EUROVISION

Many of its economies are in dire straits, but Europe’s content-creation sector appears to be booming.

By Joanna Stephens

These are interesting times for Europe’s content business. In an age of media fragmentation, constriiction and consolidation; economic instability and new monetization models—or lack thereof; digital’s powers of disruption; and release and rights structures in flux, there are clearly challenges ahead.

Against this uncertainty, perhaps the most interesting thing about Europe’s content creators is that they are feeling so optimistic, particularly in the U.K., where the country’s independent TV production sector posted revenues of £2.8 billion ($4.3 billion) in 2012, according to the latest financial census from Pact, the trade association that represents the commercial interests of the U.K.’s indies. This represents a 16.5-percent hike in just one year—the highest single-year rise since the census began in 2004.

It is now ten years since the codes of practice, also known as terms of trade between producers and broadcasters, were introduced in the U.K., to allow indies to own and exploit a share of the rights in the content they create. As a result, British program exports have risen sharply since 2003 and now account for about a third of all sector revenues. Added to this, after four years of spending reductions, domestic U.K. commissioners increased their investment by £292 million ($455 million) in 2012, with more spending from the likes of the BBC and Channel 4 finding its way to the smaller players.

MIGHTY ENGLAND

It’s no wonder that John McVay, the chief executive of Pact, is upbeat. “The TV industry has come through the recession pretty well in the U.K. and other developed markets,” he says. “With people around the world watching more television today than they did ten years ago, TV remains a fantastic mass media for advertisers.”

The catch, however, is that you have to be very, very good to make it in the brutally competitive global market. “There’s no room for complacency in the independent production sector,” McVay adds. “Companies have to be smart to embrace international markets. It’s very easy to make bad TV, but the U.K. has a reputation for making great original programming in short runs, which gives broadcasters in other markets opportunities to create hits quickly. And because U.K. indies tend to own the copyright to their work, they can exploit their content more efficiently than many of their overseas competitors.”

This is particularly true of formats, which, with some 40 percent of the world’s most widely sold concepts said to originate from the U.K., are arguably the British production industry’s greatest gift to global broadcasters. “If you’ve had a hit in the U.K. as a format, you de-risk that product for the international market and give buyers a lot of confidence,” McVay observes.

The Pact chief’s claim that this is a “fantastic time of opportunity for cool creative producers” is echoed by Maria Kyriacou, the managing director of ITV Studios Global Entertainment (ITVS GE). “It’s clear that there’s a strong appetite for content and formats that originated in the U.K.,” she says. She illustrates the point with a string of ITVS GE global hits, which include the returning franchises Mr Selfridge—now sold to more than 100 countries—Vera and Shetland, and the BBC Three structured reality format Boom Town, for which, at press time, deals were pending in a number of territories. “We now have ten formats that have been made in at least three countries,” Kyriacou adds, referencing quiz show The Chase, which premiered on U.S. game-show channel GSN this summer following successful runs in Germany and Russia.

But while tried-and-tested formats tick the boxes for broadcasters seeking security, Kyriacou observes that, in today’s borderless world, audiences are drawn increasingly to programming—drama in particular—that opens a window onto other cultures. Coupled with an appetite for bigger-budget and more ambitious shows, this is driving increasing numbers of European producers and broadcasters into international co-production.

A case in point is Breathless, ITVS GE’s tentpole drama for MIPCOM, which is co-produced with WGBH. The medical series from the producers of Mr Selfridge is set in groovy 1960s London, an era of profound social, sexual and moral change. “We have high hopes for Breathless,” Kyriacou says, noting that the drama, which stars Jack Davenport and will air in the U.S. on Masterpiece on PBS, will be the subject of ITVS GE’s first-ever international screening in Cannes.

COME TOGETHER

Also on Kyriacou’s co-pro slate is Thunderbirds Are Go (working title), a partnership between ITV Studios and Pulpeko Pictures, in collaboration with Weta Workshop. “Distributors are becoming involved in co-productions much earlier,” she adds. “For us, this is an important point, particularly as we are seeing large deficits, and therefore careful early planning to push a production into profit is essential.”

But don’t be seduced into a cookie-cutter approach to co-pro, Kyriacou warns. “One size does not fit all. It’s important to find an arrangement for each co-production that is right for that particular project. We prioritize finding the right partners. And the creative always leads.”

