Remodelling TV Production: Shaping Up For a More Global, More Online Market

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Channels & Programming Intelligence

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The television production business has been transformed from one where a handful of broadcasters commissioned programming from mainly local suppliers to a global marketplace where producers and distributors work with multiple buyers. Online platforms and telcos looking to make their mark with original programming, opportunities for producers have increased, but the challenges are also considerable.

Much of this process has been unrolling over many years, and TV production remains a highly fragmented sector. While increasingly large studio and production groups operate at international scale, other smaller outfits have only one or two full-time employees. The basic production business model—create a programme or series, get commissioned by a local broadcaster, and seek to scrape a profit from the difference between the budget, and any fees or intellectual property (IP) you can retain—continues on, not always very strongly.

In order to understand the dynamics of this fast-changing marketplace, IHS Markit interviewed a wide range of senior executives from leading production groups around the world. We also analysed the leading players in the worldwide production business to understand the current financial health of the sector and put together programming expenditure data for 26 leading TV markets across the world from IHS Markit's Channels and Programming Intelligence service. We also track the global SVoD platforms Netflix and Amazon Video.

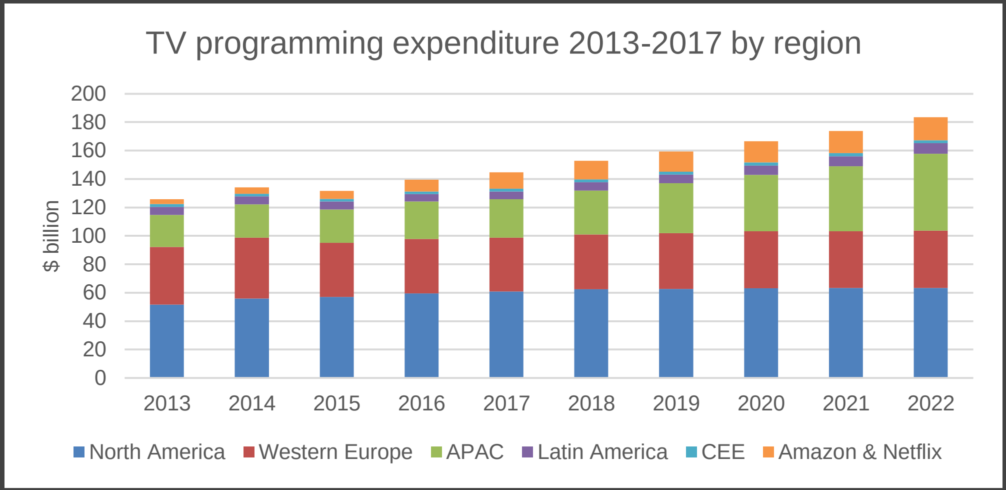
Our key findings include:

- While online platforms have injected new funding, linear TV investment is flat in most major countries
- High-end drama production is riding high, and is expected to continue
- Unscripted genres cause some concern for producers, with a shortage of new programmes replacing ageing formats
- The emphasis of M&A activity is shifting to one of access to off-screen talent
- The rapid expansion of the online sector has created a battleground for rights between commissioners and producers

Linear TV programming expenditure is declining or static in North America and Europe

According to IHS Markit Channels and Programming Intelligence, a total of $145 billion was invested in TV and video programming worldwide in 2017. (Our worldwide total consists of 26 countries together with the global Amazon Video and Netflix platforms.)

The US was the largest market, investing $58 billion, representing 40% of the world total. The UK, with $10 billion of expenditure (6.9%) and Japan with $9.5 billion (6.6%) were the next largest national markets. Together, Amazon and Netflix accounted for 7.9% of the world total in 2017.

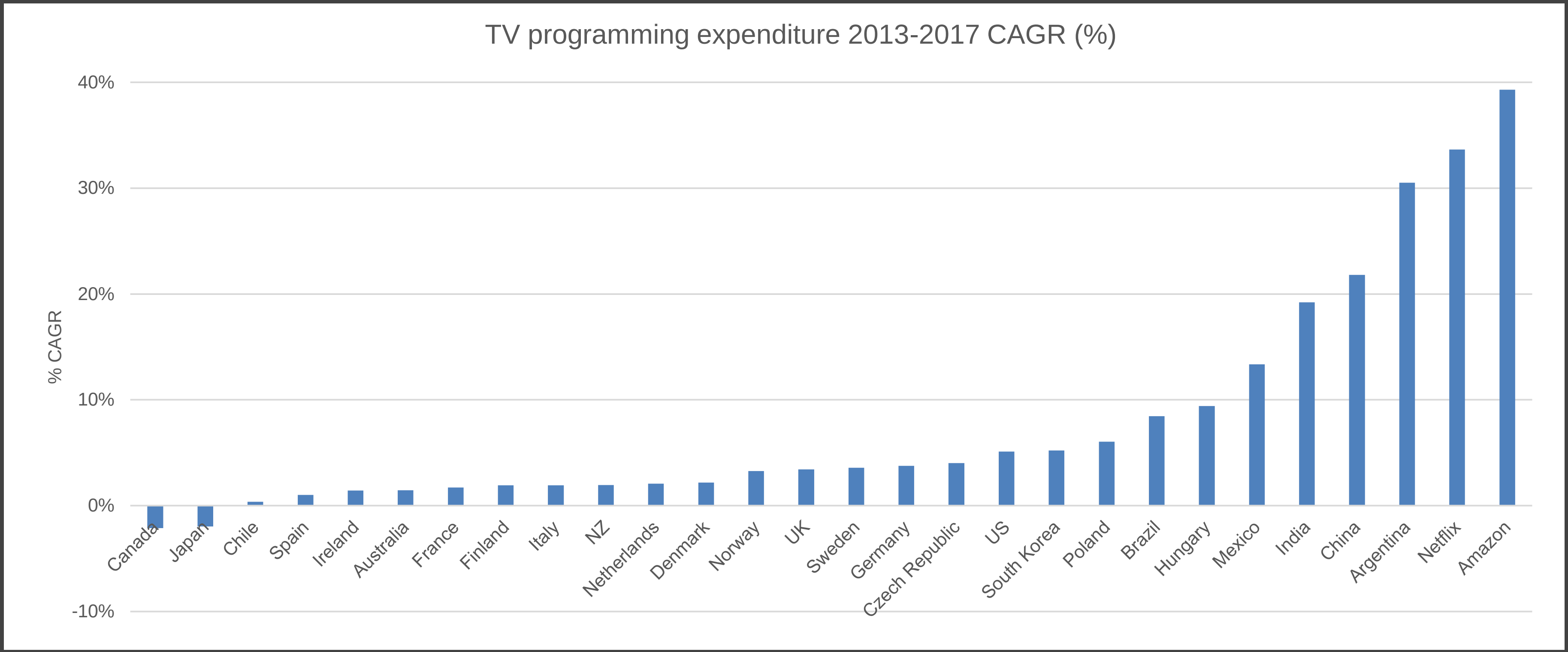


Source: IHS Markit Channels & Programming Intelligence

North America and Western Europe, historically the two biggest spending regions, are both forecast to perform poorly in terms of total programming spend growth in the next five years. In Europe, the forecasts for total programming expenditure include France (-1.1% for 2018-22), Germany (-0.1%) and Netherlands (-0.4%) whilst Italy (1.7%), Spain (2.4%) and the UK (3.1%) are forecast only modest growth across the next five years. As one European producer noted, 'There are falling ratings for linear free-to-air broadcasters and that means fewer eyeballs and therefore less money. The TV advertising market is declining and also public broadcaster budgets are static or going down too.'

