

Nostradamus Screen Visions

EDITOR JOHANNA KOLJONEN



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Göteborg International
Film Festival Office
Olof Palmes Plats 1
413 04 Göteborg, Sweden
Tel: +46 31 339 30 00
Fax: +46 31 41 00 63

Head of Nordic Film Market and Nos-
tradamus: Cia Edström
E-mail: cia.edstrom@giff.se
Festival Director: Marit Kapla
E-mail: marit.kapla@giff.se
CEO: Mikael Fellenius
E-mail: mikael.fellenius@giff.se

Editor: Johanna Koljonen
E-mail: johanna.koljonen@rundfunkmedia.se

Editorial:
Lena Lind Brynstedt
Cia Edström
Andrea Reuter

Editorial assistant:
Oliver Ruijsenaars

Graphic design:
Anders Avehall / Compañeros

Introduction

Johanna Koljonen: *When you look at what the competitors are doing, do you feel that their understanding about the industry's future is the same as yours?*

Cecilia Beck-Friis, TV4: *Yes. And we often do the same things. It is more common than not that competitors or others in the market roll something out close to us in time too.*

We seem to be more or less in the same stage of development. Of course our business models are different... so you might act differently but ... I think we're drawing more or less the same conclusions.

There is a Donald Duck comic about a prophet with a crystal ball that shows you the present. It's funny because it's true: any vision of the future is by necessity a guess based on the current situation.

This project is called Nostradamus both to explain what we're trying to do and to remind us that even famous prophets tend to get things wrong, not least in disruptive times when their advice is most sought.

This first report is our crystal ball on the now. We read some of the latest studies and asked a handful of people to think aloud about what's coming, just to establish a starting point for the conversation. We chose to focus on the three-to-five-year window, as everyone in strategic positions in the industry, as well as many on the production side, are working within that time-span anyway – both producing, and producing for, the market of the future.

This is our assumption: five years from now film and TV will still be produced by some (probably by higher numbers than today, even professionally) and consumed by many more. The complex ecosystem between the authors and the audience will be different from today. New business models are emerging and old ones will disappear, and that process will probably be painful.

Over the next few years, we would like for Nostradamus to be a neutral green room where players in field can meet

to talk – and where you can turn for briefings on the future if you do not have the time to ask everyone these questions yourself.

Our first interviewees were selected to cover a range of market positions, experiences and skill sets, and because they were kind enough to take the time on short notice. Our wish list of people to speak to is very long, and you're probably on it (we'll be in touch).

The first set of interviewees were Malte Andreasson, co-founder, United Screens; Cecilia Beck-Friis, Executive Vice President, TV4; Göran Danasten, SVP Series, HBO Nordic (also his colleague Anders Tullgren who walked by during our conversation and got roped in); Sami Kallinen, Head of Internet Development, YLE; Hanne Palmqvist, Commissioning Editor Drama & Single Documentaries, SVT; and Martina Ternström, Acquisition and Distribution Consultant.

Where they are directly quoted, opinions are theirs. Where they are not directly quoted, the analysis is mine based on the sum total of the studies, and talks formal and informal in the last few months. Fuller versions of the interviews touching on these topics will be published on our web site, www.giff.se/nostradamus, where we also link to studies we have used.

Lindholmen Science Center and Nordisk Film & TV Fond have funded the work. Bengt Toll, senior advisor to the Göteborg International Film Festival, has provided his advice generously.

Cia Edström, Head of Nordic Film Market at the Göteborg International Film Festival, is the director of the Nostradamus project. She named the baby and made it all happen.

*Johanna Koljonen, Rundfunk Media
Copenhagen, January 2014*

0. Summary

3–5 Years From Now...

