Business intelligence within the Swedish broadcasting industry

Author: Erik Frisk
        Mariah Gustavsson
        Pontus Palmkvist

Supervisor: Sikander Khan
ABSTRACT

BACHELOR THESIS IN BUSINESS MANAGEMENT
STOCKHOLM SCHOOL OF BUSINESS, AUTUMN 2005

Authors: Erik Frisk, Mariah Gustavsson och Pontus Palmkvist
Supervisor: Sikander Khan

Title: Business intelligence within the Swedish broadcasting industry

The business environment has become more risky over the past decades. How do the companies prepare for the competitive environment and how are they working with risk identification and risk management, early warning system and blind spots in order to strengthen their positions on the market? In order to sufficiently investigate the subject, the following two problems function as the base of the thesis.

What change drivers affect the industry, and what are the risks that these changes generate for the companies on a strategic, operative and financial level?

How does the Swedish broadcasting industry work with business intelligence in order to strengthen their position towards their competitors as well as preparing for future changes in the environment in which they operate?

The purpose of the thesis is to examine and identify the main factors affecting the broadcasting industry in Sweden, using TV3, TV4 and Kanal5 as reference points and how Business Intelligence is conducted and applied within these companies in order to strengthen their position.

The method approach used is of an explorative kind since no previous studies were found on the subject. The information gathered is mainly of a qualitative kind using some quantitative data. The thesis has been conducted as case studies of the three companies. Several interviews with relevant personal within the organizations studied were conducted.

In our final discussion we have concluded that the companies are efficiently identifying their risks and management action is taken rapidly when necessary. In contrast, the intelligence monitoring within the studied companies is rather weak according to Gilad’s theories of the Early Warning Triangle. The industry change drivers strongly affect the development of the industry and must be carefully observed in order to react proactively to the many risks the companies are exposed to.
TABLE OF CONTENTS

ABSTRACT..................................................................................................................................................2
1. INTRODUCTION.......................................................................................................................................5
1.1. BACKGROUND .....................................................................................................................................5
1.2. PROBLEM DESCRIPTION ....................................................................................................................6
1.3. PURPOSE ..............................................................................................................................................7
1.4. DELIMITATIONS ...................................................................................................................................7
1.5. DISPOSITION ........................................................................................................................................8
2. INTRODUCTION TO THE MEDIA INDUSTRY....................................................................................9
2.1. The media landscape ...........................................................................................................................9
2.2. Broadcasting companies and channels .............................................................................................10
2.2.1 Modern Times Group and TV3 ........................................................................................................10
2.2.2 TV4 AB ...........................................................................................................................................10
2.2.3 Kanal5 ............................................................................................................................................11
3. METHODOLOGY .............................................................................................................................12
3.1. Knowledge approach ..........................................................................................................................12
3.2. Quantitative/qualitative research .......................................................................................................13
3.3. Inductive/deductive research .............................................................................................................13
3.4. Case Study .........................................................................................................................................14
3.5. Interviews ..........................................................................................................................................14
4. THEORY.................................................................................................................................................16
4.1. Business Intelligence ..........................................................................................................................16
4.2. Risk ....................................................................................................................................................17
4.3. The attentive organization ..................................................................................................................18
4.4. Business Blindspots ..........................................................................................................................19
4.5. The Competitive Early Warning System ..........................................................................................20
4.5.1 Risk Identification ..........................................................................................................................21
4.5.2 Intelligence Monitoring ..................................................................................................................21
4.5.3 Management Action .......................................................................................................................22
4.6. Previous studies ..................................................................................................................................23
5. EMPIRICAL STUDY ..........................................................................................................................24
5.1. Organizations providing BI in the media industry .............................................................................24
5.2. The Industry Change Drivers .............................................................................................................25
5.2.1 Technology Drivers .........................................................................................................................26
5.2.2 Political Drivers ..................................................................................................................................26
5.2.3 Demographic Drivers .....................................................................................................................28
5.2.4 Competitive Drivers .......................................................................................................................29
5.3. TV3 .....................................................................................................................................................31
5.3.1 Risk (and opportunities) identification .............................................................................................31
5.3.2 Intelligence Monitoring ..................................................................................................................32
5.3.3 Management action ........................................................................................................................34
5.4. TV4 .....................................................................................................................................................35
5.4.1 Risk Identification ..........................................................................................................................35
5.4.2 Intelligence Monitoring ..................................................................................................................37
5.4.3 Management Action ........................................................................................................................38
5.4.4 Risk (and opportunities) identification .............................................................................................40
5.4.5 Intelligence monitoring ....................................................................................................................43
5.4.6 Management action ........................................................................................................................44
6. ANALYSIS ............................................................................................................................................46
7. FINAL DISCUSSION ..........................................................................................................................52
7.1. Critical Review .................................................................................................................................55
7.2. Directions for future research ...........................................................................................................56
8. REFERENCES .........................................................................................................................................57
APPENDIX I - DEFINITIONS

APPENDIX II: QUESTIONARIE

FIGURES
Figure 1: Broadcasting share of total advertisement 2004
Figure 2: Broadcasting share of advertisement development
Figure 3: Disposition
Figure 4: Different environmental influences on attention
Figure 5: Organizational influence on attention
Figure 6: The Competitive Early Warning Triangle
Figure 7: Overview of the Business Intelligence Landscape within the broadcasting industry

TABLES
Table 1: Economy and owner structure of the major channels in the broadcasting industry
Table 2: Net companies with the greatest numbers of paying customers in Sweden
1. INTRODUCTION

In the first chapter of this thesis we intend to introduce the subject of discussion as well as giving a brief description of the background to the studied issues and the industry in which the companies operates. This is followed by a description of the research problem, the purpose of our investigation and our delimitations in a formal essay procedure. Finally we will give a general overview of the disposition of the paper.

1.1. BACKGROUND

The business environment has become more risky over the past decades. The companies are confronting globalization, technology change, regulatory shifts and consolidations, making the competitive pressure substantially higher. Business Intelligence (BI) has come to play a large role in most industries, especially those where competition is fierce and investments for the future are risky but necessary. The broadcasting industry in Sweden is a prime example of such a market. The main broadcasting channels must watch each others moves and investments in order to come up with response plans for all kinds of future outcomes. They make large investments in new shows and programs that calls for careful risk calculations since many investments turns out to be disastrous. To reduce the effects of bad investments, the companies acting on such a market must be able to change their plans and adapt to new trends. Therefore, planning can only be made on short term and must continuously be updated.

The industry is facing rather radical changes the upcoming years as a result of the shutting down the ground based analog network replacing it with the digital terrestrial network. Through the digital terrestrial network more channels will be available to each household, which should be considered something rather problematic for those channels that already established themselves on the market. However, the digital network also makes it possible for TV3 and Kanal5 to reach a larger population. The final outcome of these changes will differ from channel to channel depending on how well they manage to adapt to the new circumstances. Yet, there is a calm confidence within the major players on the market that they will maintain their positions motivated by the slow and predictable changes is consumer behavior.1

---

1 Interview with Mr. Mannerberg at Kanal5
The trend towards a larger media supply continues to grow. More television and radio channels are about to be introduced the next couple of years. However, the increase of products has not been followed up by a boost in consumption. This has resulted in an enhancing competition for the consumers’ television time at the same time as the people tend to spend more and more time surfing the Internet etc. instead of watching television. Yet, television is by far the largest advertising channel in Europe motivated by the fact that 98% of all households possess a television spending an average viewing time of 200 minutes per day.²

The thesis is an investigation of how Business Intelligence operates within the media industry. In order to narrow down the field of study, we have chosen the broadcasting industry, focusing on the main commercial channels; TV3, TV4, and Kanal5. We felt that these are companies with well established brands whose products are experienced by everyone on a daily basis, and therefore easy to refer to. We have little or no prior experience within the broadcasting industry, but the modern and chaotic way in which it operates captured our interest. Studying Business Intelligence courses at university we found it appealing to examine how accurate the “textbook theories” could be applied to real life working environments.

Is there a structural and organized way in which information is processed and the environmental scanning is conducted within such organizations?

1.2. PROBLEM DESCRIPTION

The media industry is operating in a quickly changing environment where large amount of information flows in and out of the companies. The companies need some structure in which they obtain, process and analyze the information that might be relevant to the organization. As the industry is heavily affected by technological and political changes, each company must evaluate the risks to which it is exposed, in order to come up with response plans to reduce these risks. We therefore arrive at the following problem descriptions of our thesis:

- What change drivers affect the industry, and what are the risks that these changes generate for the companies on a strategic, operative and financial level?

- How does the Swedish broadcasting industry work with business intelligence in order to strengthen their position towards their competitors as well as preparing for future changes in the environment in which they operate?

² Radio- och TV-verket (2004), Medieutveckling 2004, Blomberg & Janson AB
1.3. PURPOSE
Our purpose is to examine and identify the main factors affecting the broadcasting industry in Sweden, using TV3, TV4 and Kanal5 as reference points, and how Business Intelligence is conducted and applied within these companies in order to strengthen their position.

1.4. DELIMITATIONS
The media industry includes everything from newspapers and radio to television. In order to narrow down our thesis to an accessible amount of information, we have decided to focus upon the broadcasting industry in Sweden. It is difficult to compare public service networks with pay-TV, basing their businesses on completely different conditions. We have therefore decided to study the major commercial free-to-air companies on the market; TV3, TV4 and Kanal5.

When examining the various risks that these companies are exposed to, we have chosen to limit ourselves to a few major concerns for the company, identified through interviews and research. We have obtained information through a selection of respondents to which we base our risk identification and generalization about how Business Intelligence is conducted within the companies. We would therefore like to notice the reader that some of the data are subjective and should be critically reviewed.
1.5. DISPOSITION

This figure 3 represents our disposition throughout the thesis.

**INTRODUCTION:** Introduction to the subject, giving a brief description of the background and the industry flowed by the research problem, purpose, delimitations and a general overview of the disposition of the paper.

**METHODOLOGY:** This section of the thesis describes how the thesis is performed. We state the area of study and describe our approach using qualitative- and quantitative data to compare the objects. Both primary- and secondary data has been used.

**THEORETICAL FRAMEWORK:** This chapter goes through the main theories that the thesis is based upon, focusing mainly on Gilad’s CEW system and the CEW triangle. We also describe Hamrefors’ environmental perspectives.

**EMPIRICAL DATA & RESULT:** This section describes the industry drivers affecting the broadcasting industry. It continues with Risk Identification on a strategic, operative and financial level. This is followed by Intelligence Monitoring, and end with Management Action.

**ANALYSIS:** Implementing the theoretical framework to the empirical data and results. Forming thoughts of to what extent the data cohere with the theories and vice versa.

**FINAL DISCUSSION:**
Giving our thoughts and conclusions of the area studied final answers to the research questions connecting the theories, empirical framework and analysis. This is followed by a critical review of our thesis and recommendations for further studies.
2. INTRODUCTION TO THE MEDIA INDUSTRY

2.1. The media landscape

The Swedish media market is dominated by a few large media groups: Modern Times Group (MTG), SBS Broadcasting, and TV4. (Schibsted, Bonnier and Proventus Industries) In the market there are also the public service company Sveriges Television (SVT1 and SVT2). The media groups have different business areas within newspaper, television and radio. Within television there are both free-to-air television and pay television. Many of the media groups capitalize on their chain of media activities in order to strengthen their position. The overall development within Swedish broadcasting is toward an increased consolidation, both vertical and horizontal to gain synergies in both production and a stronger position in negotiations.3

The television advertisement market represents 25 % of the whole business of advertisement and has increased steadily over the years4. The turnover for television advertisement was 3 734 MSEK in 2004, an increase by 6 % from the year before.5

The main players in the Swedish commercial television market are TV3, TV4 and Kanal5. Kanal5 had a turnover of 790 MSEK6. The turnover for TV3 we estimate to approximately 1030 MSEK in 2004. TV4 total turnover in in the same year was 17937 MSEK. The four largest cable-TV operators are Com Hem, UPC, Kabelvision and Canal Digital which has together approximately 2,2 million affiliate households. Transmissions through satellite directly to Swedish households are operated by two competitors; Canal Digital and Viasat. The analog network is owned and operates by Teracom.8 The expansion of the new digital terrestrial network (DTT) demands a digital box in order to code the signals, mainly supplied by Boxer.

In January 2004 the Swedish government decided to give 7 more channels permission to broadcast via the analog network including Modern Times Group’s channels TV3, ZTV and TV8. They can all choose to send free-to-air or as pay-TV except for Swedish television (SVT) and TV4 that must be available for everybody.

During the last year there has been a great increase of digital boxes in Swedish households. This can be explained by the larger supply of channels and the upcoming change to the digital terrestrial network. The competition will be fierce among the channels in order to expose themselves as much as possible, which is a necessity in order to obtain commercial incomes.9

(See appendix for more detailed overview of the broadcasting industry)

---

4 Annual report TV4 2004
5 http://www.irm-media.se/irm/(kbh5h155gg1k3cfv5optxiz2)/tabell_reklamstatistik.aspx
6 http://www.mms.se
7 http://www.mms.se
8 Radio- och TV-verket, 2004
9 Radio- och TV-verket, 2004
2.2. Broadcasting companies and channels

2.2.1 Modern Times Group and TV3

Modern Times Group is an international media group with operations in more than 30 countries around the world and principal broadcasting businesses in Scandinavia, the Baltic States, Hungary and Russia. The Viasat Broadcasting DTH satellite TV platform offers digital multi-channel TV packages of over 50 own-produced and third party entertainment channels.

Modern Times Group MTG AB has four business areas: Viasat Broadcasting (free-to-air and pay-TV operations), Radio (leading commercial radio network in northern Europe), Home Shopping (internet retailing and home shopping TV channels) and Modern Studios (content production and distribution).[10] Some of the brands are TV3, ZTV, TV8, TV1000 and Viasat.

