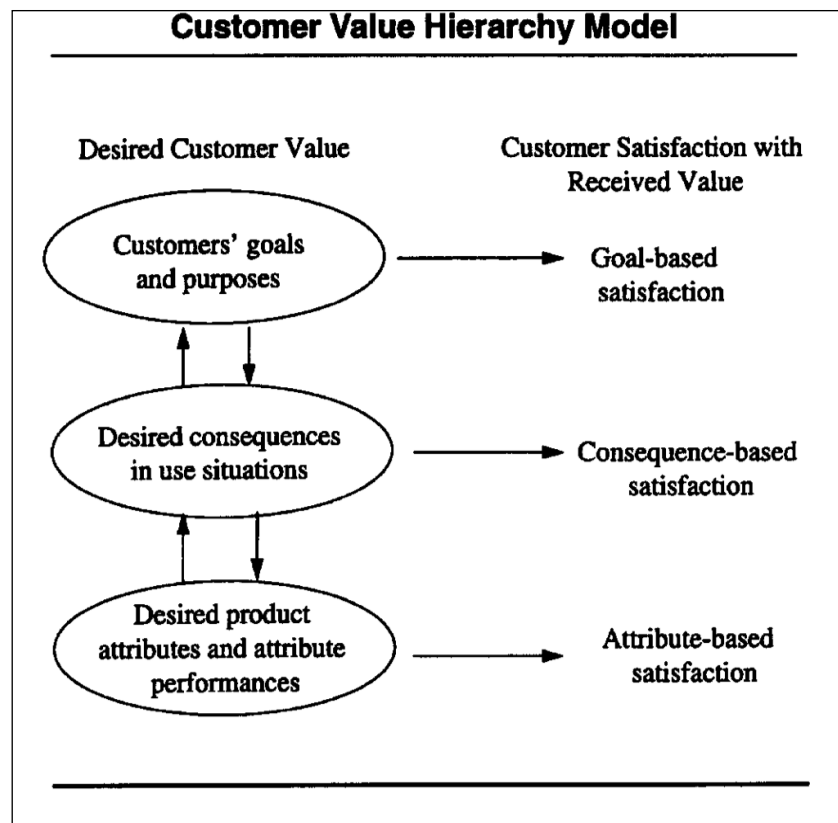
Fig. 1 - Customer Value Hierarchy Model - Zeithaml, V.A. (1988)

3.3 Research questions

The theory delimitation has defined the research boundaries and the theoretical tools that will be used to analyze the results. The final research questions are then elaborated:

- *Q1) How does the integration of an online interactive space into the TV consumption experience affect the value for the customers?*
    - *Sub Question1 (SQ1): How do new media differ from traditional broadcast media in terms of gratification of audience needs?*
- Q2) *How important is an improved viewing experience to increase customers' evaluation of the service offered, compared to other characteristics of the offer.*

A sub-question has been introduced after having defined the theoretical framework. From the theory "value" has been configured as a goal-oriented concept, based on the satisfaction of customer's needs. Hence new media can increase value of a general product by fulfilling needs previously not fulfilled. Identify which are these needs for the audience, becomes consequently a prerequisite to answer Q1 successfully.

4.1 Objective

The aim of this research is to wide the understanding regarding the consumers' attitude on the benefits that integration between television and the Internet can bring into their viewing experience. The research fall into the area of exploring the possibilities of delivering value through enhanced media and channels.

The research questions have been kept in consideration during the whole research process design. As a reminder, the questions are here displayed again:

Q1) How does the integration of an online interactive space into the TV consumption experience affect the value for the customers?

> *SQ1): How do new media differ from traditional broadcast media in terms of gratification of audience needs?*

Q2) How important is an improved viewing experience to increase customers' evaluation of a Pay-TV service, compared to other characteristics of the offer?

The two questions address the research towards two parallel paths. <u>From a theoretical point of view</u> the final purpose is to comprehend the perspective of consumers on the role of media in gratifying psychological and social needs. Especially, if the new media are more efficient tools to reach a certain level of satisfaction compared to traditional media in the eyes of consumers. <u>From a practical point of view</u> the research is more focused on television. The attitude towards an integration of the Internet in the television viewing experience is explored and practical examples of the consequence have been submitted to user evaluation. Moreover, a specific part considers only pay-TV users and attempt to decipher the consideration for online-based correlative services for the customers.

4.2 Methodology

The purpose of the research was to shed light on the transformation that is undertaking television's contents consumption, and explores the existence of undercover (and maybe unknown) habits in the audience.

The logical flow of the research went through three different steps, to which had contributed both a quantitative and qualitative analysis. Those steps were:

- At first, the bases of *Uses and Gratifications Theory* have been tested. Media as effective tools to address needs had to be assessed in the sample. The assumption of the Internet as the more effective tool has been tested.
- Then the customer point of view was evaluated: their attitude towards the convergence process and their feelings about some possible scenario were analyzed.
- In the third part, the point of view of the biggest pay television company has been taken into consideration, and the results previously obtained have been compared.

In particular quantitative research consisted of an online questionnaire on a targeted sample of television consumers; qualitative research was a semi-structured interview with the Sky Italia marketing director; secondary data have been collected online and offline. An in-depth explanation of the practical aspects of the research design is now explained.

4.3 Quantitative research design

The questionnaire consists of 21 close-end answer questions; different questions' schemes have been used, from multiple choices to objects ranking and Likert scales.

Questions were divided among four pages and ordered with the purpose of creating a logical flow in the respondents' minds. Also the pages can be related to the research questions presented during the theoretical framework: page 1 of the questionnaire attempts to answer sub-question number on (SQ1), page 2 covers question number one (Q1) and page 3 embraces question number two (Q2); page 4 collects demographic data of the respondents. The questionnaire follows a specific architecture to cope with the meanings of the question answered. At the end of page 2 a question redirects the respondents differently, depending on the answer chosen. Page 3 has been specifically designed for a determinate target of pay-TV users and was not shown to non-users. (appendix 1)

4.3.1 Distribution and collection method

Questionnaires have been distributed online through the online social network Facebook. The choice was not due solely for the possibility of reaching a large number of people in a short time; the respondents were, in this way, already categorized as social networks' users, otherwise they would not been able to acknowledge the existence of the form. More than 500 invitations to compile the survey were sent and 210 responses were collected. Out of those, 195 responses were recognized as valid and created the final dataset. The data collection took place during a period of two weeks, from Monday October the 3rd until Sunday October the 16th. The responses were collected through an electronic form that automatically collects user answers into an online database; the data were, at the end, available to download from the platform. A survey test with 20 respondents has been implemented some days before, to test the clarity of the questions and collect feedback on the questionnaire structure.

4.3.2 Sample design

Running a survey on a sample representative of the whole population is always complicated. For the purpose of this research a sub-population has been defined based on the segmentation used by Ac Nielsen and called "Younger Years":

"Largely under age 35, these households have few–if any–children. Households tend to be singles, although there are also couples that fall into this Lifestage."

Nielsen is well known for its rating system that estimates the number of viewers of a television program. The Nielsen rating has being taken as the standard for evaluate the success of a TV show; advertisers pay for ads breaks according to the rating, TV channels try to maximize the ratings by moving or deleting shows, etc. The "Younger Years" group member has been used as the standard model of respondent wanted for the survey; its characteristics of being young, tech-oriented and interested in innovation has been recognized as the ideal next generation TV viewers.

The final sample was finally composed for the 52.8% by males and 47.2% by females, with an average age of 23 years old; the level of education of the sample (Figure 2) was distributed variously among who gained a middle school diploma (3.6%), high school diploma (40.0%), bachelor degree (36.4%) and master degree (20.0%). According to the characteristics of the sample wanted, there were not respondents who have kids or who are or have been married.
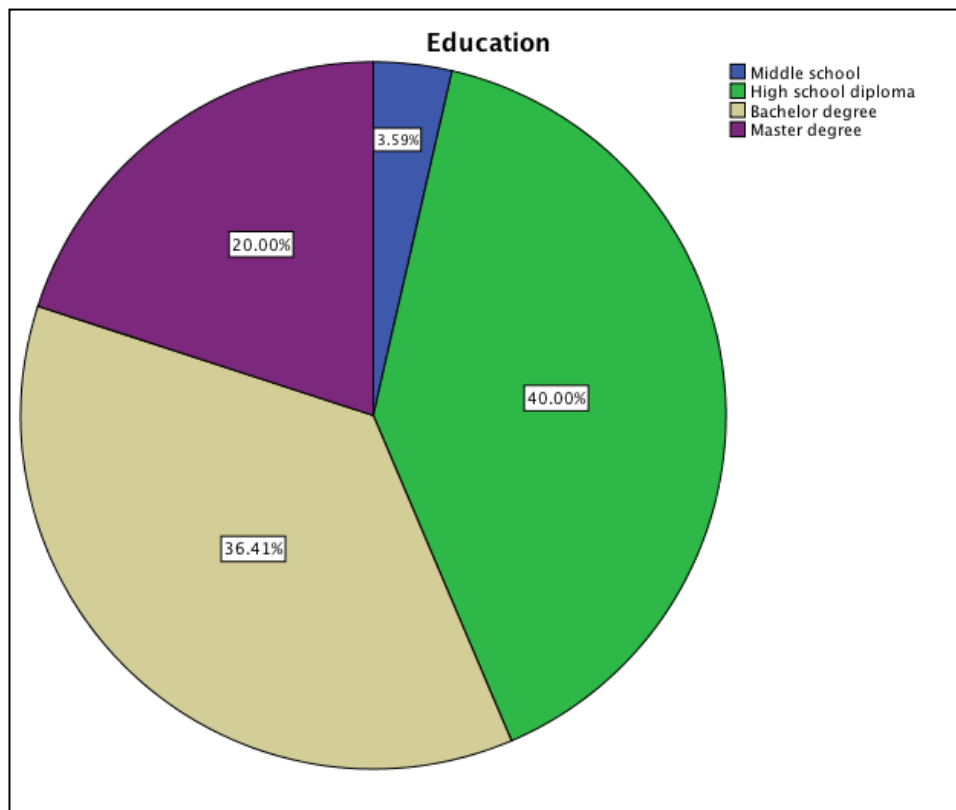
Fig. 2 - Sample composition based on variable "Education"

The sample is quite representative of the target population decided at the beginning of the research design. The only deceiving factor could be the level of education, with many people in the sample who studied at university

4.4 Qualitative research design

The qualitative research has been designed with a particular approach for the timing and modalities that have been adopted. The objective was to obtain an expert point of view on the insights that have been taken from the survey and to confront those hints on the customer behavior with the knowledge possessed by the company, represented by one of the most important managers.

