

From Telefónica to Movistar: A European Case of the Transformation of a Telecom Into a Global TV Company

MARÍA JOSÉ PÉREZ-SERRANO*
Complutense University of Madrid, Spain

JOSÉ VICENTE GARCÍA-SANTAMARÍA
University Carlos III of Madrid, Spain

ANDREU CASERO-RIPOLLÉS
Jaume I University, Spain

Telefónica became a private company in the 1990s, and since the liberalization of the telecommunications sector, it has operated in the most competitive local market in Europe. The company has tried to compensate for the loss of hegemony in its country with a strong position in other European and Latin American markets. Among its diversification projects, following in the footsteps of AT&T, its attempt to transform itself into a global TV company stands out. This article analyzes the evolution that this Spanish company has undergone in the last 30 years. The most relevant factor in its role as a pay-TV service provider is that it has been forced to face a substantial economic outlay to have original content and a position of supremacy in the purchase of sports broadcasting rights. Our results indicate that today two visions coexist within Telefónica: One committed to maintaining a pay-TV model, and another that considers that paid content should occupy a secondary role, limiting itself to being a mere platform aggregator, after forming continuous alliances with Netflix, Disney+, and DAZN.

Keywords: Telefónica, telecoms, pay-TV, media companies, cultural industries

Telefónica, one of the greatest telecommunications and media companies in the world, must be analyzed from a historical and prospective point of view since its evolution goes hand in hand with changes in the media industry, with technical and social modernization of its country of origin and of those other places where it has expanded the business. Born in 1924, it became a state monopoly in 1945, developing a dominant (Calvo, 2008) and hegemonic position in Spain. This meant, on the one hand, a social solution to the problem of individual isolation that postwar Spain was experiencing and, on the other, it became the

María José Pérez-Serrano: mariajoseperezserrano@pdi.ucm.es

José Vicente García-Santamaría: jvgsanta@hum.uc3m.es

Andreu Casero-Ripollés: casero@uji.es

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subject of relevant political intentions and legislative and economic implications over the years, which were very favorable. It was privatized in the 1990s (Clifton, Comín, & Díaz-Fuentes, 2011), and today it covers 21 countries, with an outstanding presence in Spain, Latin America, Great Britain, Germany, and Italy. It has more than 340 million customers, a turnover of 39,277 million euros in 2021, an operating income before depreciation and amortization (OIBDA) of 21,983 million, and a net debt of 26,032 million (Telefónica, 1990–2022). Likewise, it is the first Spanish telecommunications company and the second in Europe. It operates in the United Kingdom and Germany under the O2 brand and is one of Telecom Italia's reference partners. In Latin America, it has more than 200 million customers and a prominent position in Brazil with its subsidiary Vivo.

This company suffers from some problems common to all telecoms. As Muñoz (2022) indicates, this sector has entered a spiral of diminishing income and profitability in a framework of fierce competition. These companies have significant investment needs and high debt. In the case of Telefónica, the debt reached 52,000 million euros in 2016. Since then, it has been reduced by almost half, thanks to the sale of the Telxius Towers to American Tower in 2021 and the merger of O2 and Virgin in the United Kingdom, reporting capital gains of 11,000 million euros. However, revenues have been reduced in Spain by almost a third during the last decade due to the constant reduction of the market rates. To understand its historical and economic trajectory, our analysis starts with when Telefónica first attempted to gain access to the media sector, which, according to Díaz Nosty (1998), was in 1994, with the creation of Cable Vision. From then on, Telefónica's development has been divided into three stages or key moments.

The first stage is from 1990 to 2000. These years the company drastically modified its structure, becoming one of the fastest-growing in the world, thus emulating large international conglomerates such as AT&T, General Electric, or Vivendi (Martínez, 2016).

The second stage runs from 2000 to 2014, in which Telefónica definitively abandoned the project of being a mere carrier and deepened its content creation strategy. The company branched out into broadcast, cable and satellite TV, radio, films, music, publishing, and Internet media content (Martínez, 2008).

Lastly, the third phase runs from 2014 to 2020. This period was defined by the launch of Movistar+, a television content platform, the result of blending Canal+ and Movistar TV. Thus, Telefónica returned to the world of media, becoming a TV company, aspiring to be an important player in Spain and Latin America.

Our main goal is to analyze the evolution of Telefónica in the last 30 years. Particularly, we are interested in knowing how it adopted new business models, consolidating itself as an example of the structural transformation of an old state monopoly into a TV company. In addition, we will also establish comparisons of the case of Telefónica with other international telecom companies.

Methodology

This analytical proposal has a diachronic nature and combines two approaches: The political economy of communication, which studies "social relations, especially power relations maintained by the subjects that produce, distribute and consume the media" (Mosco, 2006, pp. 57–59), and media economics,

which analyzes the economic behavior of media companies and actors (Albarran, 2010; Croteau & Hoynes, 2006; Picard, 1989). From this conceptual basis and with the Spanish company Telefónica as the object of study, the following objectives are established:

1. To analyze the evolution of Telefónica between 1990 and 2020, with special attention to its activities in the media sector.
2. To detect the main points of the transformation of this telecommunications company into an audiovisual content company.
3. To analyze the main movements of media companies developed by Telefónica between 1990 and 2020.
4. To determine future challenges facing Telefónica's business model.