- the financial importance of the DVD window is over
- all distribution platforms are digital and available on most screens
- film/TV content will need to be categorised based on audience behaviours rather than production/distribution technology or genres
- all rights and distribution deals from the old paradigm will have been renegotiated
- a broad range of release strategies criss-crossing platforms will have been tested and evaluated
- a battle over day-and-date releases will have shaken relations in the industry
- consumers will find holdback times, regional releases and platform exclusivity frustrating and confusing
- holdback times will shorten be negotiated on a case-by-case basis until the dust settles
- producers might have better negotiating positions than they do today
- the cinema window will still do well focusing on its core product, the experience of the visit
- linear TV focusing on live content and realtime interaction among viewers and between screens will still be important
- expensive rights and a hunger for local scripted content has accelerated programming costs
- cheap production methods, genres and perhaps aesthetics make up for this stress on the broadcast window

- distributing your content on competitors' platforms will grow their audience, not yours, unless it's aggressively branded
- international media houses will be establishing themselves in the Nordic market to exploit their content, possibly in the broadcast window
- the TV advertising market will be integrated into broadcaster' online offerings and doing well
- non-live broadcast content will migrate toward playlist-type interfaces
- simultaneous watching and curated schedules will exist independently of each other
- public service companies may have become the only contenders in serious news in the Nordics
- Nordic cooperation in production and distribution can prop up the local market and boost our international importance
- video content will be produced by many and the amateur content get a rising share of the viewing time
- new types of online video content will compete successfully for audience attention
- live streaming from both amateur and professional producers increases in importance
- the importance of You Tube for professional entertainers has grown enormously

But are these not simplifications of complex truths? Some of them are. Read on!

1. *The Consumer-Audience-Viewer -Participant-User-Product*

I. All Windows In All Devices

The worry from just a few years back that users would be unwilling to pay for online content has largely been disproved. The current issue is rather how many parallel ways of paying for moving images the consumer will find reasonable. If a Swedish household traditionally has paid the public service fee, perceived advertising-financed networks as free, and paid for a cable subscription, DVDs and movie tickets a few times a year, the disappearing categories – DVDs and in some cases cable – are being replaced with a number of subscriptions, premium and VOD services. Household media spending is rising but will plateau eventually, and viewers will consolidate their choices, at least of services billed monthly. Which services they actually end up choosing will be influenced by the appeal of the content, of course, but also more fluid factors such as brand likeability and awareness, complexity of the interface, flexibility across platforms, and the choices of their peers.

In a much-reported 2012 study on viewer inertia, researchers found that even in a market (Italy) of only six TV channels, with remote controls in most living rooms, viewers were still likely to procrastinate: they appeared to be overestimating the effort of switching channels even when it was very easy. Having chosen to see one programme, they were then also likelier to watch the next scheduled programme than their target group would be on average¹. How viewer inertia applies in switching between different types of TV services one can only speculate. It seems likely that the several steps of selection involved would make the threshold to switch from, say, SVT Play to Netflix or linear TV to HBO streaming, somewhat higher again to the users, driving retention on the platform if not necessarily for each programme.

Innovations in searchability are urgently needed on network catch-up services as well as across platforms. As internet and TV converge, and different distribution platforms are increasingly accessed on the same devices, an enormous challenge for the industry will be communicating to con-

sumers why specific content is available in different windows at different times. As competition in the Nordic market stiffens, the complexity of locating specific programming is already a source of frustration. You know that somewhere in your smartphone or computer, a show you've heard about is probably legally available, but for a viewer to find it the content needs to be branded with the distributor information – an expensive trick to pull off for free TV for content also available on the producer's premium platforms.

There is a traditional view that six channels is the number viewers will watch almost regardless of how many they have available. It certainly seems unlikely that viewers would bother with, say, more than six applications for browsing and viewing scripted content. Many people believe most devices will soon have single interface applications (perhaps developed by users) and that will bring us back to the "one TV set" world – a TV set available across devices, but where content has a bewildering habit of showing up or disappearing periodically in unpredictable ways. On top of the obvious need for content curation in an abundance economy, consumers will need help with pacing their consumption. One answer to this problem is for a good while longer likely to be scheduled linear programming.

II. What Is Sold And What Is Consumed?

Words like "TV" and "film" are adrift from their traditional meanings and unfortunately we do not know what they will mean even a few years from now. And that which we cannot name is difficult to consider in an analytical fashion. Two questions we found helpful to disentangle our thinking were "what is the product" and "how is the content consumed"?

The first question is the easiest. In commercial TV, the product is the time of the viewers, which is sold to advertisers. In public service broadcasting, the product is understood to be the (democratic) community created by common consumption of citizen-funded content. On the digital screens, the product is usually attention, and this is mone-

tized in many different ways – through advertising as with commercial TV, subscriptions, straight purchases or micro payments. But also indirectly, for instance through sponsorships of individual tastemakers or the content they produce. The content also generates secondary digital markets. For instance, live TV generates 46% of Twitter activity; from a marketing perspective this is a social media equivalent to traditional print film and TV magazines.