The modality chosen was the semi-structured in-depth interview; the personality interviewed was Nicola Saraceno, director of Marketing Products and Customer for Sky Italia. Mr. Saraceno is responsible to coordinate four departments: Customer Management, Customer Experience, Innovation and Customer Retention. The interview lasted approximately an hour, where previously formulated questions were submitted and the answers recorded; it has been conducted after the data from the questionnaire has been collected for two main reasons:

1. Submit the survey's results to an expert point of view, which would be able to critically analyze the conclusions drawn and offering a competent perspective of the methodology process.

2. Understand the company point of views on the object of the research. Since the questionnaire had the purpose to identify the consumers' attitude on the topic, it has been interesting to compare the results to the idea of the customer attitude developed by the company and its managers.

During the interview, Mr. Saraceno has been showed the results from the quantitative research carried on during the composition of this work. At first it was explained to the interviewed the purpose of the work and the theoretical assumption that supported the research structure; by doing this, it has been possible for him to understand the general purpose of the research and the field of knowledge investigated by the researcher. Then, raw data and results have been showed from the complete database collected; those information have been submitted to the interviewed with the intention to avoid to create any bias during the acquisition process, in order to prop up an autonomous interpretation and deduction. Then, the researcher deduction have been explained and confronted with Mr. Saraceno point of view; during this process the raw data outcomes have been discussed and new insights arise from the confrontation process. Finally the new insights have been confronted with the initial position held by both parts; what has changed in the parts opinion before the discussion and what has been determined to be a shared belief between them has been sum up and highlighted. It is particularly interesting for the purpose of the research to understand what the company

thinks the respondents would have answered to many question, and then confront it with the actual sample answer.

Exploring what the company knows about their own customers allowed a critical evaluation of the research own results and the possibility to develop some relevant managerial implication in case the two perception of the reality would not concur.

In this chapter the process and modalities used during the research will be explained, along with the reasons behind the choices made. The data obtained have been analyzed separately and will convey in a final comprehensive analysis in the next chapter.

5.1 The Internet vs. traditional media: an analysis in the outlook of Uses and Gratifications Theory

As postulated in the Uses & Gratifications Theory users choose to utilize media based on the capabilities of each one of satisfying a particular need. In the study conducted in 1973 by Katz, Haas and Gurievitch, different media are ranked and evaluated on their perceived ability of satisfying needs. *On the use of the mass media for important things* has been used as a model for analyzing the current media environment and will be taken as a basis for a comparison.

5.1.1 The original experiment

The study was prepared for the occasion of the "Symposium on the Effects of the Mass Media of Communication" at the XXth International Congress of Psychology, held in Tokyo in August 1972. The data were also designated to become part of a survey on leisure time activities, commissioned by the Israeli Ministry of Education and Culture. It was one of the first quantitative studies that explored mass communication from a consumer point of view or that concerned the media user as an active subject rather than a passive entity influenced by the media stream.

The experiment was carried out at the beginning of the 70's in Israel on a sample of 1500 respondents, representative of the whole population. The first step was

composing a list of social and psychological needs that are believed may be satisfied by exposure to the media. The items were chosen following an accurate literature review and according to the opinion of the authors on the specific functions of media in Israel. Finally, after going through a pilot test, the items were reduced to 35 "need-statements" and categorized according to a three facets model. The classification was based on:

- Mode. It is the action that the need requires: to strengthen, to weaken, and to acquire.

- Connection. It is the object of the action: information and knowledge, gratification and emotional experience, credibility and status, or contact.

- Referent. It is the specification of the object: self, family, friends, society, tradition, world, or other groups.

The researchers then decided to form meaningful grouping for the purpose of the study out of the 84 possible combinations. Again the rationale behind the choices came from literature review and consistency with the field of research:

- Cognitive needs. Related to strengthening information, knowledge and understanding.

- Affective needs. Related to strengthening aesthetics, pleasurable and emotional experience.

- Integrative needs. Related to strengthening credibility, confidence stability and status.

- Integrative function needs. Related to strengthening contact with family, friends, and the world

- Escaping needs. Related to weakening contact with self and one's social role.

After categorizing the final needs the proper experiment took place. The 35 statements were presented during an interview to the sample, which was asked to evaluate the importance of the need. After going through the whole list, the specific items rated as

"important" by each respondent were analyzed again, this time in relation to the media. Specifically, the media considered were: newspapers, radio, television, books and cinema. For each media, the interviewer asked how much it is considered helpful in satisfying the need express in the statement; in case the respondent did not recognize any help in the particular medium in satisfying the need, he was encouraged to indicate a non-media related item on his own considered helpful in the given situation. Using the response it was possible to rank the media, from the more useful to the lesser, for any of the 35 initial statements. Percentages of people declaring the medium "useful" to satisfy the need over the whole group of people who declared the need as "important" were calculated and used as the basis of the ranking process.

The data collected have been analyzed with different statistical models and utilized to draw conclusions on the usage that population makes of media. A list of the outcome taken from the analysis is then composed:

1. For all the needs analyzed, the majority of the respondents consider other sources of gratifications (grouped together) were more useful than the totality of media.
2. Where the distance from the referent was higher (either it was social, physical or psychological) the utility of the media in satisfying the need was higher.
3. Comparative process with other realities and "escapist" needs were well gratified by the media. Anyhow, "friends" are a more useful resource when the need regards the "self" dimension.
4. For those who stated the importance of media regarding knowledge of state and society, the ranking-order of media usefulness is the same besides the educational level.
5. Different media can serve needs associated with the self, based on the specific functions provided. Knowing himself is related to books, enjoying oneself with television and cinema, etc.

6. When the needs are associated with self, books are more present for the better educated, while television is more present for the lesser educated. Self-gratification, especially, shows this feature.

7. Television is very useful for "killing time" but not as a mean of "escaping the reality". Books and cinema are more helpful in this need, probably because of the high concentration invested.

8. Film and television help engagement in social discussion, but books and newspapers usually provide the topics discussed.

9. Television has been delineated as the least specialized of the media: it is able to satisfy opposite set of needs for the same individuals. Contrarily, cinema and newspapers are the most specialized.

10. The analysis on "interchangeability" has shown that media can be placed on a circle where each media can substitute better the two next to him. The sequence goes from television to radio, newspapers, books, cinema and back.

Finally, it has to be considered that the needs analyzed are not generated by the media. Moreover, some of them could be defined quite unrelated to the mass media (the item "to spend time with your family" for example). Anyhow, what characterizes the study was the approach of conceiving the media as tools that the user can actively choose and not an influential flux that cannot be avoided.

5.1.2 The new approach

More than 30 years later, most if not all the media considered in the research have evolved and became significantly different from the early 70's: radio stations have multiplied, televisions have became a standard in every living room, cinemas have became multiplex and much more. The research that has been just analyzed would probably show different results if conducted today, because, as a matter of fact, media usage has evolved and change deeply in the last 40 years.

As previously explained, the diffusion of the Internet had a deep impact also on the way other media have been used. Internet has entered all the fields of the traditional media and perpetuated a compulsory evolution of mass communication. The usage worldwide is constantly increasing and so it is the economic importance of who has been able to exploit the opportunities that came up. By adopting the Uses and Gratifications Theory's framework, the diffusion of the Internet around the world has only one possible cause: people actively decided to use more the medium because it provides more benefits than other media. Katz's study seems to have become obsolete in describing the current reality of media consumption; however it still offer a model of analysis that can be replicated now, considering the evolution and development occurred to traditional media and the entrance in the box of a new and powerful tool. The purpose is to explore how the roles of media in the everyday life have changed through the replication of the experiment.

The methodology used in Katz's experiment has been widely discussed in the previous paragraphs. In order to make a comparison between the old research and the new one, the same modalities should be adopted when carrying out the survey and the same analysis should be implemented. Unfortunately this was not possible due to time and monetary constraints: even if changing the location of the research (from Israel to Italy) and the largeness of the sample (from 1500 respondents to, hypothetically, 200), replicating the experiment would have been extremely difficult because of the several number of answers required from every single respondent and the necessity of the presence of an interviewer to shape the questionnaire based on the respondents initial answers.

First of all a new objective was fixed at the beginning: the new experiment did not aim to rank the various media in relation to the list of needs, but it was focused on the Internet and the effects that it had on the media environment. The new experiment was run with a reduced number of needs statements, with the 35 items that have been

reduced to 20. The 35 items were already classified in cluster by the previous research; those cluster are still represented in the new research, except for those regarding the "nation's pride" and "Jewish tradition" considered not important for the different cultural background of the Italian respondents. The items' list was then submitted to the respondents who have to choose from it and tick whether they consider the need statement important or not. The question did not allow choosing a gradient of importance but only a yes/no question; again this was necessary in order to speed up the compilation of the questionnaire and keep the attention up. At last, respondents had to indicate the level of utility of the media for each need statement that they marked as "Important". At this point there was another problem of time constraint: asking to answer 6 Likert scale of "utility" for each need marked as "Important" was judged too time-consuming for the respondents. Therefore four alternative choices were suggested for each "Important" need statement:

1. Traditional media can help me more than the Internet. The answer considers "traditional media" as the group that comprehend television, newspapers, books, cinema and radio. The overall help offered by one or more of these media is considered by the respondents higher than the utility of the Internet in satisfying the need.