One of ITV Studios’ co-pro partners is ZDF Enterprises
Do not cross: One of the biggest hits out of the U.K. this year has been Shine International’s Broadchurch on ITV, which is being remade for FOX in the U.S.

(ZDFE), the commercial arm of the German public-service broadcaster. Among other projects, the two worked together on ITV’s £11 million ($16.9 million) hit Titanic, which, in the words of Alexander Coridas, ZDFE’s president and CEO, is the epitome of “the growing demand for well-made historical dramas and big-budget mega-productions.”

Coridas sums up ZDFE’s strengths as “an understanding of content and subject, a broad international network and a willingness to take risks”—all qualities that are evident in the company’s recent co-pro ventures, which range from gritty Scandi crime (the Millennium cycle, The Bridge, The Killing) to factual (Downday: World War I, Last Secrets of the Third Reich) to children’s films and series (Mako Mermaids, Sam Fox: Extreme Adventures, Q Poole 3).

Having been involved in two of the most talked-about European series of recent times—The Bridge and The Killing, both remade for the U.S.—the ZDFE chief has clear views on why the Nordic noir crime wave is sweeping all before it. He lists creative freedom, strong stories, actors chosen for talent rather than looks, authors with permission to take risks and “production design that plunges viewers into a unique atmosphere from the very first frames.” He adds, “In my opinion, Nordic noir is successful because of its homogeneity. Everything fits—including the most malevolent crimes.”

SCANDI TIME

On the front line of the Nordic drama phenomenon is Patrick Nebout, managing director and executive producer of Stockholm-based Nice Drama, whose slate of high-concept projects includes a trilogy based on crime queen Kristina Ohlsjö’s books with TV4 Sweden and an as-yet-unnamed German partner.

“I think it’s partly about being at the right place at the right moment.” Nebout says of Scandi drama’s current popularity. Like ZDFE’s Coridas, he says that the voracious appetite for original content from new players such as Netflix and HBO is a contributing factor. “But it’s also very much about the specific relationship between Nordic broadcasters and producers, which is based on trust,” he adds. “If a Scandinavian broadcaster likes your initial vision, and if they trust the creative and the production proposal, they’ll stand behind the project and back you 100 percent.”

The news in June that the European Union is to exclude, for now at least, film and television services from the ambitious E.U.-U.S. free-trade agreement currently on the table—"in order to protect the cultural and linguistic diversity of the E.U. countries"—has provoked mixed reactions within the industry. France’s CNC hailed the decision as a “historic victory” for European culture, but E.U. trade commissioner Karel de Gucht has expressed concerns that it could lead to the U.S. introducing similarly protectionist measures.

BORDER PROTECTION

Nebout is firmly in the former camp. “It’s very good news,” he says. “It’s vital for Europe, made up of so many different cultures and languages, to protect and actively support its TV culture. Look at the recent global success of European drama. It shows we’re capable of producing big-budget, commercially viable fiction that travels well around the world. As long as a show is compelling, exciting and entertaining, with a strong identity and vision, audiences don’t care about its nationality.”

Another ardent supporter of the E.U.’s decision to exclude audio-visual services from the free-trade negotiations is Mathieu Béjot, the executive director of TV France International (TVFI), the association of French TV program exporters whose membership represents the majority of all of France’s international content sales.

With France initially threatening to block the trade talks if its TV, film and online content industries were not protected from the might of Hollywood and Silicon Valley, Béjot’s views are unsurprising. “One of the main qualities of Europe is precisely that it is so diverse and can offer such a wide range of programming,” he says. “To maintain and nurture that diversity, allowing E.U. states to protect and promote their own film and television industry is fundamental. The main challenge in years to come is to create a level playing field with the huge U.S. companies that bring programs to European audiences while avoiding any [contribution to] our own ecosystem.”

Béjot is also blunt about the health of the French production industry. “The economic context and the creation of new DTT channels, not to mention a world of hyperchoice on multiple devices, has impacted traditional terrestrial broadcasters, which are still the largest commissioners of TV programs. Producing on constrained budgets for at least two screens has changed the way producers have to work,” he says.

But it’s not all bad news, he adds, noting that France is still Europe’s animation powerhouse, having produced around 300 hours in 2012. Documentary remains a French forte; French drama has also undergone a renaissance in recent years, and is now characterized by edgier, more daring series, such as Les Revenants (which aired on Channel 4 in the U.K. as The Returned), Spiral (sold to BBC Four) and International Emmy Award-winning Braquo (available in the U.S. on Hulu).