In the film industry, traditionally, the product was understood to be the content (or visibility in the context of its reach, in the case of product placement and sponsorship models on the production side). The product of cinema exhibitors was exclusive access to this content, enabling a market for tie-in products like snacks and beverages.

In a "swarm of devices" media market, the movie theatre stands out as a screen the viewers have relatively little control over. Some of the issues related to this will be discussed below, but on the whole, movie theatres are doing very well regardless of the abundance of moving images and the wide access (through piracy) to current films for free. This suggests that the product of cinema exhibitors is not in fact *access to films*, but *the experience of going to the movies*. This insight should have strategic implications in discussions of windows and holdback times (see further below).

Answering the second question, "how is the content consumed" is more complicated. Instead of breaking it down in the old subquestions, "where" (at home on TV or in the cinema) and "when" (whenever it's on, unless we own a copy) we need a range of sliding parameters. "Where is it consumed" is a question both of device, geographical location, and social context. "When is it consumed" is a range from strictly scheduled time slots to total flexibility. As for "who", not only the identity of the single viewer matters, it is also relevant to ask how social the viewing is: whether she is watching alone, in the physical presence of others who are also watching, and/or whether she is watching together with others who are only virtually present. That last one is a slider of its own, since such social viewing can happen in real time, or as an ongoing conversation over the run of a series, or in the comment field of a specific video for as long as that content has relevance.

Another interesting measure is viewer focus. Does the viewer intend to give the content her full attention? The medium that suggests and enables that behaviour most strongly is the cinema, but we have different modes of viewing at home too. Some research already suggests that over 75% of second screen viewers spend more than half of the programme time with their eyes away from the first screen, but

that is probably not true for everything they watch, and less likely if the viewing situation is social within the room².

Traditionally the consumption pattern over time of a film or TV show could be predicted by what medium it was primarily produced for. Today the same content will travel between all the above categories, often even switching on a moment's notice during the viewing situation. Across the industry, people are increasingly talking about "behaviours" where once they would have spoken of types of programming, genres or technologies. Linear TV is a behaviour with a geographical aspect – culturally connected with specific rooms in the home – and social patterns attached. VOD is a behaviour that is replacing the DVD behaviour and encroaching on linear. YouTube is a platform, but it is also a behaviour. It is the consumer behaviours, rather than technological limitations or generic traditions, that will shape content and strategy in the years to come.

Cecilia Beck-Friis at TV4 tells us that an important milestone in the immediate future for her network is to get the digital services behaviour (catch-up and premium) onto the big screen in the living room, presumably to help marry this new behaviour with the one already associated with the existing TV4 brand. And Malte Andreasson at United Screens observes that while YouTube could theoretically be a distribution platform for TV content, YouTube viewing on the big living room screen is low today and unlikely to grow significantly over the next five years, because it represents a different behaviour.

Others are indeed doubtful about whether the concept of the living room screen will even survive in the long term. But the presence of a screen for console gaming in so many young households suggests it could, if primarily as a social activity.

Göran Danasten, HBO Nordic: *The question is what needs these different situations satisfy, to what degree it is the situation itself I'm looking for [rather than the content] ... Just before I left SVT we'd started looking at that. We always talk slots, but instead they've started looking at who a person is on a Sunday night. What are my needs? I'm totally different Sunday night than on a Friday afternoon.*

Cecilia Beck-Friis, TV4: *You can ask the viewers what they want to see and know what the answer will be. News, societal issues, film. Then you look at the ratings and that is just not [true]. I think to really find out how they're watching we'll need to make qualitative studies. Sit next to them... that would be super interesting.*

iii. What Is Produced And Prosumed?

Film and broadcast television represent a top-down mode of culture that is rapidly self-correcting back to the original order of things where humans produced cultural artefacts for their own communities. The introduction of mass media into strongly hierarchical societies two to three centuries back created an illusory connection between cultural production – the dissemination of ideas – and social authority. The democratisation of mass media in the last decades is fast correcting this historical blip.