IHS Markit Channels & Programming forecasts that the US market faces a more uncertain future with audiences for free-to-air channels declining and cord-cutting in hitting pay TV subscriber numbers. Our forecast is for programming expenditure in the US to increase by a negligible 0.8% in the five years to 2022 as linear revenues in the US are impacted by these long term trends.

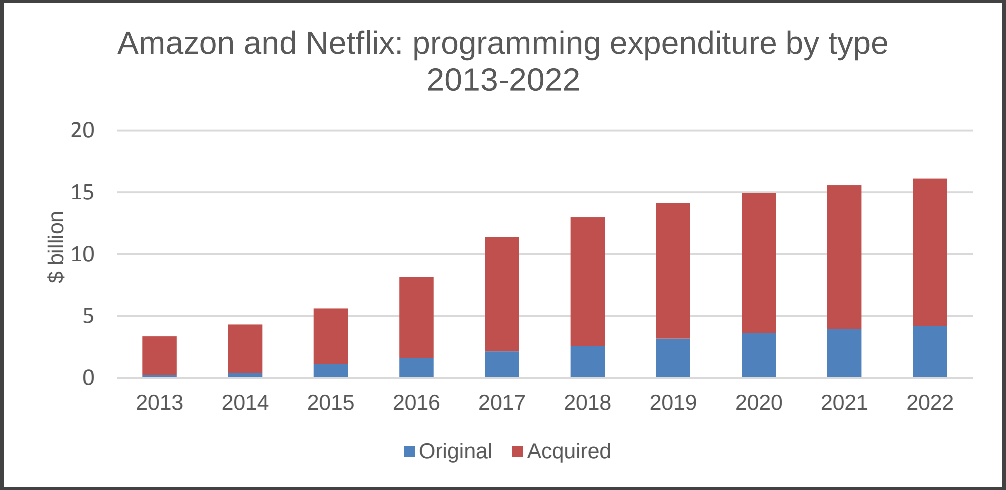
Programming spend: online surges along with Asia Pacific



Source: IHS Markit Channels & Programming Intelligence

In contrast, programming spend growth by online platforms, and countries in Asia Pacific Latin America provided opportunities for producers in search of rapidly growing markets during the 2013 to 2017 period. In terms of growth, Amazon (up 39.3%) and Netflix (33.7%) easily outstripped the established territorial markets as they increased investment to $11.4 billion in 2017.

Investment in original productions is growing fast, but acquired dominates SVoD spend



Source: IHS Markit Channels & Programming Intelligence

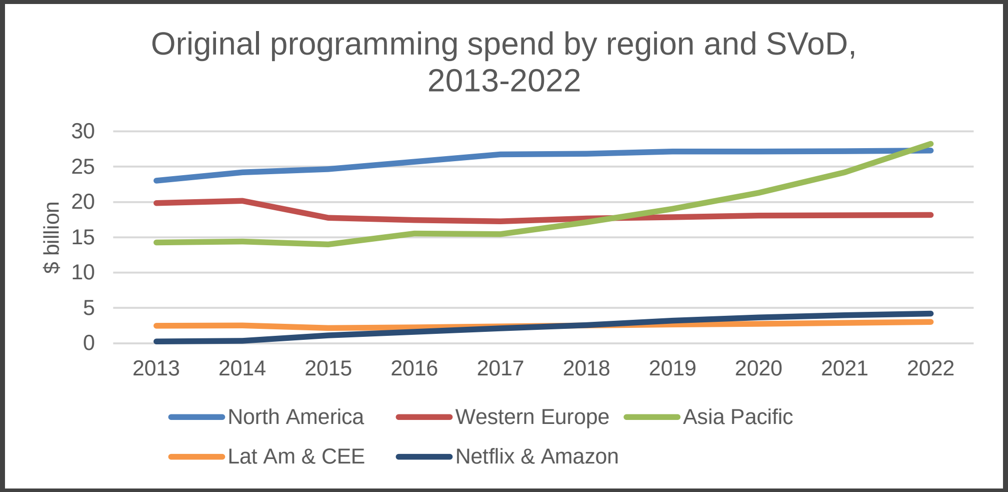
This year, Amazon and Netflix will spend $13 billion on making and acquiring new programming, the same as France and Italy combined. Both platforms have mainly plugged in to the existing TV production business, offering generous funding for some new productions, forming partnerships with traditional broadcast partners, and acquiring rights on a massive scale.

While much of the recent media coverage has focused on the surge in expenditure on originals (Netflix originals spend has grown over 73% and Amazon 82% 2013-17), both platforms are still large buyers of finished programming.

In 2018 Netflix is spending over 74% of its programming budget on acquisitions, while over 90% of Amazon's investment is on acquired. The balance is due to change significantly at Netflix with the platform forecast to spend 38% of its programming budget on original production in 2022. The platform is set to face growing competition for on demand subscribers from broadcasters and major producers: Disney's planned streaming service launching in 2019 being just one of the threats.

The platforms are also changing the market dynamics for certain genres. Netflix in particular is doing something linear broadcasters never used to do—creating a global platform for acquired programming which would previously have rarely travelled outside its home market. *Casa del Papel (Money Heist),* a drama series, was snapped up by Netflix after one season on Antena 3 TV in Spain and is now its most-viewed show not in English.

Original programming: Western Europe flatlines while China's online players drive Asia Pacific growth



Source: IHS Markit Channels & Programming Intelligence

In Western Europe, programming expenditure has declined -3%. Original spend in France (with France Televisions and Canal Plus both cutting costs) is declining, while other large territories (Germany, UK, Spain & Italy) all show low growth between (0.8% to 1.9%).

In the next five years, we expect that stagnating advertising and public revenues will see original spend stay static in France while Germany will decline -0.9%. Italy's growth will also slow while both the UK (2.4%) and Spain (2.3%) will show a modest increase in original programming investment compared to 2013-2017.