“One of the challenges for the French drama industry is to focus less on prime-time drama and produce more daytime or access series, with more episodes,” Béjot says. Interestingly, however, Béjot does not believe the eurozone crisis has had a significant impact on creative
Swinging sixties: ITV Studios Global Entertainment is forecasting a strong response from international buyers to its new period medical drama Breathless.

standards. “Some genres are harder to finance and require more international partners, but no one has sacrificed quality yet,” he adds.

This echoes the experience of ITVS GE’s Kyriacou, who has found that the recession’s greatest impact is that “people are willing to partner more.” And ZDFE’s Coridas goes a step further, saying, “I personally believe that the quality of productions has even risen.”

SEEKING PARTNERS

But industry veteran Nadine Nohr, the CEO of Shine International, is less convinced. “In a recession, only a small number of ideas make it to the screen and they have to tick increasing numbers of boxes,” she says. “We have been lucky that some of our franchises [such as cooking superformat MasterChef and ITV’s record-breaking crime drama Broadchurch] have made them the exception to the rule, even in the more seriously affected markets.”

Karoline Spodsberg, the managing director of Banijay International, is even less sanguine, claiming that Europe’s economic meltdown has resulted in more budget programming, along with more repeats and multiple seasons, even of mediocre shows. “With fewer opportunities for high-end content, there’s just less creativity across the board. It’s been harder to convince broadcasters to take a risk with a new commission.”

But despite the financial constraints in two of Europe’s hardest-hit markets, Spain and Italy, Spodsberg reports that Banijay’s local affiliates are thriving. Cuarto in Spain continues to receive commissions on the strength of its track record, which includes long-running talk show El programa de Ana Rosa, while in Italy demand is building for Ambra Multimedia’s game show The Thing and cooking show Family Taste, devised by the creative team put together by recently appointed Banijay Group CEO Marco Bassetti.

For BBC Worldwide, the world’s largest distributor outside of the Hollywood studios, having scale has been crucial to weathering the crisis. “We’re fortunate in that we’re a global business,” says Paul Dempsey, the president of global markets. “We do business in 200-plus markets around the world. We’re not reliant on any one revenue stream. We do have mixed income streams. That allows us to be more resilient in the face of the cyclical nature of economic changes and different business activities being stronger than others. Western Europe is a microcosm of that. Within Western Europe there are different revenue streams. You’ve got some very strong economies in Western Europe, even within the eurozone.”

This ability to weather local turbulence also applies to Europe’s super-indies, which now dominate the continent’s production landscape with their deep catalogues, multinational production capabilities and slick distribution machines dedicated to maximizing the value of IP across platforms, windows and territories. The likes of Banijay, Shine, all3media, Zodiac, Endemol, FremantleMedia and Red Arrow have acquired the scale necessary not only to compete on the international market, but also to reduce risk in an industry that remains unpredictable.

RISE OF THE SUPER-INDIE

Shine’s Nohr points out that ongoing consolidation has also created groups that are active across multiple genres and territories. The result is “something of a micro-economy” where, if one market or genre dips, another can pick up the slack. “This doesn’t make you recession-proof,” Nohr adds, “but it does create flexibility and options. That said, there’s no room for complacency, whatever the size of your organization.”

Spodsberg believes that the super-indies are unmatched when it comes to incubating creativity, particularly in the current financial climate. Their deep pockets allow them to invest more in development and take bigger chances, she says, “and that’s proving to be good for creativity across the European market.”

Another driver of creativity, Spodsberg suggests, is that European producers tend to retain their programming rights. “The rights for both formats and finished tapes prove again and again to be extremely valuable commodities, and, as long as this value flows back into the production community, it will nurture creativity,” she says.

Louise Pedersen, the managing director of all3media international, the formidably successful distribution arm of U.K. power player all3media, agrees that the super-indies have raised the creative bar. She describes a virtuous circle: by aggregating distribution, the super-indies provide scale, negotiating power and the ability to find production gaps in-house, thus ensuring that a better return is achieved on IP—which, in turn, pays for more creative freedom. The truth is that real quality is hard to produce on the cheap.

“We are seeing a more diverse and vibrant range of output and content creation from the indie sector,” Pedersen concludes.