The applied research technique is that of case study. This method allows in-depth, multifaceted explorations of complex issues in their real context (Crowe et al., 2011). In addition, it is used when the boundaries between phenomenon and context are not clearly evident (Yin, 2009). It involves focusing research efforts on a singular object of study and observing it from different points of view using multiple sources to obtain data that allow responding to the objectives.

It is an established technique in the social sciences and has a high application in some fields, such as business. Following the categories of Stake (1995), our case study is intrinsic, as we intend to learn about a single company, and instrumental, because its study will offer us a broader appreciation of the evolution of the telecommunications sector through a key actor. With this, we seek to describe, explore, and explain the transformation of telecoms through the evolution of Telefónica. The case study implies the use of multiple sources of evidence in the data collection process. In our research, we have used the following sources:

- Telefónica annual reports, including the annual financial report, and the annual corporate governance report.
- Budgets, stock market information and accounting, and debt data of Telefónica.
- Reports and data from the Telecommunications Market Commission (between 1996 and 2013) and the National Markets and Competition Commission (created in 2013), and Spanish government agencies responsible for supervising the telecommunications sector.
- Annual Communication Reports, published by Fundación Telefónica since the end of the 1990s (Díaz Nosty, 2001, 2006).
- Annual reports on the progress of the information society in Spain published by Fundación Telefónica.
- News media output on Telefónica published by Spanish mainstream media, such as *El País*, *El Mundo*, *El Diario*, and *El Confidencial*, or in economic newspapers such as the *Financial Times*, the *Wall Street Journal*, *Expansión*, and *Cinco Días*.
- Statements and public interventions made by the different presidents of Telefónica in the period studied.
- Information available on the Telefónica website (<https://www.telefonica.com>) and Fundación Telefónica (<https://www.fundaciontelefonica.com/>).
- A book on the history of Telefónica between 1975 and 2000 (Calvo, 2017).

The analysis of these data has combined a quantitative perspective with a qualitative one. The period studied spans the 1990s to 2020. In this way, our study covers three decades of activity by Telefónica, a prominent international telecommunications company.

Historical Evolution of Telecommunication Companies

Telecommunication companies enjoyed a very competitive period during the 19th century. Then they became a natural monopoly in the 20th century as developed countries nationalized their telecommunications companies in the 1960s. Subsequently, a strong restructuring began in the early 1980s due to the adoption of neoliberal policies and privatization processes, which caused the financial and operational development of these companies to improve significantly (Clifton et al., 2011). However, a part of the beneficial effects of these privatizations was essentially due to the regulatory changes carried out (Jin, 2005; van Kranenburg & Ross, 2014).

In any case, telecoms have experienced major transformations in the last four decades while searching for a business model that enables them to envision a better future. In a very short time, they realized that fixed and mobile communications were on the way to becoming a commodity. Also, these companies could not provide enough income to rank among the world's top companies and did not provide a great amount of added value. As Curwen (2008) indicated, a settled structure for the technology, media, and telecom (TMT) sectors remained a mirage in 2006.

In the last 20 years, the evolution of customers and consumption has also been an additional factor promoting change in the telecommunications sector. This evolution started with a client that consumed fixed telephony products to one consuming converged and packaged products. The liberalization of the market, the consequent investment in infrastructure, and the increase in broadband penetration (Deloitte, 2019) generated a commercial response from the operators.

In Spain, in 2006, the arrival of virtual mobile operators increased competition in the market. As a result, between 2008 and 2010, the telecom sector lost about 4,000 million euros in revenue. So, as of 2012, the big operators sought to differentiate themselves with a unique service offer, launching convergent offers (fixed telephone, Internet, and mobile) that integrated all the telecommunication services of a client (Klynveld Peat Marwick Goerdeler, 2015). In addition to these packaging services, the differentiation would also have to be marked by digital services. In the era of digitization, the practice is creating stronger economies of scale, lower barriers to entry, and digital convergence (Noam, 2009) as a business model that responds to the economic dimension of a large business conglomerate.

From the 1980s to the end of the 20th century, there was a succession of dramatic reforms in developed countries. These countries privatized their state-owned communication firms, thus introducing competition into the communications sector (Wallsten, 2000). From then on, these companies had to go from a monopolistic situation to an oligopolistic one. Thus, British Telecom went through a severe organizational revolution between 1970 and 1990 since it was considered unnecessary and hardly innovative (Bonardi, 1999) and its objective was to become a telecommunications giant.

This way, the most ambitious telecoms adopted vertical and horizontal integration strategies, buying companies or significant shareholdings that enabled them to access new markets and different sectors of the communication industry (Jin, 2007). However, not all of these newly privatized companies followed the same path. In some cases, their journeys were very different. Bonardi (1999) uses the example of British Telecom and the German Deutsche Telekom to emphasize how these two companies differed significantly in their organizational areas, employment policy, corporate governance, and international expansion. As the large telecoms were penetrating areas such as the creation of original content, music, cinema, or the purchase of sports broadcasting rights, a change took place in their value chain with the entry of very powerful players (Li & Whalley, 2002).