2. Both traditional media and the Internet can help me with the same intensity. It means that the Internet can contribute at gratifying the need as much as the traditional media can do.

3. The Internet can help me more than traditional media. Here the Internet is elevated above the traditional media as a better help in reaching the stated purpose

4. Neither traditional media nor the Internet can help me. With this answer the respondent do not recognize the media as a useful tool in satisfying the stated need or purpose.

The final experiment is significantly different from the original one, but still have some common features: the list of non media-related needs, the evaluation of utility allowed only to who consider the need "Important" and the preference of a medium rather than another are still the basis that undermine the research process.

5.1.3 Data interpretation and comments.

Because of the limitation of the modalities of research, it is not possible to have as many meaningful insights as the original resource. As said before, carefulness is required when attempting to create parallelisms between the two studies. Moreover, it has to be reminded that the purpose of the study was explorative and representative of only a small part of the population.

The overall utility of all the media in satisfying needs has consistently increased compared to 40 years ago. The information was deducted by calculating the difference in the number of people answering that there are other things that can help more than media in satisfying the needs statements in the two researches. In the first study the question was asked after the evaluation each medium utility was completed; in the second one, stating that media does not help in satisfying a certain need was shown during the possible evaluation of the Internet versus traditional media was possible. When the data from the two different studies have been compared, it has been observed a drastic drop in the number of people thinking the media are not useful for all the needs statements (Table 1). The percentage of people thinking that media can not be useful drop more than 50% for half the items asked, with some emblematic cases like the 65% drop in "To obtain information in everyday life" and the 0% of negative answers for "To understand what goes on in Italy and in the World". The least change was a reduction of 4% for the item "To spend time with the family", the only item who did not drop for more than the 10%.

Table 1. Percentage of the sample who believes Media are not relevant in satisfying certain needs

Media cannot help. % of responses			
Factor	**New study**	**Old Study**	**Difference**
To kill time	10,96%	83,00%	72,04%
To want to study	6,51%	77,00%	70,49%
To obtain useful information for daily life	2,63%	67,00%	64,37%
To understand what goes on in Italy and in the world	0,00%	64,00%	64,00%
To feel that I am participating in current events	10,84%	65,00%	54,16%
To feel that others think as I do	25,37%	77,00%	51,63%
To release tension	33,55%	85,00%	51,45%
To know what the world think about us	6,52%	57,00%	50,48%
To develop good taste	23,53%	74,00%	50,47%
To feel that I am influential	39,06%	85,00%	45,94%
To escape from the reality of everyday life	36,45%	75,00%	38,55%
To feel that I'm not always right	43,00%	81,00%	38,00%
To participate in the experiences of other people	41,38%	78,00%	36,62%
To be entertained	51,19%	84,00%	32,81%
To understand those who disagree with me	35,88%	65,00%	29,12%
To participate in discussions with my friends	42,22%	71,00%	28,78%
To spend time with friends	68,45%	85,00%	16,55%
To learn how to behave among the others	58,89%	75,00%	16,11%
To feel that I am utilizing my time well	64,10%	77,00%	12,90%
To spend time with the family	79,47%	84,00%	4,53%

Internet appears to be the most useful media compared to the others in the majority of the needs statements. In 13 out of 20 need statements the percentage of people marking Internet as more useful to satisfy the need is more than 30% (Table 2); in 11 out of those 13, it represents the choice picked by the majority of the respondents; only for 2 items traditional media were preferred to the Internet ("to spend time with my family" and "to learn how to behave among the others"); mostly, for the needs statements where Internet was not the first choice, respondents indicated that media in general were not useful at all. As in the first research, only the respondents who first confirmed the need as "important" have got the possibility to choose between the Internet and traditional media. This condition is essential, because it grants the non-triviality of the need for the respondent that avoids superficial answers.

Table 2. Relevance of Internet over Traditional Media in relation to the factors

Sample responses - New experiment			
Factor name	% M>I	% M=I	% I>M
To kill time	8,2%	39,7%	41,1%
To want to study	8,3%	37,3%	47,9%
To obtain useful information for daily life	9,2%	36,2%	52,0%
To understand what goes on in Italy and in the world	16,0%	45,4%	38,7%
To feel that I am participating in current events	14,5%	33,7%	39,8%
To feel that others think as I do	1,5%	40,3%	32,8%
To release tension	17,8%	24,3%	24,3%
To know what the world think about us	14,1%	28,3%	51,1%
To develop good taste	5,0%	31,1%	40,3%
To feel that I am influential	4,7%	14,1%	42,2%
To escape from the reality of everyday life	10,3%	21,5%	31,8%
To feel that I'm not always right	9,0%	28,0%	20,0%
To participate in the experiences of other people	2,3%	12,6%	43,7%
To be entertained	5,4%	22,0%	21,4%
To understand those who disagree with me	8,4%	22,9%	32,1%
To participate in discussions with my friends	4,4%	16,3%	37,0%
To spend time with friends	5,4%	9,5%	16,7%
To learn how to behave among the others	11,1%	21,1%	8,9%
To feel that I am utilizing my time well	10,3%	12,0%	13,7%
To spend time with the family	12,6%	2,6%	5,3%

Legend: M=Traditional Media   I= Internet

Internet perceived utility increases with the level of education. Katz's research tested the association of educational level with media usage: the outcome was that printed media were considered more important among people with higher educational level, while the electronics media were rated low. In contrast, the results from the new study have shown a different trend, which is basically contrasting the previous one. Responses from people with higher education (bachelor degrees and master degrees) have been isolated and the differences from the whole sample results analyzed. The observation led to the conclusion that Internet is evaluated as more reliable source of need satisfaction for higher educated people, who are also more willing to generally rely on and use media. Percentages of responses for "media can not help" were confronted between the totality of the sample and the isolated sample of people with a degree; the same operation was executed for the answer "The Internet can help me more than traditional media". In the first case higher educated people score was lower for all the needs statements, while in the second case the percentages were higher than the full group of respondents, for the majority of the needs statements. (appendix 2)

The purpose of this part was to assess the perception of the utility of media and the Internet in satisfying some psychological and social needs, considered relevant by the psychology literature but not necessarily media related. The study was run by re-elaborating a previous experiment explained in the paper "*On the use of the mass media for important things*" by Katz, Haas and Gurievitch in the 1973. The re-elaboration of the empirical experiment has restricted the wideness of the results, but was properly addressed to convey the information needed. The main purpose of this part was to test the hidden assumption that new media, in particular the Internet, have been able to grown in importance because of their capabilities of satisfying better the audience needs. By replicating Katz's experiment it has been showed that Internet is considered as a more useful tool, compared to the totality of traditional media, to reach consumer's goals. However, if the entrance of the Internet has partially made the audience move away from traditional media in order to satisfy some needs, this is not the major source. Data showed that, for all the needs examined, the believe that media were not helpful in gratifying them drastically dropped; the number of people relying on media to satisfy certain needs have grown, thanks to the Internet. If those people were not considering media useful for their objectives, now they do: Internet has significantly increased the benefits offered by the media category. This part was a necessarily preliminary step in order to answer the first research question. The process of convergence which cause the evolution of traditional media has been explained in the literature review; the capacity of the Internet to satisfy psychological needs has been demonstrate here, based on the assumptions of Uses and Gratifications Theory. In the next part the consumers' perception of value that derives from the Internet integration into the television experience will be analyzed and discussed.

5.2 Television and the Internet: the customers' perspective.

After the first set of question assessing the importance of media in satisfying important psychological and social needs and the Internet as the most useful in doing so, the research has been re-focused on its core objective of exploration: television. As we just said, in the first part, the Internet has been showed as the medium able to satisfy needs more efficiently than the traditional ones. This is important because of the theoretical framework based on the *Uses and Gratifications Theory*: audience actively chooses, among the media, the one that better satisfies a certain need; different needs stimulate the adoption of different media, which are often combined and integrated to maximize the effects. The integration of traditional media with the Internet has been discussed in the theoretical part of this thesis and identified as the process of "convergence" in the media literature. What has been assessed is that every medium, with different degrees, has evolved from the development and diffusion of the Internet; their capability of satisfying audience need has increased and people know that this improvement has to be appointed to the technological progress: the acknowledgement has emerged also from the first part of the questionnaire.

In this second part the focus will be on evaluating the awareness of the sample on the effects of convergence on the traditional media; then it will take more into consideration the development of television in this direction. The purpose, anyway, is only to explore the attitude regards an integration between television and the Internet and understand if there are the basis for a further future development.

5.2.1 Data interpretation and comments

Trying to determine the importance of a closer integration between the Internet and television necessarily has to pass through a comparison of how other media are

