

The Top Ten in 2014
Ray Snoddy



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If anyone really knows the future, Ray does: The top ten media companies in ten years' time are revealed.

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Looking back over the past ten years the trends look absolutely clear. Most of the big players in the media had time to evolve and come to terms with technical change and the behaviour of consumers, with one or two exceptions, was rather more conservative than expected. But there are always opportunities for big stars to burn themselves out and other companies to come almost from nowhere in the never-ending process of corporate renewal...

It really is going to be an exciting Christmas. By Christmas, or if not Christmas then certainly soon after New Year 2015, the UK is finally going to move over entirely to digital television. In the end, veteran Labour prime minister Gordon Brown, not much of a fan of either television or digital, at last finally released the money necessary to provide equipment for the refuseniks or the remaining several hundred thousand or so who had never quite got the hang of digital. There will still be a row about all those old analogue video recorders and third or fourth television sets in toilets and bathrooms. But really, you have to draw the line somewhere. For goodness' sake, after 20 years of exhortations you have to move on and make a decision. Even politicians eventually got the message, although obviously a great deal of patience was required by all concerned.

After all that talk and planning the truth is that it all looks like being pretty low-key stuff. Previous governments had sworn blind for years that analogue switch-off would, without a doubt, happen in 2010 at the very latest. Then, as everybody knows, there was an elegant manoeuvre in 2004 that appeared to postpone things until 2012 without actually formally admitting it was so.

The really interesting thing was that media groups that had been vaguely interested in when the switch-over would be, read the unwritten runes correctly and decided to pay no attention to what the government was clearly not doing. Instead they simply got on with the serious business of making money and driving the multi-channel revolution as far as it could go - which of course was not nearly as far as some people expected.

The belief was - it seems strange now, almost quaint to think of it - that all those endless streams of underfunded, near pointless channels that very few people actually want to watch, other than for a nanosecond when in a zapper mode, would somehow supplant the existing broadcasters. The fatal flaws that people did not see at the time were never complex nor mysterious. The embarrassing fact is that the future is nearly always obvious to anyone who pauses for a second or two to think.

The problem is that people lack confidence when it comes to the future and hesitate fatally and then call in consultants whose task is to add to

the complexity - a process that inevitably leads to mistaken, and usually expensive, decisions.

The simple truth was that the new channels endlessly cannibalised each other and although collectively they obviously made a noticeable dent in the total share of the mainstream stations it was both modest and manageable.

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Well before the end of the last decade the public mood firmly took against endless choice and people decided that after all they really wanted some proper television programmes to watch. So anyone sitting back in an armchair in 2004 with a large Armagnac and cigar, before the fizzy water tendency took over entirely, got it horribly wrong if they had predicted radical change and the emergence of a whole raft of new corporate winners who would supplant the big hitters of the final years of the 20th century and first years of the 21st.

Of course there are always risers, fallers and new entrants, as Classic FM tries to insist, after all these years, as it continues to flog the Mozart Clarinet Concerto to within an inch of its life and tells people to relax 24 hours a day.

As everyone now knows, the biggest winner of all has turned out to be the BBC. This could have been predicted by anyone who was half awake at the time. Over the generations the BBC exhibits one overriding characteristic - apart from making a few half-decent programmes from time to time, usually when it feels threatened. And that is the imperative of institutional survival.

The BBC always has the wit to do whatever is necessary to survive. People may try to cut the croissants and taxis for a time but it never lasts and soon it's back once again to trebles all round and riotous hospitality at Wimbledon.

As is now completely obvious, the Hutton Inquiry turned out to be the best thing that ever happened to the BBC. The great thing was just how unfair and misguided it was judged to be from the moment of its publication. This meant only one thing. Despite all the huffing and puffing of ministers it was completely obvious to anyone who ever drank a gin and tonic in Whitehall that the government would in the end beg the BBC to accept the most generous licence fee settlement imaginable. Naturally a few threats had to be posed to the commercial activities of the BBC for the sake of appearances but the cull was cosmetic, and anyway the privatisation of BBC Magazines has actually worked rather well.

