



Berlusconi Beating Murdoch's Sky Italia in TV Soccer

By Chiara Remondini and Tommaso Ebhardt - Jul 29, 2010

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(Adds details of soccer calendar in last paragraph.)

July 29 (Bloomberg) -- Mediaset SpA and Sky Italia Srl, the competing broadcasters controlled by tycoons Silvio Berlusconi and Rupert Murdoch, are in a price war for soccer viewers.

Berlusconi's Mediaset has slashed the price of a soccer and film subscription package to 14 euros (\$18.26) a month until the end of 2010 from 29 euros, undercutting Murdoch's Sky Italia offer of 29 euros for either soccer or films. The Serie A season for the nation's top teams kicks off at the end of August.

"In Italy, soccer is so important that it's the first battlefield to fight," said Giuliano Noci, a marketing professor at Milan's Politecnico University, in an interview. "In the last two years, broadcasting has completely changed in Italy. Now pay-TV is the center of the ring."

More than 21 million Italians, or a third of the country, watched Italy's debut match against Paraguay at the 2010 World Cup tournament in South Africa. Mediaset and Sky Italia paid more than 1.5 billion euros to the country's soccer league for the rights to broadcast Serie A for the next two seasons.

Sky Italia's subscriptions dropped by 63,000 in the last three months of 2009 and by 39,000 in the January-March period, the Milan-based company reported in May. At the end of March, Sky Italia had 4.7 million clients, compared with 2.95 million currently at Mediaset's pay-TV unit.

The World Cup soccer championship has led to "strong sales growth and much lower churn" of customers leaving in the fiscal quarter ended in June, Sky Italia Chief Executive Officer Tom Mockridge said June 28 at a press conference in Milan. Mediaset didn't broadcast the World Cup.

Mediaset will have "good customer intake driven by promotional offers," said Andrea Devita, an analyst at Banca Akros SpA in Milan, who has a "buy" rating on the stock.

Legal Skirmish

The decline in Sky Italia viewers occurred as the feud with Mediaset gained momentum, beginning in December 2008 when the government, led by Berlusconi, doubled the sales tax on pay-TV subscriptions to 20 percent. Sky Italia retaliated with commercials urging customers to protest the increase.

The European Commission said July 20 Sky Italia can bid for frequencies to enter the free-to-air digital market. The same day, Milan-based Mediaset pledged to appeal the ruling at the European Court of Justice, saying Sky Italia has a monopoly in the satellite pay-TV market and the availability of digital frequencies is already insufficient. Beside its flagship networks Canale 5, Italia 1 and ReteQuattro, Mediaset has four free digital channels in Italy.

Bloomberg LP, the parent of Bloomberg News, competes with Murdoch's News Corp., which owns Sky Italia, and its Dow Jones unit in providing financial news and data.

Mediaset climbed 19 percent during the past 12 months in Milan trading, outperforming the 5.4 percent advance of Italy's benchmark FTSE MIB Index. New York-based News Corp. rose 26 percent in the same period on the Nasdaq Stock Market.

Berlusconi's company said in May that first-quarter net income surged 55 percent to 92.9 million euros. Revenue at the pay-TV unit jumped 60 percent to 115.1 million euros, it said. Sky Italia reported May 4 that operating income in the fiscal third quarter dropped to \$35 million from \$63 million a year earlier. Mediaset is due to report first-half earnings today and News Corp. on Aug. 4.

Mediaset has positioned itself as "a lower-priced provider" of pay-TV services than Sky Italia, said UBS AG analyst Tamsin Garrity in a July 27 note to clients. Garrity has a "neutral" investment rating on Mediaset.

Price Competition

Sky Italia cut the entry price last month for packages of movies, soccer and other sports channels by 26 percent to 29 euros. The broadcaster isn't relying on promotions to win customers, betting that lower basic fees will keep clients.

Sky Italia is focused on high-definition programming for soccer games of all Serie A clubs. As part of the marketing campaign, it's running television and print advertisements that feature chubby, toothless, bald versions of players, including AC Milan's Alexandre Pato and Sampdoria's Antonio Cassano, who return to their true selves when in high definition. Mediaset also offers some HD broadcasts.

Mediaset this week signed Spanish TV anchor Sara Carbonero, the girlfriend of Iker Casillas, captain of World Cup winner Spain, to report from Madrid on the Spanish league. Carbonero will follow Jose Mourinho, the new Real Madrid coach who won the Champions League at Inter Milan earlier this year.

Spiders and Birds

Carbonero, voted the world's sexiest sports reporter by the U.S. version of U.K. men's entertainment magazine FHM last year, gained attention this month after receiving a kiss from Casillas during an on-air interview after Spain's World Cup win.

Mediaset plans to broadcast matches of 12 Serie A teams, and exclusively offer the UEFA Europa League and the FIFA Club World Cup match. Sky Italia offers 16 soccer channels, nine of them in HD, as well as the Serie B, which Mediaset doesn't broadcast. It also has so-called spidercams, which give fans a bird's eye view of the playing field, and is adding cameras in the players' locker rooms.

The 2009-2010 soccer season had an average audience share of 5.6 percent on Mediaset, about twice as much as a year earlier, compared with 7.4 percent on Sky Italia, said Franco Ricci, head of Mediaset's pay-TV business, during a July 26 press conference in Milan.

Sky Italia exclusively aired the live draw of the 2010-2011 Serie A schedule late yesterday from the headquarters of Italy's stock exchange in Milan. The show was hosted by Tania Zamparò, a former Miss Italy and sports anchor at Sky Italia.

Some games, including Inter Milan's debut against Bologna, may be played on Friday and Monday evenings to allow teams enough time to prepare for international cup matches, news agency Ansa reported yesterday after the schedule's presentation. A Serie A match will also be played on Sundays at 12:30 p.m., it said.

--Editors: Dan Liefgreen, Vidya Root