TV3 was the first channel to launch commercial television in Sweden 1987[11] and has a penetration of 70 % on the market according to MMS October 2005.[12] The channel is a broad channel with a focus on entertainment and sport.

2.2.2 TV4 AB

TV4 is the largest commercial broadcasting channel in Sweden in terms of reaching the population. The channel has a penetration of 99 % on the market.[13] The company has 16 local TV-stations and other brands such as TV4 Plus, TV400, TV4 Fakta and TV4 Film. TV4 focus on consumers between 11-59 years old and are therefore a broad channel with entertainment, news, sport and debates & community oriented programs.[14]

The company has managed to obtain a great position by broadcasting through the analog network as well as supplying a good product. Being the only channel with permission to broadcast commercials via the analog network has lead to intense political discussions since its introduction in 1991, especially from the competing commercial channels. The channel was introduced as a compliment to the Swedish television channels (SVT) as an attempt to decrease the governmental control over the broadcasting industry. The competitive advantage is compensated for by paying a concession fee to the government reaching almost 400 MSEK a year.[15]

---

[15] Interview with Mr. Winlund at TV4
The concession fee has been calculated as an estimate of the revenue difference obtained by reaching a larger population. However, while the reach has increased to about 70% among the competing channels, the concession fee has maintained the same until just recently when it was slightly reduced.

### 2.2.3 Kanal5

SBS Broadcasting is the second largest European commercial free-to-air, pay television and radio broadcasting company with complementary print and localization operations. They acquire, produce, package and distribute programming and other content via television channels, radio stations and the Internet in Europe. They operate in 7 European countries.\(^\text{16}\)

Recently one of the largest American private equity companies, Kohlberg Kravis Roberts & Co (KKR) acquired SBS Broadcasting for 18 billion SEK.\(^\text{17}\)

Kanal5 has gone through several changes in its 15 year history of owners as well as changing brands numerous times before arriving at its current state. Today, they try to differentiate themselves as a pure entertainment channel, excluding features such as news, debates and community oriented programs. Thereby they focus on consumers in the age of 15 to 44 and the companies who wish to market themselves to this age group. Commercial revenues are a major part of the company’s incomes. Kanal5 has 73 % market penetration which means that they passed TV3 during 2005.\(^\text{18}\)

---

\(^\text{16}\) [http://www.sbsbroadcasting.com](http://www.sbsbroadcasting.com)


\(^\text{18}\) [http://www.mms.se/ovrapp/Rapportering%20av%20MMS%20kanalpenetration%202005%20oktober.doc](http://www.mms.se/ovrapp/Rapportering%20av%20MMS%20kanalpenetration%202005%20oktober.doc)
3. METHODOLOGY

This project is mainly an investigation of business intelligence (BI) awareness within the television industry and how it is applied. We have chosen the commercial actors on the market: TV3, TV4 and Kanal5. Our study is of qualitative kind using some quantitative data to compare the three channels with each other. We include both primary data with personal interviews as well as secondary data such as Internet and course literature. We have also attempted to mélange inductive and deductive theory methods in our work.

3.1. Knowledge approach

With this thesis we intend to describe and gain knowledge of how Business Intelligence is dealt with and processed within the Swedish media industry. The main purpose of this approach is to gain a general understanding of how things are connected and interrelated within a complex organization. An investigation that is conducted in such a fashion is referred to as a hermeneutic approach. The information which we have obtained through interviews with the studied companies have been interpreted and analyzed according to the hermeneutic approach. With an increasing understanding and experience about the studied area, we have felt obliged to reshape and reconstruct our interviews as well as the analysis and interpretations along with our work. This scientific method is referred to the hermeneutic spiral which is a theory within the hermeneutic approach. Its aim is to capture the time dimension of the interpretation- and understanding-process as well as the pendulum between small parts and the whole concept.19 The theory is based on the perception that experience, theoretical perspectives, knowledge as well as the pre-assumptions changes continuously while conducting a research. However, the thesis will also adopt positivistic approaches when using existing theories against which we test and compare our results, an approach called the hypothetic-deductive method. We truly believe that conducting various knowledge approaches within our study helps to obtain a multicolored perspective of the research question.

19 Gustavsson, B, (2004), Kunskapande metoder, studentlitteratur, Lund, p. 78
3.2. Quantitative/qualitative research

In theory, the quantitative researcher isolates and defines variables and variable categories. These variable are linked together to frame hypotheses often before the data are collected, and are then tested upon the data. In contrast, the qualitative researcher begins with defining very general concepts which, as the research progresses, change their definition.\textsuperscript{20}

A second difference concerns the method of collecting data. In the qualitative tradition, researchers must use themselves as the instrument, attending to their own cultural assumptions as well as to the data. The consequence of this approach is that the method of the qualitative research consists of participant observation. In the quantitative tradition, the instrument is more pre-determined and the research question clearly defined, which allows for much less flexibility, imaginative input and reflexivity. In such cases a questionnaire may be an appropriate method.\textsuperscript{21}

The qualitative approach tends to explore new and unknown areas for the researcher, allowing space for generalizing and drawing own conclusions.

Our Approach…

We will try to approach our case studies through research and interviews with people working with BI at the companies we examined. We have chosen this approach for various reasons. Mainly, the media industry is a rather unknown area to us and a qualitative approach has the advantage of providing a general understanding of the studied companies. Also, we would prefer to keep the research question as open as possible, allowing changes and flexibility according to our findings. Because of the nature of Business Intelligence, an analysis of its operating character cannot be conducted in a quantitative manner but must be explored through qualitative research.

3.3. Inductive/deductive research

A study can be carried out using either an inductive or deductive approach. When using a deductive approach, an initial hypothesis is derived from an existing theoretical framework and then tested on the results conducted from the study.

An inductive approach is carried out by first identifying a problem area that is examined and analyzed. The inductive method begins with collecting data and then theories are conducted in contrast to the deductive method where existing theories are being tested.\textsuperscript{22}

While quantitative methods have been assorted with enumerative induction, qualitative methods have been typically associated with analytic induction. In analytic induction the researcher moves from the data through the formulation of hypotheses to their testing and verification.\textsuperscript{23}

\textsuperscript{20} Brannen, J, (1992), Mixing Methods: Qualitative and Quantitative Research, Ashgate Publishing Company, p 4
\textsuperscript{21} Brannen.J, 1992, p 5
\textsuperscript{22} Gummesson.E in Gustavsson, 2004, p. 123, free translation
\textsuperscript{23} Bannen.J, 1992, p 6
Our Approach…

In this paper we will use a deductive approach by the application of the Competitive Early Warning method (CEW) in our case studies when analyzing how business intelligence is operating within the companies. We will also undertake an inductive approach in order to analyze the differences in the way the companies apply BI within their operations and what the consequences these differences has in the efficiency of their early warning system.

3.4. Case Study

A case study is a method which concludes one or a few cases from real life which are studied in detail as an empirical base for research, especially when knowledge about a certain area is limited and when dealing with complex phenomenon. Conducting a case study is, according to many organizational theorists, considered to be the preferred method when studying the complexity in an organization. A case study also allows an inductive approach by disregarding the existent theories. This does not mean that a case study must be inductive, but can also be a combination between inductive and deductive approaches. Therefore, a case study permits a holistic approach with unlimited amount of variables in comparison to a pure quantitative approach that contains many restrictions of application. It could be said that a case study is a theory-generating method with the primary objective to create a greater understanding within the studied subject. When touching such a diffuse subject as business intelligence it becomes a necessity to conduct interviews with people from the organizations used in our case studies in order to fully understand how these companies apply business intelligence.

3.5. Interviews

In order to obtain empirical data about our study we have conducted interviews with people working with Business Intelligence or closely related to BI within the companies we have chosen to examine. The main purpose of an interview is to obtain objective facts from the respondent in order to explain the objective reality. The interviews were performed in a non-standardized qualitative way. Non-structured, non-standardized interviewing method demands certain adaptation to the person interviewed. Therefore we have tried not to fix the interview too much to the questionnaire, but to let the interviewed talk freely by merely directing them into relevant areas. In this way we managed to create a dialogue between us and the interviewed giving access to more colorful data than a pure objective interview would have provided.

26 Gustavsson, 2004, p. 238, free translation
27 Trost, J, (2005), Kvalitativa Intervjuer, studentlitteratur, Lund, p 19, free translation
The Interviews have been partly structured by using a prepared questionnaire throughout the interviews. This questionnaire has been modified between the interviews where we felt that certain questions did only lead to repeated answers as well as additional questions that were added where we felt it appropriate to go deeper.
4. THEORY

In this chapter we will go through the main theories that the thesis is based upon, starting off with defining Business Intelligence. We discuss the aspects of the attentive organization according to Hamrefors. The focus is mainly on Gilad’s Competitive Early Warning system since we are going to analyze our empirical data from the perspective of the different components in the CEW triangle. We therefore intend to describe the various parts of the CEW system in detail and how it should be implemented in order to successfully operate Business Intelligence within an organization. Many of the theories are directly related to and therefore referred to our interview questionnaire that can be found in the appendix.

4.1. Business Intelligence

Business intelligence is a form of organized environmental scanning. The concept of business intelligence, in its current form, is fairly new and has only been relevant the last 20 years. The scanning process is aimed to identify changes in the business environment that may affect the organization and thereby make it possible to react proactively to these changes. The way in which BI is conducted varies depending on the environment in which the company is active and internal aspects such as business culture, politics, organizational structure and scope of operations. In the United States BI is referred to as Competitive Intelligence (CI) because the competition is the main focus when analyzing future trends.

(Questions nr 1, 8, 9, 14)

BI-process: The competitive early warning system, focused on issues demanded by top management or by environmental scanning. Data is collected, processed, analyzed and revised. Finally, the BI-product is presented to top management in order for them to stay proactive and increase competitively. There are two important aspects of the BI-process; the company must first decide exactly what they are looking for. Secondly, they must decide what method to use in order to find relevant data. An analysis of the information should reveal one or more hypothesis about the future competitive environment. Once the hypotheses are constructed, the company must find information to evaluate the hypotheses.

Business Intelligence can be broken down to more specific areas depending on its focus. When focusing upon competition the process is referred to “competitive intelligence” and when studying consumer behavior it’s called “market intelligence” Other more specific areas are “political intelligence” and “technology intelligence”.

29 Sandström, B, (1998), Business Intelligence – Företagets underrättelsejärn, Liber, Malmö, p 59-62
30 Hamrefors, 2002, p. 12
Shortly, we would like to refer to Business intelligence as a support system for decision making on all levels of the organization and aims to increase the organizations ability to compete.

4.2. Risk
The term risk has different meanings depending on the contextual aspect. Generally, risk is defined as “describe any situations where there is uncertainty about what the outcome will occur”. Harrington and Niehaus further points out that “in probability and statistics, financial management, and investment management, risk is often used in more specific sense to indicate possible variability in outcomes around some expected value”. There are different kinds of risk on a macroeconomic level such as interest-rate risk, credit risk, currency risk, liquidity risk and market risk. The major risk management (RM) methods to handle such risks are for example hedging, diversification, insurance and other contractual risk transfers. Other tools for risk decisions are scenarios, decision analysis and real options (often presented as decision trees).

Dorfman defines risk management as the logical development and implementation of a plan to deal with future (change) losses. While Ben Hunt in his article “Issue of the moment: the rise and rise of risk management”, define RM as “living with the possibility that a future event may cause harm”. According to Dorfman, the risk management process involves several steps including risk identification, risk evaluation, development and selection of methods for managing risk, implementing RM methods and monitoring the performance of RM.

In this thesis we focus on cooperate risks on a strategic, operative, and financial level. The strategic risks refers to those risks that the whole company is exposed to in the long-run and are dealt with at a managerial level. The operative risks are the risks involved in the day-to-day operations and mainly concerns the product and the financial risks are obviously those risks that are solely financial such as investments. (Questions nr 4, 5, 24, 25, 26)

33 Harrington & Niehaus, 1999, p.10
35 Dorfman, 1994, p.34
36 Pickford, 2000, p.289
37 Harrington & Niehaus, 1999, p.8
4.3. The attentive organization

The psychological and sociological aspects of business intelligence are of significant when dealing with attention of both threats and opportunities in the environment. Hamrefors points out that the environmental scanning is influenced by the individual memory and attention, the social processes and the work situation.\textsuperscript{38} This can be compared to the hermeneutic approach were interpretation, understanding, presumption comprehension (language & conception, beliefs and personal experience) and explanation are the main factors when dealing with interpretation of the environment.\textsuperscript{39} (Questions nr 19-24)

The individual memory is influenced by the individual’s fundamental need, which draws benefits from the brain ability to combine and categorize the environment, but is limited by the memory arsenal. The memory arsenal can be illustrated as a memory house which has been constructed from childhood and degenerates over time. The only thing to maintain the house is to replace it with new memory bricks. But our attention has a tendency of finding bricks that confirms our beliefs of the reality. The memory therefore steer our attention.\textsuperscript{40}

Hamrefors points out there are different environments in which an individual acts. The enacted environment is the part of the environment that directly affects the individual, and the individual can change the outcome of incidents. People tend to focus on this environment more then necessary.

Surrounding the enacted environment is the individual’s contextual environment. People tend to react to incidents taking place in this environment, but are less successful with scanning the environment for information. The individual mainly focus on things that in turn could affect the enacted environment.