Media content and other kinds of culture are increasingly produced by many for many. At the same time, the distribution of top-down is increasingly globalised. This leads to an overabundance of content and a naturally fragmenting market. Just like in the 20th century, identity production through consumption choices continues. This creates both a strong need for guidance – curation by authorities – and an urge to identify and contribute to one's own "tribal" culture through personal and crowd sourced recommendations.

Increasingly though, consumption is not enough. The new co-creating or participatory audience – known as "prosumers" though one would wish for a better word – chooses to lean in and engage. In the participatory arts, such as the games industry, the content is not complete and cannot be experienced without participation. In what appears to be part of a wider cultural shift, digital games (the largest entertainment industry in the world and the financially most important of the screen arts) has in its first four decades trained a generation and a half of participatory consumers. The other screen industries should probably not wait around for further proof that audiences can be very active indeed when they choose to.

For film and television these changes mean four immediate things. First, that viewers choose scripted media in great part based on their social media communities – and to participate in discussions about them.

Second, that meaningful interaction can be built into the works themselves. This includes programme specific interactive game show applications that affect the TV programme in real time, but also additional cross media storytelling integrated into TV series and blockbuster films (not just into their advertising campaigns), documentary films that crowdsource their research as part of the work, and simple things like tweeting questions and comments to debate programmes.

Third, how film and TV are experienced will increasingly have interactive parts. Real-time social media commentary,

after-shows, and official hash tags, sing-a-long or experiential film screening events (like screening *Jaws* by an outdoor pool with the audience in the water), fan fiction and cosplay, gif memes and Halloween costumes with favourite characters, are different aspects of the same thing. So is accompanying screenings of serious documentaries with panel discussions. All of these things have become completely normalised, they are inevitably growing, and rights holders can choose to be involved, or not.

Fourth is the black horse in the race: TV content produced outside the traditional funding and distribution environment, essentially by members of the audience. Most early YouTube phenomena belong to this category, and they now have paths to their own funding. But the possibility to distribute new kinds of media has grown a wider range of new viewing behaviours that the industry is consistently underestimating.

Live game-play videos were considered an Asian anomaly until the technology to make them and watch them became globally available. Today only on the Twitch service, 45 million monthly visitors view 12 billion monthly minutes of live console gameplay, broadcast by its 600,000 thousand registered users. These numbers date from 2013, when the technical process was a little complicated, but as both the PS4 and the Xbox One will integrate support for Twitch broadcasting they should be significantly higher at the end of this year³. In the field of live video, the strong Twitch platform is one of many contenders. It might not come out on top, but neither is it by any means obvious that YouTube will ultimately dominate the live sector of the online video market.

An amateur content producer with only a few hundred followers may still have their complete attention and loyalty. A semi-professional content producer reaching audiences in the tens or hundreds of thousands in a Nordic market is competing in reach with professional broadcasting. If from a media buyer's perspective this audience is "just" on the internet, in no more than three years that distinction will matter very little or not at all. On the contrary, the detailed and reliable information about who these viewers are makes them a very valuable commodity.

Sami Kallinen, YLE: *Institutional curation will still exist. I think people will still want to follow the selections of The Guardian, BBC, New York Times. Then the curator is an organisation. But we will also see more individuals, as we have for a long while, and that is happening fast. And then we'll see much more of crowd sourced curation. We have to find and*

respond to needs that are incredibly diverse. And the only way to do that is to invite people to curate. And perhaps to produce content too.

There is a philosophical question about these pyramid hierarchies, that YLE too represents, where authority comes from the top and trickles down to the people at the bottom. When it breaks, and it must break, ... what happens instead is a network structure where the hierarchy is broken and every node is potentially as important. It can be an individual person, it can be an institution, and you have to earn that trust. This is a massive philosophical change we have to tackle and it is not at all certain that public service, the way we know it now, will be relevant in five years.

