

# Past and Future of TV channels: Changes & challenges

Prague, November 2015

# Outline of today's talk

- Who I am – twenty years in European media;
- Visiting professor in Creative Economy at University of Glasgow;
- Until two weeks ago, ran pan-European trade body;
- Currently on very short career break...

# CENTRAL TO THE LIVES OF EUROPE'S CITIZENS

- Our TV channels reach over 200 million European households in 28 EU member states and beyond
- Our online TV services are available in over 150 million European homes connected to the internet and are central to Europe's broadband story
- Our member companies deliver content to a range of devices and platforms in response to consumer demand

200 million households reached

150 million EU homes connected



# Today's Themes

- TV today (the perception and the reality)
- Content: what everyone thought they knew, circa 1992
- Today cinema and television are swapping roles, creatively and financially, driven by:
  - Globalisation
  - Audience Expectations
  - Budget challenges

... are driving European producers and broadcasters to look again at their business models?

# How Silicon Valley sees us ...

- *“TV viewing is a terrible, broken process that none of us like. It’s almost as if you step in a time capsule when you go in your living room and you turn on your TV. Why does a channel even exist? “It is crazy that TV schedules dictate what time to watch and that viewers have to decide whether to record a show in advance.”*

*Tim Cook, CEO, Apple, October 2015*

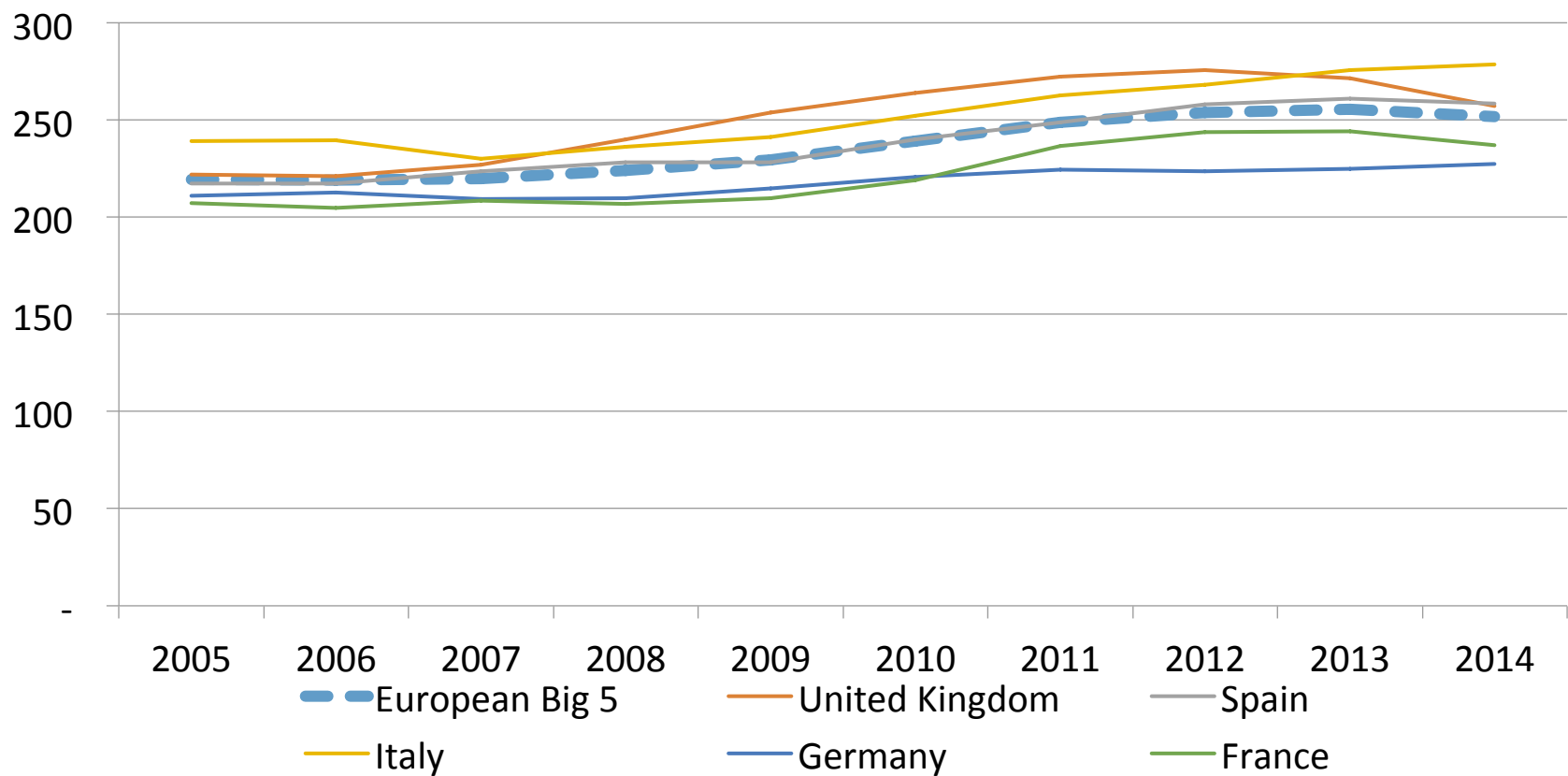
# Europe is not the US!