On the other hand, North American AT&T exemplifies these changes very well. Although the telephone was still a fundamental part of the business in the 1990s, the company became the dominant cable player during those years, with direct access for one-third of all cable customers, and it would become the dominant cable player in 18 of the top 20 media markets in the United States (Gomery, 2000). This transformation of AT&T has generated organizational and business model changes that the company is undertaking after the purchase of Time Warner (Coll, 2017).

According to Winseck (2011), by the late 2000s, the media industry remained in flux, with some bastions of the old order (AT&T, Bertelsmann, ITV, Time Warner, and Vivendi, among others), or were standing on the brink of financial ruin (Prisa). Therefore, it already seemed clear that telecoms would have to actively compete against the large global media companies even before the irruption of tech companies such as Google or Facebook. Likewise, at the end of the 1990s, it already began to be perceived that the real cost of quality content was rising not falling (Graham & Davies, 1997).

Likewise, Doyle (2016) wondered why broadcast channels were becoming a thing of the past. At that point, the cord-cutting phenomenon began, with a significant decrease in the number of subscribers to pay-TV options and a flight of consumers toward streaming options.

Study of Telefónica's Business Strategy

The financial and corporate evolution of Telefónica followed similar patterns to the rest of the international telecoms. It went through decisive stages in its trajectory such as breaking its natural monopoly while experiencing the singularities of the Spanish market. This market includes legislation on telecommunications always behind technology and political decisions and the progressive opening of the market due to the reduction of entry barriers and the gradual incorporation of new players.

Table 1. Stages, Chairmen of Telefónica, and Essential Points of Their Management.

Stages	President	Key Management
Previous	Cándido Velázquez-Gaztelu Ruiz (1989-1996)	Expansion and consolidation
First (1990–2000) Investment	Juan Villalonga Navarro (1996-2000)	Three business areas: Radio and television (Onda Cero, Antena 3 Argentinean TV channel, Telefé), pay-TV channel (Vía Digital), and content company (Endemol)
Second (2000–2014) Divestment	César Alierta Izuel (2000-2016)	Company resizing
Third (2014–2020) Content and sports broadcasting rights	José María Álvarez-Pallete (2016-act.)	Transformation in TV Company global

The three stages into which we divided Telefónica's recent history are set out below.

Table 2. OIBDA and Operating Results of Telefónica in Millions of Euros.

Years	OIBDA	Operative Result
2001	12.804,30	5.430,30
2002	11.724,20	5.031,80
2003	12.602,10	6.327,90
2004	12.222,00	6.556,00
2005	15.276,40	8.558,80
2006	19.126,00	9.421,00
2007	22.825,00	13.388,00
2008	22.919,00	13.873,00
2009	22.603,00	13.647,00
2010	25.777,00	16.474,00
2011	20.210,00	10.064,00
2012	21.231,00	10.798,00
2013	19.077,00	9.450,00
2014	15.515,00	6.967,00
2015	13.229,00	3.525,00
2016	15.118,00	5.469,00
2017	16.187,00	6.791,00
2018	15.571,00	6.522,00
2019	15.119,00	4.537,00
2020	13.498,00	4.139,00
2021	21.983,00	13.586,00

Note. Telefónica annual reports.

To enable an understanding of its business relevance, the evolution of two of its economic magnitudes in the 21st century has been given below.

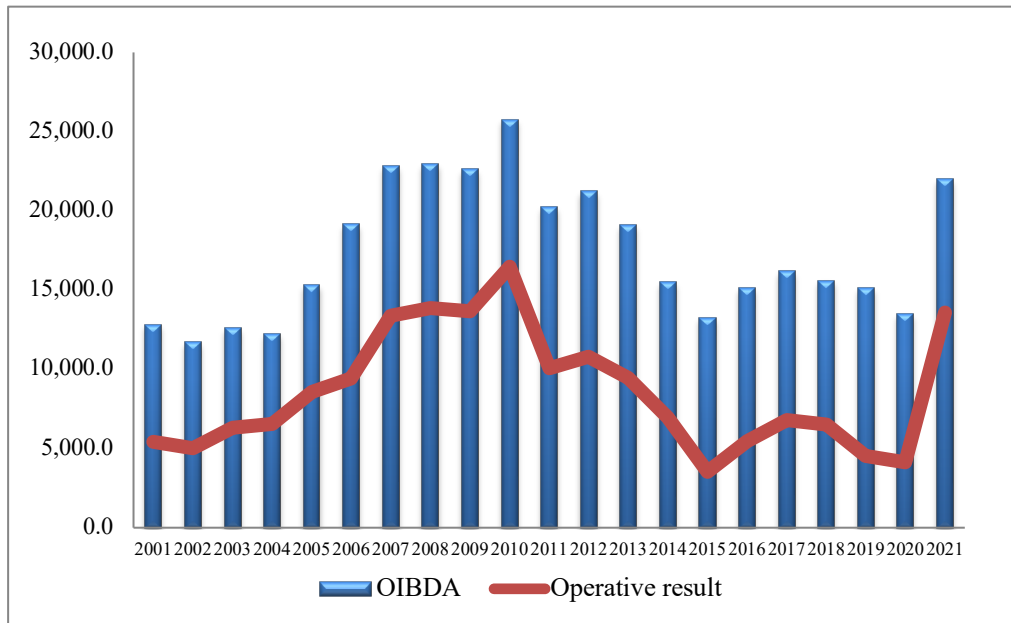


Figure 1. Telefónica's evolution.