Over the last five years, investment in original programming by Amazon and Netflix combined is up 75%. In China, original spend grew 19% in 2013-17 and was the chief driver of APAC's growth. The other high growth territory in APAC, India (up 26%), has a 2017 original production market that is only just over a quarter of the size of China's.

Japan (currently the largest investor on original content in the six APAC territories covered) had a -1.9% decline in 2013-17 and is forecast to grow just 1.8% from 2018-2022. In 2019 we forecast China will overtake Japan to become the leading investor in original programming in the region.

The key shift in original programming is to online: either global platforms (Netflix and Amazon) or the single territory online platforms of China where iQiyi, Youku Tudou and Tencent Video (for their respective parent groups Baidu, Alibaba and Tencent) are driving the surge in original programming expenditure.

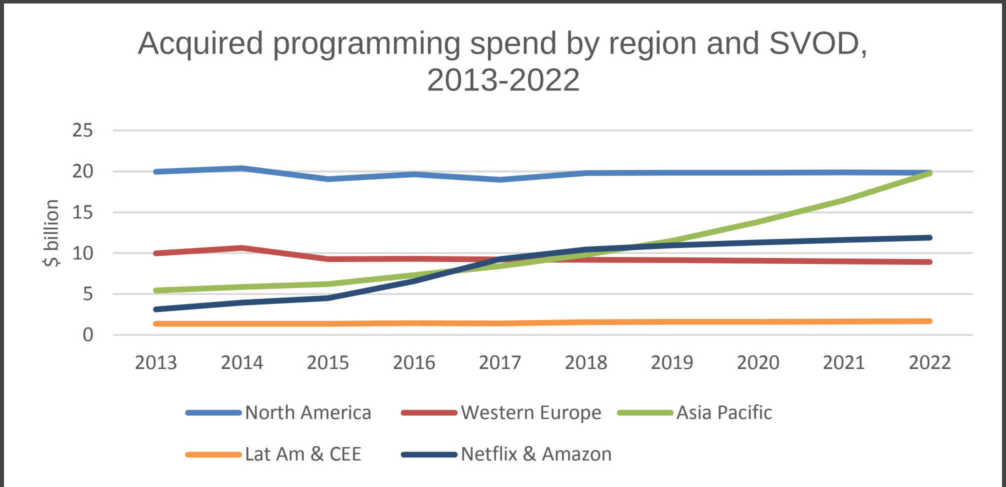
Acquisition spend: dominance of online platforms set to continue, though growth in investment will slow

The considerable investment in acquired programming by Netflix and Amazon will see the SVoD platforms overtaking the combined spend of the 11 territories in Western Europe by 2018.

However, with its strategic shift to original programming, we forecast reduced growth for Netflix's spending on acquired content to just 0.4% for 2018-2022.

The story is different with China's online giants which are key to the APAC regional surge. The three major online platforms also grew their investment in acquired programming between 2013-17 and although all three are forecast to significantly reduce their growth Alibaba (31% forecast for 2018-22) and Baidu 40%) are expected to show considerable continued appetite for acquired programming.

The financial pressures on revenues for linear TV channels in North America are impacting acquired spend. Our forecast for North America is a decline of -0.1% for the next five years.



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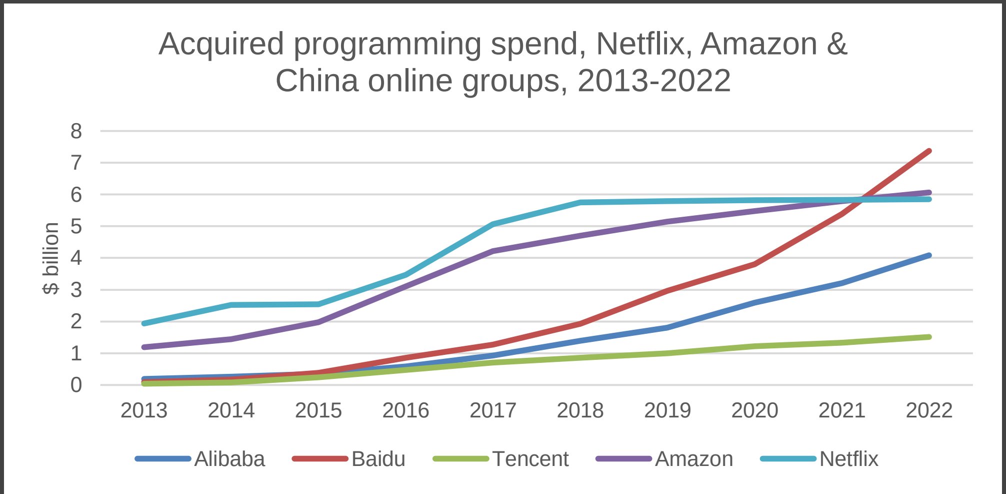


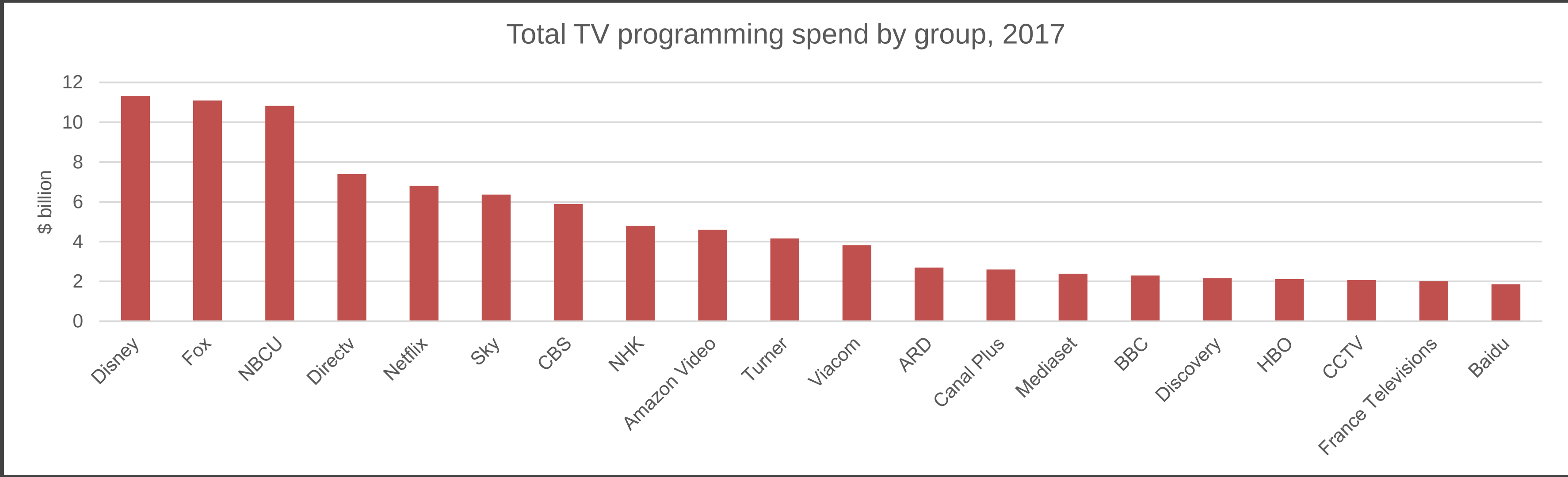
Source: IHS Markit Channels & Programming Intelligence

