



### THE MAIN FINDINGS IN A NUTSHELL

Mediaset, working with other leading European broadcasters, has commissioned a critical academic study of the social, economic and cultural contribution of the audiovisual industry, with a special focus on television.

The central role and practical influence of TV in daily life are often taken for granted, forgetting that it derives from an intricate network of artistic, economic and creative activities. These activities constantly demand energy, commitment, resources and innovation.

By contrast, the merits of the Internet have been lauded as if it were a magical trick, somehow mechanically producing endless wealth and freedom. That fallacious view in turn has conjured an image of culture as something-for-nothing. The controversy over piracy and copyright protection consequently arose from a dismantling of the legal lynchpins underlying the value chain of creative industries like music, film and video games, and now threatens TV.

Mediaset appointed the independent research centre IsiCult – Istituto italiano per l'Industria Culturale (which includes Rai and Mediaset among its honorary associates and has Ebu - European Broadcasting Union - and Mpaa - Motion Pictures Association of America - among its customers) to carry out a fresh survey on the role of the audiovisual industry as a contributor to Italy's socio and cultural life.

The research is the result of academic study and practical field work to produce a precise, profound and relevant survey of Italy's television industry.

Although the study is confined to Italian television, it does link a parallel and linked series of similar investigations in four other European countries.

**T**his leaflet provides an overview of the study, which Mediaset will present at the European Parliament in Brussels on 23 November 2011 for an audience of leading figures in the industry and EU policy makers. That meeting is aimed at illustrating the vital role television plays in economic growth, social cohesion and technological innovation, a message that we hope also to convey to the general public.

#### summary

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The purpose of the project is to give a deeper understanding of how the audiovisual industry contributes to the social and economic well being of the country, how it produces wealth and jobs and stimulates a lively awareness of culture within Italy. These are crucial factors in the development of a free, democratic, inclusive and responsible community. The study affirms the position of the European Commission and its "Green Paper" COM(2010) 183 "Unlocking the potential of cultural and creative industries" of 27 April 2010, which concluded: "The cultural and creative industries open the road to a more imaginative, more cohesive, greener and more prosperous future".

The final 300-page report has been edited into a 100 page version, illustrated with dozens of graphs, figures and tables in a clear and easy to read format.

ITALY: A CREATIVE MEDIA NATION IS A COMMUNICATIVE PROJECT THAT CONTINUES ON THE WEBSITE:

[www.italymediacreativenation.org](http://www.italymediacreativenation.org)



Italy:  
a Creative  
Media Nation



Italia Audiovisiva: diritto d'autore e creatività

Italian version

THE AUDIOVISUAL INDUSTRIES' CONTRIBUTION  
TO NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT



WEBSITE FOR CRITICAL MONITORING OF CULTURAL POLICIES AND MEDIA ECONOMICS





## THE STRUCTURE OF THE RESEARCH

The research “Italy: a Creative Media Nation” addressed five areas:

1. *The important contribution of creative industries to society and the Italian economy*
2. *The development of media usage in the new digital habit*
3. *The creative industries’ response to the challenge of digitisation and the web*
4. *Toleration of piracy and the myth of the free lunch: a cancer afflicting creative industries*
5. *Towards an ecology of the cultural system: an apology for copyright?*

Conclusion



## THE OBJECTIVES OF THE RESEARCH

This research sets out to provide reliable data and analyses to judge the role of TV within creative industries, especially as we move towards the “connected” world of Internet-linked televisions. It also seeks to prove the fallacy of the idea that “information wants to be free” and maintenance of copyright laws is necessary to underpin investment in content.

The research is based on the idea that economic growth and security spawn individual freedom and a diverse society.

A strong culture and a healthy media to disseminate it play a central role in social and economic development, buttressing individual freedom.

The media and the creative worlds nurture trends that in turn play role in economic growth. Culture is part and parcel of the quality of life and creative industries are an integral part of a national culture with a social, as well as economic contribution. They inform the value systems of people strengthen democracy by ensuring diversity and inspiring common experiences.

