FEATUE
THE TV LANDSCAPE

It's a wild world

More outlets offering less money, the digital big bang, the death of analogue, slicing and dicing rights across screens, territories and platforms... How do distributors maintain revenue levels in today's fast and furious content market? Juliana Koranteng investigates.

With new launches occurring daily, the number of TV channels and digital platforms now in existence is, quite literally, countless. YouTube, an effective video-sharing platform for promoting TV services, recently announced plans to launch 100 new channels featuring original content in partnership with established film-and-TV giants, including FremantleMedia, Lionsgate and Electus. UK-based BSkyB, meanwhile — Europe's biggest satellite-TV platform — is planning a streamed service to rival Amazon.com's Lovefilm, currently in the UK, Germany and Scandinavia, and Netflix, the increasingly influential US-based paid-for video-on-demand (VOD) service. Netflix is in the UK, Ireland, Canada and Latin America. And among the more obscure services to have launched recently is the Iranian government's Hispan TV, which debuted via global satellite into Latin America last year.

"We are seeing new internet-based on-demand channels being launched everywhere, from established territories like the US, the UK, France and Australia to developing markets such as Latin America, India and China," says Jonathan Ford, executive vice-president of digital acquisitions and distribution at Content Digital.

So in these recessionary times, when broadcasters are paying less for content, are distributors still able to make a profit? Yes, the experts say.

"Of course, it's overwhelming because of the rapidly growing digital space. You always think you're missing something," says Peter Emerson, president of Canada-based Entertainment One Television International (eOne). "But with the right mix of products and the ability to adjust your game plan, there are opportunities."

But that doesn't change the fact that, in today's wild TV landscape, you can find firmly rooted public broadcasters competing for space with the still growing pay-TV services. New multiplexes of digital free-to-air channels are elbowing strong but soon-to-die analogue terrestrial, cable and satellite networks out of their way. Digital TV Research confirmed this trend when it reported 576 million digital-TV homes worldwide in 2010 and predicted there would be internet-connected TV sets in 550 million homes in 40 territories by 2016.

Meanwhile, streamed TV and VOD on mobile devices — via apps, smartphones, tablets and the cloud — anytime, anywhere and anyhow are deadening the impact of the traditional 30-second TV spot. Catch-up TV has spelt the demise of viewers' once thrilling appointment viewing. And telecommunications operators have cornered 12%— plus of the global pay-TV business in more than 95 million homes via IPTV (internet protocol TV) platforms, according to market-research firm TeleGeography.

Moreover, the days of selling content by carving up rights based on different territories are gone. On the other hand, raise the topic of release windows, and the negotiations between sellers and buyers can get heated.

"At the moment, it's a question of keeping track of the
rights and knowing whom you sell to, when, and what that does to your exclusivity and your next release window,” Emerson adds. “And that’s for just one show.”

Content Digital’s Ford concurs: “All TV channels are launching catch-up services, available through the internet and cable/IPTV. The difference is only whether these are for free TV channels, or accessible only by a certain subscriber group for pay-TV channels.”

Another challenge comes from today’s average consumer, who is able to interact with, manipulate and even disrupt distribution platforms via digital technology. This makes the content’s value vulnerable to unforeseen forces. But instead of being felled by the potential confusion, content-sellers see prospects.

“We are at a stage where content is truly king,” says Fernando Szew, CEO of Los Angeles-based MarVista Entertainment. “However, every distributor is fighting for a position in a market where everyone does not necessarily know which platforms will be long-term and how consumers will end up consuming entertainment.” Szew predicts that the industry will become even more competitive and fragmented, making it imperative for distributors to understand the minutiae of their intellectual-property (IP) rights. “Every deal has to be carefully negotiated and understood,” he adds.

So while the TV landscape might look untamed, content sales continue to flourish, says Richard Goldsmith, executive vice-president of global distribution at The Jim Henson Company, the kids-entertainment giant whose popular new series include Sid the Science Kid, Dinosaur Train and Pajanimals.

“One of the things we need to be careful about is how we license our content,” Goldsmith says. “We get approached by three to four new platforms every week from around the world — it could be a new digital-terrestrial channel in Europe or a new website in China.”

But while growth might be coming from the new digital clientele, some of the best prospects remain traditional buyers. “We focus on serving branded channels like Disney and Cartoon Networks,
because we still need to justify our investments,” Goldsmith adds. “They provide us with a large audience and the license fee we need to produce the high-quality content in the first place. And robust DVD and merchandise deals are important exposures for us. Our clients for the next couple of years will be the terrestrial branded networks, before we create windows for digital platforms.”