Outside the contextual environment is the remote environment. Whatever incidents taking place in this environment has little chance to be identified by the individual. This does not depend on whether the signals are strong or weak, but the incidents are just too far away from the individual’s enacted environment to be considered something relevant.\textsuperscript{41}

\textsuperscript{38} Hamrefors, 2002, p. 39-84
\textsuperscript{39} Gustavsson, 2004, p. 76
\textsuperscript{40} Hamrefors, 2002, p. 39-43
\textsuperscript{41} Hamrefors, 2002, p. 50
Unfortunately, the more of an expert a person becomes in his/hers enacted environment, the more narrow sighted does the individual’s reality picture become. The fact is that people are much better at identifying opportunities than risks. If people tend to be selective with information that doesn’t directly affect them, the risk caused by our perception not identifying certain things is huge. This sort of risks must be minimized as much as possible by involving the whole organization in environmental scanning as well as using an external network to collect and absorb intelligent information.

The attention is influenced by the social constructions of reality and how individuals are influencing organizations with their perspectives and how they adopt perspectives from the organization. These constructions or structures can be anything from handling and physical processes to thoughts.32

The organization is also influencing the attention through the business culture as different ways of working, routines, and processes. In the work situation, the enacted environment, the contextual environment, and the remote environment are factors that influence the attention and determine whether the individuals detect the organization as framed or strange.

Hamrefors points out three factors that influence how the individuals detect the organization coordinating logic, transparency and knowledge transfer. See figure 5.

![Figure 5: Organizational influence on attention, Hamrefors](image)

The first factor, coordinating logic, is communicating through the organizations processes by norms. The second factor, transparency, concerns the co-workers opinion of how easy it is to survey and jostle through the organizations structure and to what extent the organization’s different part and functions are linked together. There are many things in the organization that could affect the transparency but there are mainly two variables: psychical transparency and the business idea. The first one prescribes the co-workers access to information in the organization, and the second one concerns the transparency problem of an inferior pronounced business idea. The third factor, knowledge transfer, concerns the co-workers opinion of the opportunity to find knowledge sources and transfer the knowledge through the organization.43

---

32 Hamrefors, 2002, p. 52-54
43 Hamrefors, 2002, p. 66-74
4.4. Business Blindspots

Gilad defines blindspots as “an area on the eye’s retina where no image is formed” and those we “all choose at times to turn a ‘blind eye’ to aspects of reality which we don’t like, we don’t comprehend, or we don’t want to see.” This behaviour can have tremendous consequences for the business and result in lower earnings, faltering growth and loss of market position. “Business blindspots refers to the failure of executives and their companies to recognise the (changing) competitive reality in their industries and in their markets until it is too late.”

Gilad points out that there are three broad categories of business blindspots: unchallenged assumptions, corporate myths and corporate taboos.

- **U**nchallenged assumptions are incorrect assumptions about the market conditions like competitors, consumers, suppliers and development of new technology. Gilad points out the top management main assumptions regarding the competitive environment: “the capabilities and weaknesses of competitors, the characteristics and tastes of customers, the barriers to entry to the industry, the strength of substitute products, the desired relationships with suppliers and the cyclical nature of demand.”

- **C**orporate myths are assumptions of what the company hold about themselves and can grow to a partially or completely detached competitive reality.

- **C**orporate taboos deals with some incorrect assumptions of survive attacks and contrary evidence to become untouchable and enjoy strong support from top management.

4.5. The Competitive Early Warning System

The Competitive Early Warning System (CEW) is a method to prevent crises by managing risks proactively after the first sign of a problem, or at least react quickly when the loss is not yet substantial.

The CEW is achieved through a powerful integration of competitive intelligence activities, strategic planning, and management actions in a systematic effort to identify and address risk and opportunity early enough to make a difference for the future of a company.

The CEW framework begins with identification of broad areas of strategic risks (and opportunities), proceed through monitoring for early signs, and end up with inducing management action. Each of these three steps is crucial.

Figure 6: The Competitive Early Warning Triangle, Gilad (2004) p. 60

---

45 Gilad, 1996, p. 17
46 Gilad, 1996, p. 18
4.5.1 Risk Identification
The complexity in the industry and the industry change drivers
The complexity in the industry can be explained by the speed of change compared to the industry complexity. The speed of change in the industry is explained by a number of factors known as the industry change drivers. These drivers are organized into the following categories; new technology or science, new regulations or other political/governmental actions, new social/demographic trends and new competitive behaviour.47 Factors influencing the complexity in the industry might be: positions, relations etc.
(Questions nr 3,4,10,11,17)

Scenario planning
Scenarios – are by definition hypotheses about how the future will turn out.49 A scenario offers views of the future and can serve as a management tool for decision making. The scenarios in a scenario set are selected to maximize contrast, which enables a company to decide which strategies will best fit the evolving future. Scenarios do not have to involve system dynamics and computer modelling and all the latest fads. They do involve creative reasoning and imagination which is the true limiting factor in scenarios. Scenarios can be done with internal recourses, with or without external input. Worst-case scenario, offers one advantage: it serves to prod management to pay closer attention to strategic risks. (Question nr 31)

War game
War game is a managerial tool for assessing competitors’ responses to a changing industry landscape and also a way to prioritize strategic risks and opportunities. It is a method of role-playing in which both the host team and its competitors move into a pre-specified future horizon. A war game’s structure differs depending on its goals, the two most effective are: (Questions nr 32,33)

4.5.2 Intelligence Monitoring
Monitoring risk
The central objective of the early warning system is to prevent surprises for the company. The identified strategic risks should not be realized without the company taking proactive action, and this is where risk monitoring becomes crucial. The monitoring of risks is a collective effort but needs coordination to be effective.
The monitoring system is supposed to provide the top management with 24/7 monitoring of significant threats and opportunities. This requires careful planning and even more careful maintenance. Therefore, the monitoring of strategic risk factors should be integrated into the planning process.50

---

49 Guest lecture at Ekenstam, 2005
46 Gilad, 2004, p.75
50 Gilad, 2004, p.122
The monitor must have access to the potential topics/issues. The access should be able to access the target as part of his/hers daily routine. The monitor must also have the expertise to comprehend the data to which one access. There should also be a shadow team, a group of employees with relatively easy access and sufficient expertise to monitor change drivers. They are assigned to shadow specific developments in the change driver and report on them.\(^{31}\)

Many corporations find it hard to shift focus from internal to external perspective. Therefore, an external intelligence network may be the best way for top management to avoid getting caught in an internal perspective. The external network cannot be based solely on open sources. It has to include unique sources working on an exclusive basis.\(^{32}\) (Questions nr 25-27)

### 4.5.3 Management Action

Perhaps the most difficult step in the CEW system is to get the management to act in time. Unless action is taken the whole early warning system becomes meaningless. However, it is not entirely up to the management to act on the BI-product that is being presented to them. It is essential that the DCL presents the risks and opportunities in such a way that it convinces the top management to act. Gilad refers to three different types of management action failures;\(^{33}\)

- **Snail Pace Management Style (SPMS):** when the management acts to slowly.
- **Maginot Line Management Style (MLMS):** when the management acts, but not sufficiently enough to stem the risk or take advantage of opportunities.
- **Black Hole Management Style (BHMS):** when management just does not act at all.

In order to overcome problems such as SPMS and MLMS it is important that the management and the CEW team agree in advance that the goal of early warning is not to create management action but to force management awareness.\(^{34}\) Both sides must also be aware about the fact that the aim of the CEW process is not to give top management what they want to know, but what they need to know.

In order to awake as much management response as possible, one should make the deliverables of the CEW in the form of irregular management alerts and regular executive briefings. Therefore it is essential that the DCL work in a close relationship to top management. Also, the CEW reports should never contain only data, but be professionally written, enlightening major issues as well as short and consist. The reports should contain analysis, interpretation of reality, and prediction of things to come.\(^{35}\)

Then, the test of management is in actually using the process of CEW to change the way of making decisions involving the future of the company. (Questions nr 28-30)

\(^{31}\) Gilad, 2004, p.123  
\(^{32}\) Gilad, 2004, p 167  
\(^{33}\) Gilad, 2004, p. 136  
\(^{34}\) Gilad, 2004, p 141  
\(^{35}\) Gilad, 2004, p 158
4.6. Previous studies
There are a number of theses concerning Business Intelligence that can be found through the Swedish university networks. There are also several papers accessible concerning the broadcasting industry, magazines and the media industry as whole using the same research methods. Yet, none combines the two. We have not been able to find any prior research that deals with Business Intelligence within the media industry or the broadcasting industry in particular. We are consequently unable to account for any previous results concerning the matter, nor account for any previous propositions on further studies within this area. We have therefore chosen to conduct our thesis with an exploring approach, introducing the subject to the public!
5. EMPIRICAL STUDY
In this section we will start on a macroeconomic level and present the major external organizations providing the media industry with information. We will then describe the industry drivers that affect the broadcasting industry. This will give the reader an overview of the industry prerequisites and the factors that affect the industry.

We will then use the Competitive Early Warning triangle, CEW, as our base of analysis on a microeconomic level. The triangle will give structure to the empirical data and an overview of the companies’ Business Intelligence. We will start with Risk Identification where we also describe some of the major risks the companies are exposed to on a strategic, operative and financial level. This is followed by Intelligence Monitoring and ended with Management Action.

5.1. Organizations providing BI in the media industry

Business research & analysis
There are different organizations providing research, analysis and statistics on the media area such as Mediamätning i Skandinavien, MMS, Research International and Nordicom (see media monitoring & current awareness below).

The company MMS is owned by a majority of the media industry in Sweden.\textsuperscript{56} They supply the industry with different polls and research within this field. Their main methods are phone interviews; arrange group discussions and mail questionnaires. Their research areas are for example regarding attitudes, images and effects of advertising. They are also responsible for the national people meters (viewer measurement) which are a panel of people that represents the Swedish population television habits.\textsuperscript{57}

\textsuperscript{56} MMS is owned by Sveriges television (42%), Modern Times (42%), TV4 (10%), Kanal5 (2%), Reklamförbundet (2%) and Annonsörföreningen (2%).
\textsuperscript{57} http://www.mms.se
The communication group WPP is the owner of Research International (RI) which is represented in 53 countries. RI's business areas include Sifo media and Tidningsstatistik (TS). Sifo Media works with market investigation and advertising measurements. Sifo Media have different services and products in their portfolio such as ORVESTO® who measures media consumption, media choice and target analyze.

Media monitoring & current awareness

Media agencies and media intermediary
The media agencies and media intermediary provide business intelligence in the industry and offer everything from consulting in media strategy and planning to more specified research such as analysing target groups, media consumption and statistics. There are many players in the market such as Starcom MediaTaktik AB, MindShare Sweden, Mediacom Stockholm Initiative Universal Media and Carat Sverige. The companies have different services and trademark products in their portfolios within the above areas.

NORDICOM – Nordic information centre for Media and Communication Research
NORDICOM is a knowledge centre for media and communication research that collects, collates, compiles and mediates information on the Nordic market. Nordicom is an collaboration between the five countries of the Nordic region - Denmark, Finland, Iceland, Norway and Sweden. The organization has three different business areas: Media and communication research findings in the Nordic countries, trends and developments in the media sectors in the Nordic countries and Research on children, youth and the media worldwide. The different areas work with media statistics, qualified analysis, media ownership, structures of the industry as well as regulatory legislation and “increasing our knowledge of children, youth and media and, thereby, at providing the basis for relevant decision-making, at contributing to constructive public debate and at promoting children's and young people's media literacy”. Their annual publications are amongst others The Media Barometer, The Nordic Media Market and The Swedish Media Market.

5.2. The Industry Change Drivers
The media industry is complex both on the macroeconomic and microeconomic level. The companies have to identify risks and opportunities within technology, new regulations such as political/governmental actions, new social/demographic trends and new competitive behaviour.
### 5.2.1 Technology Drivers

The technology development affects the industry in many different ways, which in time will force the media companies to find other business models in order to maintain their incomes. Examples of such technology are; Personal Video Recorders (PVR), Video-on-demand, IP-TV, and TV via the mobile phones. These items along with other future inventions will most probably affect the advertisement market, the production market as well as the cinema and video market. The consumption of Internet will change all our traditional media sources, even though the transformation has not been as quick as first assumed by many.

As an example; PVR might affect the industry and the advertisement market in the following way: The technology will make it possible for the viewers to skip commercials, which will result in advertisers demanding more broadcasting time for their commercials or cheaper slots, which in turn will threat the incomes for the channels.

In May, 2003, the Swedish government resolved on the digitization of ground-based television transmissions, to be completed by 1st of February 2008. The shut down of the analog ground-based network is perhaps the largest technological change within the broadcasting industry since color-TV. The digital network will make it possible to provide a far greater number of channels to the whole population, increasing the competition on the market.

At TV4 they don’t believe that the changeover to digital networks will have such a huge impact on the channel. Truth is that most people already possess some sort of digital access, and it is only another 30% of the population that need to get a digital receiver.

However, when people actually have to decide their way of distribution, they might choose another media such as IP-TV. Yet, if IP-TV is going to be a success it needs to have some sort of comparable advantage which it does not possess today.

### 5.2.2 Political Drivers

The media industry is built up on an old monopoly, which gives the industry certain characteristics that are difficult to neglect and has to be taken into account when studying its features.

Today, the industry is affected and regulated by the Swedish Radio- and TV law and the Broadcasting Commission. Those companies that are broadcasting via London are directly affected by the British regulations. Many companies choose to broadcast from the UK because their laws permits 15% commercial time per hour where as the Swedish laws only allows 10%. The British laws also make it possible to send alcohol commercials as well as advertising towards children which is strictly prohibited in Sweden.