## TELEVISION AS THE “SUPER MEDIUM”

Television has a potential audience of 3.7 billion people globally and average daily viewing time in 2010 was 3 hours and 10 minutes, a 6-minute-a-day increase over the last five years.

More screens, more devices, more viewing has been the pattern, especially among 15-24 year olds. In UK, they watched TV 14 minutes more per day in 2010 compared with a year earlier.

In Italy, 84 % of people watched television daily, as opposed to 59 % who listened to the radio, 39 % who read a newspaper and 26 % who used the Internet. The average audience at anytime of day was 9.8 million, compared with 8.9 million in 2000. Television is alive and kicking. And people use it for important purposes: 94 % of Italians kept in touch with political events through TV, compared with 50 % through newspaper, 31 % through the radio and 11 % through magazines. The Internet does not figure in these Italian statistics at all. In fact, 43 % of all Italians, according to Eurostat, are “Internet disenfranchised”.

The decline of viewing of the traditional “analogue” channels in Italy is much slower than elsewhere, suggesting that content is more appetising to the viewer: from a 91 % share of the audience in 2000, they have declined only to 76 % now.

These figures should be seen in the context of a technologically well-served nation with 4/5 people having access to at least 50 channels on digital terrestrial television, a considerable spread of satellite channel choice and a wide range of “connected TV” offers including Telecom Italia’s Cubovision, Apple Tv, Mediaset Premium Net Tv, Hybrid BlobBox and others.

As of 2011, the average Italian viewers has over 70 channels at his disposal through DTT, of which 2/3 are free (51 free and 21 pay channels).





## INTERNATIONAL DATA ON TELEVISION CONSUMPTION

A few data to summarise the international media trends, and the pervasiveness of the television medium:

### *in terms of consumption*

- as of 2011, TV will reach a total of 3.7 billion men and women, nearly double those with access to the Internet, and they will watch an average of 3 hours and 12 minutes a day, compared with an average of 15 minutes a day using social network sites or the 33 minutes a day that the average USA citizen spends online. Total accumulated television usage time will reach the incredible figure of 4.49 trillion hours. The near future will see an increasing "restructuring" of media time but TV will always hold the centre of the stage.

### *in terms of the economy*

- TV-share of world advertising market rose from 38 % in 2008 to 41 % in 2010; in 2012 the medium will account for 42 % of the total US \$ 487 billion spend compared with US \$ 81 billion (17 %) spent on the Internet.

### *in terms of pivotal role*

- television creates a buzz for other media, generating magazine sales and toy merchandise, with also promoting the music and book-publishing industries. Data suggested that television shows constitute the most widespread subjects of Internet conversation across the world, stimulating over 1 billion tweets a year, while almost 4/5 Britons between 18 and 24 have used a social networking site while watching TV programmes.

These figures confirm the status of TV as a "super medium". If somebody wanted to throw it out of the window, television would only re-enter through the door.