Less than three years away from the start of another Royal Charter period the BBC is in rude good health as the UK's largest media organisation and ready to ingratiate itself for another decade, still funded by that licence fee. In fact with digital switch-over finally about to be completed there will be no escape from the electronic licence fee. The fact that the Corporation's staff has now risen to close to 35,000 when it was supposed to fall below 25,000 will cause momentary embarrassment but on past record a way will be found to finesse minor matters like that.

While the BBC continues to prosper the big surprise has been BT. Competitors were supposed to eat its telephone voice business for lunch and it started off making a total hash of its broadband operations. The crucial change came just before the retirement of Sir Christopher Bland. The then BT chairman split the business into its component parts and put a 25-year-old whizkid in charge of broadband. The £3 billion flotation provided the wherewithal to buy Home Choice, the company

The Top Ten Media Companies of 2014

- 1 BBC with Peter Bazalgette as DG
- 2 BThomeChoice
- 3 BSkyB
- 4 Five under Roman Abramovich and ITV
- 5 iTunes with the EMI music catalogue and computer games
- 6 Reuters TV
- 7 All3Media with other independents
- 8 DMGT (Daily Mail and General Trust) commercial radio group
- 9 Clear Channel radio run by Roger Parry
- 10 WPP's childrens entertainment group

that, frankly, struggled to establish itself selling video-on-demand movies down broadband phone lines. We can now see just how important the merger was in uniting the rather bureaucratic technological expertise of BT with the consumer and programming skills of Home Choice. Within a couple of years we had in BThomeChoice, at long last a company capable of competing head-on with BSkyB, a mile-long oil tanker that simply didn't manage to turn in time.

Again, the problems were easy to predict, but less easy to do anything about - too much money and regulatory winds that blew stronger and stronger from Brussels. However brave a face they put on it, the decision by the European Commission that half the best Premier League games should be on free-to-air terrestrial television was a considerable blow. Exclusivity is everything with television sports rights. Unfortunately the blow on football rights came at the same time as BThomeChoice was starting to provide a perfectly decent, and highly cost-effective, film-on-demand service. Some say that the fact that Sir Rupert Murdoch - yes it was a surprise to all concerned that the old anti-Royalist decided to accept a knighthood to mark his 80th birthday - departed to breed champion sheep at Cruden, his Australian farm, was also a factor in the relative decline.

The James Murdoch strategy of a decade ago was very brave and absolutely necessary to try to counter the slide in subscriber growth. Alas, although the ten million subscribers by 2010 target was met - just there was less to show and an awful lot of trading down to cheaper subscription packages.

Things of course are not too bad but BSkyB finds itself beaten back to a financial performance little better than that of 2004. It didn't help that the satellite broadcaster was forced to divest itself of the hugely successful Sky Plus personal video system. That turned out to be a nice little earner for former director David Chance. It is totally unconfirmed gossip, but there are even rumours that former chief executive Tony Ball is trying to put together a venture capital bid to try to return BSkyB to its former glory.

In all the circumstances it is more than a little ironic that a buccaneer such as Roman Abramovich should have so benefited from the largesse of regulators. The Russian oil billionaire spotted that Premier League games might come on the terrestrial market and leapt at the chance of turning Chelsea Village into a diversified entertainment company by buying Five. At least during the football season, which anyway has been extended recently, Five now gives ITV a serious run for its money.

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chairman. It always was daft to let all that experience go to waste. Of course one of his first actions was to fire chief executive Charles Allen because of some unfinished business between the two. But Allen didn't really mind very much. He invested his pay-off money in a business combining residential care for the elderly with an undertakers operation and the Scot has already become seriously wealthy.

Across a decade there will always be corporate winners and losers but there will equally be companies that seem to come from nowhere. Nobody forecast the rise of iTunes, the mobile phone content company founded by Sir Anthony O'Reilly, owner of the *Independent* newspaper. It seems odd to think that you could make a lot of money from selling fashion-conscious young people ringtones for their mobiles at €3 a time. What made the real difference was the reverse takeover of struggling music group EMI. In a single stroke iTunes had access to the entire EMI music catalogue. What really drove the music forward was the purchase of The Future Network, the magazine company which specialises in publications for computer games addicts. It meant that iTunes was now a broadly based content provider for mobile phones. Every time the mobile operators spent further hundreds of millions on developing their third generation networks it means more opportunities to make money for iTunes.