---

62 Radio- och TV-verket, 2004, p 17
63 Interview with Mr. Winlund at TV4
64 Interview with Mr. Winlund at TV4
The monopoly in Sweden applies to the Swedish television (SVT) and TV4, allowing these channels to broadcast via the analogue network and therefore reach 99% of the population. This obviously affects the other channels since TV4 is able to charge a higher price for advertisement than their competitors. Because of TV4’s monopoly to send commercials via the analogue network, they have been charged a concession fee to compensate for their advantage. However, because the large number of digital TV users today, the fee is about to be reduced.\(^{65}\)

The monopolistic situation has been changing over the last couple of years and is about to completely dissolve because of the shutdown of the analogue network. This will dramatically change many conditions within the media industry. More channels will be allowed to broadcast and many channels are expected to enter the market, both sub channels to existing channels as well as completely new channels. The shutdown of the analog network will also affect the advertisement market since channels such as TV3 and Kanal5 now will be able to reach the whole population compared to their 70% reach that exists today. As a consequence, this will undermine the pricing power that TV4 has been privileged with during the last 15 years. Since the channels charge their advertisers according to the number of viewers, prices for commercial slots will be more evenly spread among the channels.\(^{66}\)

The companies that are broadcasting from London and are prohibited by the UK broadcasting law, Ofcom, have more strict regulations for product placements within shows and programs. To avoid this, many whole shows and programs are produced around certain products and thereby advertise the products indirectly. Today we can see the result of such “grey area” in the Poker business with TV4’s Pokermiljonen and Kanal5 with World Poker Tour trying to advertise the game by making it into a program. Another example of this is Kanal5’s Roomservice, which is entirely made to advertise some painting brands and painting in general.\(^{67}\)

Free-to-air and pay television operations in the market are subject to extensive government regulation. These regulations govern matters such as the issuance, renewal, transfer and ownership of station broadcasting licenses, the timing and content of programming and the timing, content and amount of commercial advertising permitted. There are also regulations requiring that certain percentages of programming be produced in local markets and/or originated in local language. For those television stations established in a member state of the European Union or the European Economic Area, European and independent production quotas also apply. Furthermore, regulations in some of the markets limit foreign ownership of television and radio broadcasters and may limit the ability to increase the interests in local subsidiaries or to acquire interests in new local broadcasting companies.\(^{68}\)

---

\(^{65}\) http://www.tv4.se

\(^{66}\) Interview with Mr. Mannerberg at Kanal5

\(^{67}\) Interview with Mr. Lund at TV3

\(^{68}\) SBS Broadcasting, Annual report 2004
5.2.3 **Demographic Drivers**

Consumer behavior in the media industry is changing at a rather slow pace. Even though there are basically no barriers to change brand (only press a button on the remote) the overall tendencies in people’s viewing habits remain quite unchanged. However, the transfer to the digital network will most probably have an effect on people’s viewing habits. Because of the increasing number of competing channels, many companies will be forced to differentiate themselves and focus on certain segments. Yet, some of the main channels, such as SVT1 and TV4, will maintain their wide focus and will keep their position as market leaders. Supporting this argument is the fact that in countries such as the UK and the United States the main channels have kept their position even though the number of channels available has increased significantly over the last decade. What the main channels in the UK and United States failed to do was to create their own sub channels to cover up for the loss of the more segmented viewers. Both TV3 and TV4 have already started a few sub channels and more are planned to be incorporated into the digital network. There are also rumors circulating in the media sphere that Kanal5 are planning to introduce a new sub channel.

Another factor that will probably affect the viewing habits more than the digital network is the increasing supply of subsidiary products, mainly the Internet. Among today’s youth, the time spent in front of the television has partly been reformed to surfing the Internet. As the broadband and the hardware are getting more and more advanced, the Internet may come to completely overtake the usage of television. However, the tendencies for such a change have been very small, explained by the fact that people are fundamentally lazy.

Other items that affect people’s television habits are the massive expansion of the gaming market that has grown to become bigger than the whole movie industry. New digital boxes also provide TV-on-demand which is basically movie centers on the digital network where you can choose from a selection of movies starting every 15 minutes, paying by debiting your television bill.

New trends among programs and shows are constantly changing and are mainly determined by the American market. At TV4 they are well aware that the trends in peoples preferences changes continuously. Before, the trend just to be self-humiliation shows such as Big Brother. Now the trend is more towards feel-good TV with lots of dance- and make-over shows.

---

69 Interview with Mr. Mannerberg at Kanal5
70 Interview with Mr. Mannerberg at Kanal5
71 Interview with Mr. Winlund at TV4
72 [http://www.aftonbladet.se](http://www.aftonbladet.se)
73 Interview with Mr. Lund at TV3
74 Interview with Mr. Winlund at TV4
5.2.4 Competitive Drivers

The free-to-air and pay television stations operate in highly competitive markets and face significant competition from established and new competitors. The stations compete for audience, programming and advertising revenues with other free-to-air and pay television services in their respective markets. The competitors include both privately-owned companies and government-owned or government-supported market participants. In addition, the companies increasingly include market participants with interests in multiple media and distribution platforms and some of the companies are part of larger cooperation that has substantially greater financial resources than others.

Some compete with non-commercial, publicly-owned television stations for viewers and programming, but not for advertising revenues, while TV3, TV4 and Kanal5 competes with commercial television stations for viewers, programming and advertising revenues, and with other pay television stations for viewers, programming and subscription fees. For advertising revenues, the free-to-air television stations also competes with other forms of advertising media, such as newspapers, magazines, outdoor advertising, TV-shopping services, on-line advertising and direct mail.75

The ability to compete successfully depends on a number of factors, including, in particular, the ability to secure popular programming, the ability to achieve high distribution levels and subscriptions and the ability to generate advertising revenues.76

As mentioned before, the market is heavily affected by the old socialistic market structures, such as some of the company’s monopolistic positions, giving them a competitive advantage in comparison to the smaller actors on the market. Companies such as MTG and SBS broadcasting have been lobbying for more justified market conditions for a long time but the process of banning this market structure has taken its time. On the contrary, TV4 is also working for more justified market conditions since the company has been paying a rather large concession fee for its right to broadcast via the analog network, a fee that is based on the advantage the company possessed 14 years ago.77

But the transfer to the digital network will automatically solve these issues, giving all actors on the market similar conditions. Yet, the long lasting monopoly has put SVT and TV4 in a superior position that they are very likely to maintain after the shutdown of the analog network.

The latest tendencies on the market are showing that the inferior sub channels are increasing rapidly in popularity.78 This confirms the indications that people’s television habits are becoming more and more segmented into each individual’s specific area of interest.

---

75 Kanal5, Annual Report 2004
76 Interview with Mr. Winlund at TV4
77 Interview with Mr. Winlund at TV4
78 http://www.mms.se
The industry is driven towards consolidation and structural changes which will encourage new mergers and acquisitions on the market. For example, in order to prepare the industry for the future, the broadcasting industry is likely to cooperate with mobile operators, computer manufactures and the film industry in order to produce multifunctional products that can meet the futuristic demand.\textsuperscript{79}

\textsuperscript{79} Interview with Mr. Lund at TV3
5.3. **TV3**

Within Modern Times Group there is no department for Business Intelligence on a corporate level or on the different business areas such as pay-TV. The Business Intelligence occurs on corporate level by a Director of Competitive Learning, DCL. Organizationally, the DCL work as a stab function which extends horizontally over the different business areas. The DCL rapport and work closely together with the top management at MTG, as well as the CEO in each country and specific business area.

In addition to this work the DCL is responsible for discovering threats, opportunities and trends in the business environment. The DCL’s main task is to analyze the total business of the Group compare to other companies as well as searching for bottlenecks, what prevents growth and the complete value chain of the competitors considering their strengths and weaknesses. It is also the job of the DCL to analyze how all this information will affect the own company.

Modern Times Group has experience of trying to set up a Business Intelligence department with three full-time employers in London. Their responsibility was to observe the media landscape, threats, opportunities and trends. But the pilot project did not work at a satisfactory level and MTG decided to end the project.

Mr. Lund, the DCL at TV3, does not encourage a separate department for BI or a CEW system. Neither does he not promote a structural, organizational and well function report system, because he thinks this can make the working process locked up within certain barriers.

Building up a well functioning BI system takes much effort and time as well as maintaining its structure, says Mr. Lund. It demands that both the sender and the receiver knows what information should be delivered, in what way it should be delivered as well as making sure the information is being received by the right person. In order to successfully operate an internal BI system and produce a surplus to the company an overall understanding for the work must be imprinted within the organization where the culture, the management and especially the DCL are crucial success factors.

5.3.1 **Risk (and opportunities) identification**

The board of directors (BoD) and DCL are responsible for the risk and opportunity identification. The BoD work systematically with risk identification and has a well developed system for proactive risk monitoring. Every quarter they invite a professor in macroeconomics to discuss and analyze the economical drivers, for example the business cycles and interest rate, and how this can affect the industry and the broadcasting Group.

---

All data is interpreted information from the interview with Mr. Lund and Mr. Hermansson at MTG
Mr. Lund is working mainly on ad-hoc basis and assignments from different principals within the broadcasting group. In addition he analyzes the industry changes drivers and how it can affect the company.

The company use scenario planning only in special cases to compare different effects and consequences of a decision in order to estimate its implications. When the company is working with scenario based planning, the calculations must be based on numerical results specified down to details where various scenarios are calculated and compared, both results and key numbers before decisions can be made. This is a more advanced and specific form of scenario planning referred to as war gaming.

**Strategic risks**
At MTG, they are rather confident that there are limited amounts of strategic risks in the short run unless great structural changes in the distribution network occurs causing the channel difficulties to reach out to well-established business units on the television market. In the long run there are obviously large risks concerning the advertisement market. With many new channels entering the market, more companies will fight for the commercial revenues causing the prices to drop. At the same time the market tends to become more segmented, making it difficult to reach the same size and width of the population.

The management must also estimate the advertisement market for the upcoming year, since many of the commercial slots are sold on a contract basis several months before they are about to be broadcasted. The issue concerns how much slots should be sold as contracts and how many should be sold throughout the year for a spot price which is normally about 30% higher.

Political decisions are always a concern within the media industry, especially when the whole structure of the market is about to change. Many new ways of distribution forces the government to find new ways to collect television taxes. Also, new TV licenses within the digital network might call for political interference.

**Operative risks**
The major concern on an operative level is the large investments in shows and programs. It is not unusual within this industry that the investments turns into flops and the company loose a large amount of money. The own produced shows are normally more expensive and therefore the more risky ones.

**Financial risks**
The financial risks include the pay-back plans of larger loans, re-evaluation of assets, as well as horizontal and vertical mergers. To start new channels calls for large investments, which are more than likely to take place in the future. New small channels undertake much more risks than the already established channels.

Also, the advertisement market is very sensitive to business cycles. The company must be able to offer a good reach and spread across the population in order to keep their clients during the next recession.
Indicators
Mr. Lund is working continuously with staying up to date with everything involving the media industry. His information sources are everything from continuous industry reports, industry statistics, industry press, and economical reports such as business cycle analysis. He analyzes information from companies such as Media Vision, IRM, MMS, business magazines as well as the Internet in order to stay updated.

When analyzing the competitors, numerical information plays a central part. From these numbers together with other sources, the company can estimate what their competitors are capable of. In terms of internal problematic situations affecting certain business areas, the DCL turns to analysts in those departments. In general, most of the information is collected through sales staff, customers as well as media agencies. The sales staff is working at the front line directly towards the customers and is therefore a very important source for updated information.

5.3.2 Intelligence Monitoring
Within MTG, the DCL is responsible for the whole business group’s Business Intelligence and is granted access and ease to all information. The expertise is collected by the DCL from each business area or from the experts from each specific area. Within the broadcasting area, the sales-, program- and the research department have a great responsibility for environmental scanning and collecting information, where the analysts plays the main role. Specifically at TV3 there is a sales analyst, an advertisement analyst, a program analyst and viewing analyst.

*The sales analyst* is working with optimizing the profits by analyzing and estimating the program market. He/she works hands-on and systematic information collection is made on a continuous basis. He/she knows what contracts the channel possess, who is interested, and who they lost as well as the price level for various programs at certain viewing times on the market.

*The advertisement analyst* is responsible for calculating and estimating the advertisement storage, pricing and sales of slots, both internally and externally towards competing channels in order to maximize the revenues. He/she knows what deals that has failed and can therefore calculate who got the deals instead and why. It is crucial that the advertisement analyst knows when the competitors sell out, or when their price is dropping.
For example, if a competitor has filled its commercial slot capacity the own company has an opportunity to charge a higher price for its commercial slots. Or if the competitors have commercials waiting for slots in storage, the company may drop their own prices.
The program- and viewing analysts are working systematically to scan the follow up programs, shows, ratings and time slots for various program categories and what days in the week they ought to be broadcasted. They are responsible for the program tables, and are working with the aim to have a stronger product than the competitors in order to gain higher ratings of viewers. They also have to consider that the programs are supposed to compensate each other to represent certain categories and reach all the segments at the correct broadcasting time as well as making decisions concerning access time- and prime time broadcasting.

**Alerts (information distribution within the company)**

The DCL is reporting directly to the top management at MTG, the CEO in each country as well as the managers of each specific business area. The DCL does not work on a systematic distribution of information, but informally and on an ad-hoc basis.

Mr. Lund claims that the distribution of information is rarely emergent since the effects of certain decisions will not be viewable within a year and a half. When he discover something interesting that could possess a threat or opportunity concerning a certain business area, he contacts the responsible for that business area as well as the CEO in order to discuss the matter. The top management and the sales department have weekly meetings in order to discuss and distribute information of this character.

**5.3.3 Management action**

When decisions are to be made concerning the sale of advertisement slots for the upcoming year, the DCL must analyze the business cycle and estimate the demand for commercial slots. If he believes that the demand will be high, the company will try to decrease the amount of contract deals for slots, because these slots are sold at a lower price then the spot deals for slots. Therefore the company can sell a majority of time slots for a spot price which is normally 30% higher. As long as the demand is correctly estimated, the company will increase their commercial revenues by taking these actions.