US majors lead the list of biggest spending groups, ahead of pay TV platforms and public broadcasters

Three US majors led the rankings for programming expenditure in 2017. There are significant differences in the mix of spend between originals, acquired and sport segments for the three. Walt Disney, owners of the sport channel ESPN, spent $4.77 billion in the US on sports programming is 2017, 42% of its total programming spend. Fox spent $2.57 billion and NBCU $1.97 billion on sports content in the US in 2017: less than Disney but still a very substantial portion of their respective 2017 programming budgets.

The programming investment for DirecTV, owned by telecoms giant AT&T, skews to acquired programming with over $5.3 billion spent on acquired in 2017. In Europe, another significant satellite TV player, Sky, invested $4.29 billion of its total $6.36 billion spend on sport. Since the autumn of 2018 Sky has been owned by communications conglomerate Comcast—also the owner of NBCU.

Leading public broadcasters—NHK (Japan), ARD (Germany), BBC (UK), China Central Television (CCTV) and France Televisions also make it into the top 20 list, with most of their investment going into original production.



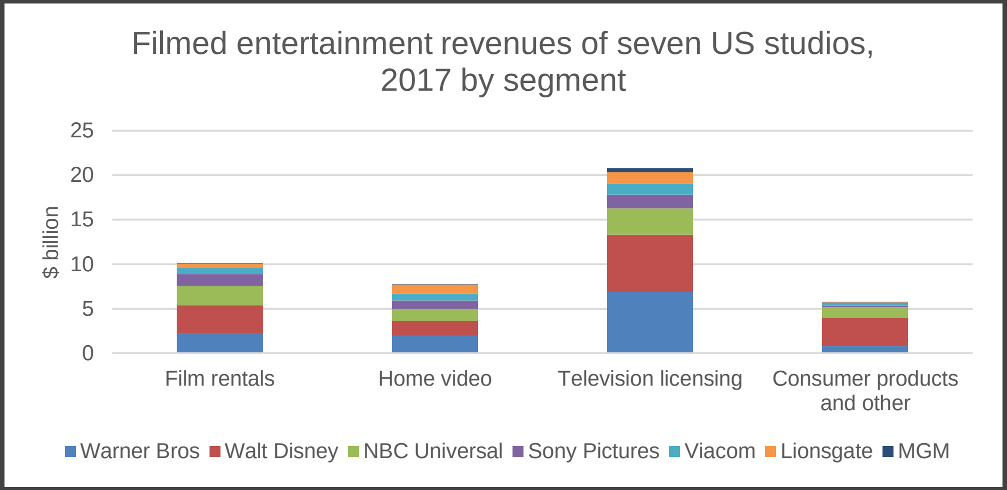
Source: IHS Markit Channels & Programming Intelligence

Major players: Financials of the leading producers

American Idol - © FremantleMedia

For the US majors, TV production surpasses film revenues

For the US majors, TV production has become an increasingly important business; generating more revenue than theatrical. While theatrical revenues are subject to peaks and troughs due to seasonal release slates, they accounted for less than a quarter of combined filmed entertainment revenues for seven studio groups in 2017, according to our analysis. TV revenues accounting for just over 46% and home entertainment around 18%. TV licensing made up almost 58% of revenues for Warner Bros, while for Walt Disney Co the share was 45% and for NBC Universal it was 39%.



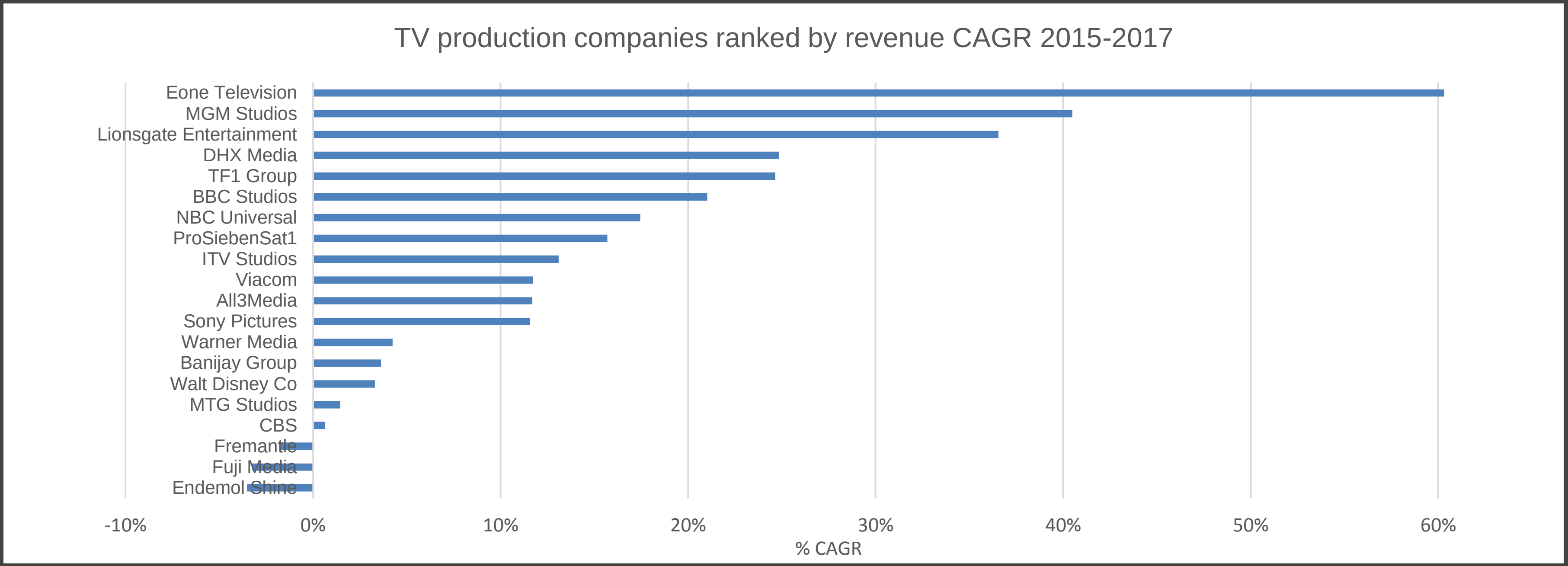
Source: IHS Markit Channels & Programming Intelligence

In the 2017/18 US network season, according to our research, NBC produced 29 scripted series aired by US television, compared to 27 each for CBS and Warner Bros. In total, the seven companies analysed generated more than twice as much revenue from TV than from film.