JK: *Here's a question that feels old-fashioned already: program-specific apps, is that over?*

Cecilia Beck-Friis, TV4: *No, they have a while longer. And what works best is when they're integrated, when the viewer gets direct feedback from the big screen. When you view the content as one ecosystem ... But we don't believe in trying to lock in an ongoing conversation, whether it's on Twitter or on Facebook. How do we enable that conversation without being in the way? ... I agree that "second screen" is, well... we just need a word to talk about it now. But you could argue that what's in your lap is the first screen and TV is your second screen. And what about when they work together? And when you take your phone and walk away – then that's your only one.*

JK: *That's affected by this technology where I can move whatever I'm watching seamlessly to my smartphone at basically the press of a button and continue where I were. Will we all have it in three years?*

CB: *We're implementing that on TV4 Play next year [2014].*

2. *The Imminent Death of the DVD*

Anders Tullgren, HBO Nordic: *It's up to the retail sector, an obvious requirement for DVD and Blu-rays is distribution... If [the supermarkets] decide that sales have collapsed too much to keep it interesting, they'll just kick it out, and put some other products in ... Then I think it'll go down pretty fast. People will make the leap to some streaming service. And once you've done that... you stick to it. Your behaviour becomes digital.*

Perhaps the only thing everyone we've spoken to is in complete agreement on is that the DVD is disappearing as a source of revenue, to be replaced by streaming services. Most assume the shift will happen within the next three years and all assume it will be completed in five.

Current funding models typically treat DVD/VOD as one window, but it is not certain that consumer behaviour around DVDs will translate directly into VOD behaviours. When the DVD is out of the equation, and as we learn more about what consumers value about VOD services, holdback times for this window could change rapidly.

DVD as a physical format will be around longer, not necessarily completing the switch to Blu-Ray. Many DVD sets won't need replacing until after the cultural switch to streaming services has already occurred, and whether consumers who have made the leap will be willing to invest even in cheap media specific hardware is uncertain. The future of films on discs, then, will hinge in part on what media the next few generations of gaming consoles will support. Also, it is perhaps debatable how much mainstream consumers really care about HD picture quality.

The above changes are driven by technological changes, but these also affect culture in unpredictable ways. Two counter-trends are worth mentioning even though they are unlikely to be of immediate commercial significance. First, the ongoing complex mindset shift in relation to personal copies of media, whether books, films or music – the physical object as a token for ownership, as something with a presence in one's life and home – is not yet completed. Perhaps ownership will not only be of importance to

collectors. A niche market for film ownership similar to the slowly growing LP sales of today is a very likely outcome. Second, the growing worry about and political opposition to all cloud services for security and integrity reasons may generate new audience behaviours and surprising technological innovation that might affect the screen industries in unpredictable ways.

Hanne Palmqvist, SVT: *The value of the DVD window disappears from the distributor that used to have cinema and DVD. A big question is when VOD services will start seriously [investing in] content? It's only starting to happen now... but my understanding is we're not there yet. And for broadcasters as financiers of content it becomes problematic if we can't distribute that content optimally, because it's blocked for a certain time by the VOD [rights].*

3. *The Fight Over Day-And-Date*

The issue likeliest to come to a head in the immediate future is the resistance of cinema exhibitors and powerful distributors to cutting holdback times, in particular the traditional 120 day delay between a cinema premiere and the next window. How the conflict is resolved will have important effects all along the distribution chain – and on production too, as access to public funding is typically tied to cinema distribution, but also because new agreement models can affect the producer's cut positively.

Almost all films and TV series looking for funding today are confronted with this challenge: that new platforms and distribution strategies are difficult or impossible to exploit within the old funding structures. Where traditional funding fails, new models are already often attempted. But all funding and distribution deals cobbled together today are based on pure guesswork as to consumer behaviour two or three years into the future. Niche films and small distributors most likely to benefit from change do not have the reach to change the rules of the marketplace on their own.

It looks like the commercially most viable productions will be the last to change their release strategies. Competing alternative business models will probably not be tested on content with wide appeal for a good while longer, opening the market for innovation but also, probably, delaying the consolidation of the new marketplace necessary to establish real reach.

As Bengt Toll's recent report on Swedish film production concludes, this question has a special urgency locally, since the current film production, funding and distribution treaty Filmavtalet (in English often called the Film Agreement) is running out in 2015. In the run-up to the new agreement, there is an opportunity to challenge the current funding models and their lock-in effect on the old exploitation window system – in the case of film, specifically the primacy of cinema distribution.⁴ Currently though, neither on-demand services nor ISPs are parties to the Film Agreement, or even at the negotiating table, and regardless cinema screens are effectively controlled by the high-monopoly of SF Bio, the largest chain. Everyone we spoke to agreed something needs

to happen, and there is speculation even the US majors are exploring the possibility.