MTG has identified and organized different risks in different categories such as interest-rate risk, credit risk, currency risk, liquidity risk and market risk. These risks are then estimated using probability and consequence methods to calculate the exact risks for certain scenarios. This method allows the top management to produce proactive response plans to all the possible risks.

Within the company, the top management reacts rapidly and adapt quickly to changes in the environment, according to Mr. Lund. In comparison to the sales manager is his work very abstract and can’t be formally described, says Mr. Lund. There are no numerical results and it is hard to estimate whether ha has done well or worse, which makes it hard for other people within the organization to adopt the BI way of thinking, he continues.
5.4. TV4

At TV4 there is an information department that is responsible for environmental scanning, internal communication and processing information from and to external sources. Within the department there are eight people working with external information processing, handling everything from receiving information about the market, the competitors and political discussions, to give out information about programs, advertising the brand and sponsoring, as well as making sure the information that leaks out to the public is correct and accurate.

There are another two people working with the internal communication within the company, including Mr. Winlund, our information source. Their job consists of working together with the head of each department as well as with top management concerning issues that concerns the whole company. Any trends, problems or risks that are discovered within each department are reported to the information department. Any larger concerns where decisions must be taken are obviously sent to the CEO and the board members. It is also possible to go directly to the CEO with the information, but this only happens on rare occasions.

The company also operates a rather well developed Intranet where information about the industry, the business environment and the organization can be accessed by everyone. It is the policy of TV4 that information should be available for everyone within the organization. The CEO and the BoD receive information about the environmental scanning and how it might affect the company in daily summarized reports.

5.4.1 Risk Identification

At the interview with TV4 we asked them to identify the major risks that the company is dealing with at the moment at different levels within the organization. Some of the risks can be broken down to the day to day operations and other risks are larger concerns discussed by the Board of Directors and the CEO involving the future outcomes of the company.

Strategic risks

The major strategic risks discussed by the management at the moment concerns the saving plan that the company has decided to enforce within a three year period. The aim is to reduce some of the personnel and reallocate certain expenditure in order to operate more efficiently. However, redundancies are always a concern within most companies, and the saving plan involves reducing the staff with 100 to 150 people, a rather rash cut for a company with 850 employees. The plan is to cover some of the losses caused by the expected price drop in advertisement slots as well as a greater focus on producing attractive programs in the future.

81 All data is collected and interpreted through an interview with Mr. Winlund, Information TV4
There are many political factors that may affect the company’s future, especially since TV4 has been operating as a public service channel with many political influences. With new market conditions created by the closure of the ground based analogue network, many issues are expected to be discussed in the political arena, including television taxation, broadcasting rights as well as advertisement regulations. TV4 have a legal department who are assigned to influence the politicians to obtain more favorable broadcasting regulations.

Another issue is to discuss what direction the channel should develop in the future. The technology within the media industry is rapidly changing and the broadcasting companies are starting to look around for alternative sources of income to prepare themselves for such futuristic changes. Such discussions include whether TV4 should provide IP-TV and in that case, when to introduce such a project.

**Operative risks**
The main operative risk at TV4 is, similar to TV3 and Kanal5, the investments in unsuccessful own-produced programs. One could wonder why the channels do not focus on bought programs that already been tested on, for example the American market, since they are normally much less expensive. Yet, the own-produced programs are important for the channel to promote the brand and create a brand identity. Also, setting a new trend through a successful program idea can turn out to be very profitable, and the idea can be sold to other broadcasting networks around the world.

Another operating feature within TV4 that could indicate problems are the fact that changes in the program chart are made at a slower pace than within TV3 and Kanal5. This is motivated by a larger belief in their investments according to Mr. Winlund. But also, a larger organization such as TV4 takes more time to process changes.

**Financial risks**
Normally, commercial slots are sold in advance for the upcoming year. Many of these are contract based deals reaching over an annual period. The demands for these contracts are heavily affected by the state of the national economy. At TV4, these contracts represent 65% of total income. In a good economical period where the demand for commercial slots is high, more slots should be sold at a spot price and less as contract deals.

As people’s television habits are becoming more specific and personalized, the larger broadcasting companies tend to start sub channels focusing on certain segments in order to keep their large reach. TV4 has already 4 sub channels; TV4 fakta, TV4 film, TV400, and TV4 plus, and have plans to start a few more. However, there are rather large risks involving new channels and the investments could easily fail if the demand for such a channel is miscalculated.
Indicators
At TV4, the information department processes all kinds of trend indicators. There are 10 people working within this area with the main task to obtain and supply information, both internally and externally. To obtain external information the company owns 10 percent of MMS as well as buying information from MediaVision. Internally, information is communicated through an intranet that also gives reports on environmental scanning. The information department is responsible to follow all trends within the industry as well as analyze how certain changes may affect the company in the future. Each department reports regularly to the information department, which in turn scan and analyze the information.

5.4.2 Intelligence Monitoring
The information is normally summarized in briefings to the CEO and the BoD. The information department works closely with the CEO through the head of information, who is also a member of the board. The operating risks must be dealt with continuously. There are always risks involved when introducing a new program or investing in a new show.

Strategic risks contribute to a much larger concern within most companies. TV4 has acknowledged many of the changes that might take place within the next 3 years, and how the company will respond to these. Various scenarios have been on display when trying to estimate how the prices of commercial slots will affect the company. It is calculated that the expansion of the digital network will make the prices of advertising decrease with 3% since other channels will be capable to reach the same population. At the same time the concession fee will be abandoned and major reductions of staff will prepare the company for next economical regression. TV4 has approximated that by maintaining their broad perspective of programs, aimed towards a large population in all ages, they will be able to charge a higher price for their commercial slots than its competitors. When the population is generally moving towards more segmented channels, TV4 hope to compensate their loss of viewers by starting up more sub-channels.

Alerts
The Analysts working at TV4 are very good at estimating future trends, says Mr. Winlund. Therefore, problems are normally dealt with in a proactive fashion. Yet, estimating the number of viewers for certain programs can be easily calculated because of the huge amount of data available. At TV4, the alerts that are processed to the management are more of a strategic or financial nature. Major issues within the company at the moment is the debate concerning the concession fee, political involvement in the industry and how to operate the company as efficiently with a large redundancies of employees.
Essential information that is reported to the information department is presented to the CEO and the BoD through regular briefings and irregular notifications. These alerts normally involve analyzes of possible scenarios and future outcomes. It is then in the hand of management to take decisions concerning the issues. Being a rather large company operating in the media industry, information tends to leak to other media. Instead of trying to prevent this, TV4 attempts to insure that the information is correct or that it is information that the company purposely leaks. It is the responsibility of the information department to deal with all contact with other media.

5.4.3 Management Action

Even though the advertisement market is looking very strong at the moment, there are clear indicators as well as historical evidence showing that this will heavily decrease in the next regression. TV4 is very dependent on its commercial revenues and cannot in its current state operate an efficient business in a regression period. Therefore, a decision concerning a redundancy plan has been taken. Up to 150 employees must leave the company depending on which effect the shut down of the analog network will have on the advertisement market.

It has been estimated that the prices of commercial slots might decrease up to 3 percent, which is considered affordable as long as the concession fee is abandoned. If the decrease is larger than 3 percent, TV4 will find themselves in financial difficulties as long as they operate under Swedish law. The difference is that according to Swedish law, only 10 percent of the broadcasting time may consist of commercials, whereas in most other European countries 15 percent is permitted. The extra 3 minutes of advertisement per hour accounts for a massive amount of commercial incomes.

In order to strengthen their position when the competition is increasing, the management has decided to invest further 230 MSEK the upcoming years in their product. This is primary an attempt to ensure their advertisers that TV4 will continue to reach a large population as well as a large width of the population. The channel is determined to maintain their direction with a broad variety of programs that is suitable for all ages. When the consumer habits tend to move towards more segmented channels, TV4 will try to compensate for this by starting a couple more of their own sub-channels. The latest thought is to start a channel competing with SVT’s SVT24, broadcasting from political debates and main issues concerning the population.

Another issue on the agenda is to decrease the dependency on the long-term advertisement contracts which at the moment represent 65% of total income. Since these contracts are very sensitive to the market fluctuations, TV4 wish to reduce these contracts to represent only 50% of total income and therefore become less dependent on the business cycle and the state of the national economy.
The information department cooperates with top management to find solutions for various risks. Because of their close communication, feedback is continuously going back to the information unit. If the information is relevant and affect any specific departments within the organization, their stab will be notified as well.
4.5 KANAL5

Kanal5 does not have a strict BI unit working with business intelligence solely. In order to cope with this area of their organization they have regular evaluations of threats and opportunities with each department within the organization.

The organization is divided or decentralized into several fractions, each dealing with different areas of expertise. Each fraction then collaborates within the organization in order to get information from each other of possible threats and opportunities that might not be directly linked to their specific area. At formal and informal meetings issues concerning the entire or parts of the organization is being discussed and dealt with. Kanal5 consider this strategy to be most efficient, and it depends solely on the assumption that each and every individual possess the ability to pass on relevant information to each person concerned. Our information source, Mr. Mannerberg, stated many advantages of this strategy as the organization is rather small, with quite few employees as a primary reason. Another reason that Mr. Mannerberg stated is the transparency and informality that imbue the organization as a whole, enabling them to achieve their objective concerning BI.

Kanal5 is a rather structured organization with regular meetings with high employee participation. The future trends, risks and opportunities are identified by every individual within the organization. Since Kanal5 according to Mr. Mannerberg is being such a transparent, open and innovative organization, these potential concerns are dealt with continuously. If any member of the organization detects any of the factors above, the employee has to make a judgment of the importance of the information possessed, and then pass it on to the person or department it concerns. The fact that Kanal5 is a fairly small company with a rather few number of employees (approx. 100 compared to TV4 that has about 850) makes the process of passing information within the organization a lot smoother. Fewer people have to be contacted, they have easy access to each other and thus the organization is constructed for interactive actions.

5.4.4 Risk (and opportunities) identification

Each department within Kanal5 deals with and tries to identify risks independently. The biggest part of the risk identification process is being dealt within the company as a whole. The risks each department identifies are being reported to the local manager at different formal or informal meetings. The managers then pass on the information, if it’s considered relevant, to the other managers heading other departments and to the CEO. The issue is then analyzed by the managing directors which process the information in a relevant way.

---

82 All data is collected and interpreted through a interview with Mr. Mannerberg, DCL at Kanal5
The analyst group, dedicated to investigate success or failure of the programs shown, is claimed being very efficient when dealing with the direct rating results. The objective of the analysis lay in the production of qualitative information about the TV-shows broadcasted, its success factors, or reasons for failure. This step of the process, being executed at an extraordinary rapid pace, enables Kanal5 to cancel efforts that are turning out disastrous as well as promoting projects which are successful. Loss of viewers will cause an economical loss when sales of commercial slots are quickly reduced.

They use scenarios in a general kind of way. Or accordingly, nothing is being done without specific investigations of possible scenarios. Kanal5 make use of scenario planning in their top managerial strategic process. Every managerial act is being processed with the consideration of plausible competitor moves, and every possible scenario derived from any strategic move is being considered in order for Kanal5 to be able to act in a rational and effective way towards their competitors.

Kanal5 exercises random scenarios of potential crisis on a regular basis. A consulting bureau makes up possible scenarios of potential threats which the organization then has to find the solutions to in order to practice for future crisis. Extensive analysis is then executed from the outcome, how the company was affected, how the threat was dealt with, and general conclusions on the organization’s risk management.

**Strategic risks**
The strategic risks listed below, are considered by Kanal5 to have plausible effect in a rather distant future, approximately 5-10 years ahead. The first threat mentioned was the future addition of several broadcasting channels. A significant number of small channels have recently been started and thus are competing for the advertiser’s money. These channels do not have the penetration of the major channels, but as the digitalization process continues, their penetration is growing with it. However, these are considered to be of a medium threat since Kanal5 is a major actor on the broadcasting market, rather unaffected of new competitors according to Mr. Mannerberg. Substitutes such as the Internet or new technology PVR’s are not considered to be any threat of magnitude simply because it requires a radical change in consumer behavior, which is regarded as unlikely.

Some concerns about the new owners (KKR and Permira) of SBS, which in turns owns Kanal5, was mentioned in the interview. Mr. Mannerberg claimed that there was a potential risk regarding new owner management but that the circumstances related to the “takeover” was too uncertain in order to be able to draw any realistic conclusions from it. KKR and Permira might have tremendous influence on the channel if deciding to sell the company to a competitor. But Mr. Mannerberg believes that there would be little or no affect at all caused by the new owners. The reasons for this was stated as a result of the already relatively well financed organization being cost efficient needless of cutbacks.
Operative risks

Mr. Mannerberg indicates that there are potential threats concerning future trends. A change in future viewing habits is only a threat in the case of Kanal 5 not being able to keep up with its surroundings. The shift in trends is closely related to the threat of airing the wrong show at the wrong time. But a shift in trend will affect the company since the entire spectra of TV shows shown are derived from the current trend.

The major operational risk according to Kanal 5 is to broadcast the wrong show at the wrong time. This has proven to be quite disastrous, with in some cases, long term consequences. The risk is even greater if an own-produced program is broadcasted and ends up with very low rating, since own-produced are costly. Example given is “Hotel Seger” and “Master Plan” which were rather large and costly productions that failed miserably.

Since the TV industry is subjected to close investigation from other medias such as the tabloids, it is crucial to cast people for programs that posses a certain degree of manners. “Big Brother”, one of Kanal 5’s more expensive and popular TV shows, made the mistake to cast individuals with rather questionable characteristics and past. As a result, Kanal 5 lost one of its major sponsors for that particular show. Various scandals are only favorable to some extent, it creates attention to a certain degree but a line has to be drawn when the company brand can be damaged.