US studios, because of their focus on movies, the US and on scripted programming, were arguably left behind as the international TV market expanded from the 1990s onward, with groups like Endemol Shine, Fremantle and All3Media growing rapidly on the back of unscripted formats and commissions to make scripted programming.

For most of the US studios, distribution of finished programming has been a far more important focus than formats—even though many of them have addressed this shortcoming by acquiring production companies outside the US (with Sony Pictures, NBC Universal and Warner Bros. each operating substantial international production networks) and they also make local versions of their shows in markets like Russia, Turkey and Latin America.

M&A boosts growth of some producers, while others struggle for revenue growth



Source: IHS Markit Channels & Programming Intelligence

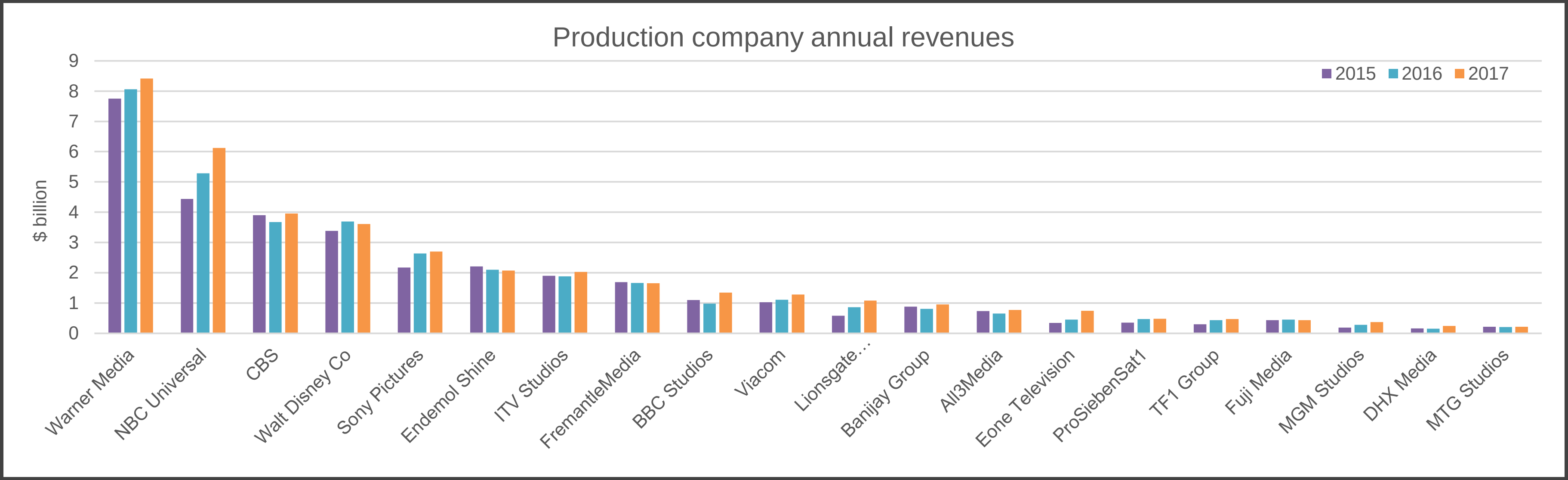
There is a large variation in growth in the revenues of production companies between 2015 and 2017 analysed here. All of the groups with the largest revenue gain did so mainly through mergers and acquisitions rather than organic growth. ITV invested $1.2 billion in upfront M&A transactions between 2012 and 2017. EOne Television, with a CAGR increase of 60%, was boosted by the integration of the Mark Gordon Company (producer of *Designated Survivor* and *Criminal Minds*) and UK animation studio Astley Baker Davis, while MGM Studios (up 40.5%) bought United Artists Media Group (which included non-scripted reality showrunner's Mark Burnett roster of shows such as *The Apprentice*, *Survivor* and *Shark Tank)* and Lionsgate (up 36.5%) was helped by acquisitions of Pilgrim Studios and Starz Networks.

Endemol Shine and Fremantle were among the weakest performers over the last three years, with revenues declining by CAGRs of 3.5% and 1.7% respectively.

Production groups eye greater scale to compete with global online platforms

The US majors lead the field in terms of annual revenues thanks to the size of the domestic US market and global production and distribution revenues. Sony Pictures is the only major with no ownership link to a US broadcast network (while Viacom's link is indirect, though a common shareholder to CBS in National Amusements Inc). Not included are revenues for 21st Century Fox (because it does not provide a segmented total for Filmed Entertainment in company reports) but the acquisition of Fox entertainment assets by the Walt Disney Co. will substantially increase Disney's revenues in forthcoming years.

Endemol Shine Group, the largest producer outside the US majors, was on sale at the time this report was being written, with Endeavor and Banijay Group believed to be still in the bidding. ITV and Fremantle parent RTL Group had both publicly ruled themselves out of the auction. CBS and Viacom is another M&A deal that is rumoured to be under consideration. The argument for gaining scale through consolidation is founded on the need to compete with the global SVoD platforms.



Source: IHS Markit Channels & Programming Intelligence

Producer spotlight: US majors and mini-majors

NBC Universal, owned by Comcast since 2013, comprises the Universal Studios film studio, Dreamworks Animation, the NBC network, a stable of cable channels led by USA and SyFy, and other affiliated operations like theme parks. The company is now under the same parent as Sky following Comcast's acquisition of the European pay TV group in October. Universal Television produces most of the NBC network's primetime and late night output, while Universal Cable Productions mainly serves the cable channels.

NBCU has selectively acquired production companies in other countries to build its international activity, including the UK-based Carnival Films, maker of *Downton Abbey*, and Australia's Matchbox Pictures. The studio's output is sold worldwide through NBCUniversal International Television Distribution.

We estimate that NBC Universal had overall revenues from TV production and distribution of $6.1 billion in 2017, up 17.4% on 2015. This was partly increased by the addition of Dreamworks Animation, which produces several TV series. TV licensing revenues for its studio division were up 24%, with cable networks up 20%.

Lionsgate is a 'mini-major' film and TV studio which originated in Canada but now operates mainly from the US. Lionsgate's TV division has grown rapidly.

Lionsgate extended into unscripted programming in 2015 with an investment in Pilgrim Studios, and in June 2016 merged with the premium pay TV operator Starz. Lionsgate's TV production is mainly focused on the US market.