behaving in this very same field. Since the aim of the research is to estimate a possible increase in the customer value for the media, what has been explored is the perception of the audience towards the benefits of new media convergence. All traditional media were confronted on the improvements they had acquired since the diffusion of new technologies and how important these improvements were to increase the perceived utilities. At first, it was asked to rank the traditional media (that are: newspapers, radio, television, books and cinema) from the one who benefitted the most from the new technologies and Internet convergence, to the one who benefitted the less. "Newspapers" came out as the medium that gained the most, while "books" was the
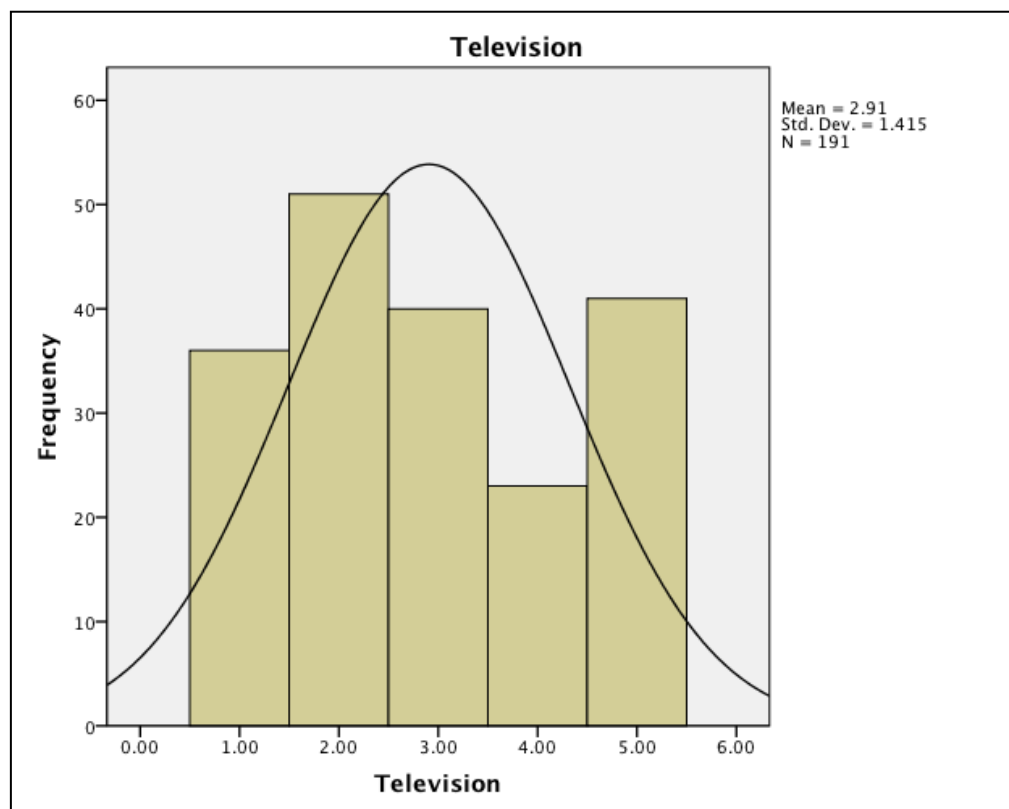

Fig. 3. Which is the traditional media who gain more value from integration with new technologies? (The numbers 1-5 indicates the rank for the media "Television" compared to the other traditional media)

one for whom respondents perceived that integration is less important. The opinion for television and the other two media was not univocal, and it was impossible to evaluate

one better than another. Television, however, presented a distribution of the answer skewed on the sides (Figure 3) and a higher variance, showing that most of people were placing it in the first or in the last position rather than in the central ones. (appendix 2 for the other histograms)

Then, it was asked to evaluate, for every medium, the importance given to an effective integration with new media technologies. The evaluation was asked for the five traditional media by using a 4 items Likert scale. Television integration with new media technologies was rated as "Important" or "Very important" my more than 50% of the respondents(Fig. 4); "newspapers" (Fig. 5) and "radio" totalized both around 75%, while "books" and "cinema" scored more or less the 35% for the two grades of importance. A possible interpretation of the data, could be that there is an half of the sample who thinks television is well integrated and exploits new media in a significant way, while a second half who does not recognize the importance of a television and Internet integration process.
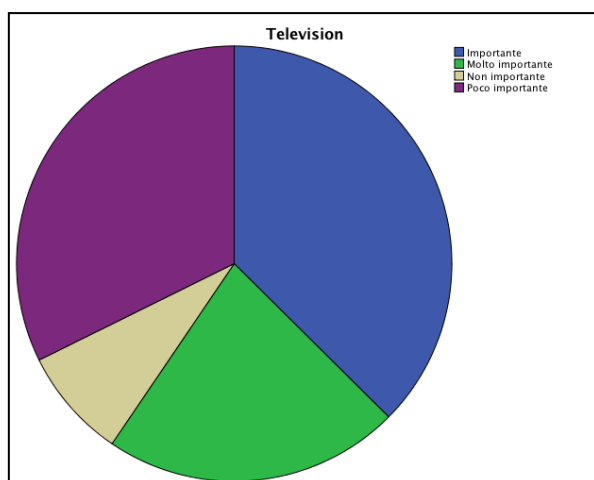

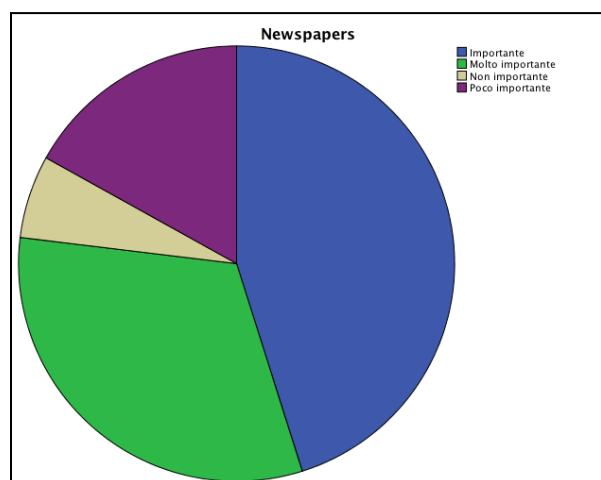Fig. 4 - Importance of Television–web integration   Fig. 5 - Importance of Newspapers–web integration

In an attempt to identify the variable responsible of the two opposite sides, the scores were also analyzed through bivariate analysis for two specific factors: education and

technology usage. Unfortunately the answers distribution did not change, which led to the impossibility to determine which the variable responsible of the ambiguous response is.

Following this, the questionnaire became much more focused on television and the concept of interactivity was analyzed. A list of possible features of interactive television has been asked to be evaluated on a 1 to 10 scale by the respondents in question 4 (Table 3). The six features have been selected from the literature previously analyzed on the experiments of "Social TV" and "Interactive television". They were described exclusively as final outcomes for the user, without explaining the technical's aspects of how the final benefit was delivered. The results were quite discomforting, with all the factors been evaluated poorly, in terms of interesting from the respondents. The three features that included the requirement of an active behavior from the audience were evaluated, in average, with a 5 out of 10; the other three applications, less effort-needy, totalized in average a score above 6, but no one of them taken alone overcome the 7 points of evaluation.

Table 3 – Interest towars possible evolution of TV and Web integration

Question 4

		Automatic suggestions	Sharing on a public platform	Online discussion	Point counting and prizing	Virtual agenda	Personalized news and info
N	Valid	195	195	195	195	195	195
	Missing	0	0	0	0	0	0
Mean		**6,3077**	**5,7333**	**5,4718**	**4,3949**	**6,9795**	**6,6205**
Median		7,0000	6,0000	6,0000	4,0000	8,0000	7,0000
Mode		6,00	7,00	5.00[a]	1,00	8,00	7,00
Std. Deviation		2,14853	2,38567	2,36882	2,79413	2,55649	2,36155
Variance		4,616	5,691	5,611	7,807	6,536	5,577
Minimum		1,00	1,00	1,00	1,00	1,00	1,00
Maximum		10,00	10,00	10,00	10,00	10,00	10,00

Even when bivariate analyses were run and some variables isolated, the response distribution did not change significantly. One of the variables isolated was the technological attitude of the respondents: during the collection of demographics data, one question registered for each user the number of portable connected devices owned. Based on the number of choice selected, the sample was divided from the more "technological" people (who own 4 different portable connected devices) to the "technologically impaired" (who owns 0 portable connected devices). However, the expectation of people evaluating better the interactive features proposed the more devices were owned did not reveal itself as true, with no significance differences found in the averages of the clustered sample.
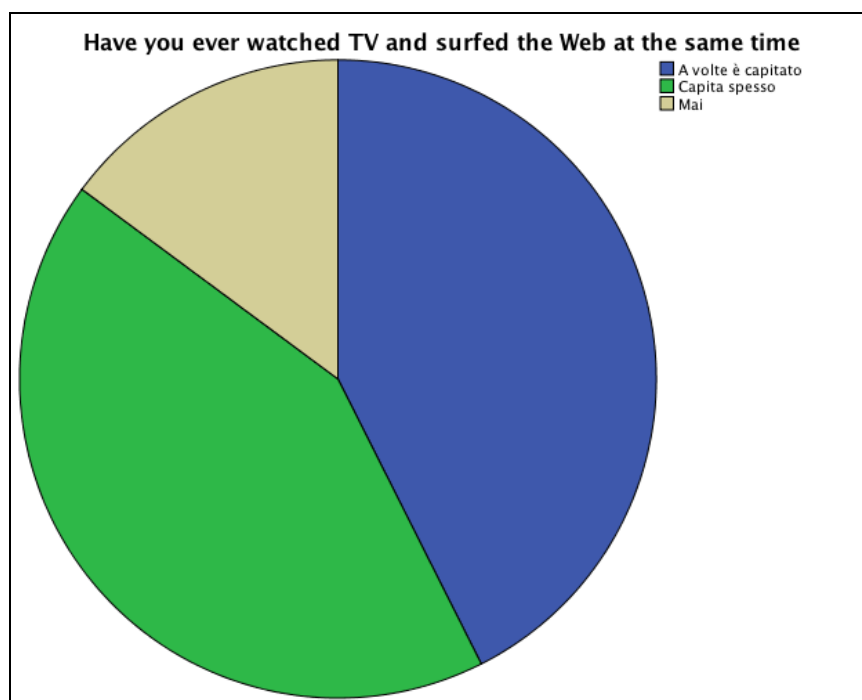
Fig. 6 – Multitasking behavior of the sample

Finally, the last question wanted to explore a particular aspect of the consumption behavior of television viewers. The question was whether or not the respondents have ever watched television and navigated the web at the same time. Even if it could seem

trivial, this question is fundamental in assessing the presence of a natural and voluntary behavior that has to be the base for an effective diffusion of interactive TV solutions. If people are already integrating their viewing experience by accessing the web through portable devices it means that an inclination for multitasking is present. Data showed that only the 15% of the respondent said to have never watched TV and surfed the Internet at the same time, with the other 85% of respondents divided equally between who admitted to have done it "often" and who said that "it has happened" (Fig. 6). Moreover, a bivariate analysis, which confronted the means of the answers based on, the number of portable devices owned, showed that the probability of having watched TV and Internet at the same time rise with a higher number of portable devices. (appendix 3)

<u>5.2.2 The online attitude</u>

In this part, the research focused more on television and its relationship with technology. As explained in the literature, customer value is the relationship between benefits received and resources spent to achieve those benefits. In the hierarchy model proposed by Woodruff (1997), a customer gains benefits when its needs and objectives are fulfilled. So, there should be a direct relationship between satisfying needs and increase value in the eyes of the customer; in other words, the better something is able to satisfy a certain customer's needs, the higher the value of it will be for the customer. The general attitude towards this statement has been investigated, in comparison with other traditional media. Even if television did not score as much as other media (for example newspapers), the respondents showed a general appreciation of the role an Internet integration can play in the television experience. In particular it has been noticed that people who more often picked the Internet as a useful tool for satisfying needs in the first question, consider an interactive television more interesting than the average score.