In the future, Pedersen thinks that this scale will be pivotal to developing relationships with new players in the EST (electronic sell-through) and VOD arenas. “For example, our all3media pages on iTunes and the deals we are able to do with Amazon, Netflix and Hulu rely on being able to supply volume,” she says. “Looking forward, we hope to be working.
with these platforms at commissioning broadcasters, too.”

In terms of rights models for commissioning, the all3media international chief says that the U.K., Scandinavia, Italy and France have producer-friendly models that allow content creators to retain rights.

“But this is currently less easy in Germany. Control of rights ownership is becoming more of an issue across Europe. One concern is broadcasters retaining rights they don’t need or don’t exploit.”

ENTERTAINMENT VALUE

As to what’s selling internationally, Pedersen says that formats continue to perform, and she reports keen pre-launch interest in all3media’s two fall headliners: Studio Lambert’s Million Second Quiz, which aired on NBC in the U.S.; and Objective Productions’ Reflex for BBC One in the U.K. “And drama is having a strong moment,” she adds, pointing to BBC One’s historical epic The WhiteQueen, based on Philippa Gregory’s best-selling novels set during England’s Wars of the Roses, which all3media’s Company Pictures co-produced with Starz.

Drama is also doing the business for Shine and FremantleMedia. Nohr is heading to MIPCOM with Shine International’s biggest-ever lineup of drama titles, including The Bridge, produced for FX in the U.S., and Sky1’s new primetime series The Smoke. Great storytelling and access to unique characters and situations will always be in demand, Nohr says. “Drama that surprises you and moves you with perfect and invisible execution, like Broadchurch, transcends trends.”

FremantleMedia International’s MIPCOM slate, meanwhile, includes the ten-episode drama Full Circle, the small-screen debut of award-winning screenwriter Neil LaBute (In the Company of Men), and two seasons of FremantleMedia Australia’s hugely successful Wentworth, a contemporary reimagining of the cult ’80s Aussie soap Prisoner: Cell Block H.

According to Jamie Lynn, the executive VP of international distribution for Europe, the Middle East and Africa at FremantleMedia International, the company’s super-size entertainment franchises (Idol, Got Talent and The X Factor) continue to resonate with both buyers and audiences. “In this age, the success of a show is less about straight ratings and more about how engaged the viewers are,” he says. “Do they share clips online? Is it trending on Twitter? Does it have watercooler-chat status? The big entertainment shows often tick these boxes.”

Lynn claims that the YouTube brand channels for the British versions of Got Talent and The X Factor have each surpassed a billion lifetime views, rendering them the highest-rated channels for entertainment programs worldwide—and FremantleMedia the highest-rated TV producer on YouTube globally.

FORMAT FEVER

This helps to illustrate why finding the Next Big Format remains the holy grail for the super-indies. The Idol TV franchise is worth an estimated $8 billion. In the bumper year of 2010, The Guardian reported that ITV made well over £100 million ($153.6 million) in advertising revenue from The X Factor. A measure of the value placed on the top formats by broadcasters is that Northern & Shell boss Richard Desmond bought the U.K.’s Channel 5 for £103 million ($158.2 million), but paid a reported £200 million ($307 million) for a multi-year license to show Big Brother on the channel.

“Historically, the big formats have tended to come out of the U.K. and the Netherlands, which are still great creative hubs,” says Lynn, whose MIPCOM format roster includes Genealogy Roadshow and a remake of the classic Through the Keyhole, hosted by Keith Lemon. But increasingly, great formats can, and do, come from anywhere and everywhere. Lynn points to Ireland, Israel and Turkey as particularly fertile markets. “The BRIC territories are also investing more and China is forging ahead with its creative industries, so there’s a bigger competitive field,” he adds.

Istanbul-based Global Agency epitomizes this new generation of competition. The company burst onto the international scene with the contro-
Hitching a ride: Red Arrow International's expanding slate of English-language drama includes Restless, made by sister company Endor Productions for BBC One in the U.K.

versial format Choosing My Religion, and since then it has added a string of strong concepts to its portfolio, including Forbidden Love, the first Turkish-originated scripted format to be sold into the U.S.

Other Turkish dramas from Global Agency include 1001 Nights and The Magnificent Century, which Global Agency founder and CEO Izzet Pinto says has now been seen in 49 countries, including China.