In 2017, Lionsgate's total TV revenue of $1.0 billion is made up its TV production division, with $597 million generated in the US and $159 million in the international market. The total includes another $282 million from licensing of Lionsgate movies to TV. Overall revenues were up by a CAGR of 36.5% on 2015.

Producer spotlight: Europe's globe spanning production networks

Endemol Shine was created by the combination of Endemol Group, Apollo Global Management, and Shine Group, a subsidiary of 21st Century Fox, in December 2014.

The merged company has 120 operations in 30 countries, with a library of unscripted formats including *Big Brother*, *Masterchef* and *So You Think You Can Dance* and a burgeoning scripted business including Nordic thriller *Bron/Broen* (*The Bridge*) and UK dramas *Broadchurch* and *Peaky Blinders*. The company was put up for sale in 2018.

Revenues for Mediarena Acquisitions (Endemol Shine's Netherlands based parent company) were €1.847 million in 2017, with an operating loss of €21 million (considerably better than the loss of €185 million in 2016).

Originally a network of regional broadcasters in the UK, ITV became one company in 2003 with the merger of Granada and Carlton. The company's in-house production operations now operate as ITV Studios and have expanded outside the UK.

As well as several UK acquisitions, ITV has also bought Dutch producer Talpa Media and US outfits Leftfield Entertainment, Gurney Productions, High Noon Entertainment and Thinkfactory Media.

In 2017, ITV Studios reported revenues of £1.58 billion ($2 billion), an increase of 13% over 2015. Operating profit was £243 million: this was the best margin of any of the companies to report this metric, at 15.4%. ITV's home market accounting for 44% of total 2017 revenues, and the US 20%.

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Producer spotlight: Japan and the Nordics

FUJI TELEVISION NETWORK, INC.

Fuji Media is part of a Japanese media company founded in 1957. Under the Fuji Media umbrella, the production business plans, produces and sells television programmes, movies and other video content, as well as live events.

All programmes and formats (including *Iron Chef* and *Hole in the Wall*) are distributed by Fuji Creative. Sister company Fuji Television Network has a co-production agreement with Netflix dating from the streaming service's arrival in Japan in 2015. Fuji TV original series premiered on Netflix include reality show series *Terrace House* and scripted drama *Atelier*.

Fuji Media's production segment revenues were 49 billion yen ($435 million) in calendar year 2017, falling from 51 billion in 2015. Fuji Creative Corporation revenues were 151.1 billion in 2017, a 9% year-on-year improvement on 2016.

The newly-renamed NENT Studios now has operations in 17 countries and was formed as part the reorganisation of Sweden's Modern Times Group into two companies in 2018: with NENT Studios alongside the group's free TV and pay TV operations within the Nordic Entertainment Group.

NENT's oldest in-house production label is Strix Television, an unscripted specialist which was the first company to produce the *Survivor* format. Before focusing its M&A activity on games and digital entertainment, MTG made a series of acquisitions, the largest of which was the Finland-headquartered production group Nice Entertainment.

Revenues for NENT Studios were SKr1.8 billion ($214 million) in 2017, a modest 1.5% increase on 2015. Operating profits were Skr68 million ($8 million) in 2017.

nordic
entertainment group

Trends in content production

Harassment – Globo

Clients have proliferated, but suppliers have consolidated

One producer we spoke to neatly summarised how the production market has changed: 'We used to have four buyers, now we have hundreds.' National TV markets have transformed over the last 20 years from a handful of national TV channels (and therefore commissioners) to a more diverse landscape where niche linear channels, pay TV channels and online platforms are buyers of both original and acquired content.

One the supply side, the production sector has also undergone significant consolidation. In the UK, Ofcom in noted that the total active producers in the UK market had fallen from around 500 to 257 in the period 2001 to 2014, while the number of large producers (with more than £50 million revenues) grew from two to 10 in the same period. Each of these large producers operated as part of an international production group.

Jailers – Globo

With consolidation, production groups are more able to deploy development funding for key projects and offer access to distributor finance from within their group. This potentially puts producers who are not part of larger groups at a competitive disadvantage. Producers in consolidated groups also have access to formats from other parts of their network, and conversely have access to a global network which offers the possibility of quickly rolling out their formats to other territories.

Changing audience behaviour (with the rise mobile viewing and on demand) has also given further diversity to the mix of buyers and the services traditional channels offer their content across. Raphael Correa Netto of Globo TV observes: 'The major challenge is to continue to offer good stories with themes that are relevant to audiences around the world, which are exciting, engaging and can be available on multiple platforms. We know that producing good work is not enough; you also need to make this product reach the audience however and wherever they want it.'

Producers are optimistic that the boom in scripted programming is set to continue

Bodyguard – ITV Studios

Producers interviewed were confident that the current boom in TV and online drama will continue. One producer commented there is a perception that 'a hit drama can transform a TV channel'—one that in previous years might have applied to a movie output deal or reality format.

The success of BBC1 drama series *Bodyguard* in September this year (which built to an average audience of over 10 million for its final episode) demonstrated the enduring power of 'watercooler TV' in an era of timeshifting and on demand viewing.

The new wave of investment in scripted drama from Amazon, Netflix and now Apple has come on top of continuing support for drama by broadcasters and pay channels. European pay TV platform Sky says it will launch 15 new drama series and nine new comedy series in 2018. Spain's telco Telefonica is investing €100 million a year on scripted, while Orange in France is investing a similar amount on film and TV production in 2018.

However, several of the producers interviewed identified concerns that parts of the linear TV business are starting to reduce their drama activity, with the plentiful supply of scripted content available from on demand services—and as Leona Connell, Director of Sales at distributor Sky Vision, observed: 'Drama production standards are increasing and so budgets are higher … in the short to medium term, there may not be an increase in the [already high] production volume, but budgets are still going up and putting pressure on linear broadcasters and distributors.'

Another producer also noted that in the US, the Fox network has shifted its schedule to focus on more unscripted, sports and event TV. Fox's new primetime 2018 fall schedule does indicate a shift in genre mix. Fox is broadcasting NFL games for 11 nights across the fall and in 2019/20 and has already scheduled the sports event *WWE SmackDown* to fill the two-hour slot on Friday nights for 52 weeks a year. Between these two deals, over 100 hours of Fox's primetime slots a year will have shifted from scripted originals to sports/events in the 2017 to 2019 period.

Linear TV channels are more risk-averse in unscripted genres

Producers reported that linear TV channels are becoming more risk-averse in certain unscripted sub-genres. Many of the major unscripted programmes have been on-air for many years, and while new formats are continually being launched, few are doing well enough to supplant the older superformats.

Of the major factual entertainment and reality formats that continue on-air in several major territories—*Survivor*, *Big Brother*, *The Apprentice*, *Dragon's Den*, *MasterChef*, *Top Model*, *The Bachelor*—the newest have been on-air for 13 years (*Masterchef* and *Dragon's Den*).