The integration of the Internet into the consumption experience of traditional media could have this role of bringing benefits and increase customer value for the media. In particular it has been tried to identify a possible involvement increase in the television medium, by developing some behavior typical of an online community. The objective was to identify the genesis of common identity and bond identity (Ren et. al., 2011) through the integration of online devices in the viewing experience, but the sample failed to show any interests for this kind of feature. Nevertheless data shows that the television audience is having an active attitude during the television experience (85% experienced multitasking during the television consumption), but when the sample has been asked more in depth about their interest in some features typical of an online community, the responses were disappointed. The interests dropped, and the preference for a passive approach to television as a way to entertain the self and

weaken contact with the reality seems to be the main reason to watch television. To further analyze this aspect the research has been focused on a specific portion of the sample. In order to understand how the audience evaluates the integration of online services in the overall television experience, research has continued on a specific segment, which is composed by Sky Italia's users. The reasons behind this choice and the research conducted are explained in the next paragraph.

5.3 The expert audience: Sky customers

Since the research is focused on the future development of television it is important to consider that the literature has identified some steps that occur during innovation diffusion. In particular, Rogers' model (1962) has postulated the diffusion of innovation through the adoption by five different groups: innovators, early adopters, early majority, late majority and laggards. The formation of those groups is responsible for the market to follow an "s-shaped" curve of adoption over a length of time. The groups are defined by Rogers, based on the characteristics of their component; very important are the definition of the first two groups:

- Innovators. They are the first individuals to adopt an innovation. Innovators are willing to take risks, youngest in age, have the highest social class, have great financial lucidity, very social and have closest contact to scientific sources and interaction with other innovators. Risk tolerance has them adopting technologies that may ultimately fail. Financial resources help absorb these failures. (Rogers 1962 5th ed, p. 282)

- Early adopters. This is the second fastest category of individuals who adopt an innovation. These individuals have the highest degree of opinion leadership among the other adopter categories. Early adopters are typically younger in age, have a higher social status, have more financial lucidity, advanced education, and are more socially forward than late adopters. More discrete in adoption choices than innovators. Realize judicious choice of

adoption will help them maintain central communication position (Rogers 1962 5th ed, p. 283).

These two groups are relatively small in size, compared to the next two, but are essential targets to reach if the objective is to catch the majority in the long run (i.e. the next two groups). Also, if they are not interested in the innovation proposed, it is hard to think that the majority, more conservative and less willing to spend resources on something unknown, will be.

For the purpose of this research, it seems important to understand what these two groups think, more than anybody else. Having said that it is difficult to recognize who are the components before the adoption takes part: the classification is founded on the behavior embraced by a part of a determined population; becoming an innovator depends on many variables, and an innovator for a typology of product is not a necessarily an innovator for others.

Even if it is difficult to establish a priori whom innovators and early adopters are, it is possible to define groups were the likelihood of becoming innovators is higher than others. This particular study is focused on the ones who are believed to be the more involved television customers: Sky Italia's subscribers.

Sky subscribers are different from the rest of the television audience in Italy for a simple reason: they pay for watching television. This characteristic highlights the importance that they give to the television experience, which is considered not satisfied enough by the public and free-private service of broadcasting. Therefore it is safe to assume a high involvement in the television product by Sky's users, which makes them the more likely to be interested in innovations regarding the industry.

In a research carried out in July 2010 by Sky itself, their subscribers have been investigated. Sky user profile has been formulized based on the following characteristics (source: Sky[20]):

- Age: they are younger than the average, with the 53% whom are from 18 to 44 years old.

- Educational level: they are well educated. 48% of them have earned a high school diploma or a college degree.

- Job: they occupy important positions in their job. 22% of them have a "decision maker" position.

- Family: their families are numerous, with almost a half of them with 4 or more family members.

- Socio-economic condition: 27% of the subscribers belong to a high or medium-high socio-economic condition.

- Income: they have more financial resources. More than the 31% declare a high or medium-high income.

After all these considerations it has been deducted that Sky's users are probably the more likely to be the innovators and early adopters in experimenting new television consumption models. Because of that it has been decided to address a specific part of the research to Sky's users only and to investigate what the company itself is doing to stimulate a successfully implementation of internet based technologies into the consumption experience.

5.3.1 Sky historical background

Sky Italia s.r.l. was born the 31st of July 2003, from the merger of Tele+ (Canal+) and Stream (News Corporation and Telecom Italia); from 2005 News Corporation owns 100% of Sky Italia. The company offers a digital satellite television platform,

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[20] http://www.skypubblicita.it/sky-pubblicita/dati_ricerca_tv.html

broadcasted through satellites and through cable, thanks to affiliation with Fastweb, Telecom Italia and Infostrada. President of Sky Italia is the Australian tycoon James Murdoch.

Sky Italia is a pay-tv, which means the customers have to subscribe to the service in order to watch the contents. In the Italian panorama it was the only pay-tv provider until few years ago: Rai, the Italian public television, requires to pay an annual subscription, but since it is compulsory for every television owner and it is not possible to "opt out", it is basically a tax; Mediaset, TV media group owned by Berlusconi's family, broadcasted its three analogical channels for free. Nowadays, with the conversion from analogical to digital television, also Rai and Mediaset are offering some pay-tv and pay-per-view services.

Since Sky Italia has always been available exclusively beyond payment, it has strived to deliver a premium service to its customer from the very beginning. The inheritance from Tele+ and Stream was already relevant: the exclusive broadcasting of Italian Serie A football league matches, a premium library of movies and shows, and more than two millions subscriptions. Starting from this base, a continuous flow of innovations and new products have defined Sky Italia's offer. Starting from the very beginning, in July 2003, was launched Sky TG 24, the first "all-news" channel broadcasted in Italy.

The innovations brought by Sky Italy were regarding both contents and technical innovations. The internationality of the management and the possibility to relate with parallel groups abroad (BSkyB in England and Sky Netherlads, for example) have kept the company updated on the latest trend and given a base for a replication in the Italian market. From the contents point of view, the focus was on exclusivity and the total cover on premium events, especially sport events. The kick-up was the 2006 Football World Cup, when Sky bought the rights to broadcast all the matches live; football is an important part of the Italians lives, so Sky, during the years, decided to provide

complete coverage of all the major football events: 2010 (and 2014) World Cup, Confederations Cup, Copa Sudamericana, Copa Libertadores, Champion's League, Uefa Cup and all the matches of foreign football leagues (England, Spain, Germany, France etc.). Other important sport events covered were the Rugby World Cup (2011) and Rugby Six Nations (2010) and the Vancouver Winter Olympics (2010). The same strategy was applied to other type of contents: offering to the audience all of what is "premium" in the television environment. Premium television star has been hired to anchor premium TV shows, like Fiorello and his "Fiorello Show" in 2009 or Simona Ventura to run "X-Factor" in 2011. Once again, when selecting movies premiere an important factor kept in consideration was the overall buzz generated by the movie in the theaters. Blockbusters movie were preferred in order to attract viewers; James Cameron's "Avatar" television premiere in 2011 gathered 1.3 million views, the highest audience record for movie broadcasting on a pay-tv.

Consistently, Sky Italia's strategy of being a "premium product", led to the necessity to stay continuously updated on technological innovations in the television industry. Sky has been the first one in the Italian market introducing technical innovations systematically for the last 8 years. In 2005 a new decoder with an integrated DVR system called MySky was launched; the decoder allows the registration of programs, up to two at the same time. In 2006 the first four channels in "High Definition" (HD) were introduced and, consequently, the goal of 4 millions subscribers reached. In 2007 Sky became available on cable, thanks to the IPTV service by Fastweb, Telecom and Wind; it was, of course, the first IPTV service available in Italy. In 2009 the first pay-per-view HD channel is available and the number of HD channel in the pay-TV offer is doubled. In 2010 there are 36 HD channel available, with all the football games of the Italian Serie A broadcasted in HD; the 3rd of October the golf's Ryder Cup is the first event broadcasted in 3D technology in Italy. In September 2011 two main events: Sky 3D channel becomes available as a free trial with 12 hours of broadcasting every day for the whole month; moreover there is the introduction of SkyGo, an i-Pad application to watch Sky's channels from the Apple's tablet.

Sky propensity for innovation and premium contents has been the distinctive factor that led to the constant growth of its subscribers. Recently the count has reached the impressive amount of 5 millions[21], which means approximately that one Italian every four has Sky at home[22].

5.3.2 Data interpretation and comments

As announced before, the third page of the questionnaire was submitted only to respondents who claimed to be Sky Italia's users. The purpose was to estimate the respondents' attitude towards new media integration into television, through an evaluation of the pay-tv service received; according to Sky's information their customer represented the most interesting target both for their interest and competence in the product television and for their above-average family income, that makes them open to experimenting new products and services. The assumption is that Sky's users are more willing to experiment and adopt innovations and will better evaluate new products' proposals; therefore they can be considered as the group who can more likely recognize any advantage or disadvantage in the model proposed. The respondents answers have been also discussed with Nicola Saraceno, Sky Italia Marketing, Products and Customer director; the purpose was to get verify the information gathered from the company itself, and understand their point of view on their own customers and strategies.