Note. During the 2001–2003 period, the OIBDA and operating profit are included, as indicated by the Telefónica annual reports.

The First Stage: 1990–2000

Although we set the beginning of this stage as 1990, it is at the end of the 1980s that Telefónica set the foundations to become a private company (Bel & Trillas, 2005). In the 1990s, Telefónica entered the media sector. In 1995, it created its subsidiary Admira, dedicated to the management of broadcasting companies by satellite, cable, and terrestrial waves and also to the management of communication media, after the approval of Law 37/1995, of December 12, 1995, which regulated telecommunication services by satellite and freed the sector. Therefore, Telefónica was not satisfied with being a mere carrier (Pérez Gómez, 2002) but rather sought to create a powerful media group at the end of the 20th century.

Between 1997 and 2000, the group was consolidated and expanded by achieving the following milestones, among others:

- The company acquired ownership of one of the two largest free-to-air broadcasters, Antena 3, purchased from the Zeta group.
- It acquired the Argentine channel Telefé (sold later, in 2016, to Viacom for 322 million euros), and Radio Continental.

- It took control of Onda Cero in 1999, the third-largest Spanish radio group, with 11% of the total audience.
- It completed its acquisitions with the purchase of 5% of the capital of the British group Pearson for 600 million euros in 1999.
- It was the owner of GMA, a company that owned the sports broadcasting rights to half the clubs in the Spanish Football League, and was also the owner of Audiovisual Sport, the company in charge of exploiting the broadcasting rights of this sports competition and one of the protagonists of the new football rights market. This market lost the stability provided by the dominance of TVE and the regional channels due to the emergence of private television channels (Antena 3 in 1989 and Telecinco and Canal+ in 1990). With this, a belligerence began, accentuated by the arrival of private televisions and the technological transformation that allowed new forms of exploitation and the appearance of new screens and operators. It was the beginning of the so-called Football War, a fight to sign individual contracts with most clubs while tensions arose such that the agreements for the seasons of 1996 with Canal+ were broken. Thus, the individualized model consolidated, an anomaly in the European Union kept until 2015 (Alcolea-Díaz & García Santamaría, 2019).
- It bought Lola Films, a Spanish independent film production company, and also controlled opinion poll companies.
- It bought Lycos in 2000, an Internet portal that operated in 40 countries, for an amount close to 12.5 million dollars, and as a part of the deal, Telefónica established a partnership with Bertelsman (Croteau & Hoynes, 2006).
- It acquired MediaWays, the second-largest German network operator, after Deutsche Telekom, for a total of 1.7 billion euros.
- In 2000, it acquired the Dutch company Endemol for 5.5 billion euros. This is one of the biggest production companies in Europe and it was thought that this company was going to be as the largest content provider of the entire group, both for television and Internet portals. However, it was evident that this was not exactly its profile since it was a specialist in reality shows rather than in fictional content. In this sense, the operator had shown great interest in controlling the media during the 1990s. However, it did not exhibit the same interest in creating original content (Cascajosa Virino, 2018; Gutiérrez Lozano, 2020). On the one hand, they did not consider it pertinent to own a film studio; on the other, their most significant investment in content took place with the purchase of Endemol.

Also, one of the most important aspects is that they started as a pay-TV. After a few months of testing, on January 31, 1997, the satellite distributing television company (DTS) was formed, of which Telefónica was the largest shareholder with a 35% stake and, in September 1997, Vía Digital began broadcasting. The company tried to compete with Prisa, the hegemonic group in Spain at the time (Almiron & Segovia, 2012), which had the leading pay channel, Canal Satélite Digital. However, there was not enough critical mass for the survival of both channels (Pérez-Serrano, 2010).

Its technological advances and the growth of the internal market made it possible for Telefónica to take a leap in its business strategy that would open up the possibility of acquiring the rank of a multinational company in the 1990s by initiating an expansive installation process in external markets, fundamentally in Latin America (Lotito & Arias, 2015). Likewise, at this stage, the restructuring of Telefónica's media

department took place, and the new business model based on the breakdown of business into lines of activity was designed to transform Telefónica into a global player in the telecommunications, Internet, and media sectors. Specifically, new businesses such as the Internet or the media became protagonists, accompanied by the expansion to new countries such as Italy, Austria, Morocco, El Salvador, and Guatemala in 1999 and the consolidation of Telefónica's presence in those where it already operated, especially in Brazil (Telefónica, 1990-2022).

About the media, Telefónica Media emerged and was divided into three business areas. Therefore, the company had shown a clear interest in having a significant presence in the television market without forgetting the radio, the production of fiction content, and the management of sports broadcasting rights. However, the inconsistency in the type of investment revealed a lack of business strategy.

