ALVAREZ & MARSAL
THE BUSINESS OF MEDIA | POST-EVENT THOUGHTS

After years of gradual growth, OTT and on-demand services have moved to the mainstream with a now clear impact on linear viewing. When cinematic-quality series such as *The Crown* and *The Man in The High Castle* can be accessed cheaply, instantly and on any device, what does the future hold for our international content creators and aggregators that were designed for a linear world?

In January 2017, as part of A&M's quarterly breakfast series on the Business of Media, we asked four executives from across the television production and distribution value chain to debate the issue in front of an invited audience of 90 of their peers and The Club at The Ivy members. The panellists, who all spoke in a personal capacity, were:

- Wim Ponnet, Group Director of Strategy and Corporate Development, Endemol Shine
- Stuart Baxter, President, eOne Television International
- Chris Whiteley, VP of Business Development, Netflix EMEA
- Jamie Friend, CFO, Turner EMEA

Behind closed doors and moderated by media journalist and commentator, Kate Bulkley, the debate was insightful and lively. For those who could not make it on the day, Kate shares some of the edited highlights below.

THE BUSINESS OF INTERNATIONAL TELEVISION
KATE BULKLEY @KATECOMMENTS

The business of developing and producing international television is getting riskier with notable price inflation around the best (on- and off-screen) talent. The 'drama bubble' means that TV financing is becoming akin to film financing.

The traditional models for distributing content are becoming increasingly varied. For instance, YouTube and Facebook are firm parts of any multi-channel strategy but they are now only a part of a complex consumption ecosystem.

The rising consumption on handheld devices is creating greater demand for shorter, more niche content. This is forcing content providers and brand owners to re-think their relationship with audiences around the nature of engagement and the content they produce.

Fragmentation of devices and consumption is difficult to deal with but having a relationship with consumers across all media channels means that content owners can aggregate niche audiences into desirable and monetisable masses.

Greater Risk in Production / Distribution

Significant cost inflation around securing the best talent has made the development and production of international television riskier. Fuelled by OTT services such as Netflix and Amazon, a so-called 'drama bubble' has emerged that, while boosting production, has driven up the costs of episodic drama series.

This has changed the risk profile for producers and distributors alike, meaning that the financing of premium TV development and production is starting to look a lot like the film financing model.

Further, the expectations of producers have changed with substantial deficit financing sought in return for historically low distribution fees. "Is the bubble going to blow up? I think in today's environment that possibility exists," says Stuart Baxter of eOne Television International. "You see a lot of shows being made today where the question is whether they merit that level of production budget". In this environment, scale gives you better ability to control the IP which, in turn, gives you control of the production budget and allows you to share in the back-end. "We are committed to double the size of our business through acquisitions [of production companies] and also working with third parties" says eOne's Baxter. "That commitment extends to newer forms of content including AR/VR and short-form", he added.

Traditional Distribution Models are Changing

The models for distributing content are becoming more varied as we move into a complex, mixed ecosystem of conventional and newer forms of media.

Traditional carriage fees and advertising account for the majority of Turner's revenue today. These continue to grow with Turner seeing the opportunity to launch new linear channels in some TV markets. However, digital consumption is growing and Turner, as both a content creator and curator, is using its brands to engage audiences in new ways. For example, in kids' content, Turner's YouTube viewing is up close to 1,000% in the last 18 months and it has dedicated teams looking at creating content for digital platforms such as YouTube and Snapchat.

"We are creating meaningful revenues in digital but it is not simply a one-for-one shift between the value of a TV viewer and a view on YouTube," said Jamie Friend of Turner. "Our approach is to make sure we understand what the objective is of each of these platforms. The era of simply chopping up your long form content and putting it on Facebook, YouTube and Snapchat is gone".

New monetisation models embrace many platforms

The rising consumption on handheld devices with smaller screens is creating greater demand for shorter, more niche content as well as forcing content providers to re-think their relationship with audiences around the types of content they produce.

Endemol Shine's *Mr Bean* is a massive YouTube hit with some 350 million monthly views. In December 2016, *Mr Bean* overtook *The Simpsons* as the biggest TV brand on Facebook. The *Mr Bean* YouTube business makes "a lot of money" and Facebook is "getting there" says Endemol Shine's Wim Ponnett. Digital advertising rates are not uniform and titles such as *Restoration Man* that attract a high-end audience can command substantial premiums. He added that "we plan to build digital from 5% of our revenues today to 20% by 2020" and that "advertisers are willing to pay for TV-size audiences in the online space". Through the use of key brands like *Big Brother* and *MasterChef* and "hub platforms", Endemol Shine is seeking to monetise its IP in multiple ways including long- and short-form, games and merchandising.

Re-thinking audiences and how to engage them

The shifting consumption of content to on-demand and different devices means content owners and platforms have to re-think audience relationships. The good news is that content providers are able to create direct-to-consumer relationships but the bad news is that the discovery of content is getting more complex as viewing fragments. Leveraging brands is one answer to building cross-platform audiences.

"Distribution on a wide variety of devices creates mass niche audiences," says Turner's Jamie Friend. "With a niche audience like the one for eSports, we have an ability to aggregate across TV screens and digital and create a meaningful monetisation opportunity".

As an early embracer of this trend, Netflix has moved from being a sole website to now having its app on over 1,000 different devices, including set-top boxes, smartphones and smart TVs. "Operators are coming around and realising that we are not cannibalistic but complimentary to their platforms because having Netflix means keeping viewers on the STB – thus driving engagement and customer appreciation," says Netflix's Chris Whiteley.

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