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If iTunes was a surprise success story that seemed to come from nowhere then Reuters, the international news and information group, was a different sort of success - a company pulled back from the brink. Following the dot.com and 9/11 induced recession Reuters seemed to have run out of steam with its customer base eroding and losses running at record levels. If the undermining of Reuters, a company known both for its impartial news and integrity, had not been tackled it would indeed have been a serious matter. Now who would want to be without the Reuters Knowledge information service on their computer screens and on their mobile phones - or communicators as they are known these days?

The icing on the cake seems to have been a re-launch of Reuters Television. Despite the endless number of 24-hour television news channels there turned out to be very much a place in the market for unflinching serious television news coverage.

It seems to be part of the current flight to quality as such transient cultural manifestations as reality television ran their natural course. The fundamental change when it came was really rather rapid. Almost overnight legendary programmes such as *Big Brother* starting getting lower ratings than the re-launched *One Man And His Dog*, a programme icon originally from the 1980s.

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Peter Bazalgette of Endemol UK, the man behind *Big Brother*, had been tipped for the very top but he was badly caught out by the changing spirit of the times. Things were made much worse by the fact that the falling away of the *Big Brother* audience coincided with the end of the love affair with property make-over programmes. The problem was that in the end everybody’s house was done up and as viewers they all moved on. Bazalgette was left with no alternative but to become director general of the BBC.

Greg Dyke, a notorious former director general of the Corporation, did not make the same mistake. After an attempted putsch at ITV in collaboration with *Power Rangers* billionaire Haim Saban, Dyke sniffed the air and realised, populist that he was, that viewers now wanted quality news and current affairs, drama and comedy. His first move was to buy All3Media, the independent producer funded by former Granada executives such as Steve Morrison. Apart from getting his hands on some very strong producers and programmes Dyke had the additional pleasure of sacking some of his old Granada rivals. All3Media was just the first step as Dyke went on a spending spree buying up everything from Hat Trick to October Films, eventually creating the first television

production company in the FTSE-100. Content proved to be if not actually king, then something pretty close to it.

Commercial radio has gone pretty much according to plan with two large groups dominating the industry as legislation permits. Fresh from his disappointment at being unable to buy the *Daily Telegraph* Viscount Rothermere waited until GWR had safely merged with Capital before his Daily Mail and General Trust (DMGT) took control of the lot.

The much-vaunted American invasion of the UK media didn’t really happen, except that Roger Parry of American broadcaster Clear Channel, who had sworn for years that British radio stations were much too expensive, began writing cheques when the dollar exchange rate reached \$1.20 to the pound. First it was Virgin and Scottish Radio before he bought just about anything of size not already owned by DMGT, including Kelvin MacKenzie’s Wireless Group. That is not quite all, however. In a move little noticed at the time, former advertising industry executive Richard Wheatly set up The Local Radio Company with money raised in the City. The company now owns a shoal of radio tiddlers more than 500 strong and is doing very nicely thank you. They found that people really do like properly funded local news and something more than endlessly repeated chart shows.

With a few pleasing exceptions it has been a decade of the existing big battalions speeding up the process of consolidation and spreading their tentacles ever wider.

Few would have imagined quite what Sir Martin Sorrell, founder and chief executive of WPP, would achieve. The former finance director of Saatchi & Saatchi may have started with two people in a single room but now he is the undisputed leader of the international advertising and marketing services world, following the acquisition of Publicis of France, with a staff of more than 100,000. But it was then, with no more big advertising agencies to buy, that Sir Martin went further - and moved into content ownership. It was partly sparked by the row over advertising aimed at children. So WPP simply bought HIT Entertainment and Entertainment Rights and with them all the merchandising rights to *Bob the Builder*, *Postman Pat*, *Thomas the Tank Engine* and not forgetting *Angelina Ballerina*. Brilliant. And there’s absolutely no telling where it will all stop.

With the completion of analogue switch-off now within touching distance it feels like the end of an era, an era where things changed rather less than many expected. But you can never tell now quickly things are going to change and the decade from 2015 to 2025 could be a time of radical and almost unimaginable change.