The Second Stage: 2000–2014

At the end of the previous period (Villalonga's Presidency, 1996–2000), the group consolidated and expanded in the media sector with two general television channels (Antena 3 in Spain and Telefé in Argentina), a pay-TV channel in Spain (Vía Digital), a radio station in Spain (Onda Cero), and a content production company (Endemol). However, at the beginning of the 21st century, there was a change in the presidency, and a new stage began. In this stage, the company was less dependent on the interests of the Spanish government dominated by the Popular Party. In 2000, Juan Villalonga Navarro left the company and was replaced by César Alierta Izuel. Changes were not immediate though the new president's executive decisions were relevant: In 2004, Lycos was sold to South Korean Group Daum Communications, and between 2007 and 2014, there were significant disinvestments in the media to refocus on the core of their telephone business (García Santamaría & Pérez-Serrano, 2015).

Thus, the second stage was defined by relevant events in the management of Telefónica. At the end of 2001, Telefónica Media was renamed Admira Media. This was a commercial structure that controlled satellite, cable, and ground waves' distribution companies, and would end up becoming the largest content provider of the Telefónica group for Internet strategy development, mobile telephone, and pay-TV channel (García Santamaría, 2016).

In 2002, given the impossibility of making profitable the investment in a pay-TV channel such as Vía Digital, which generated heavy losses, the company reached an agreement with Prisa to merge its platform into Canal Satélite Digital. This was one of the first business decisions of César Alierta. On becoming the president, he found that Vía Digital had only reached 811,000 subscribers and that he had to pay the costs of films, sports broadcasting rights, and broadcasting of Hollywood premieres, with the small income it generated.

As a result of the merger of the payment platforms, Alierta imposed a business logic under the maxim that the shareholders of an already privatized company did not have to endure erratic acquisitions of media, whose management entailed high losses for the company. The handicaps of Vía Digital were joined by those of Antena 3, Onda Cero, Endemol, and other minor ones such as those of the film production company Lola Films. After having lost more than 2,000 million euros, Telefónica ended up divesting all of these audiovisual business, except for Sogecable, Prisa's audiovisual matrix.

Alierta also realized that Endemol, a production company with great expertise in reality shows, would not become a great content generator and got rid of it in 2007. It was sold for 2,629 million euros (almost half of its purchase price) to a consortium formed by the Italian group Mediaset, its Spanish subsidiary Telecinco, the Goldman Sachs bank, and the Dutch investment company Cyrte. As a culmination of this divestment policy that characterizes the great second stage of Telefónica, in 2008, the company tried to sell its stake in Sogecable, after the takeover bid launched by the company itself. However, the company ended up keeping 20% of the capital as Prisa did not have the money to buy back the stake in the telecom.

Therefore, Telefónica found itself in a situation where provisioning audiovisual services required significant investments in broadcasting infrastructures, creating content, and purchasing equipment only available to large banking and industrial groups. Telefónica could have studied whether it possessed enough expertise to carry out effective management, but the lack of it led to taking other paths.

From then on, the company focused mainly on the telephone business. The company developed bandwidth in Spain, introduced high-speed fiber-optic Internet access, and launched, almost experimentally, a digital television platform called Imagenio. This pay-TV model brought together a wide variety of multimedia services (general television, radio channels, video-on-demand [VoD], payment services, etc.). The number of subscribers reached more than 700,000.

The company consolidated without making much noise and without making a great commercial effort. The formula involved the highest growth in the sector between 2007 and 2009. However, it was behind other pay-TV companies such as Sogecable and Ono in terms of the number of subscribers.

From then on, Telefónica focused on territories closer to the core of its business while promoting strategic alliances with Spanish and Latin American multimedia companies, such as Sogecable and Televisa. The company accelerated the penetration of broadband access and later provided added value with new services aimed at the needs of each client and launched the so-called convergent, or triple-play, offers (combination in a single rate, or package of telephone, the Internet, and pay-television), which were shared by other companies in the sector such as Ono, the regional Euskaltel, and R.

The year 2013 was important in the telecommunications sector in Spain (Deloitte, 2014) as telephone operators implemented growth strategies that combined customer acquisition, network investment, and investment efficiency programs. Thus, they began to package their services through convergent offers in which the greatest added value was pay-television services, which not only offered films and series but also late-night shows and live broadcasts of the most popular sports in Spain: Football, Fórmula 1, basketball and Moto GP.

At that time, Telefónica already owned 22% of Canal+, controlled by the Prisa group. The company was willing to take over the majority of the capital due to the losses of this channel. The suitable date to carry out the operation arrived on June 2, 2014. But previously, in September 2013, it was already preparing its drift toward content and had launched Telefónica Studios. It was an audiovisual production company for the Latin American, European, and Anglo-Saxon markets, initially based in Buenos Aires. Due to its previous

experience in coproducing films in Argentina, the company aimed to produce 25 films in three years, while Telefónica had produced the same amount in the last five years.