Financial risks

There is a potential threat that the transition to the digital terrestrial network will turn out unfavorable to Kanal 5. People switching systems might choose other options that automatically exclude Kanal 5. People might not have access to Kanal 5 depending on their digital solution which is a risk Kanal 5 is well aware of.

Another risk is the growing supply of TV shows available to download, legally and illegally through the internet. Popular TV shows that are bought by Kanal 5 might be the subject of downloading and therefore loss of viewers. Loss of viewers is indirectly affecting the revenue since advertisement demand decreases.

Kanal 5 is depending on so called “third-party operators” which in turn operates different technological systems related to the company. Cable- and transmission systems, as well as satellites are responsible for the airing of Kanal 5s’ TV- shows. In any case that these operators would not, for any reason, be able to fulfill their commitment, it might be hazardous to Kanal 5 financially since they would not have any products to sell. The dependency of “third-party operators” and the dangers related to it is further enhanced by the digitalization process since the development of Kanal 5s’ expansion is dependent on reaching a greater number of people.
Indicators
Kanal5 receive and analyze information from MMS, which they partly own, and other external media sources that provides immediate indicators of program popularities and the TV-ratings. Information is also provided about the features of the viewer, which serve a great purpose when promoting the channel to various advertisers. Ratings function as a base of the commercial sales.

The detection of future trends, risks or opportunities are monitored by the constant updates of the media flow. Newspapers, radio, newsletters and the internet are all sources of information which has to be analyzed and an opinion has to be made whether it has any potential relevance to Kanal5.

5.4.5 Intelligence monitoring
Kanal5 use Sifo Media and other external organizations providing information of future trends and information. The decentralized organization allows people through several channels, such as the intranet or formal- or informal meetings, to spread relevant information throughout the organization. Yet, monitoring is performed at different levels with different time spans, throughout the organization.

Kanal5 is subject to the problem of information gathering. The media industry as a whole and specifically the TV-industry is monitored intensively which results in an overflow of information. Kanal5 has to select the information that they consider relevant within every area of their information gathering process. This is dealt with, partially by experience of trial and error and also by the fact that the entire staff is involved in the information gathering process. This enables Kanal5 to retrieve vast amounts of information which is then analyzed individually and in groups.

Alerts
Future trends, risks and opportunities are, when detected, considered in a business model as a derivative to a multitude of factors. If it turns out to be considerable, these factors are dealt with either independently or by the group of managers during the meetings described above.

The managers and the CEO are also engaged in the identification process, not only as decision makers but also as active participators in the process of environmental scanning for future risks and opportunities.
5.4.6 Management action

Kanal5’s ability to act in time is based on the company’s awareness and attentiveness. They consider themselves to be flexible and thus able to respond effectively to any opposing threats or opportunities. Information is passed to managers and the CEO through the various levels of the organization at a very rapid pace. Managers are able to pass directions and orders downwards at a similar rate. The CEO has the responsibility for the company operations and every decision concerning operative risk of any greater magnitude has to be dealt with by the CEO.

Forcing management to become aware is, according to Mr. Mannerberg, not of any considerable concern at Kanal5. Due to the small size of the organization and the fact that they work closely together makes managers attentive to their co-workers. Issues are being able to be brought to attention efficiently and generally every situation is looked upon with mutual accord.

Regular briefings are done consequently and informally as stated above. In a decentralized organization such as Kanal5, these meeting tend to form the basics of the day to day operations to run smoothly. Irregular alerts are dealt with ad hoc and the regular crisis exercises prepares for these kinds of events. The overall cultural aura of Kanal5 enhances the organization’s ability to deal with any unforeseen turn of events or irregular alerts.

Mr. Mannerberg states that Kanal5 is not concerned with the potential or current threat of smaller competitors. Further he states that ratings show that approximately 85-90% of the viewers watch the three major channels along with SVT1 and SVT2. Therefore, he believes the threat of new competitors is insignificant and that no future venture in additional TV-channels is necessary for Kanal5.
**Figure X, summary of empirical data.**

<table>
<thead>
<tr>
<th>TV3</th>
<th>TV4</th>
<th>Kanal5</th>
</tr>
</thead>
<tbody>
<tr>
<td>- hierachical org.</td>
<td>- decentralized organisation</td>
<td></td>
</tr>
<tr>
<td><strong>Risks</strong></td>
<td><strong>Identification:</strong></td>
<td></td>
</tr>
<tr>
<td>- DCL</td>
<td>- high employee reliance</td>
<td>- high employee reliance</td>
</tr>
<tr>
<td>- Information department</td>
<td>- Important analytical group</td>
<td>- Important analytical group</td>
</tr>
<tr>
<td>- Intranet</td>
<td>- External expertise to all employee</td>
<td>- Use scenarios generally</td>
</tr>
<tr>
<td>- Information available</td>
<td>- Scenarios in certain cases</td>
<td>- Crisis Scenario games</td>
</tr>
<tr>
<td><strong>Strategic</strong></td>
<td><strong>Operational</strong></td>
<td><strong>Financial</strong></td>
</tr>
<tr>
<td>risks</td>
<td>risks</td>
<td>risks</td>
</tr>
<tr>
<td>- Structural changes in the distributional network</td>
<td>- Unsuccessful TV show</td>
<td>- Loans</td>
</tr>
<tr>
<td>- Saving plan</td>
<td>- Unsuccessful TV show</td>
<td>- Slot supply/demand</td>
</tr>
<tr>
<td>- Political factors</td>
<td>- Slower pace than competitors</td>
<td>- transition to DTT</td>
</tr>
<tr>
<td>- Direction of the channel</td>
<td>- Unsuccessful TV show</td>
<td>- Peoples viewing habits</td>
</tr>
<tr>
<td>- Threat from new owners</td>
<td>- Bad casting</td>
<td>- Downloading</td>
</tr>
<tr>
<td><strong>Intelligence</strong></td>
<td><strong>monitoring:</strong></td>
<td><strong>Mergers</strong></td>
</tr>
<tr>
<td>- Sales analysts</td>
<td>- Sales analysts</td>
<td>- Horizontal &amp; Vertical mergers</td>
</tr>
<tr>
<td>- Sales analysts</td>
<td>- Summarized reports to CEO</td>
<td>- Third party operators</td>
</tr>
<tr>
<td>- External organisations</td>
<td>- Employee participation</td>
<td></td>
</tr>
<tr>
<td><strong>Management</strong></td>
<td><strong>Action (MA):</strong></td>
<td></td>
</tr>
<tr>
<td>- Decrease/Increase slot supply</td>
<td>- Start additional channels</td>
<td>- Open organisation allowing</td>
</tr>
<tr>
<td>- Probability &amp; Consequence</td>
<td>- Maintain broad perspective</td>
<td>- Investments information to be passed</td>
</tr>
<tr>
<td>- Supervising the national economy</td>
<td>- Decreased dependence on</td>
<td>&quot;upward&quot; and &quot;downward&quot;</td>
</tr>
<tr>
<td>- Open organisation allowing</td>
<td>long term contracts</td>
<td></td>
</tr>
</tbody>
</table>

- **Intelligence monitoring:**
  - Sales analysts
  - Sales analysts
  - Summarized reports to CEO
  - Employee participation
  - Some scenario planning

- **Management Action (MA):**
  - Start additional channels
  - Maintain broad perspective
  - Decrease dependence on long term contracts
6. ANALYSIS

In this chapter we will discuss and evaluate the information obtained through the interviews and by researching the area. First, we will analyze how the companies their BI activities operate according to Gilad’s CEW triangle. We then analyze the various trends within the broadcasting industry and how the companies prepare themselves for these changes. We will also point out where the companies differ from each other within various areas and why they have chosen their specific course of action.

The CEW system applied to the processes within the studied companies.
One of the main objectives with our thesis implied testing the CEW theories against the way in which the companies manage their risks. Because of the logical and simplistic nature of the CEW system, our rather expected findings concludes that the companies all operate an Early Warning system in a similar fashion to the deducted theories. Risk identification is dealt with on a continuous basis within all the three companies. On a negative note, TV3 and Kanal5 have only one person responsible for the distribution of information. This could indicate a narrow perspective according to Hamrefors theories of the various environments. (see chapter 3 for details) People act in their enacted environment and might overlook problems in their contextual and remote environment when scanning for trends, risks and opportunities. This problem may partly be overlooked since the DCL within TV3 and Kanal5 work very closely together with the directors of various departments as well as top management, giving them a rather wide perspective of relevant issues. They also use many external sources to obtain information about the industry and affecting industries.

The company culture has a significant part when processing information. We have discovered that TV4 and Kanal5 have very similar business cultures, emphasizing an internal openness, and in the case of TV4, also externally. We believe this is a great advantage when searching for information and analyzing the business environment. TV3 operates very differently in this aspect. They tend to promote a rather close and secret business climate which could cause the company to think and act homogenously. We believe that the risk identification process could suffer grave consequences for such groupthink.

Risk monitoring is carried out at all levels within the companies. Each department has an analyst or a representative that monitors and reports relevant information within their area. This information is normally analyzed by the DCL or the information department which in turn reports to the CEO or top management. The companies have all very strong analytic abilities, both at the sales departments and the information departments, demonstrating advanced methods of monitoring risks and opportunities. This is conducted very similarly to Gilad’s theories of risk monitoring. (see chapter 3 for details)
Business Intelligence in the Swedish broadcasting industry

Is slow-pace management action a concern within the media industry?

Business intelligence is often carried out and analyzed sufficiently in most modern organizations. However, the main problem appears to be the top management’s incapability to act proactively upon the early warnings and opportunities conducted by the BI analytics. The impression we gained through the interviews was that the management action failure is not very applicable to the media industry, but is more adaptable to large cooperation such as the fortune 500. Within the studied companies, the BI analyst or the information department works very close with top management. The companies operate with an open door policy where any concerns can be dealt with directly with the CEO. At TV4 the Information Director is a member of the Board and therefore directly influences the major decisions concerning the company. The CEO and the Board of Directors seems to value the information analyzed by the BI analysts and action appears to be taken quickly when necessary. We have therefore drawn the conclusion that the typical problems concerning management action in the BI process cannot be applied to the companies studied or in the media industry as a whole.

The concept of operating a BI unit within the organizations is a great idea, but can only be applied to companies that are big enough to have a specific BI department. Therefore, this specific feature is more applicable to companies such as Volvo, Ericsson and Tetra Pak than to relatively small companies to which we focus our research. In general, the companies we have studied have a culture that implies a modern way of thinking. It appears that each individual is less locked to certain areas and has an overall understanding of the business as a whole. This is a huge advantage when inducing the BI-process in a company. Yet, the Business Intelligence could operate more efficiently if everyone would understand its meaning and benefits.

The business is subject to significant, rapid changes in technology.
The media industry is experiencing rapid and significant technological changes that will result in alternative means of program and content transmission. The implementation of systems other than analog terrestrial broadcasting, including digital terrestrial broadcasting, digital cable and satellite distribution systems, could adversely affect the business. The timing of the further development and implementation of these technologies is not fully known and we cannot predict the effect of such technological changes on the companies, nor can they predict the stations’ ability to obtain any additional rights to broadcast if such additional rights should be required under any relevant regulatory regime, or their ability to secure and maintain access to existing and future distribution channels controlled by third parties. Accordingly, they may be required to expend substantial financial resources to acquire, develop or integrate new alternative technologies for distribution of our services and new distribution systems may require us to acquire additional distribution and content rights.

---

83 Widen.H, Journal of competitive intelligence and management
We expect future political decisions that will affect the broadcasting industry. As the digital network is changing the structure of the broadcasting industry, TV4 is trying to become more independent from political legislations. The concession fee can hardly be motivated when all channels are able to reach the same population. Decisions have finally been taken to reduce this fee increasingly up to January 2008 when it will be completely abolished. Neither can it be motivated why some channels must operate under Swedish law while others can choose to broadcast from countries where these laws can be avoided. The law mainly concerns the commercials percentage of total broadcasting time and alcohol polices in commercials as well as product placement in programs. Since regulations can easily be avoided by broadcasting via other countries, and therefore undermine the purpose of the laws, we expect that these laws will become more homogenous in between the European countries. It is possible that each country will be required to adapt to general EU regulations in order to solve this issue.

The industry develops towards synergetic integration. MTG’s involvement in multiple media markets in multiple territories provides the Group with unrivalled potential for realizing synergies and achieving economies of scale in areas such as content acquisition, cross-promotion, distribution and sales. MTG owns and integrates the full media value chain, from content through distribution to sales and services, which enables the Group to maintain a highly efficient, flexible and innovative approach to all of its businesses. The media industry is driven increasingly towards vertical and horizontal integration. The synergies and the value added created by controlling all the steps of the value chain, from production of programs, to platforms and satellite distribution is a tendency we believe many of the broadcasting networks will cooperate into their businesses. The phenomenon concerning in-sourcing is very new within many industries but perhaps more evident within the broadcasting industry than others. MTG has a great advantage through their own platform, giving the company unlimited restrictions when introducing new channels. The greatest tendency among the existing broadcasting companies facing the new industry changes has been to start up new diversified channels. The initiation costs are rather low since the technological equipment and knowledge already exist within the companies. Also, possessing a number of channels gives the companies an opportunity to spread their risks across the channels and broadcast the programs and shows that has been paid for but put on hold and therefore increase their program investment efficiency.