In order to make only Sky's customers able to access the specific section inside the questionnaire, question number 8 has been set as a filter needed to grant access. From

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[21]http://tg24.sky.it/tg24/economia/2011/10/07/sky_italia_5_milioni_di_abbonati.html

[22] http://www.skypubblicita.it/sky-pubblicita/dati_ricerca_tv.html

the total sample of 195, the 83 respondents who said to have had Sky in their home at least once have been admitted to the sub-sample of Sky's users. The first observation made regarded the Sky's customer percentage among the sample, with a number of respondents that was higher (42%) than the percentage of the Italian population that Sky claims to reach (25%), probably because the sample was focusing on a specific group (Younger Years) more likely to be a Sky's user than the total population.

A total of 8 questions have been asked to those 83 respondents; the focus was especially on their personal evaluation and relative importance of the different characteristics of Sky's offer on the overall perception of the service offered. The purpose was to isolate the different components in order to assess the benefits that an improvement in one of the features can bring to the overall evaluation. When a feature is ranked as very relevant and very well evaluated at the same time, it is difficult to improve it enough to make the customer perceive the new benefit. On the other hand, if a feature is considered less important, has the potential to make an improvement perceived as a strong positive factor, which increase the overall positive perception. Moving along this point, the research wanted to understand the position of the feature in the mind of the customers, regarding those issues.

At first, evaluations of determined characteristics of Sky's offer were asked, for the purpose to understand what users consider when the overall evaluation is formed. Sky's offer was asked to be assessed on five characteristics: quality of the channels, quantity of channels, degree of customization, customer assistance and complementary service like magazine and website. First it was asked to singularly evaluate each item (Table 4), then to rank them from the one who needs to be improved to the most, to the one who need fewer improvements. The answers for the factor "Complementary service" (the belonging of Sky's web services to this factor was stated clearly) have been closely observed in relation with the others. Regarding the pure evaluation it scored the lowest rate (6.3 on a 1 to 10 scale) with the second lowest evaluated factor to be "Customer assistance" with a 6.9 on 10.

Table 4 – Feature's importance when evaluating Sky's offer

N	Quality	Quantity	Customization	Assistance	Complementary services
Valid	83	83	83	83	83
Missing	0	0	0	0	0
Mean	8.1325	8.4578	7.3494	6.9398	6.3373
Median	8.0000	9.0000	7.0000	7.0000	7.0000
Mode	8.00	9.00	7.00	6.00	8.00
Std. Deviation	1.42085	1.36419	2.06264	1.67732	1.98333

In spite of this when the subsequent question asked which factors should be improved the most, "Complementary services" showed the most ambiguous results: while "Quality" and "Quantity" (the two highest evaluated factors) were mostly ranked 4th or 5th, and "Assistance" and "Customization" were positioned mainly in the first two,

"Complementary services" divided the sample, with respondents avoiding central positions and preferring extremes (Figure 7). First and fifth positions were chosen by
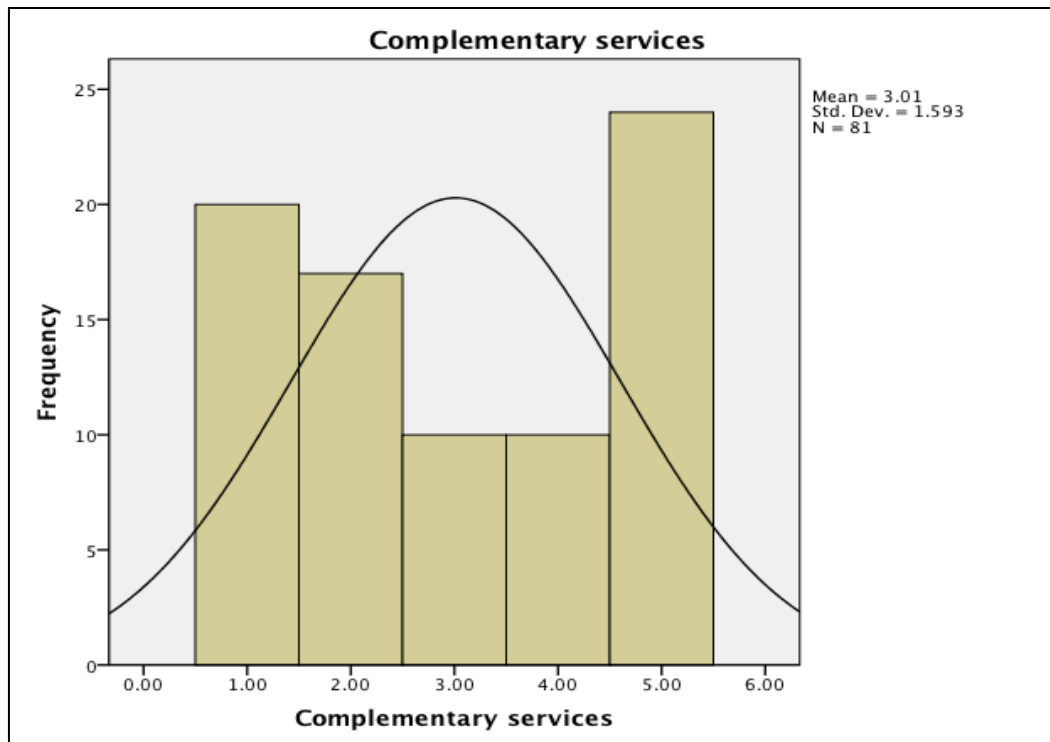

Fig. 7 - Distribution of answers for relevance of complementary services

more than 50% of the respondents and with the second position included the percentage reaches 75%. It seems to be a general recognition of the lowest level of quality in the Sky's offer in web integration, but then the respondents do not seem to give the same importance to it for having a satisfying experience.

The relative low consideration given to the web tool as an enhancer of the television experience also emerge when the respondents were asked about their usage of the company website, "sky.it". Out of 97.8% of the respondents declaring to be aware of the existence of the website, only the 59,0% affirmed to have visited it in the past; but most important, only the 7.2% asserted to have been regularly on the website in average more than once a month (appendix 4). Even lower were the results when asked about the awareness of Sky's mobile applications: only the 38.5% admitted to have knowledge of its existence and only the 6.0% (i.e. 5 people in the sample) have downloaded it; considered that 53 people (63.9% of the sample) professed to be smart phone's owners and the application is free, the diffusion rate is disappointing (appendix 5).

Then the last four questions were designed to evaluate the importance of this tools in the mind of the customers. The respondents largely agree on the utility of the website and the mobile app; maybe too much, because the number of people evaluating the products were higher of the number of people declaring to be aware of the existence of them. As a consequence, also the question whether Sky should work for a better integration of its online resources, should be taken carefully even if the majority agreed on this point (Table 5).

Table 5 – Percentage of answers for attitude towards Sky's web-TV integration strategy

I think Sky should better integrate their online services into their offer

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I agree	41	49.4	49.4	49.4
	I disagree	11	13.3	13.3	62.7
	I don't know	18	21.7	21.7	84.3
	I totally agree	12	14.5	14.5	98.8
	I totally disagree	1	1.2	1.2	100.0
	Total	83	100.0	100.0	

The very last question was, again, about the importance of online complementary services in the total evaluation of Sky's service. The question was purposefully explicit and wanted to openly test consumer's impressions on the matter. Here the respondents chose a unique direction, and stated that, as a matter of fact, these features are not important in the overall evaluation of the product. The histogram highlights the low importance given by the respondents (Figure 8).
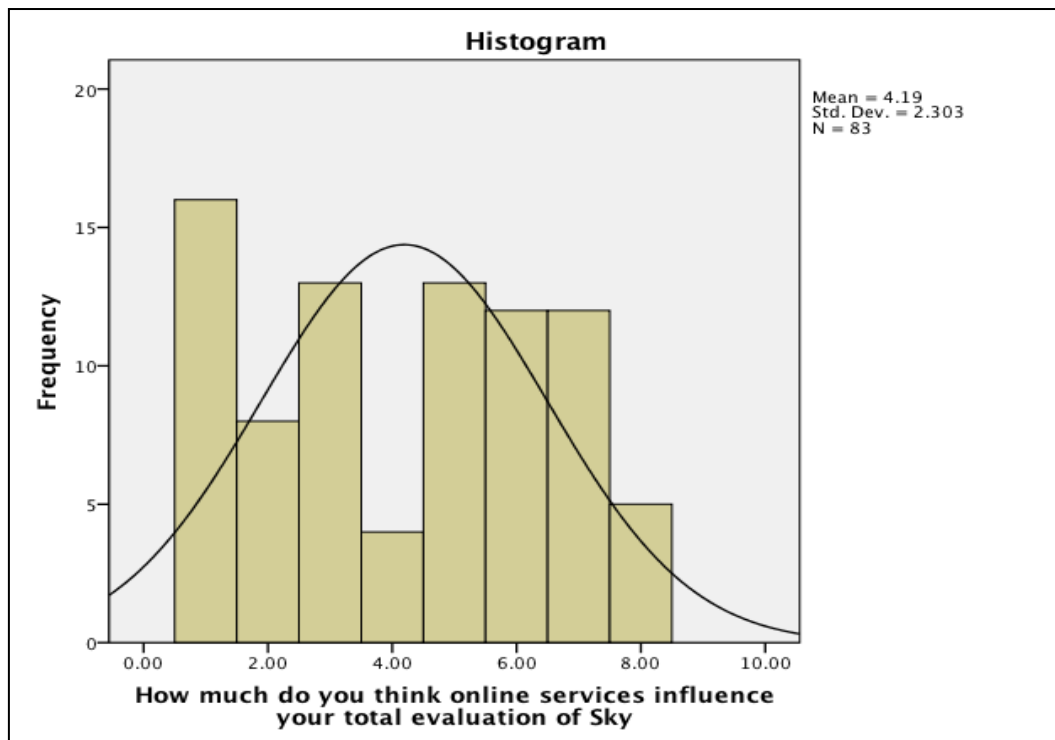

Fig. 8 – Distribution of perceived relevance of online services provided by Sky

5.3.3 The company perspective

The focus on Sky's customers has been set for two specific reasons: high involvement in the product from the audience and high level of innovation of the product as a company objective. In Italy Sky represent the more innovative company in the television industry and its clients are the more demanding and contemporary audience of the country.