All of these formats were first launched between 1997 and 2005—and there has not been a new breakout format joining them in this major unscripted sub-genre. This lack of major new brands establishing themselves in the last 13 years is an indication that channels are not taking the risk of replacing older shows with fresher formats. (It may be possible to add *Love Island*, which launched in its current form in 2015 on ITV and has become a hit in the UK. The format is starting to roll out internationally in 2017 and 2018.

In the UK market, producers interviewed also felt that risk aversion is a problem in another major unscripted sub-genre: the studio light entertainment format, represented by shows like *The X Factor* and *Got Talent*. These shows have long been a mainstay of the broadcasters' schedule but audiences are declining: Ofcom in 2018 noted that the number of episodes of entertainment shows on main PSB channels with more than five million viewers was down -31% in 2017 compared to 2012.

Love Island – ITV Studios

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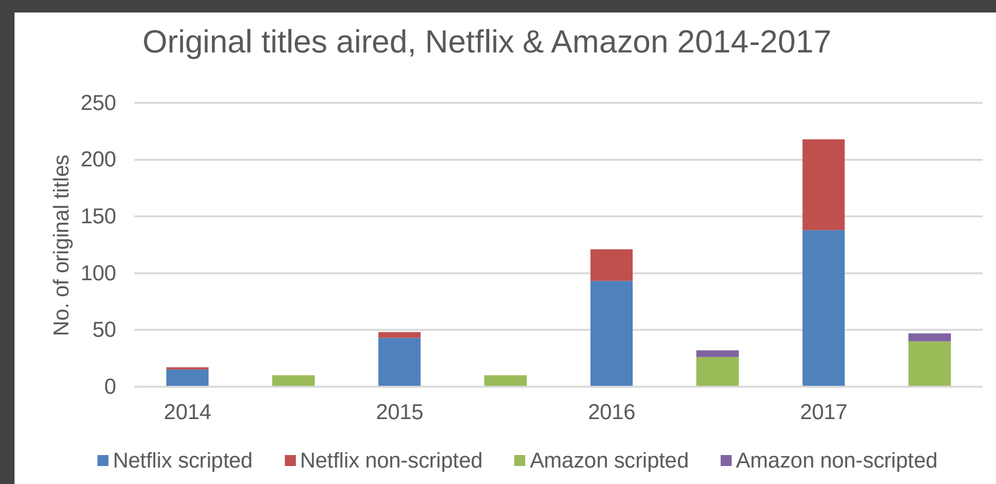
SVoD platforms are moving into unscripted—but not all sub-genres are benefiting

IHS Markit data shows that first transmissions of unscripted original titles on Netflix grew from eight in 2015 to 84 in 2017. Netflix already offers comedy stand-up (which is classified as unscripted, with 42 titles in 2017) .

The success (admittedly difficult to prove in the absence of viewing data) of the rebooted factual entertainment format *Queer Eye* on Netflix in early 2018 was credited by one producer as a spur for Netflix to move further into unscripted. According to one leading unscripted producer currently pitching to Netflix, a key Netflix criterion is for series that audiences can 'binge-watch'.

The other unscripted sub-genre that is gaining traction with SVoD, according to producers interviewed, is the documentary. IHS Markit data reveals that Netflix offered three documentary originals (both one off and series) in 2015 and this grew to 30 in 2017. Amazon is also pushing into documentaries, with the sports documentary franchise *All or Nothing* (each series following leading sports teams including the All Blacks and Manchester City) a heavily marketed offering. However, so far the number of original documentary titles offered by Amazon are much lower than Netflix—just four in 2017.

All or Nothing – Amazon Video



Source: IHS Markit Channels & Programming Intelligence

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Rights and financing become more complex as the online rights battle hots up

The complexity of online rights in linear TV was a recurring theme from producers interviewed: with linear channels offering programming online and via an array of platforms and devices, online rights are increasingly tricky to negotiate. ‘Increasingly channels are looking to secure new online rights. Linear broadcasters are regularly looking to add new terminology to our contracts to cover off the eventuality of using content in multiple ways, even though sometimes the technology does not yet always allow for these means of transmission,’ says Leona Connell, Director of Sales at distributor Sky Vision.

Another change in commissioning is the increasing number of buyers looking for international rights. Most traditional broadcasters are typically looking for ownership only in their home territory as budgets are tighter and so they focus on buying only the domestic rights. With domestic rights often only paying for a fraction of the programme budget one producer highlighted the opening this presents: ‘Broadcasters are going to be spending less per production going forward, this opens up more complex financing for productions—so there are more opportunities but it is more complex.’

US channels such as Discovery (who have an international footprint) have for some time commissioned content on a buy-out of rights—with producers retaining no secondary rights for exploitation (and thus further revenue streams). In a buy-out deal, the producer is effectively a worker-for-hire. A cornerstone of the existing production group business model is retaining secondary rights for exploitation and some producers interviewed highlighted buy-outs as a significant challenge.

Chilling Adventures of Sabrina - courtesy of Netflix

Netflix and Amazon Video are buying worldwide rights and producers have to make a judgement about whether to sell worldwide rights in a single deal or risk of working with a linear partner in hopes of an upside from international deals. One producer also observed that Netflix, after it launched, was willing to pay a sizeable premium on top of the ‘budget-plus-margin’ payment for original programming. This Netflix premium is now, producers told us, less generous compared to three or four years ago. The inference being that Netflix is now more established and therefore does not feel the need to pay an overly generous premium.

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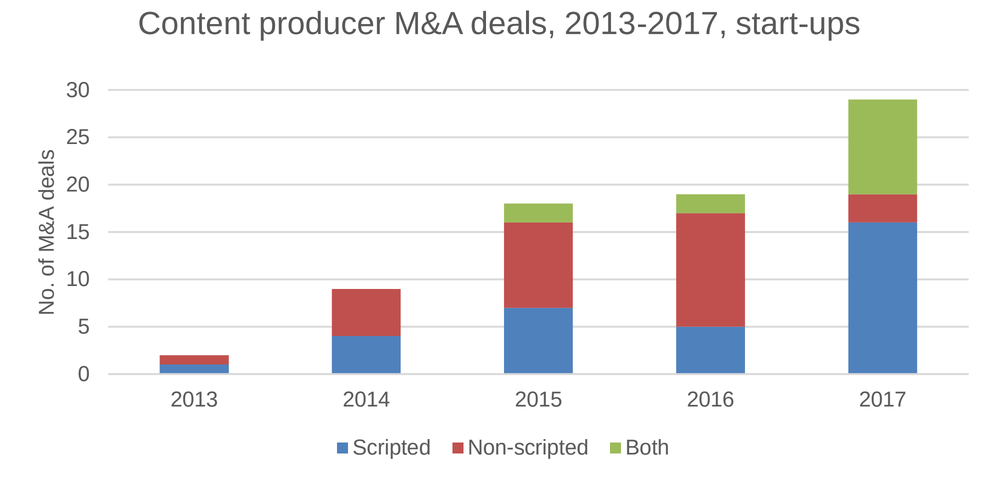
Off-screen talent scarcity is changing producers' merger and acquisition strategies



Source: IHS Markit Channels & Programming Intelligence

IHS Markit Channels and Programming Intelligence tracks mergers and acquisitions (M&As) involving content producers. We noted an increase in activity, from 42 deals in 2013 to 102 in 2017.