The companies rely on external sources for providing an attractive program chart. The revenues are substantially dependent upon having access to a sufficient supply of attractive programs on economically acceptable terms and conditions. Also, in compliance with local regulations, the companies are required to achieve specified percentages of domestic content in some markets, which necessitates the production of local programs for specific domestic markets. The companies currently purchase programming under the terms of various program license agreements, and co-produce certain programs in order to satisfy our local programming obligations.
If they cannot maintain the quality of programming, the subscription levels and audience ratings may suffer, and failure to satisfy the local program obligations could result in regulatory penalties. A decline in ratings for the broadcasting businesses would likely result in reduced advertising revenues and inability to co-produce local programs on commercially favorable terms could result in increased production costs, each of which could have a material adverse effect on the financial condition and results of operations. These operative risks are highly relevant within all the three companies studied in this thesis.

Have the larger companies underestimated the strength of new competitors?
Gilad mentions that a typical blindspot within many industries is caused by larger companies ignoring and underestimating newcomers on the market. These are so called cooperative myths and taboos, assumptions that the companies hold about themselves that becomes an unchallenged reality within the organizations. Throughout our study we have detected evidence of this risk within the companies. The BI responsible people within the companies are experts within their enacted environment but it also conclude that the scanning of the contextual environment suffers, which is in accordance to Hamrefors theories. At Kanal5 they firmly believe that the structure of the market will be maintained in the future and the 5 large channels will continue as the major channels. Also at TV3 they are confident that their position cannot be threatened on the market. Yet, data shows that the sub channels and smaller channels are growing rapidly at the moment. The latest ratings show that these channels (ZTV, TV8, Eurosport, 4+, Discovery and MTV) for the first time had more viewers than the Swedish national channels (SVT1 and SVT2) together. Even though many of these channels are owned by TV4 and MTG, it shows that the development of the smaller, segmented channels has been underestimated by the main actors. Even though Kanal5 firmly denied the possibility to start a new sub channel in the interview, we believe that they cannot neglect the opportunity to expand horizontally. Also, evidence of a new sub channel to Kanal5 was published in the newspaper only a day after our interview was conducted. This underlines our difficulty to obtain accurate and interesting information from the companies.

Do technology drivers provide any potential blindspots?
Another typical blindspot stated by Gilad is that companies always tend to look in the same direction, ignoring risks and opportunities from other directions. These are so called unchallenged assumptions of the market conditions. The technology drivers in the media industry has to this point proven to have little effect on peoples television habits, motivated by the fact that watching television is easily accessible compared to Internet and other media sources. Yet, as the development of technology provides better and accessible products, the industry may experience some drastic changes the following years. As an example of this; Legal downloads via Itunes from the American television producers ABC has become huge. Since the launch of downloads from the popular series “Desperate Housewives” and “Lost” 2 months ago, the company

---

84 see chapter 3 – business blindspots
85 see chapter 3 – the attentive organization
86 see chapter 3 – business blindspots
has sold 800,000 episodes for $2 per episode.\textsuperscript{87} Even though there has not yet been any evidence of this affecting the viewer ratings of the programs, it might have consequences in the long run. This mainly concerns the advertising price since the commercial slots in such programs represent a very important source of income for the companies.

\textit{The application of scenario techniques and war game strategies}.\textsuperscript{88}

Scenario techniques are used somewhat differently within the three companies when allocating possible risks and opportunities. Kanal5 is positive to the use of scenario techniques to estimate futuristic trends and risks. At a managerial level, scenarios are applied to estimate the competitor’s response to certain decisions and analyze various strategic moves. They use strategy war game to test the strategic options.

At TV3 the points out that scenarios are often based on guesses without numeric proof to support its evidence, and therefore pointless in a quickly developing industry such as media. Scenarios are only being used as a support when major decisions are to be taken and can be presented with accurate numerical data. These techniques are much more advanced then regular scenarios and referred to as strategy war game and competitor’s response war game basing a decision on exact calculations of a few possible outcomes.

At TV4 we got the impression that scenarios and war gaming has a major part in all decision making and planning processes. The media industry is undertaking some radical changes at the moment that affect TV4 more than anyone else. The company has estimated a drop in their commercial slots with maximum 3% while the concession fee will be aborted. Even though the company where reluctant to give us the exact estimate of the sum of these factors, we presume that it is well calculated. The company is also directly dependent on the outcome of political decisions concerning commercial broadcasting time and different scenarios have been examined to prepare for various outcomes. Yet, the redundancy plan is a result of their scenario analysis, and we can therefore conclude that TV4 will be financially weakened by upcoming changes.

War game strategic thinking takes place mainly on an operating level, where the program department deals with what time slots should show what programs considering the competitors responses. It is quite interesting to observe the different tactics within the companies when producing their program charts. At TV3 and Kanal5, certain programs are considered so strong, that the other channels respond by showing a program for a completely different segment. At TV4 the tactic is to respond with a similar program aimed to compete for the same segment of viewers. TV4 has also changed their tactic, broadcasting their access time programs after prime time instead of before prime time which has turned out to be a rather successful move. When a certain program is showing bad viewers results, the show is normally changed to another time slot rapidly. If the program maintains its bad results, it is removed from the program chart or placed in one of

\textsuperscript{87} http://www.dn.se
\textsuperscript{88} see chapter 3 – scenario planning and war game
the sub channels. TV3 and Kanal5 tend to do this more actively than TV4. We believe that this is based on company culture and the fact that TV4 can afford some bad results because of their pricing power towards the advertisement market.

*The structure of the organizations describes and symbolizes features of the companies way in which they operate their BI*

Even though it is difficult for us to get an accurate opinion of how BI is conducted within the various organizations which we have studied because of the limited time and access to objective information, we have noticed a tendency that indirectly describes the organizations BI without any further information. The structure and the culture within an organization is the platform on which a company can develop their BI process. According to Hamrefors, the organization influences the attention through the business culture which also affects the knowledge transfer and the transparency within the companies.\(^{89}\) This means that certain organizations will find it much easier dealing and processing information than others depending on the initial structure of the company, which hardly can be changed over a night. Looking at the three companies that have undertaken this study, we can easily identify some similarities and differences in the foundations and values of the organizations that also reflect upon the way BI is conducted within the companies. For example, all the three organizations can be described as rather open, youthful and chaotic which indicates a great flexibility and adaptability within the companies. When looking at the structure of the companies it could be said that TV3 are a much more cost efficient and segmented working environment which also reflect upon the way they operate their BI.

---

\(^{89}\) see chapter 3 – the attentive organization
7. FINAL DISCUSSION

The final chapter is inclined to give an adequate answer to the research questions connecting the theories, empirical framework and analysis. The chapter provides an overview of the BI landscape within the broadcasting industry. Finally we will present a critical review of our work where we discuss the difficulties of accessing information as well as relying on few individual sources. This proceeds by recommendations of future studies within the area of Business Intelligence within the media industry.

We commenced our work with this thesis to investigate what factors affects the media industry and how companies analyze these factors in order to prepare themselves for various risks and changes which such factors may result in. We therefore specified our research questions to investigate what change drivers affect the industry, and what the risks that these changes generate for the companies on a strategic, operative and financial level were. This has been dealt with thoroughly in previous chapters, especially when presenting the empirical data which has then been explored extensively in our analysis.

We can conclude that all the four industry change drivers play essential parts influencing the future of the broadcasting industry. New technology is perhaps the most evident driver in this industry at the moment because of the shift to digital terrestrial networks. This change is obviously followed my new political regulations as well as new competition and demographic trends which all contributes to a rather insecure but interesting future of the broadcasting industry.

Further we intended to look into how the Swedish broadcasting industry works with business intelligence in order to strengthen their position towards their competitors as well as preparing for future changes in their environment. We discovered that the there are many different actors on the market that contributes to the BI process. Among the information vendors there are firms working with media monitoring such as Nordicom as well as agencies working with media research and analysis such as MMS and Mediavision. On the technological side with have various firms operating the broadcasting platforms such as Viasat and Boxer. There are also different ways of distribution channels such as DTT, satellite and cable-TV. All these information vendors and technological vendors aid the BI unit to expand their perspective and like binoculars broaden their insight to the future and the development of the various change drivers. See diagram below.

The huge amount of information that is being processed and exchanged within the broadcasting industry and the quickly changing market conditions makes it very difficult for rather small companies to operate a well-structured BI-function. Instead, the companies that operate in this industry seem to adapt a BI function that emphasizes on risk identification across the whole organization where everyone reports directly to the management or via a BI unit to the management who then decide on what action to take.
How well do the companies operate a BI function according to Gilad’s theories?

While adapting the studied companies to the main theory of our thesis, we are able to conclude that the broadcasting companies are very successful in operating BI within parts of the CEW system. TV3, TV4 and Kanal5 are very strong when identifying risk which is vital according to theory. They are however for several reasons weaker in risk monitoring according to Gilad’s perspective. Yet, they do seem to be able to cope with monitoring risks successfully without having a structured CEW system. This might be explained by the size of the companies, significant changes in the environment, and their short time span compared to other industries such as the car industry or the pharmaceutical industry. Management action seems to be rather satisfactory because of their close working relationship to the BI analysts and the other departments within the organizations.

The analytical part of business intelligence is different in terms of how it is organized and number of people involved in the process. Yet, the environmental scanning in the broadcasting industry is similar because of the companies having in many aspects the same kind of departments conducting information gathering which is processed within the organizations.
Every risk also presents an opportunity...
Operating an efficient Early Warning system does not only mean that the companies have a chance to act proactively to any potential risks in the future. It also means that, if the information is used wisely, they can turn the risks into opportunities to strengthen their position on the market. We will now speculate and analyze how the companies can turn the risks concerning the new market conditions with increased competition caused by the PTT into an opportunity to strengthen their positions.

**TV4**
Risk identification: TV4 will lose their competitive advantage caused by the increased competitor penetration through the DTT. Also, there is a tendency towards more personalized viewing habits, which is problematic considering TV4’s broad target perspective.
Management action: to start new segmented channels to respond to the new trends. TV4 has a competitive advantage because of their penetration and brand awareness, which could be used when promoting new channels. Also, the owners control various media through where the new channels can be promoted. The technology and competence already exist within the organization which can be transferred to the new business areas. It’s cheap and more efficient, especially when redundancies can be avoided.
Result: The new channels will attract new and smaller advertisers to specific segments and the company can maintain or even increase their viewer percentage. (4+ has the greatest growth of all channels at the moment) The company can turn the negative trends and risks into an opportunity to grow even larger on the market by using synergetic effects to enhance their brand.

**TV3**
Risk identification: There are risks concerning the fact that the increasing penetration will only partly show results because of their thin width, as competition increases. Even though they are backed by financially strong owners, their brand is rather weak.
Management action: TV3 has the same features as TV4 and the potential to compete towards the broad segment. They must try to establish a brand identity, especially to the older population by a broader program chart. They should also try to reach other segments through sub channels and incorporate the channels with each other with advertising and promotion. The advantage of synergetic opportunities that exists within the MT Group, provides the ability to promote their channels through various media. Because of their vertical integration and control of all the steps in the value chain, they have a competitive advantage that could be used to expand their brand.
Result: They will be able to reach the same width as TV4 through the main channel as well as new sub channels, and can therefore charge a higher price for their commercial slots. They will be able to attract advertisers that are aiming their products towards the whole population such as ICA. They can also operate more cost efficiently than TV4 because of its structural organization.
**Kanal5**

Risk identification: Kanal5 will experience an enormous increase of competition within their segment. The question is whether they can maintain their position as the major entertainment channel when competition increases? Kanal5 has a rather weak brand identity compared to TV3 and TV4, and are not actively trying to promote their brand through sub channels or other media because the company does not have the same synergetic advantages within Swedish media industry as their major competitors.

Management action: The company must look towards its comparative advantages. Kanal5 has shown throughout the last few years that they are very good at predicting trends and supplying attractive TV programs. The company also has the advantage of a great international network through SBS Broadcasting. A greater focus on integrating the channel with other channels within the broadcasting group would give them access to a wide range of high standard programs and shows. Also, a new sub channel created under the same brand but towards an older segment could expand their population reach.

Results: A greater horizontal integration of SBS Broadcasting’s channels together with a sub channel focusing on an older segment would enhance their market position as the great entertainment channel as well as reaching a larger width of the population, which allows increasing commercial incomes.

### 7.1. Critical Review

One difficult aspect of studying Business Intelligence is to obtain interesting information from the companies. Without actually working within the companies and experiencing the environment, climate and culture during a time period it is hard to draw any conclusions about the studied objects. We felt that the interviewed persons where holding back on information concerning various risks and the processes of dealing with these risks. This information would help to analyze more specifically how the BI process operates within the companies. A typical example of this is when asking Kanal5 whether they plan to follow the trend of commencing a new sub channel. They said that there are no such plans, yet it was revealed in the newspaper a few days later that Kanal5 do in fact intend to start a new channel. At TV4 they would not tell us about the expected outcome of their various risk scenarios and at TV3 they denied us access to various risk response plans.
Exploring the Business Intelligence function in organizations demand an in-dept study conducted in an introspective manner in order to obtain a colorful picture that accurately describe the business areas. We feel that the data received through the interviews is bias and very subjective. If more time were given, interviews could have been conducted at different departments and at various levels within each company to eliminate the subjectivity of the research. Yet the problem of information accessibility would remain. It is difficult for us as external researchers to determine what information is relevant and what information is being left out. Especially in the field of Business Intelligence most companies feel reluctant to give out the information that is really interesting because such information is often considered company secrecy.

On another critical note, the BI function would be more relevant to examine within larger cooperation where the internal information flow is more complicated and resources for separate BI departments are available.