The debate will be centred around the day-and-date model (releasing film as VOD rentals simultaneously with, soon after or even before the theatrical premiere). Day-and-date has primarily been tested within national markets, but as most people assume that regional holdback times will shrink or disappear anyway, we may in fact be looking at global releases including day-and-date relatively soon.

The conflict within the industry on day-and-date is based on a genuine disagreement about audience behaviours and preferences. Cinema exhibitors believe audiences are paying at least in part for the exclusivity of the window. Many producers and distributors disagree, assuming instead that the additional exposure at a time when a premiere has wider media attention adds to buzz, to the total take-home and perhaps even to box office. In big markets like the US, for distributors like Magnolia with good platform access for their appealing niche content, day-and-date is already a well-performing business model.

The latest case studies in European conditions, by Michael Gubbins and Peter Buckingham of Sampomedia for the British Film Institute, are thorough but inconclusive. For instance, the BFI supported an experiment by Curzon Film World (a distributor and exhibitor with its own VOD platform) to release 2013's *What Maisie Knew* day-and-date in cinemas and on the services Sky Store, iTunes, Curzon Home Cinema and FilmFlex. The accompanying study concludes that box office was likely hurt by the release strategy. It also seems probable that the distributor made more than they otherwise would have, since the film performed over estimates in the VOD window.⁵

One of the goals of the experiment, as with the similar release of *A Late Quartet* earlier in the year, was to explore establishing a "premium VOD" window close to the theatrical release date with a higher price for VOD viewing than in the next window. Gubbins and Buckingham observe that there is still no evidence that the concept of Premium VOD

has been established in the minds of the public, or that audiences would be willing to pay more for an early release.⁶

However, in a 2010 survey conducted in Norway, Denmark and Sweden by the ThinkTank on European Film Policy, most of those polled were hypothetically willing to pay about the price for two movie tickets for a premium VOD release. They also assumed that availability of new releases in a VOD window would not affect their movie-going. Consumers rated "experience" more than twice as important as "new films" in reasons to go to the cinema, and "comfort" (NB – the Scandinavian word probably used in the questionnaire would also include the meaning "convenience") about a third more important than ticket cost among reasons to watch a film at home. "Family" was as important as ticket price.⁷ These numbers offer tenuous support for the viability of the release model in the Nordic countries.

A BFI case study of the day-and-date release of British art house pic *A Field In England* (2013), which uncommonly had strong support from exhibitors Picturehouse Cinemas, included an airing on free TV on the day of the premiere. The film exceeded targets on VOD and in its TV slot, and performed to estimates in theatres. In exit polls, 77% of movie goers said they were aware of the option to see the film for free on television. The analysis suggests certain categories of frequent cinema goers will always choose the cinema when they can.⁸

In truth, the issue is almost impossible to judge on the current information. Day-and-date has been tried primarily with often quite marginal independent film titles. The very reasonable resistance of the exhibitors restricts access to screens. There is no way to do blind testing, and revenue can only be measured against relatively unreliable target estimates. Also, the release model itself may still be attracting extra interest in the media, boosting sales artificially (although this did not seem to be the case anymore for *What Maisie Knew*). Gubbins and Buckingham add that VOD services are very restrictive with their numbers, lowering the quality of the existing data, and remind us that nobody really knows what audiences would actually be willing to pay for "premium window" VOD rental.

Even very recent studies are also poor predictors of future success, because large parts of the audience are still learning the relevant behaviours: finding streaming services, re-learning the concept of DVD rental, mastering interfaces, trusting payment platforms. This is all coming along quite fast, but even so, the big hurdle on the consumer side will be creating and normalising the behaviour of choosing to see

a new release upon its premiere even when you can't make it to a theatre. (Of course, a great many people already do through piracy, but only a fraction of that audience segment is likely to overlap with early adopters of "premium window" VOD since they already have an infrastructure in place for securing new releases).