The Third Stage: 2014–2020

One of the most important operations in the third stage was the acquisition of 56% of Sogecable from Prisa. Sogecable was the owner of Canal+ España. The company paid 750 million euros for that percentage. Prisa controlled the remaining 22%, whose owner was Mediaset España, which by not exercising the right of the first refusal ended up selling its stake for an amount of approximately 350 million euros. Altogether, it was a good financial operation for Telefónica because the price paid meant valuing Sogecable at 1,340 million euros, an amount significantly lower than the 3,870 million euros at which Prisa had valued it after the takeover bid launched to control 100% of the company (García Santamaría, 2016). With this operation, Telefónica came to control 85% of pay-TV revenues in Spain and more than 70% of subscribers.

From then on, the philosophy of the telecom company changed. It no longer focused entirely on distribution but began to believe in integrating networks and content. In addition, it understood the need to have its products, thus avoiding hiring external production companies to carry out this policy, as had happened before. Exclusivity, a key feature of pay-television, would occupy a preferential place in its business strategy thereafter.

In this way, the company created the new Movistar+, which continued betting on the creation of content and the purchase of sports broadcasting rights. Also, as later happened with its Argentine subsidiary Telefé and its British subsidiary O2, it was only available in those countries where it could offer pay-television services as well as telephone and Internet services. The goal revealed (and not achieved) by President Alierta on February 25, 2015, during the presentation of the company's annual results was to become the largest pay-television group in Spanish, with a potential market of 600 million clients in Spain and Latin America. Thus, Telefónica aspired to embark on a new stage that was already being developed by companies such as AT&T, Comcast, Netflix, and Amazon and also intended to follow its competitors such as Vodafone and Orange.

The core elements of this new Telefónica were its content and the sports broadcasting rights. But, telephony has to be considered, a fundamental element in its core business, which had provided a competitive advantage for years. However, in recent times, the telephone has given way to Internet access and fiber optics (which already covers 70% of the Spanish territory) and other related services (home automation, big data, etc.). Regarding content, Telefónica Studios intervened in more than 35 film projects; but in the middle of 2017, it was absorbed by Telefónica Audiovisual Digital, inherited from Movistar+, thus centralizing all its production activity (films, series, sports, and other programs) under a single division to simplify structures. Therefore, this profound transformation of Telefónica, now under the Movistar+ brand, made it a competitor in not only the Spanish audiovisual content market but also Latin America.

In 2018, Telefónica launched Movistar Series in Latin America through the Movistar TV platform and the Movistar Play mobile application present in 12 countries. In Spain, the competition was already fierce. However, in Latin America, the competition was not only with Netflix, HBO, Disney +, and Amazon Prime but also with AT&T, Direct TV, Claro, Viacom, and Paramount, among others. Its strategy consisted of allocating an amount of 70 million euros per year to produce audiovisual content. It was such a small amount of money compared with Netflix's content budget for 2018, which exceeded 12,000 million dollars (more than 10,000 million euros), or the 500 million dollars in production that Disney planned to spend.

In this strategy of producing series, Telefónica has tried to lead the rest of Spanish fiction and mark its distance from it. Therefore, it has resorted to consolidated values such as the film directors Alberto Rodríguez, Enrique Urbizu, or Paco León and has also signed exclusive contracts with prestigious directors such as Alejandro Amenábar. Similarly, Telefónica signed strategic alliances with other television platforms such as Atresmedia, Mediaset, TVE, and Latin American production companies. Through these agreements, it has launched projects sharing intellectual capital and economic risks.

In 2020, Telefónica forged an alliance with the television group Atresmedia to form Buendía Estudios to create and produce audiovisual content in Spanish throughout the world. Thus, they produce content for Netflix and Amazon as well as for Movistar and its partner Atresmedia. Also, in recent years, Movistar has been involved in the production or purchase of almost 250 films, mainly in Spain and some Latin American countries (García Santamaría & López Villanueva, 2019). However, maintaining the pay-TV offer involves a high economic cost. It is the consequence of four factors: Firstly, the commitment—set in 2016—to additionally invest around 100 million euros per year in producing new series in Spain and 70 million dollars for Latin America. Secondly, the purchase of broadcast rights from Spanish producers and those from other countries to feed the programming of their channels. Thirdly, the effort for the external production of information shows and late-night shows (it kept on its main entertainment channel: #0). Fourth, the economic (generated by the production and volume agreement with the big Hollywood companies) must be negotiated to have blockbusters, as well as to have other films and series for their channels.

During this new stage, Telefónica faced significant changes in its television model. These changes influenced viewers' consumption habits, both in film and television series and in the technological tools that supported them. New and powerful competitors emerged in the film-television binomial. Some were coming from traditional communication companies (Disney). Others were the result of alliances between networks and content (Comcast and AT&T-Time Warner). There is a third group: Those derived from the creation of online video stores (Netflix) or the expansion of the activities of the GAFA—Google, Apple, Facebook, and Amazon.

Regarding the sports rights broadcasting, since the late 1990s and during the first 15 years of the 21st century, experts in U.S. and European sports broadcasting rights agreed on how important was to offer the broadcasting of the most popular sports to leading pay-television channels of the main European countries and the United States (Bailard & Major, 2018). In this sense, sports are essential as a driving force (Boyle, 2006). Sports have proved to be the most competitive force in building pay-TV subscriptions, more

than films (Papathanassopoulos, 1998). Over the years, football has become a great strategic variable for the programming of television channels, primarily pay channels. Since then, sports have become an increasingly standardized offer, in opposition to cinematographic content (Bonnell, 2006).

