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.
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

- **Linear TV**: Lean back, watching with family and friends
- **Basic Pay TV**: Ad-free enrichment of lean back experience
- **SVoD/TVoD**: “Audiovisual insurance”, binging, convenience, autonomy and cost saving
- **UGC/SPC**: New content experience, “snacking”, short format driven
- **Catch up**: Ensure to stay tuned
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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