Sky customers' impressions have been look into with a specific section in the questionnaire; subsequently the company point of view has been investigated through an in-depth interview with Nicola Saraceno, Sky Italia's Marketing Products and Customer director. The interview took place after the questionnaire has been analyzed, with the purpose of using the results from the research as a cue for discussion, and to indirectly confirm the results from the company point of view.

In this part the objective was to understand how relevant the integration of online services with the television experience are for Sky Italia audience, considered the more demanding and responsive television Italian audience. In particular it has been considered that Sky subscribers pay for the service received, so it will be natural for them to evaluate the importance of complementary online services compared to other characteristics of the television experience.

The familiarity with online resources have been measured in the questionnaire and showed that Sky website is widely known by Sky's users, but the entrance rate is low, with only a few who admitted to enter its pages more than once a month. The other online resources offered by Sky consisted in a set of smart-phone's application (TVguide, news, sport news, etc.) and an iPad application called SkyGo, which allow watching the same channels the subscriber has at home on the tablet. When the research was conducted SkyGo has just been launched, so it was chosen not to put it in the form; the smart-phone's apps were tested and the response from the sample was

pretty low, with only few users who have downloaded it. The final outcome was that respondents perceived those services as very helpful despite the limited use they declare to make of them; moreover the respondents rated positively the possibility of an improvement of those services in the future.

By assuming another perspective, it has been asked to the marketing director what Sky impressions on the topic are and what they think their customers' attitude is. During the interview, Mr. Saraceno has briefly explained the company's view on the contribution that the Internet can give to their service in this way:

"There are two macro-areas: the first one is using Internet as a support to the traditional television experience (for example information regarding the offer, the weekly TV schedule, get new clients) […]; the second one wants to offer our customer an entertainment experience that goes beyond the traditional television experience.[…] This second area is focused on offering three critical features to our clients: wide list of contents, portability of the service and possibility of watching anytime"

Mr. Saraceno has significantly stressed the concept of "TV everywhere", particularly proud of the new application for iPad, released last August, which allows the subscribers to watch the same channels the can watch from home. Giving the possibility of accessing Sky from different platform is the task where they are working harder, after having successfully implemented HD and 3D television. The company defines this trend as "multivision" and it is aware of its relevance, especially in a long-term perspective:

" In the long run we see a trend where the contents are distributed through the combination of more media: as for newspapers, which have online versions, also television will be supported and empowered by new online instruments."

This attitude produced, according to the survey results, but also to the company's data, to the practical result of a high awareness of the online resources among the customers combined with a low usage rate. Mr. Saraceno explains how "we do not need our customers to be on our website every day", but it is important that they know that these services exist and are available. The company knows that there are two kind of audiences: the one who turn on the TV to watch a specific program and the one who simply likes to "go with the flow" without thinking too much. The importance of the latter is not underestimating by Sky, who believes that this kind of audience is never going to disappear.

"We want to combine the two needs, which a service that offer a wide range of choices for the "active" viewer who wants to take control, and at the same time high quality contents for the "passive" viewer who likes to just turn on the TV."

Computer technologies have impacted the media environment in a tremendous way over the past 20 years. The evolution of media has been surprising for the rapidity and width of the changes. Television has registered more innovation in the last 10 years than in the previous 30, when it was the symbol of mass media communication. In this research it has been tried to offer an outlook of the contemporary television industry, in order to gain knowledge of the recent trends and forecast a possible path for evolution. In particular it has been analyzed its relationship with the Internet medium, and the process of convergence into a new media reality. The theme has been analyzed from a customer perspective, trying to understand whether a value for the customer can be acquired by a closer integration between television and the Internet. The theoretical framework has been built based on the Uses and Gratifications Theory, chosen because of its customer-centered perspective on analyzing media usage and its conception of an active role of the audience in choosing the media. Also, the phenomenon has been investigated among a young audience, in order to being able to spot a recurring behavior that could be the trend for the possible future evolution of television consumption.

The research process has been structured on the following research questions, which have been used as guidelines:

- *Q1) How does the integration of an online interactive space into the TV consumption experience affect the value for the customers?*
- Q2) *How important is an improved viewing experience to increase customers' evaluation of the service offered, compared to other characteristics of the offer.*

To successfully answer the first research question a preliminary sub-question has also been elaborated:

- *Sub Question1 (SQ1): How do new media differ from traditional broadcast media in terms of gratification of audience needs?*

In order to answer the research questions an online survey has been conducted among a selected sample and the results analyzed using different statistical methods. The questionnaire was basically divided in three parts (one for SQ1 and two for Q1 and Q2) plus a final part needed to gather demographics data.

The first part of the research was focused on sub-question 1 and was carried out with the scope of assess the difference in satisfying certain needs between new and traditional media. The results have demonstrated how the audience considers the Internet much more effective than traditional media in gratifying the psychological and social needs proposed in the questionnaire. This preliminary step had to be taken, because the theoretical framework from which the research is based assumed the capacity of satisfying needs as the most important variable when choosing a media.

The second part examined research question 1 and concentrated more on television and the consequences that a closer integration with the Internet into the consumption experience can bring. The major findings are:

- The better the Internet is considered integrated into the media, the more relevant is the media perceived customer value. This is true for all the traditional media, not only television. An effective integration is the principal variable that increases the perceived utility of the Internet as a support for the traditional media experience.

- Users have independently shown the practice of integrating the television content with online resources. A large portion of the sample has recognized the habit of surfing the web while watching television. The development of this practice exhibit the attitude and desire for an active usage of the media.

Sub-question number 2 guided the investigation in the third part of the survey, where the attention was moved to Sky users and their perceived utility of online services. The research has highlighted that:

- <u>Users consider useful the online services provided; however they do not use them regularly.</u> Despite a high awareness of the online services, the usage and frequency rates are low. However an improvement in this direction is well seen by the majority of the respondents.

- <u>Users consider online services as peripheral compared to other factors of the overall service.</u> The utility is not in discussion here, but the sample exhibited the attitude to credit a greater relative importance to other features when evaluating the overall offer. The role of online services in generating customer value is low when compared to other features.

6.1 Managerial implications

The television industry in Italy presents three main actors, which adopt three different business models and present three different value propositions to the Italian audience. For the purpose of this research a particular attention has been paid to Sky Italia, the company who has probably concentrated more energies on developing more alternative and innovative consumption experiences. The following recommendations should then be considered as tailored on its specific case.

Consumers consider online services very useful for their consumption experience. The supportive role offered by these tools is highly rated and the deeper the integration is, the more useful the benefit for the viewer. Television companies should carefully encourage the utilization of these tools, especially among the younger audience where the relationship with the Internet and new media is well developed. In other markets abroad, television companies have signed deal to create a virtual platform where to gather part of their contents and distribute them (with free and pay models).

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Being useful, however, is not the only strength of a good service. The capacity of involve the audience is certainly important and becomes paramount for a television channel. Despite the usefulness of the online resources provided by Sky, the relative importance provided was considered low if compared to other factors. In order to increase this importance, these tools have to contribute to the content creation with a determined role in the overall experience offered. It is necessary to use the Internet to create involvement for the customers and develop new experience through the creation of an active role. This kind of practices has been observed in other markets abroad, where the developing of web communities around TV contents create bonds that provide an enhanced experience of the television product.

The practice of consuming more media at the same time is becoming a habit also in Italy, with a large portion of the sample declaring to surf the web while watching TV. The television channels should exploit this behavior and provide opportunities for a consistent interaction with their audience, which can lead to many positive outcomes. Stimulate the curiosity of the audience through the new channels can increase the involvement into the content broadcasted and, for example, develop interest and loyalty for the product. The ability to drive the audience to an active role in the media usage will stimulate the attachment to content provider and foster a participative culture in the consumption experience.

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Appendix 1 Questionnaire

Page 1 – Needs analysis

1) Consider the following factors or needs. For each one indicate whether you judge them IMPORTANT or not by ticking the first column or leaving it blank. Then indicate (only for the factor you chose as IMPORTANT) what between traditional media (one among TV, newspapers, radio, books and cinema) and the Internet you think can have a role in satisfying those needs.

Alternative answers
Important
Traditional media more than the Internet
Traditional media and Internet at the same level
The Internet more than traditional media
Nor Internet nor traditional media can help

List of items

To understand what goes on in Italy and in the World	To feel that I am utilizing my time well
To obtain useful information for daily life	To learn how to behave among others
To be entertained	To participate in discussions with my friends
To kill time	To know what the world think about us
To release tension	To develop good taste
To escape from the reality of everyday life	To understand those who disagree with me
To spend time with friends	To feel that I'm not always right
To feel that others think as I do	To want to study
To spend time with my family	To feel that I'm influential
To feel that I am participating in current events	To participate in the experiences of other people

2) Thanks to new technologies traditional media have developed new functions, mostly linked to integration with the Internet. Please rank the following media, according to your experience, from the one who took more advantage to the one who improved the lesser.

	Rank
Newspapers	
Television	
Radio	
Cinema	
Books	

3) One of the most interesting features of the Internet is the possibility for the users to share their opinions and thoughts. How much important do you think this feature is important to improve the usefulness of the following media

	Not important	Somehow important	Important	Very Important
Newspapers				
Television				
Radio				
Cinema				
Books				

Thanks to the digitalization of broadcasting, television is becoming more and more interactive. The inputs provided by the audience improve the consumption experience, by making it unique and personal.

4) Interactive television means new services to improve the consumption experience. Please rate from 1 to 10 your interest in these products:

- An automatic recommendation system, based on viewing history.
- A public platform where to share TV contents watched.
- Discuss and comment TV contents online.
- Earning virtual points and winning prizes by watching determined products.
- Online agenda, which will help in organizing viewing schedule of favorite programs.
- Customizable newsfeed and information from the TV provider.