In Spain, there is a model for broadcasting rights exploitation that does not enable pay-television to profit from the high economic cost of the audiovisual rights of football. There are doubts that this situation can continue like this in the future. Football matches are included in the convergent offers of the three main Spanish telecommunications companies with pay-television in addition to those of other operators offering the same content. They are the standard promotional product for attracting customers while exerting enormous pressure on the price of subscriptions.

Until the arrival of Movistar+, the domain of football broadcasting rights in Spain was in the hands of Mediapro. This company was a carrier in the past and now is a strong competitor in the production of audiovisual content. Initially, Mediapro and Telefónica were the two biggest earners of the lots of broadcasting rights for Spanish football from 2016 to 2019. But Telefónica did not expect to remain in the shadow of its competitor, Mediapro, and took an active position in the bid for football broadcasting rights, winning the Spanish Football League auction between 2019 and 2022 for almost 3,000 million euros. That is, 980 million for each of the three seasons. However, Mediapro was given the rights to broadcast the Union of European Football Associations (UEFA) Champions League and the UEFA Europa League between 2018 and 2021. This forced Telefónica to pay 360 million euros per season to include European football in its content. These costs should be added to the price of live broadcasts, the broadcasting rights of Spanish basketball, the National Basketball Association, and other sporting events broadcasted by Movistar. Telefónica could resell part of the rights of the Spanish Football League to other competitors, but its annual expense is 1,340 million euros. The last auction took place in 2022. In it, Movistar and DAZN reached a nonexclusive agreement for the next five seasons. For it, they must pay almost 5,000 million euros. That is, 990 million annually. Of this amount, DAZN pays 280 million euros per year (a total of 1,400 million euros), while Movistar pays the rest: 710 million euros per year and a total of 3,550 million euros.

In conclusion, Movistar managed to lower the football bill. However, with the agreements reached before 2022, the company needed about 2 million subscribers just to pay for football broadcasts (based on the calculations of an average-revenue-per-user [ARPU] of about 40 euros), while now it needs 1.5 million subscribers approximately. In recent years, the company has lost football subscribers. The year 2021 started with a total of 4 million subscribers. However, the appearance of low-cost offers for fiber and mobile, together with the consolidation of streaming, as an alternative to linear TV, reduced its subscriber base to 3.7 million in the middle of 2022.

To this circumstance, we must add its high net debt. In 2021, it was 26,032 million euros. However, it is not the only negative element. The evolution of the market capitalization went from 44,433 million euros on December 31, 2016 to 26,641 million euros on July 19, 2022. The share market value has gone from 8.85 euros on December 31, 2016, to 4,612 euros on July 19, 2022 (Madrid Stock Exchange, 2022). In other words, in six years, Telefónica has lost 40% of its value on the stock market while its shares are worth two times less.

On the other hand, the debt-EBITDA ratio, very influential in the cultural industries (Vogel, 2004), was almost four times as high as in 2020. This figure is at the limit of what is reasonable from a financial point of view. However, after different divestments, this debt has been drastically reduced to a ratio of one, notably improving the company's financial health.

In any case, and as has happened with other European telecoms (BT, Telecom Italia, Vodafone, or Deutsche Telekom), and even with AT&T, the cocktail of high indebtedness, unfavorable regulation, and an adverse macro environment has led Telefónica to situations of risk in specific periods.

Table 3. Benchmarking: Telefónica Versus Other Competitors.

Operators	TV	Sports	Deals (Cinema + Series)
Orange France	Programs	Bein Sports Sports Max	Canal+ France Netflix Ciné Series
British Telecom (the United Kingdom)	-	BT Sports 1, 2, 3 ESPN Box Nation	Netflix, Amazon, Now TV of Sky, Brit Box Package
Deutsche Telekom	-	No	Netflix, Disney
Vodafone Spain	No	No	Pack Serie Lovers HBO Spain Amazon Prime,
América Móvil (México)	Claro Video	Telcel	Telmex, Disney, Netflix
Movistar	Live programs and sports	La Liga, Champions League, DAZN, other sports	Movistar Series, Netflix, Disney+, Mitele Plus

There is another problem. While Telefónica is an operator with highly competitive content in Europe, it lacks the global position and size of companies such as AT&T and Comcast, which have a superior presence in Latin America.

If we do a benchmarking of its main competitors in the business dimension and annual income (Table 3), we see how all of them have a significant part of deals (cinema + TV series). However, only British Telecom has a prominent bundle of VoD platforms in its offering, such as Netflix, Amazon Prime Video, or Sky. In the section of live television programs, only the Mexican Telcel (América Móvil) of Carlos Slim, the British Telecom, and the French Orange have a sports offer. However, Telefónica's offer is larger than the rest, with the Spanish La Liga and the Champions League, and the DAZN platform.

Conclusions: Looking at the Future

This analysis of the evolution of Telefónica in three phases has some of the limitations associated with carrying out a single case study based on secondary material: It does not allow us to establish general

correlates of the media system, and sources such as in-depth interviews with members of the company have not been used. Although these limitations could reduce the reliability of this analysis, there are also advantages since researchers move away from the object of study, and this gives them perspective and dimension and, in addition, it allows them to know the bases of the transformation of a telecommunications company to a television company without proximity biases.