7.2. Directions for future research

There is little previous research involving the information processes within the Swedish media industry. For those interested in learning more about the Swedish media industry we would like to recommend Nordicom search engine and the book Medieutveckling 2004 as well as statistical data from www.mms.se. There are plenty of theses made on different aspects of Business Intelligence that could be obtained through the university search engines and at www.uppsatser.se. These theses have various approaches to the BI area, but none are exploring business intelligence related to the broadcasting industry and none is built on Gilad’s theories about the Competitive Early Warning system. Our research could be used as a base for further studies within the area, exploring issues such as:

- The pros and cons of synergies within the media industry
- Finding alternative income sources within the broadcasting industry
- Business Intelligence within the whole media industry including newspapers, radio, television and other suppliers of media information to examine how BI is operating horizontally and vertically within the whole industry.
- How Internet will affect the media consumption in the future.
8. REFERENCES

8.1. Literature


Gilad, B, *Early Warning - using competitive intelligence to anticipate market shifts, control risk, and create powerful strategies*. Amacom, New York, 2004


Hamrefors, S, *Den uppmärksamma organisationen - Från Business Intelligence till Intelligent Business*, studentlitteratur, Lund, 2002

Gustavsson, B, *Kunskapande metoder*, studentlitteratur, Lund, 2004


Sandström, B, *Business Intelligence – Företagets underrättelsetjänst*, Liber, Malmö, 1988

Sundin, S, *Den svenska mediemarknaden*, Nordicom Sverige, 2005


8.2. Annual report

Annual report Kanal5 2004
Annual report Modern Times Group 2004
Annual report SBS Broadcasting 2004
Annual report TV4 2004
Annual report MMS 2004

8.3. Electronic sources

Aftonbladet
http://www.aftonbladet.se, 2005-12-12

Dagens Industri

Distance consulting, *Industry Analysis a la Michael Porter*:
http://home.att.net/~nickols/five_forces.htm, 2005-10-28

Hugin
http://www.huginonline.se, 2005-10-29
IRM-Media
http://www.irm-media.se/irm/(kh5h155qg1k3cfv5optxiz2)/tabell_reklamstatistik.aspx, 2005-10-30

JKL Group

Mediavision
http://www.mediavision.se, 2005-12-13

MMS
http://www.mms.se 2005-10-29
http://www.mms.se/ovrapp/Rapportering%20av%20MMS%20kanalpenetration%2028%20oktober.doc 2005-10-30

MTG

Nordicom
http://www.nordicom.gu.se, 2005-12-12

Post & Teletskyrelsen,
http://www.pts.se/Archive/Documents/SE/DigTV_konsultrapport_apr05.pdf, 2005-12-17

SBS Broadcasting
http://www.sbsbroadcasting.com, 2005-10-30

Sifo Media
http://www.sifomedia.se/Public/Corporate/AboutUs/AboutUsIndex.aspx 2005-10-31
http://www.sifomedia.se/Public/Corporate/Products/ProductsIndex.aspx 2005-10-31

TV4
http://www.tv4.se, 2005-12-09

WIKIPEDIA– The Free Encyclopedia
http://en.wikipedia.org/wiki/Pay-TV, 2005-12-13

8.4. Lectures
Bobo af Ekenstam, CEO, Docere Intelligence, 2005-10-11
Sven Hamrefors, Oct 2005
8.5. Journal
Hedin, Hans, Journal of Competitive Intelligence and Management, Volume 2, Number 3, Fall 2004 *Competitive Intelligence in Sweden*

8.6. Personal Interviews
Carl Fredrik Mannerberg, Head of Distribution Kanal5, 2005-10-28
Mathias Hermansson, Group Controller MTG, 2005-11-21
Jan Lund, Director of Competitive Learning MTG, 2005-11-23
Johan Winlund, Information department, TV4, 2005-12-02
APPENDIX I - Definitions

Access Time: The broadcasting time, normally between 19.00 and 20.00, where each channel are trying to gain as many viewers as possible in order to seize them for the rest of the evening. This is normally achieved by showing a popular own-produced show/program.

BI: *Business Intelligence* - organized environmental scanning and analysis.

BI-product: The outcome of the BI analysis, which is reflected upon, and sent to top management to support operational, tactical and strategic decisions.\(^{90}\)

Blindspots: “Business blindspots refers to the failure of executives and their companies to recognise the (changing) competitive reality in their industries and in their markets until it is too late.”\(^{91}\)

CEW: *Competitive Early Warning System* - The CEW framework is a method to prevent crises by managing risks proactively and involves Risk Identification, Intelligence Monitoring and Management Action.

Commercial slots: Television advertisement

Contract price: Advertisement slot cost for a predetermined period.

DCL: *Director of competitive learning* - The director of competitive learning is the chief competitive expert of the organization. He/she is responsible of the BI process and is working closely together with top management.\(^{92}\)

DTTV or DDT: *Digital Terrestrial Television* – Implementation of digital technology to provide a greater number of channels and/or better quality of picture and sound through a conventional aerial (antenna) instead of a satellite dish or cable connection”.\(^{93}\)

FTA: *Free-to-air* – “Describes television and radio broadcasts which are available without subscription and without decryption (pay-TV)” \(^{94}\)

Industry Dissonance: The risk that executive assumptions can lag behind industry reality and that companies strategies therefore dos not reflect the new conditions.\(^{95}\) Industry dissonance is basically the risk that as the industry changes, the company does not. This is also a great opportunity to other competitors to gain market shares.

\(^{90}\) Sandström, 1998, p. 27
\(^{91}\) Gilad, 1996, p. xv
\(^{92}\) Gilad, 2004, p 208
\(^{93}\) Gilad, 2004, p. 7
\(^{95}\) http://en.wikipedia.org/wiki/Free-to-air
Pay-TV: *Pay television* – "Subscription-based television services, usually provided by both analogue and digital cable and satellite, but also increasingly by digital terrestrial methods".\(^{96}\)

Prime Time: The most popular broadcasting time where the largest amount of viewers tend to watch television, normally between 20.00 and 22.00

Privately-owned

PVR: *Personal Video Recorder* or *digital personal video recorder* – “Consumer electronics device that records television shows to a hard disk in digital format” … “The devices have steadily developed complementary abilities, such as recording onto DVDs, commercial skip, sharing of recordings and remote control facilities”.\(^{97}\)

Reach: Refers to the penetration of the market. It is the percentage of the total population to which the channel can be broadcasted.

Spot price: The price that is quoted for immediate (spot) settlement i.e. payment and delivery take place simultaneously.

Width: Refers to the span across the population to which the channel can reach.

---

\(^{96}\) [http://en.wikipedia.org/wiki/Pay-TV](http://en.wikipedia.org/wiki/Pay-TV)

APPENDIX II: Questionarie

BI and the media industry
1. How is BI executed within the media industry?
2. Is it important to work proactively with BI within the industry?
3. What are the “industry change drivers” that drives the development?
4. Which are the major risks threatening the industry?
   a) Strategic
   b) Operational
   c) Financial
5. How do you identify industry dissonance?
   a) What is the greatest risk?
   b) How do you track these risks in real-time?
   c) How do you convince/force top management to act on early warnings?
6. How does the future develop? Do you detect any shifts/paradigms concerning the media industry? If so, what are they?

BI within the company
7. How do you work with BI at a macro-level?
8. How do you work with BI at a micro-level?
9. Do you have a system for effective identification of early warnings?
10. If so, how does it work?
11. How do you identify "blindspots"?
12. What is the cultural opinion about BI?
13. How do you perform BI within certain levels in the company?
   a) Strategic
   b) Operational
   c) Do you have certain functions/departments dealing with BI specifically?
   d) How do you coordinate BI between different levels within the company?
14. What are your time references when conducting BI?
15. Do you have any technological help when conducting BI?
   Such as; databases, web solutions, internal networks etc
16. How do you handle "industry change drivers" within the company?
   – Technological factors (digital TV, DVD recorder)
   – Demographic factors (development of trends)
   – New competitors (additional TV-channels, Internet, substitutes etc)
   – New rules and regulations (concerning what is allowed to air or the amount of commercials allowed to air etc.)
17. Do you hire external consultants/firms for performing BI?

Information
18. How do you perform information gathering?
19. What information is gathered?
20. How is it gathered?
21. How is the gathered information analyzed
22. By whom?
23 How is the information spread throughout?

Risk handling
24 How do you handle risks and opportunities?
25 Do you have a system for handling risks? If so, how does it work?
26 How do priorities risks?

Management
27 How do you convince top management to take specific actions?
28 How does management handle “blindspots”? 
29 Are managers aware of “blindspots”? 

Scenario
30 Do you work with scenario planning? If so, how do you work with scenario planning?

Competitors
31 How do you believe that your competitors perform BI?
32 Is there, in certain cases, any cooperation between you and your competitors?

Complimentary Questions
33 Does each department carry the responsibility of risk identification within their area?
34 Does each department communicate directly to the CEO or via an information department (or environmental analyst)?
35 Does the CEO take decisions concerning operative risks or is this responsibility segregated to each department?
36 How are future trends, risks, and opportunities identified?
37 What are the typical indicators for such?
38 Once any risks are identified, what are the procedures for dealing with it?
39 How are decisions made concerning major risks and opportunities?
40 Does each department get feedback from the management concerning the alerts?
41 Does Kanal5 have a fixed procedure when dealing with crises?
42 How does Kanal5 think the shut down of the analog network will affect their position on the market?
43 Is it a disadvantage to only possess one channel when viewing habits tend to become more segmented?
FIGURES

Figure 1: Broadcasting share of total advertisement 2004, TV4 annual report 2004

Figure 2: Broadcasting share of advertisement development, TV4 annual report 2004
Business outline

The different tasks of the value chain in the Swedish digital TV broadcasting system are divided between three major actors: the SMS-companies (Boxer etc.), net-operators (Teracom etc.) and the broadcasting companies. The media industry has a whole is often described to have a value chain as seen below (Figure 3). It is created by a combination of several different value chains since the process of refining the product differs depending on whether the “raw material” is Pay TV (TV3, Kanal5 etc.) or whether it is FTA (Free To Air, SVT and TV4).

---

98 http://www.pts.se/Archive/Documents/SE/DigTV_konsulrapport_apr05.pdf, p.24
99 http://www.pts.se/Archive/Documents/SE/DigTV_konsulrapport_apr05.pdf, 23-24
Table 1: Economy and owner structure of the channels in the digital Terrestrial network.

<table>
<thead>
<tr>
<th>Permission</th>
<th>Channels</th>
<th>Economy</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>SVT AB</td>
<td>SVT1</td>
<td>Mainly financed through</td>
<td>Förvaltningsstiftelsen</td>
</tr>
<tr>
<td></td>
<td>SVT2</td>
<td>income from licenses.</td>
<td>Förvaltningsstiftelsen för Sveriges Radio AB och Sveriges</td>
</tr>
<tr>
<td></td>
<td>SVT24</td>
<td></td>
<td>Utbildningsradio AB</td>
</tr>
<tr>
<td></td>
<td>Childrens Channel</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Turnover 2003:</strong> 3 829 mSEK</td>
<td></td>
</tr>
<tr>
<td>Sveriges Kunskapskanalen</td>
<td>Utbildningsradio AB</td>
<td>Financed through licenses</td>
<td>Förvaltningsstiftelsen för Sveriges Radio AB och Sveriges</td>
</tr>
<tr>
<td>Utbildnings-</td>
<td></td>
<td></td>
<td>Utbildningsradio AB</td>
</tr>
<tr>
<td>radio AB</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Turnover 2003:</strong> 212 mSEK</td>
<td></td>
</tr>
<tr>
<td>TV4</td>
<td>TV4</td>
<td>Financed through adds</td>
<td>MTV Oy (23%), Bonnier &amp; Bonnier AB (22%)</td>
</tr>
<tr>
<td></td>
<td>TV4 Plus</td>
<td>and sponsors. TV4 pays</td>
<td>MTG Broadcasting AB (15%)</td>
</tr>
<tr>
<td></td>
<td>Med i TV</td>
<td>a concession fee to the</td>
<td>Fidelity Funds (9%) JP Morgan Chase Bank (6%) LRF (6%)</td>
</tr>
<tr>
<td></td>
<td>TV4 Film</td>
<td>government which was</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CNN</td>
<td>379 mSEK in 2003</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Turnover 2003:</strong> 1793 mSEK</td>
<td>Natur &amp; Kultur (6%)</td>
</tr>
<tr>
<td>Viasat</td>
<td>TV3</td>
<td>Financed through adds</td>
<td>Modern Times Group MTG AB</td>
</tr>
<tr>
<td>Broadcasting</td>
<td>ZTV</td>
<td>and sponsors</td>
<td></td>
</tr>
<tr>
<td>UK Limited</td>
<td>TV8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Turnover 2003:</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>TV3 Scandinavia, ZTV and TV8: 2129 mSEK</td>
<td></td>
</tr>
<tr>
<td>Kanal5 AB</td>
<td>Kanal5</td>
<td>Financed through adds</td>
<td>SBS Broadcasting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and sponsors</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Turnover 2003:</strong> 790 mSEK</td>
<td></td>
</tr>
</tbody>
</table>

100 Radio & TV-verket, p. 37-38
### Table 2: Net companies with the greatest numbers of paying customers in Sweden

<table>
<thead>
<tr>
<th>Net operators with the highest number of connected households</th>
<th>Number of households connected</th>
<th>Quantity of Digital TVs</th>
<th>Turnover/subscribers 2003</th>
<th>Owner 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>com hem AB</td>
<td>1 400 000</td>
<td>140 000</td>
<td>628 mSEK</td>
<td>EQT</td>
</tr>
<tr>
<td>Canal Digital</td>
<td>222 000</td>
<td>nn</td>
<td>nn</td>
<td>Telenor</td>
</tr>
<tr>
<td>Kabelvision</td>
<td>300 000</td>
<td>0</td>
<td>191 mSEK</td>
<td>Tele2 Sverige AB</td>
</tr>
<tr>
<td>UPC Sverige AB</td>
<td>277 000</td>
<td>22 000</td>
<td>399 mSEK</td>
<td>UGC Europe, Inc</td>
</tr>
</tbody>
</table>

---

101 Radio- & TV-verket, p.43