5) Have you ever watched TV and surfed the web at the same time? (using laptops, smart phones or other portable devices)

-Yes, often   - It happened, but not regularly   -No, never

6) Have you ever had Sky Italia's TV in your house? [if "Yes" goes to Q7, otherwise Q15]

- Yes   - No, but I'm subscribed to another pay-tv   - No, never

Page 3 – Sky's online evaluation

7) Rate Sky on these factors: (1- not important, 10- very important)

	1	2	3	4	5	6	7	8	9	10
Quality of the contents										
A wide range of the contents										
An efficient assistance service										
A proper monthly fee										
Complementary services (magazine, website, mobile services)										

8) In your opinion, which of these factors could be improved in what sky offers? (Rank them from 1-should be improved to 5-doesn't need improvements)

Quality of the contents	
A wide range of the contents	
An efficient assistance service	
A proper monthly fee	
Complementary services (magazine, website, mobile services)	

9) Do you know about sky.it?

- Yes, I've visited it   -Yes, but I've never visited it   - No

10) If yes, how often do you access sky.it?

- Less than once in a month   - Once in a month   -Once a week

- More than once a week   - Every day

11) Do you know that there is a Sky smarthpone app?

- Yes, I have downloaded it   -Yes, but I haven't downloaded it   -No, I didn't know

12) If you have downloaded it, how often do you use it?

- Less than once in a month   - Once in a month   -Once a week

- More than once a week   - Every day

13) Please indicate your agreement with the following statements:

	Totally disagree	Disagree	Agree	Totally agree	I don't know/ I've never used it
I think sky.it is useful					
I think Sky's mobile app is useful					
I think Sky should integrate its online services and television offer better					

14) At the moment, how much do think your evaluation of complementary services influence your total evaluation of Sky's offer?

 (Evaluation from 1 to 10; 1-not relevant 10-very relevant)

Page 4 – Personal data

15) Age:

16) Sex: (Male or female)

17) Education:
- Middle school diploma   - High school diploma   - Bachelor degree
- Graduate degree   - Ph.D.

18) Marital status:
- Bachelor/Nubile   -Married   -Divorced   -Widowed

19) How many children do you have?
- None   - One   -Two   -Three or more

20) How many people live in your house?
- I live alone   - Two   -Three   - Four   -More than four

21) Do you own any of these devices? (More than one choice possible)
- Laptop   - Smartphone with Internet connection   -Tablet
- Other portable devices with Internet connection   -None of the previous

Appendix 2 Difference in level of education

Education difference	Total sample	University sample	
Factors	**% I>M**	%I>M	Difference
To be entertained	21.4%	27.8%	-6.4%
To develop good taste	40.3%	43.8%	-3.5%
To escape from the reality of everyday life	31.8%	28.8%	3.0%
To feel that I am influential	42.2%	38.5%	3.7%
To feel that I am participating in current events	39.8%	50.0%	-10.2%
To feel that I am utilizing my time well	13.7%	15.9%	-2.2%
To feel that I'm not always right	20.0%	19.2%	0.8%
To feel that others think as I do	32.8%	38.2%	-5.4%
To kill time	41.1%	44.7%	-3.6%
To know what the world think about us	51.1%	56.0%	-4.9%
To learn how to behave among the others	8.9%	13.0%	-4.2%
To obtain useful information for daily life	52.0%	58.0%	-6.1%
To participate in discussions with my friends	37.0%	45.1%	-8.0%
To participate in the experiences of other people	43.7%	56.3%	-12.6%
To release tension	24.3%	28.1%	-3.7%
To spend time with friends	16.7%	22.9%	-6.3%
To spend time with the family	5.3%	8.1%	-2.8%
To understand those who disagree with me	32.1%	37.1%	-5.1%
To understand what goes on in Italy and in the world	38.7%	47.3%	-8.7%
To want to study	47.9%	53.6%	-5.7%

Appendix 3   Other media integration with the Internet

Users evaluated newspapers as the media who gained more advantage from the integration with New Media, while books haven't developed many advantages in their opinion
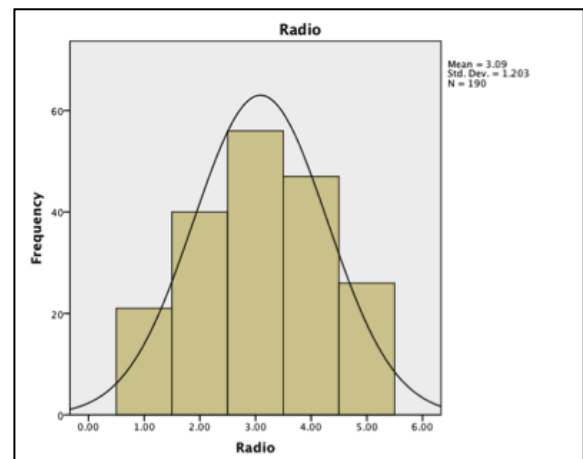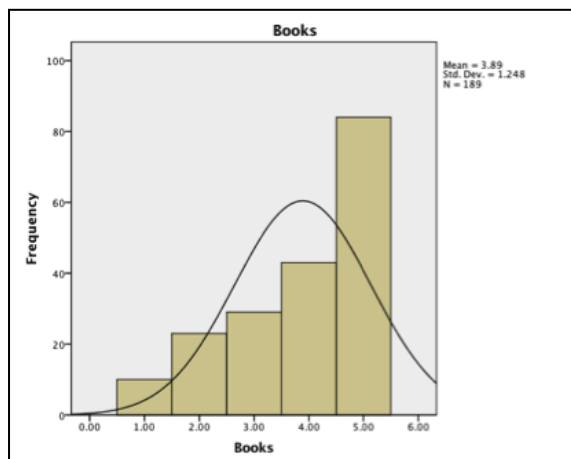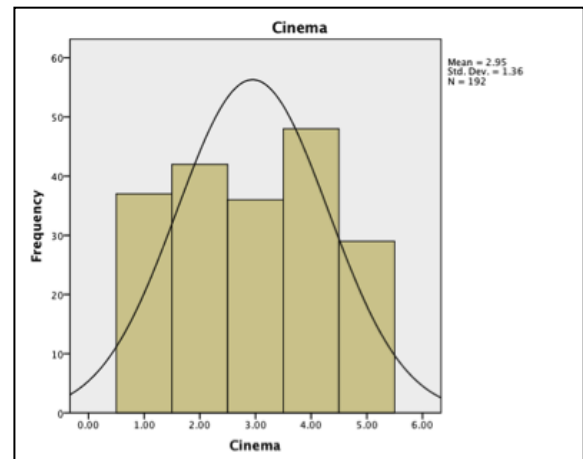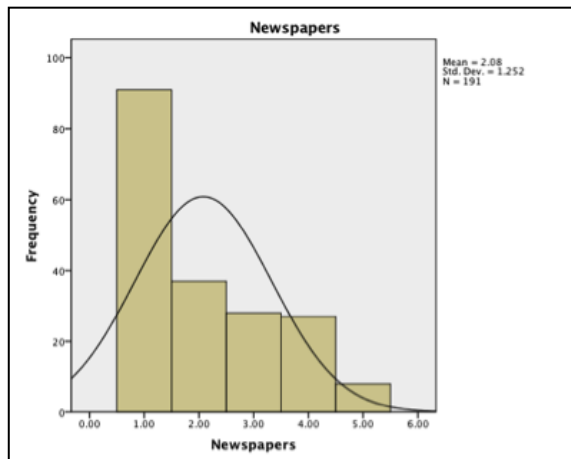
Appendix 4   Compare means: Tech devices-Multivision

Tech_devices * Have you ever watched TV and surfed the Web at the same time Crosstabulation

			Have you ever watched TV and surfed the Web at the same time			Total
			A volte è capitato	Capita spesso	Mai	
Tech_devices	0	Count	0	1	7	8
		Expected Count	3,4	3,4	1,2	8,0
	1	Count	32	25	11	68
		Expected Count	28,9	28,9	10,1	68,0
	2	Count	38	45	9	92
		Expected Count	39,2	39,2	13,7	92,0
	3	Count	12	8	2	22
		Expected Count	9,4	9,4	3,3	22,0
	4	Count	1	4	0	5
		Expected Count	2,1	2,1	,7	5,0
Total		Count	83	83	29	195
		Expected Count	83,0	83,0	29,0	195,0

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	41.348[a]	8	,000
Likelihood Ratio	31,003	8	,000
N of Valid Cases	195		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is .74.

Do you know Sky.it?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	2	2.4	2.4	2.4
	Yes, and I've been on it	49	59.0	59.0	61.4
	Yes, but I've never been on it	32	38.6	38.6	100.0
	Total	83	100.0	100.0	

If yes, how much often do you use it?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		34	41.0	41.0	41.0
	Less than once in a month	31	37.3	37.3	78.3
	Every day	3	3.6	3.6	81.9
	More than once in a week	1	1.2	1.2	83.1
	Once in a week	2	2.4	2.4	85.5
	Once a month	12	14.5	14.5	100.0
	Total	83	100.0	100.0	

I think Sky.it is useful

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I agree	40	48.2	48.2	48.2
	I disagree	10	12.0	12.0	60.2
	I don't know	27	32.5	32.5	92.8
	I totally agree	6	7.2	7.2	100.0
	Total	83	100.0	100.0	

Do you know Sky's mobile app?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	51	61.4	61.4	61.4
	Yes, I have it	5	6.0	6.0	67.5
	Yes but I don't have it	27	32.5	32.5	100.0
	Total	83	100.0	100.0	

If yes, how much do you use it

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	N/A	78	94.0	94.0	94.0
	Less than once in a month	3	3.6	3.6	97.6
	Once a week	1	1.2	1.2	98.8
	Once a month	1	1.2	1.2	100.0
	Total	83	100.0	100.0	

I think Sky's mobile app is useful?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I agree	21	25.3	25.3	25.3
	I disagree	8	9.6	9.6	34.9
	I don't know	50	60.2	60.2	95.2
	I totally agree	4	4.8	4.8	100.0
	Total	83	100.0	100.0	