The growing penetration of digital media, according to Cathy Payne, London-based CEO of Endemol Worldwide Distribution, could tempt distributors to be complacent. Instead, she declares, they need to be pragmatic about monetising their properties.

“Licensing to these new digital platforms can be time-consuming, involving multiple transactions for many titles,” Payne says. “But they may yield incremental income rather than substantial revenues. To date, it’s the largest markets that are delivering substantial revenues. And the programmes that are the most popular on the traditional linear broadcast services are also the most popular on the non-linear VOD outlets.”

To retain some control over their properties’ fate, more distributors are investing in original shows as co-producers. eOne, for example, has interests in the police drama series Rookie Blue, the new John Grisham thriller The Firm, and the supernatural horror film, Haven.

In Germany, ZDF Enterprises (ZDFE), the commercial arm of public broadcaster ZDF, spent 30m on new content in 2011, says Fred Burekens, vice-president of sales, merchandising and co-production. These included the third series of reality show Dance Academy and the third season of The Killing, the hit Danish thriller that it co-produces. “Keeping up with developments in all markets is a day-to-day job,” Burekens says. “We don’t want to jump on anything and lose our core business from traditional broadcasters.”

But the revenues to be derived from digital distribution should not be sniffed at, he adds. Digital Offensive, a ZDFE initiative to boost sales of digitally distributed content, generated concrete income last year. “We wanted to earn 1m from digital outlets in the German-speaking markets — Germany, Austria, Switzerland — last year, and we reached that goal,” Burekens reports. “Now we know it works. We did it because content still has to keep pace with the new platforms that are being launched.”

These include online games, mobile apps and video clips. “We have a unit that focuses on only producing clips for digital media,” Burekens adds. “It’s currently a small business, but if you’re not moving with the times, you’ll be out of the business in a couple of years.”

Jim Henson produces dedicated original digital content, in addition to making its library of classics — including the famous Fraggle Rock puppet series from the 1980s — available to new digital channels. Other original digital shows include Possibility Shop for Disney Online, which is a series about making crafts aimed at mothers and kids.

The company also co-produces the Nerdist Channel, an alternative-comedy feed on YouTube. Nerdist has been transmitting Marvin For President, a series of videos of a puppet politician, who has put himself forward as a genuine candidate for the next US presidential election.

“There is no production that leaves our studio without high standards, whether it’s for broadcast or for Disney Online. But we couldn’t produce an action sci-fi action series like Farscape on Possibility Shop’s budget, nor could a series for a niche audience like Possibility Shop have been sold to a TV network,” Henson’s Goldsmith says.

With content establishing its right to entertainment sovereignty as king, content-owners are feeling secure about their future prospects. Viacom International Media Networks (VIMN) has one of the world’s biggest libraries of content, along with 160 international channels, including MTV, BET, Nickelodeon and Comedy Central, serving about 690 million homes. This, according to VIMN president and CEO Robert Bakish, makes the company a frontrunner in the race to supply media platforms. “If you’re a world-class content-owner, have a deep library and great franchises, you’ll see great demand,” Bakish says.

VIMN continues to launch linear channels, including its Comedy Central, which is being introduced into Africa, Latin America and India on multichannel platforms. And new content is being produced to feed its channels, including Nickelodeon animation Legend Of Korra, and the live-action series Supah Ninjas, Crash Canyon and Flash Prank for MTV, and Reed Between The Lines for BET.

“With great content, you are also able to do business with digital extensions, because fans of a particular content
tend to want more of it,” Bakish adds. For example, VIMN has joined forces with the Asian games publisher GigaMedia to develop the first massively multiplayer online game (MMOG) based on the hit Nickelodeon kids’ animation SpongeBob SquarePants. It is to be rolled out internationally later this year, starting with Taiwan, before launching in other Asian markets including China and India, followed by Europe, Russia and Latin America.

This begs the question of whether there is any more room for new TV channels globally. Digital technology now enables anyone with a library of content to launch a linear or on-demand TV network, points out John Mills, CEO of UK-based Vision247, which leases the IPTV infrastructure to small players creating their own TV channels for viewing online and, increasingly, on digital-terrestrial platforms.

“What has changed with developments in OTT is that content-providers can now reach audiences directly without having to go through a broadcaster first,” Mills says. “A social-media operator with content already has millions in audiences. Now, we can also enable it to launch a TV channel that is accessible on as many devices as possible.”