Martina Ternström, Distribution & Acquisitions Consultant: *As consumer habits are changing and the competition for eyeballs is getting increasingly fierce, my view is that both producers, local distributors and international rights holders will benefit from being creative and visionary when it comes to distribution strategies. Rather than sticking to a system that the viewers have outgrown we, the industry, should embrace and work together on more tailor-made distribution models. There is no "one-size fits all", certain films will always need big tentpole releases, but some films would reach much further and wider with for example a day-and-date or multi-platform release. Rather than loosing out on consumers, I believe that with this approach we can in a more targeted way engage an audience.*

JK: *Do you see this happening now?*

MT: *It is already happening and there is a movement both internationally and in Scandinavia, but of course change takes time and business will understandably always want to protect their window. My personal view is that rather than resisting the change in what and how consumers view and to a bigger extent demand content, distributors will benefit from experimenting with pushing the envelope, breaking a few windows and catering to the trends we see coming. Especially smaller distributors could benefit from really maximising their P&A spend and impact in the marketplace if the approach to multi-platform and day-and-date distribution strategies would soften. ... simply to make the most of an opportunity and fuel an expansion in direction that will benefit all different levels and layers of the industry.*

JK: *Will this behaviour be established in the Swedish market in three to five years?*

MT: *I hope that ... we will slowly but surely see a change. Set structures at the bigger companies are of course hard to influence initially, but there is absolutely an opportunity and a gap in the market for a playful and new take on distribution. I see many producers being more hand-on the the process and self-distribution is something that has been successful in many parts of the world, maybe that level of distribution could reach us too. These days it doesn't necessarily take an army to release a movie and with the digital platforms growing stronger the possibilities of both multi-platform, window breaking and*

international day-and-date releases become more and more realistic. ... if we see trends [in consumer behaviour] strongly pointing towards a multi-platform consumption, adapting will do more good than fighting it.

Our prediction is that day-and-date releases will indeed make some people who would otherwise have seen a film in a cinema choose to watch it at home. It also seems that this loss may be compensated, sometimes amply, by the additional word-of-mouth generated by an increased audience across platforms in the first few weeks. Whether that compensation also benefits the cinema exhibitors remains to be seen.

Since not all titles have theatrical releases in all markets, holdback times will be negotiated separately by media,⁹ and the overall trend is towards windows being compressed. The conceptual convergence of film and TV into a broader "scripted" category irrespective of the physical screen size of the first window will accelerate this change. Consumers already demanding global releases of tentpole TV content will increasingly expect the same for film.

For smaller films, the financial gain in the new order can be enormous, since the threshold for paying for a niche film when it's talked about is probably lower than for buying it on DVD a year later. The films can also reach further outside the larger cities, where many movies will never screen, and DVDs of indie film may not be available in stores.

And since the rules of this new marketplace are only now being hammered out, it offers opportunities even for producers to see more of the money. In a discussion of an early day-and-date success, 2011's *Margin Call*, *Hollywood Reporter* observes that a 50-50 split for VOD rentals is common for independent productions, although distributors sometimes still take as much as 70%.¹⁰

As a release strategy for small or midrange films, day-and-date has strong support. The next question is whether, or how much, day-and-date would hurt blockbusters relying on a big opening weekend and slower-growing "must see" films. Some of the VOD traffic would almost certainly be an alternative to piracy and therefore pure gain. But some of the traffic, perhaps a significant amount, is likely a loss for the theatres. That said, there is nothing to stop the industry from holding back certain premieres as theatrical exclusives.

So far there is nothing to suggest that people who go to the movies twice a year will stop going entirely if they can see *The Hobbit 3* at home on its first night. A great many consumers who are restricted in mobility, live too far from

a cinema, or are unable to get babysitter might want to participate in event releases from their own homes. And as the ThinkTank study reflects, the reasons we go out are typically social, rather than an effect of the availability of specific content. People might well still go to the cinema just as often as before and pick titles they haven't seen at home. In this way, day-and-date releases might actually end up supporting a wider diversity of titles in theatres. The only way to find out is extensive testing, and somebody will have to dare to be first.

In general consumers do seem willing to pay for their screen content – even pirates often pay fees to the illegal services they use. And here's another thought: before too long, we could have transactional services that charge you a different fee depending on how many people are in front of your screen. Screens that can watch you back are already in many homes and could become a standard, if we let them.