Baria - directed by Giuseppe Tornatore - produced by Medusa Film, 2009

## ITALY. DAILY VIEWING PUBLIC (2000-2010, in million of viewers)

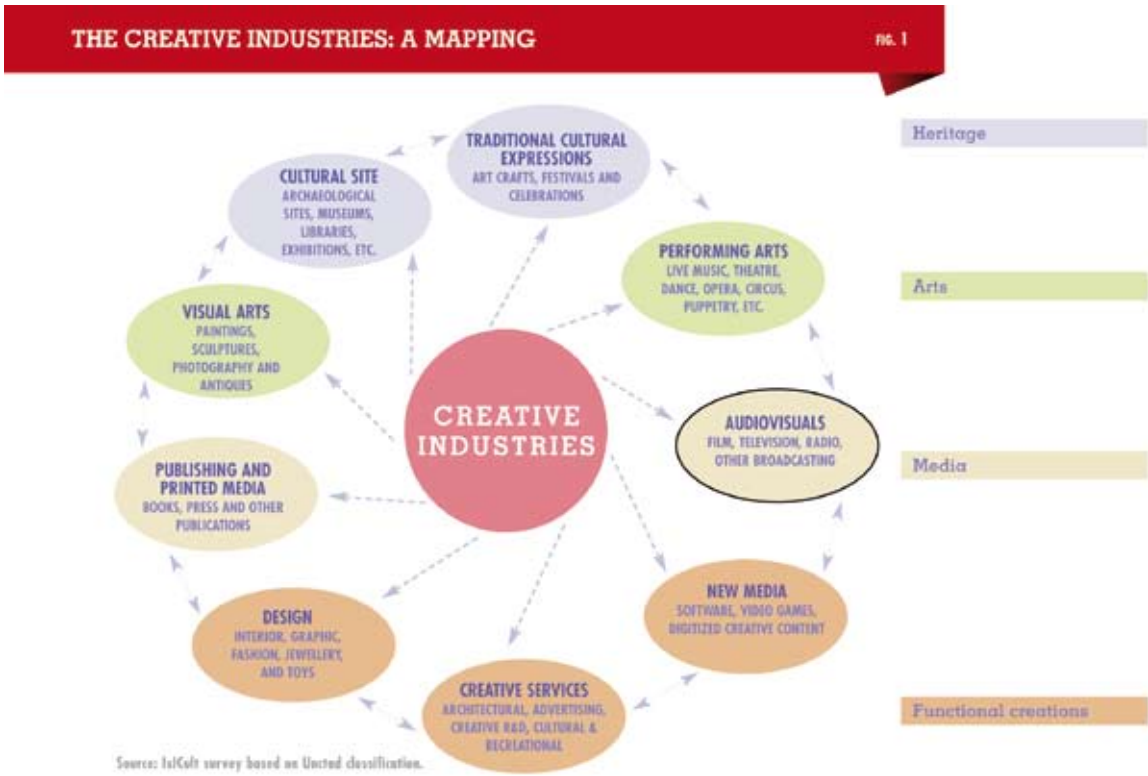
CHART 2



Source: IsiCult survey based on Auditel data.  
Notes: viewers in the average minute, during all the day (02:00 am - 02:00 am). Total viewers 4+;  
"cagr" means "compound annual growth rate" (2000-2010).

## THE RESPONSE BY CREATIVE INDUSTRIES TO DIGITISATION AND THE WEB

This section of the IsICult report examines how digitisation and the Internet are changing creative industries. Music was first to be hard-hit by the web, but the audiovisual industry is currently facing the great challenge. Will it be radical, or will it be more of a “mediamorphosis”?



## TOWARDS AN ECOLOGY OF THE CULTURAL SYSTEM: AN APOLOGY FOR COPYRIGHT?

Before convergence can be fully realised, it must deal with legal and financial constraints. Technology may promise a “consumer’s paradise”, but market forces say otherwise. Both legal and illegal Internet offers, online rights-management and the interaction of business model together with consumer protection alla complicate the new media utopia. The report says the traditional value chain of creative industries has been reorganized and the new intermediaries have entered the scene. Content is available “anytime, anywhere, on any device”, vertical integration model have been overturned, the consumer is taking an increasingly active role and there are new players in content distribution.

These so-called “aggregators” are either telecoms companies offering a “walled garden” of content or “aggregators” pure and simple who, in a “benevolently parasitic” manner, gather and index available web content to offer it to a much broader, less diversified, audience of internet users.

This is a fast-changing and unpredictable world.

Alternative business models undermine the foundations of “copyright” and could destabilise the audiovisual industry’s “supply chain”, threatening a source of quality content essential for the material and immaterial enrichment of our societies.





*“Copyright’s real enemies are technically speaking just children... teaching them to accept a fair consideration would mean saving the digital content market and recovering the experience of enjoying an artistic work, which is often compromised by the net”*  
Lawrence Lessig

*Maria Montessori. A life for children*  
directed by Gianluca Maria Tavarelli - produced by Taodue, 2007



## THE “MANNA MYTH”

The study’s authors have developed their existing theory which they called the “manna theory”, which holds that having more distribution platforms does not necessarily mean better programmes, and the money is drifting away from the businesses that fund “quality production”.