After its privatization in the first phase (1990–2000), Telefónica entered the media sector, forming a communications group. The company incorporated television, both free and pay-TV, as a strategic component of its business model. The main objective was to search for political and social influence.

The fact that this strategy required a strong economic investment as well as high audiovisual expertise, something that Telefónica lacked at that time, resulted in the company divesting from the media sector since its accumulated losses were about 2,000 million euros. In other words, in the second phase (2000–2014), the company sold a large part of its media assets and returned to concentrating on the telephone business. The central component of this strategy became the configuration of a convergent, or triple-play offer that combined telephone, the Internet, and pay-television in a single package.

This strategy had great commercial success, proving the importance of television and audiovisual content in creating an attractive offer capable of interesting plenty of customers. Thus, Telefónica once again placed television content at the center of its business model in the third phase (2014–2020). However, the strategy was different from the one applied in the first phase, as it avoided buying media and attempted to become a TV company. The production of content (cinema and TV series), the purchase of broadcasting rights (sporting events, especially football), and the creation of entertainment pay-TV channels became the key elements of its activity. This does not pursue political and social influence but seeks economic profitability. Thus, Telefónica changed from a telecom to a TV company. This fact even required changing the name of the company to Movistar. This change is highly significant since it can generate effects on other companies in the sector at an international level.

This transformation, although with a potential market of 600 million consumers and a growth between 2012 and 2018 of 3,948.67% of the convergent offer of fixed telephony, fixed broadband, pay-television, mobile telephone, and mobile broadband (Comisión Nacional de los Mercados y la Competencia, 2019), does not seem to be paying off and requires high economic investments. For these reasons, there are doubts about Telefónica's business model. There are four main challenges that the company is facing. First, the combination of these three elements: A high debt, unfavorable regulation, and a hostile macro environment. Second, a limited margin of growth in the number of subscribers and an insufficient critical mass (measured in number of subscribers) to be profitable. Third, a cord-cutting phenomenon, where subscribers stop watching paid channels around the world while moving to streaming options. This makes these channels less competitive. Fourth, there is a high commitment to the exclusivity of sports content in which the GAFKA has already begun to intervene. All these uncertainties indicate that the Spanish company needs to decide what to do in the future and what business model it is willing to follow.

Therefore, the key questions are the following: What changes are Telefónica and the rest of the telecom companies in the international market going to consider in their business model if their growth stagnates and, therefore, their debt cannot be reduced to reasonable limits? Will they be able to continue bidding for live football broadcasting rights? Will it be feasible to maintain a pay-television with the current subscribers? If so, what would be the most suitable strategy for Telefónica: To be a streaming company, or to be a mere content aggregator that takes advantage of its privileged position in Spain and other countries to carry out strategic alliances with large online video stores, like the ones we currently have in Spain with Netflix and Disney+? Searching for answers is a path that the company must follow to guarantee its continuity and its future.

But, along the way, Telefónica has learned the importance of strategic alliances in digital times. It no longer intends to do it all but, for example, has reached specific agreements with Amazon for cloud services, with Netflix for films and series, and with DAZN to balance the accounts in purchasing football broadcasting rights. Also, in content creation, it has understood the importance of having its own production company, shared with the Atresmedia group, while forging agreements with public and private television channels.

The weight of the company's revenue does not have to pivot fundamentally on its behavior as a TV company. Conversely, it is closer to a model—albeit with differences—such as that of Comcast, which has Internet connections by optical fiber, the orientation to a data-centric model, and an intelligent interface system that introduces artificial intelligence and cognitive capabilities for users.

For example, with sports content, everything seems to indicate that, at least in the medium term, its consumption will go through a model in which there is a coexistence between two things: Streaming access, fundamentally through OTT platforms (Alcolea-Díaz & García Santamaría, 2019), and pay-television, currently dominated by telecoms and whose supremacy in pay-per-view audiovisuals may be threatened—despite having sports content—by online video clubs (Netflix, HBO) and other television platforms (Sky).

As for competitors in Spain, the jurisdictional framework is very strong, with two large television platforms (Atresmedia and Mediaset) and the Mediapro group. The production of series and films is threatened by the VoD services of Amazon Prime Video, Apple+, HBO Max, and other minor operators such as Filmin. As for the large telecommunications operators, the situation is also complicated for the interests of Telefónica: In Spain, Vodafone and Orange compete, and in Latin America, it is América Móvil, Sky, Direct TV, Disney, Amazon Prime Video, Fox, Clarín, Cisneros, and Globe.

To all this, we must add GAFA, which, as a whole, will end up becoming decisive actors in the new content ordering. Therefore, the threat is not only for general television channels but also for telecommunications companies and media groups.

In Europe, the majority of large operators have returns on investment below the cost of capital. There are more than 400 mobile operators with constantly declining revenues. Therefore, the sector badly needs diversification activities with high added value to maintain a critical mass of customers while raising

profits from services to compensate for the drop in income in telephony and basic Internet access. Only in this way will they be able to guarantee their future in the short and medium terms.

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