

**Management Summary: Smart TV in Italy**

Smart TV in Italy is the first of a series of reports from Deadline Media TV on OTT and connected television. The 87 page analysis details the current market for Smart TVs in Italy within the framework of broadcasting, broadband and mobile communications. It provides five year forecasts and analysis of risks, uncertainties and competing and complimentary platforms.

Using MHP, Italy is the first country to widely deploy a broadcaster centric horizontal platform in competition with proprietary platforms of major television manufacturers. It therefore provides major lessons for connected and OTT television in other European countries deploying HbbTV or MHEG IC. However MHP has, so far, progressed little further than from proof of concept.

The key finding of this report is that connected television is taking off in Italy at a time when the existing broadcasting sector is faced with intense pressure to change. Advertising revenues have been brutally hit by austerity and the conventional pay-TV sector has probably peaked. A substantial amount of spectrum is now available for new linear-scheduled DTT services. Italy has been underserved by television even though Italians love it.

We conclude that for the time being OTT will be driven by catchup TV and VoD films; the two major terrestrial incumbents, RAI and Mediaset, are positioned to dominate catchup TV because they have the content and the brand names.

However, the MHP platform is still at little more than commercial proof of concept stage. In practice the Samsung smart TV platform out eclipses it.

Italy is almost unique amongst large western countries in that there is a complete absence of cable and a very limited IPTV base. This has big implications for connected television, not least in that the commercial drivers are very different from the USA.

Whilst connected television is still at a nascent stage, deployment in Italy is healthy and looks likely to be dominated by smart TVs rather than connection through external devices – again at least for the time being.

We estimated that some 1 million televisions in Italy are smart TVs that have been connected to broadband and some 2.7 million have been sold to date.

The market for OTT TV services and connected television is being held back by poor quality broadband access and low broadband penetration rates. This is a very serious problem for Italy and is unlikely to be resolved with the next few years. Future OTT TV developments look likely to place heavy emphasis on video to the mobile, helped by a large amount of terrestrial television spectrum and the advanced state of the country’s mobile networks.

In the medium term we see OTT TV as complimentary to conventional Italian broadcasting rather than a major disruptive paradigm shift. However, Italian broadcasting is in deep financial difficulty at present and structural changes look likely. These may open the door to competition and market challenge. Mediaset’s Premium pay-TV operation continues to make losses. Discovery Communications has very recently bumped up its presence in Italy with the acquisition of Switchover Media and the upmarket La7 channel may change hands.

What is happening in Italy also has major implications for major US players with global ambitions in connected TV – Google and YouTube, Intel, Microsoft, Apple, Facebook and Amazon to name a few. The Italian market is unlikely to be driven by cord cutting.

Understanding connected television and its future in Italy needs Occam’s Razor to be wielded.

Smart TV in Italy provides a comprehensive analysis of the market for connected and OTT TV in Italy. It is targeted at pay and FTA broadcasters, content providers, television, games console and Blu-Ray player manufacturers and vendors, suppliers of external connected devices, broadband providers, content management organisations, mobile operators and handheld device providers, satellite operators, transmission companies, software vendors, regulators and policy makers – in fact anyone involved in the future of television.

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