The study poses the question why a group such as Google Inc., with US \$ 29.3 billion in turnover in 2010 and over US \$ 8.5 billion in profits, is not obliged to invest in quality content.

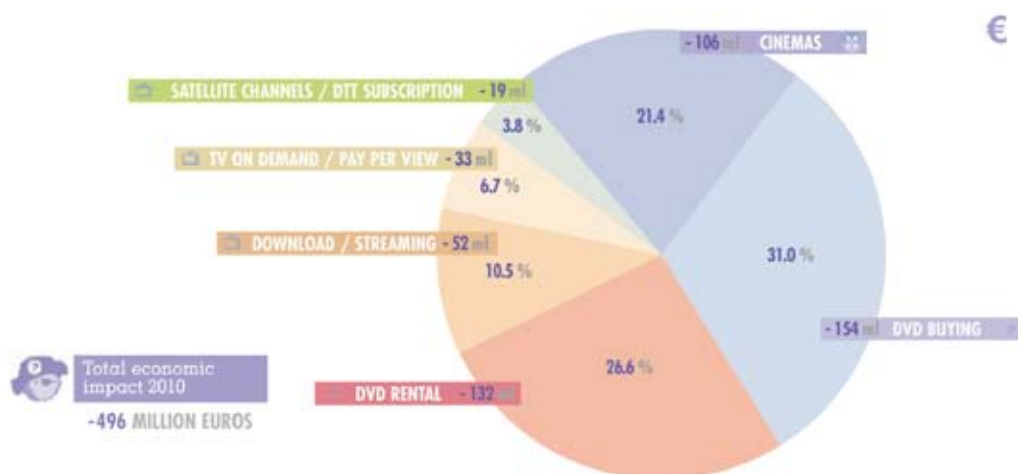
Google is estimated to generate an annual profit of about 1 billion euros in Italy, from which it “parasitically” prospers, mostly unlicensed, professional content. What is the “rationale” for such an imbalance?

It addresses both the economic and cultural components of national development, real question of national (and European) strategy that must be brought to the attention of policy makers.

The study states that no viable alternative business model has yet been created.

### ITALY. AUDIOVISUAL PIRACY (2010, economic loss in millions of euros)

CHART 28



Source: IstCult survey based on Fupav- Igeas data.





## A VIABLE ALTERNATIVE BUSINESS MODEL HAS YET TO BE CREATED...

Recapping, it's obvious that the web has increased accessibility to content, a process that has increased the quantity of available content as well as the number of uses of such content and therefore also its value and profit.

But the critical question remains: what is the online business model for quality content production?

No alternative yet exists to the historic model.

The study has tested its theories against long-term analysis of the radical transformation that the music industry has suffered.

Music too saw much rhetoric about the supposedly miraculous potential of digital distribution, but the data told a different story:

*from an economic viewpoint:*

- from 2004 to 2010, the recorded music industry underwent a 31 % drop in revenue worldwide which was not matched by increased digital sales, even though they went up by 1,000 % in the same period;

*from a cultural standpoint:*

- in the US, between 1999 and 2009, the number of professional musicians shrank by 17 %...
- in Mexico, between 2005 and 2010, the number of releases by local artists decreased by 45 %...



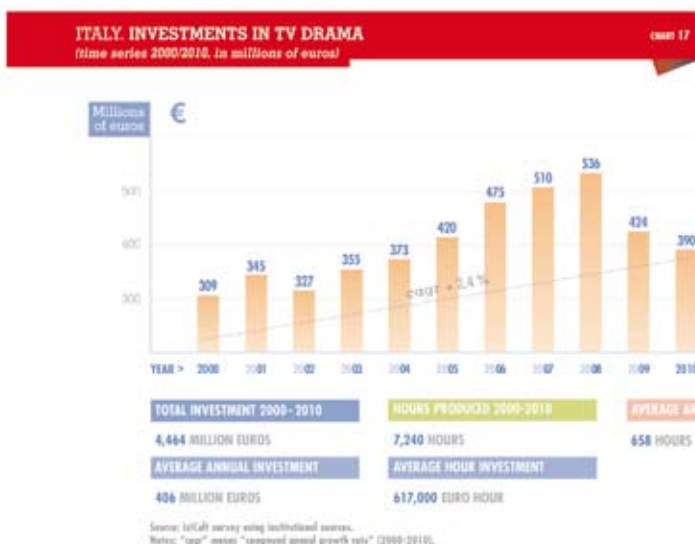
Figures from Spain tell a particularly disconcerting story:

- between 2005 and 2010, sales of musical storage devices halved a rate of decrease well above the world average;
- in the last year alone, the estimated market downturn was 22 %, while 45 % of Spaniards identifiable as active Internet users exploit illegal music distribution services, well above the 23 % average in the 5 major EU markets;
- local artists suffered most: in 2000, there were 10 emergent Spanish artists listed in the "Top 50"; by 2010, there were none.

Without "quality content", there is no research, experimentation, or innovation: in short, a veritable requiem for culture.

The research raises fears that has occurred and what continues to occur in the music industry can be repeated in the audiovisual industry, even though the 2 sectors are structurally different. In fact, television is mainly sustained by advertising, while the music industry is more directly dependent on end-users.

Advertising has a mediating function, though which the studies authors believe can continue a key role in diverting resources towards production of quality content.





## SOME RECOMMENDATIONS

In its recommendations the study says:

- it is fundamental to protect authors' rights and copyright, making them more flexible to adapt the multiplatform distribution of works, while safeguarding the role broadcasters have played and continue to play in the creative economy without endangering a business model that continues to produce "quality content" with its important social and cultural value, besides its key economic value;
- it is fundamental to prevent new players accruing parasitic income. They certainly have no innate or historical vocation to invest in quality content, but merely use the web as a commercial network. The imbalances that characterize the current market must be corrected by imposing a standard set of rules for all operators, whenever professional content is being in some way distributed.

From these premises, the study's authors conclude that the extreme caution should be exercised before proposing the overhaul of such traditional principles as territoriality and the introduction of practices such as collective licences. Digital technology and Internet are opening up new opportunities to distribute quality content, but the current regulatory and territorial framework does not, as some argue, necessarily curb innovation and creativity.

On the contrary, it has been, and continues to be, a guardian against forces which would otherwise impoverish the cultural industries.

In conclusion, the European Commission could not have summarized it better: "©copyright is the basis for creativity".

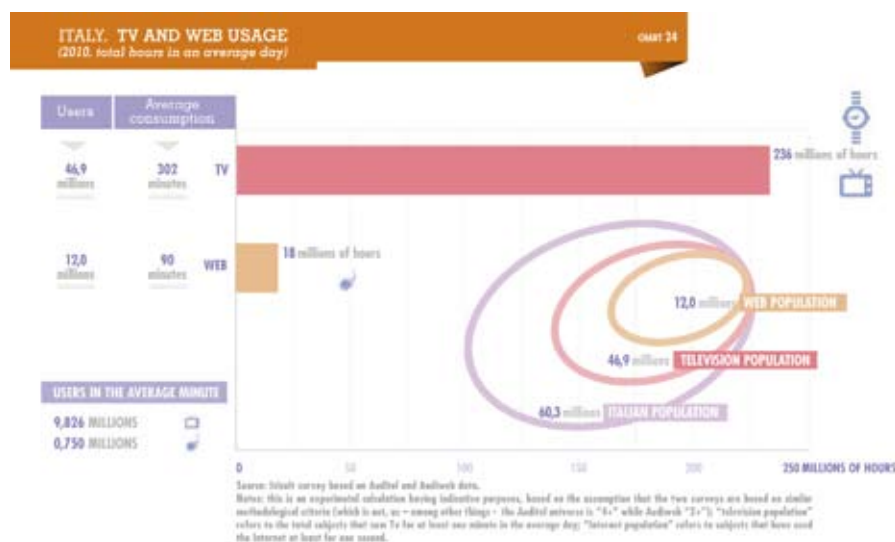
*« In truth, skilful printers barely have the time to publish the works to which they dedicated their time and resources (...), but that same work is reprinted by dolts, who have none of their skills (...), or invested anything, and yet for that reason can sell at a lower price (...), without incurring any risk. »*