## Why cord-cutting may not cross the ocean

- A **single time zone**: free to air channels can still create national moments around scheduled programming. (Content in the US is broadcast on a rolling release schedule across the day ... vulnerable to social media spoilers);
- European FTA channels more easily findable via the **electronic programme guide**;
- **Ad saturation in the US?** ... in Europe, the historic role of wealthy, ad-free public channels and, now, of OTT providers, set a baseline of consumer experience that the commercial channels must compete with;
- **Platforms/Pay vs Free**: US pay TV market very different from the EU standard - 86% of households pay for a full TV service – often for signal quality as US SD is patchy - closer to 50% in major EU markets US cable consolidation patchy and many players underfunded, hence moving from cable to Netflix can be a quality improvement
- **Cost**: Full service package in US can be \$150 per month – Europe more competitive

# Overall TV viewing has grown over the last 10 years

Total TV viewing time (linear & non-linear) European Big 5 (min/day/person)



*\*Includes linear and non-linear. Sources are Mediametrie, individuals 2+ (France), AGF, individuals 3+ (Germany), Nielsen, individuals 2+ (Italy), Kantar, individuals 4+ (Spain), BARB, individuals 4+ (UK), IHS calculations.*

# Content markets : 1992:“TV is a national business”

- Audience tastes differ widely: *“Brits like drama, French like late-night discussion programmes and Italians like gameshows”*;
- Co-productions are “Television by committee” : complicated to organise and the lowest common denominator content (“Hermann the Riviera Vet”)
- Public funding is too little, takes too long and is too complicated
- Wealthy commercial broadcasters can cashflow a production and recoup all costs on first broadcast



# The New World

- Broadcasters are looking to tap into YouTube's scale via 'Multichannel Networks'
- SVOD key battleground – also for Canalplay, Viaplay, Data now crucial – today Netflix, tomorrow Amazon
- Audience habits – have we reached 'peak broadcast TV'? Possibly ... If so, should we care?
- TV ("Total Video?") now covers the full spectrum from linear channels to MCNs, and broadcasters are just one of many providers

# Content today: (partial) globalisation?

- (Some) content remains national/regional/local and media will never achieve the same degree of globalisation/monopoly as the tech sector. BUT...
  - Rise of that European success story, the format business (TV learning the art of the “Hollywood remake”?)
  - Arrival of the super-indie
  - Some consolidation in European content markets (Sky merger, Liberty Global and significant consolidation/globalisation in neighbouring markets (advertising agencies, sports rights, indies);
  - Explosive growth in distribution (from around 300 in 1992 to 11000+ today in broadcast alone ... plus online)

Consequence: experimentation now possible



# Today's Audiences and their Expectations (i) on Platforms





And (ii) on content



# Hence broadcasters re-examining the content supply chain:

- Need cinema-quality, HD series to watch on flatscreen sets, and if European producers don't satisfy that demand then HBO or Netflix will do so
- Budgets of \$12m an hour are beyond the reach of European producers or broadcasters
- The days of 100% financing are over.
- While overall, TV advertising remains a strong market, of all the genres, high-end drama series is most susceptible to DVR playback and hence ad-skipping;
- Hence new sources of finance (whether pre-sales, tax shelters or co-productions) are interesting: TV really is becoming the "new cinema";

# What are broadcasters looking for (in a coproduction)?

- “Universal stories but in a local setting” ...
- “A historical dimension”
- Politics and crime usually work, comedy rarely does

# Open questions...

- How risk averse are “broadcasters”? Where can innovation thrive?
- Can buyers and sellers think beyond the 20h peaktime slot?
- Challenges to the place of the feature film in our schedules (advertising breaks, the “final window”);
- What if the series boom ends ... and why and when might it do so?
- Future of exclusive windows under pressure from regulators and consumers?



- Thank you/Questions

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