Through M&A, groups are buying a number of things. As well as additional revenue, profits and the intellectual property in a company's library, M&As are about gaining access to production talent and relationships with commissioners. We've noted an increasing emphasis on start-up investments, especially in companies specialising in scripted.

Investment in drama specialist start-up producers grew 71.9% across 2013-2017 (from just one drama start-up deal in 2013, to 15 deals in 2017).

This is one indication that access to talent is more of a concern for production groups than achieving even greater scale or extending their network. One of the executives we interviewed said that the scarcity of talent is the 'number one issue' facing production groups. In addition to on-screen talent, this means executive producers and other key behind-the-scenes people like directors of photography. Buyers increasingly want to know who key production staff are.

All producers interviewed acknowledged that scale is increasingly important and that being part of large global production group offers more stability. However, Morten Mogensen, CEO of NENT Studios, observed that 'Economy of scale with a large production group is good, but the quality of your producers is more important.' This observation was also reflected by several other producers: the right mix of labels (specialist production brands), access to funding options and creative talent (on and off screen) is for many more important than a volume of output hours or revenues.

New SVoD players: considerable promise—and uncertainty—with new entrants

The Marvellous Mrs Maisel - Amazon Video

The original production plans of Facebook and Apple were mentioned by several interviewees as a matter of considerable interest. Both groups disclosed earlier in the year that they were planning to invest $1 billion in content in 2018.

As of early October, press reports indicated that 17 dramas are either announced or in development by Apple along with five comedy series plus a handful of reality, kids, film and documentary projects. This content mix seems to be following a similar path to Netflix and Amazon—beginning the move into original content with high-end scripted (both drama and comedy such as Amazon Video's Emmy-winning *The Marvelous Mrs Maisel*) with a smaller spend on other genres.

Facebook remains more of a mystery for the producers interviewed. Only a few had pitched or had discussions with the platform. The general view was that Facebook was still evolving how longer-form original content would sit on the Facebook platform (and/or Instagram). With Facebook investing in live sports content, its programming mix could be significantly different to Netflix. In October it was announced that Facebook will commission a new version of the MTV reality series *The Real World*, working with MTV Studios and Bunim/Murray (part of Banijay).

Beyond the tech entrants to the market, Walt Disney Co's new streaming service was also mentioned as an opportunity for producers, although this will depend on how much Disney intends to draw on its own studio assets (swelled by the Fox acquisition) to provide content. However, such a strategy could open up more possibilities for producers on rival platforms if Disney focuses its production on its own service.

Short-form video: obvious potential but unproven business models hinder investment

A major challenge for both SVoD and linear TV is the continued rise of short-form programming. However, from our interviews there is a definite divide with just over half indicating that they are investing significantly in short-form video production. For those not investing in short-form video the chief concern was the lack of evidence for a sustainable business model. This will prove to be strategic weakness if revenues shift to short-from video and these groups are unable capitalise on this opportunity.

Morten Mogensen, CEO of NENT Studio, who has invested in short-form with subsidiary SplayOne highlighted the need for suitable production talent to make the economics work: 'Native short-form video producers such as SplayOne don't operate on the traditional producers business model and so they are making money.'

Globo is also targeting short-form, executive Raphael Netto Correa notes: 'We know that there is currently demand for more short formats. An example of the investments we have made to meet this demand is the opening of *Casa dos Roteiristas*, a collaborative space focused on short-format production... The results of these efforts can be seen in our new breed of series, which have succeeded in both linear TVs and SVoDs around the world, such as *Jailers* and *Under Pressure'*.

Tech investment, along with short-form video, is not a priority for most of our interviewees but Takayuki Hayakawa, VP for Worldwide Production and Business Development, Fuji TV thinks it's an exciting prospect: 'The ability to employ technology in production poses opportunities for content production. The definition of production companies has changed greatly, compared to 20 years ago when production used to mean a whole production crew and facilities. Now, production companies could consist of just some computers with some tech savvy software developers, without much experience in production.'

Ingress - © INGRESS Committee

Ingress, a series Fuji TV co-produces with Niantic, the developer of augmented reality game Pokemon GO!, is an example of Fuji TV's success in combining the skills of tech innovators with new programming.

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Notes & methodology

Countries covered:

North America: Canada, US;

Latin America: Argentina, Brazil, Chile, Mexico.

Western Europe: Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, UK;

Central & Eastern Europe: Czech Republic, Hungary, Poland;

Asia Pacific: Australia, China, India, Japan, New Zealand, South Korea;

Our list of 20 leading TV production groups ranked by revenue is not, it should be noted, to be a list of the top 20 TV producers. Drawing on published reports and accounts, we have attempted to exclude theatrical film revenues from the total, and have therefore not included 21st Century Fox and Studiocanal because they do not provide a segmented total. Other groups like Globo, Cisneros Group, Televisa and Lagardère were also not included because they either report no revenue numbers or report TV production and distribution as part of a larger division.

For US studios which report segmented revenues for their filmed entertainment divisions, we have included all revenues variously identified as television licensing, TV revenue or television licence fees. We cannot guarantee that these do not include some film revenues.

The total for CBS is described by the company as content licensing and distribution, which includes publishing. Disney does not report revenues for its ABC Studios division, so we have used revenues reported as ‘Other’ within its Media Networks segment. We have added this to the ‘Television and SVOD distribution and other’ line reported by Disney within filmed entertainment.

Interviews were conducted via telephone and email (many of them on an off-the record basis) with senior production executives from leading production groups including Warner Bros., Red Arrow, ITV Studios, Sky, Studio Hamburg, Fuji TV, Keshet, NENT Studios, Globo and BBC Studios.

About the Author

IHS Markit
Channels & Programming Intelligence

Part of IHS Markit, the leading source of information, insight and analytics in critical areas that shape today's technology ecosystem, Channels and Programming Intelligence is a unique service tracking the global broadcasting and content industry. Key datasets provided in the service: revenues (advertising, subscription and public), programming expenditure (original, acquired and sports), distribution (free and paid, linear and online) and key rights deals (sports and movies).

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