Denis Diderot

*("Lettre adressée à un magistrat sur le commerce de la librairie", 1764)*



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## SOME RESULTS SUMMARISED FROM THE ISICULT RESEARCH DATASET FOR MEDIASET



❏ *The research provides a set of data and analyses that demonstrate the fundamental social and cultural role played by the television industry in terms of national development.*

❏ Television consumption is absolutely central in the Italian media consumption mix: the average Italian watches TV 4 hours 10 minutes a day; and 94 % of citizens use television to keep abreast of political affairs.

❏ The Italian television industry's posts earnings for 12 billion euros, which represents about 1 % of the GDP - gross domestic product. The 12,000 companies comprising all segments of the sector employ about 50,000 people.

❏ Italian television networks, over the last decade, have invested around 4.5 billion euros in national TV-drama, producing over 7,000 hours of quality content.

❏ Every year, around 800 million euros is invested in drama and other audiovisual genres, with an additional 1,500 million euros earmarked for in house production. Television networks assign about 200 million euros a year for the production of films for the cinema. Thanks to this investment Italian films are responsible for more than 30 % of box office receipts.

❏ The audiovisual sector lies at the core of the media and culture industry in Italy, and is capable of turning over about 25 billion euros a year. Taking into account fashion and tourism, the entire spectrum of Italy's "creative industries" generates around 230 billion euros, or 15 % of GDP.

❏ The total workforce in the culture and entertainment sector is about 360,000 employees. Employment in the sector rose 11 % in the space of a decade, three times the rate of growth of the workforce in the entire economy. The workers paying into Enpals (the Italian national social security for employees in the entertainment sector) number around 300,000, while Siae (the collecting society for authors, publishers and other rights holders in entertainment) has around 100,000 members.

❏ Television not only generates revenue through its "software" (content, broadcast scheduling), but also stimulates technological innovation and acts as an economic driving force: in 2010 sales of flat screen televisions exceeded 3.1 billion euros. Sales of television sets (close to 7 million) were the highest since television broadcasting first began in 1954.

❏ Digital terrestrial television is currently viewed in 80% of Italian households, enabling them to benefit from an increasingly wide choice of free content that now comprises over 50 channels.

❏ In its relations with the internet, television still enjoys an excellent position (the television beats the internet 13 to 1, in the terms of time spent by Italians): increasingly larger numbers of internet users watch TV through the net, and develop "social television". This is a trend that, given appropriate safeguards for intellectual property, can produce a "win-win" situation not only for content suppliers but also for multiplatform operators, offering consumers, first and foremost, an ever greater qualitative and quantitative offer and ever greater freedom to use it.

The research "Italy: a Creative Media Nation" was conducted by Angelo Zaccone Teodosi with the coordination of Elena D'Alessandri, Eugenio Prosperetti e Giulio Pascali (Studio Prosperetti & Associati) for the juridical part, Giovanni Gangemi for the revision. Lorena Pagliaro, Anna Lisa Serafini, Paolo Giammarco, Alberto Ronci, Marina Benvenuti, Gaia Alessio, Lorenzo Caravella, Antonio Casimiro also contributed to the project. Graphic design by Giuseppe Moroni and Emiliano Donninelli.

IsiCult is an independent research and advice centre specializing in the analysis of cultural policies and media economics, mainly from the international comparative standpoint. In the media economic sector: Ebu, Mpaa, Copeam, Agcom, Rai, Mediaset, Sky Italia, Doc/it, Apt are among its clients. In the cultural policies context: Anci, Lazio Region, Filas, Sviluppo Lazio, the Municipality of Rome are among its clients. IsiCult promoted, in partnership with Luiss Business School, the Roberto Rossellini Observatory on Audiovisual and Multimedia (Oiam). IsiCult takes care, since 2001, of a regular column entitled "L'Osservatorio IsiCult" on the specialized monthly magazine "Millecanali" of the Italian financial daily "Il Sole 24 Ore".

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a research



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