At MIPCOM, Pinto is unveiling a new drama called Calikusu (The Wren) that will stretch over several seasons and 80-plus episodes. But don't confuse Turkish drama with teleserials—Pinto says, "These are big-budget prime-time drama series, not daily soaps." Their appeal, he believes, lies in their family-friendly leanings. "Our main markets for drama are the Near East, the Middle East, Pakistan and Afghanistan, which, like Turkey, are very conservative in lifestyle and values," Pinto adds. "Latin teleserials don't reflect the reality of people's lives in these territories, and U.S. dramas are even more alien to their experiences. But our Turkish series are perfect. Viewers love them; they get amazing ratings and they are cost-effective. It's a compelling proposition."

QUALITY IS KING
In the end, the general view is that good programming will always find a home. Cathy Payne, the chief executive of Endemol Worldwide Distribution, has seen the economic wheel turn several times in the course of a lifetime in distribution. The one constant, she says, is that "those special pieces of content" are always out there and will always attract buyers.

"In general, people are prepared to spend a lot of money on the programming they really want and very little on the rest," Payne says. "Even in a recession, you need your big, schedule-defining shows. But the rest of the schedule has to be handled as cost-effectively as possible, which means a lot of reruns and library product."

One such schedule anchor is Low Winter Sun, a co-production between Endemol Studios and AMC. The ten-episode series is based on a mini-series that Endemol's Tiger Aspect made for Channel 4 U.K. some eight years ago. Payne predicts that Low Winter Sun will generate buzz at MIPCOM, and is also confident that BBC One's period cop series WPC 56 and the Canadian sci-fi thriller Continuum will continue to draw international interest.

Payne believes that much of Endemol's strength is rooted in its non-interventionist philosophy. "The U.S. studios have struggled outside of North America because they buy a U.K. or Australian company and try to run it like a U.S. company," says Payne. "That doesn't work because the models are so different." Endemol, by contrast, identifies a company in a specific territory that is doing something well, buys it and then, crucially, leaves it alone to continue to do what it does best.

MACRO DYNAMICS
While Endemol's international clout, local-market competence and culture of IP ownership are clear assets, it is not immune from the major issues confronting the industry. "A lot of the larger European producers will probably be targeted for acquisition by U.S. players, so there'll be another wave of consolidation," Payne predicts. She identifies another threat to the growing tendency of broadcasters to control rights internationally, thus ratcheting up the competition for distributors.

Jens Richter is another believer in the power of outstanding programming. "It will always be in demand," says the managing director of Red Arrow International, which recently signed a multi-year partnership with Israeli cross-media specialist SceenZ aimed at extending broadcasters' brands to the second screen.

"We know how to build program brands in both scripted and non-scripted content," Richter notes. "We act global. We move fast. We dive deep into each market—alongside the traditional free- and pay-TV broadcasters, we work with digital platforms." And in the wake of the ScreenZ pact this summer, Red Arrow is now able develop tailor-made strategies for broadcasters seeking new ways to deliver content, create digital assets and open up additional revenue streams.

With the specter of recession still haunting Europe, new monetization models are at the forefront of many minds. "In general, the crisis created a rethink with regards to financing and storytelling," says Richter, who is optimistic that the worst of the downturn is now over. Echoing ITVS GE's Kyriacou, he also reports more openness towards cost-sharing partnerships, on the basis that producing quality programming is now a formidable expensive business. "Stories aren't as local as they used to be," he notes. "These days, they have to intrigue prime-time audiences in several markets."

Red Arrow's response to this challenge is to seek properties that combine creative vision with story lines that can travel and, ideally, have built-in marketing potential. Examples include Bosch, based on Michael Connelly's book franchise which has a huge global fan base; spy mini-series Restless, based on William Boyd's best-selling novel; crime series Jô, which marks the return of the legendary French actor Jean Reno after a 20-year hiatus from TV; and mobster saga Moneyhammer, which has scored record ratings in Scandinavia and proved to be a hit for Netflix.

"All these projects are great in terms of creative, marketing and PR," Richter adds. "These shows are brands from day one of shooting."

The last word goes to Nice Drama's Nebout, who muses on the future of Europe's production industry as it squares up to a world of mounting competition, financial constraint and the challenge of telling stories across multiple screens. "We're witnessing a transformation of media distribution and consumption, but I don't think this will change the way stories are told," he says. "Linear storytelling appeared at the dawn of humanity and it hasn't really changed since. So yes, the TV production industry is facing many challenges, but the current crisis will lead to much greater creativity and many more financing models."