4. Linear TV: Shifting Focus But Going Strong

I. Content Strategies 1: Real-Timification

Cecilia Beck-Friis, TV4: *A few years back everyone said linear TV is dead... Choice is incredibly important, and I think we can see now that personalisation will be important – based on [algorithms] or on personal recommendations – but as a consumer... you can't always choose something exactly, it's too tiring ... A TV channel is a kind of packaging.*

JK: *A kind of flow, or filter, based on certain selection criteria... and it is scheduled. Do you think that will still be important five years from now?*

CB: *I believe absolutely that linear TV will be doing well. But that does not mean all linear TV and scheduled TV is the same. The broad appeal channels, a lot of live, sports, entertainment, exclusive content - that will still be important to many people. But smaller, niche channels currently distributed on scheduled platforms, may disappear faster.*

Linear broadcast television looks likely to be going strong five years from now, although some predict a slight decline in advertising revenue even before then and a noticeable decrease in viewership over time. This does not mean the twin challenges in shifting consumption patterns will not affect the business profoundly.

The first challenge is the abundance of competing content – but this is a challenge networks have weathered every time a new distribution technology has made more TV channels available. The trend toward fragmentation of the audience is decades old, and while it is very real, big ratings performers are still doing great, with social-viewing programming like the Superbowl in the US breaking all-time records.

Audiences do want to choose what to watch. But as with all cultural consumption, what audiences do with this freedom is strongly influenced by peers and aspirations. This mechanism is amplified in a social media environment, something the networks can and do increasingly exploit.

The real challenge is the increasing audience expectation to always be choosing when and how to watch, what some evangelists call "the death of scheduled media". If the

rumours of this death are exaggerated, it is because the big performers in linear TV are of types that audiences are themselves actively choosing to watch on its first airing: live content such as sports, big news events and community rituals (royal weddings, memorials) and real-time reality competitions. But also tentpole scripted programming and event drama – increasingly with global premiere dates.

Sami Kallinen, YLE: *Different modes of consumption will complement each other, but I do think the importance of linear TV will decrease. Things that are not live will be on-demand, more and more. ...but pre-recorded can be "live" too, if you release it everywhere at the same time. Because of Twitter and spoilers and all that. A mass media logic can still be applied ... to special cases. And the traditional media like YLE should exploit that more, because we have the capacity to do that in another way than the other players.*

The audience understands that releasing a pre-recorded show once a week creates a false scarcity. But as that scarcity is experientially real, it still creates urgency to watch the programme immediately, to participate in the cultural moment. Five years from now, scheduled content will have shifted radically towards an even stronger emphasis on this kind of programming.

For the same reason, game shows with meaningful second screen participation will continue strongly. And with second screen usage already somewhere above 80%, successes in participation design will likely be applied to many other genres. Given the strong commercial interests driving this development, and an artistically ambitious production community especially in Europe, we will probably finally see a commercially viable cross media drama within the next five years (and it is likely to be a genre show).

The re-socialisation of watching TV (whether we're talking viewing parties, family rituals or social media) in combination with catch-up services and on-demand viewing is a gift to the medium, since it allows for complex, uncommon

or artistically ambitious shows to grow organically through word-of-mouth. A problem here is the common limit of catch-up rights to seven days. Either these should be expanded to the duration of the series, or another window like subscription services be allowed radically closer.

Some interesting, if incidental, clues in support of competing windows boosting rather than undermining revenue come from recent TV industry observations about piracy. Vince Gilligan, the creator of *Breaking Bad*, has spoken of how the show's availability on legal streaming sites (older seasons, as well as new episodes the day after their US premiere in many markets as the last season aired) grew its viewership as the series progressed. The show also found much of its audience thanks to piracy after the disappointing broadcast numbers early on.¹¹ Netflix has served the same purpose for AMC's *Walking Dead*, which grew its broadcast ratings in later seasons thanks to what could perhaps be called "binge catch-up".

Jeffrey L Bewkes, the chief executive of Time Warner, recently indicated that piracy has supported HBO's *Game of Thrones*. BBC Technology quotes a transcript of Time Warner Management discussing Q2 2013 results: "Our experience is, it all [i.e. the piracy] leads to more penetration, more paying [subscriptions] and more health for HBO, less reliance on having to do paid advertising."¹²

If the global tendency will be toward countering piracy by premiering big-name shows within a 24 hour period in all the big markets, then scheduling prime time drama slots in the linear channels (and buying rights for premium services, if the hold-back times between these windows collapse too) will increasingly be an evaluation of which international shows can become talked-about phenomena. It is quite possible that this imposes part of the scheduling wars of US majors onto linear TV markets around the world. It also raises interesting questions about time zones and social media.

Some shows can still become prime time institutions with episodes released weekly, but it is reasonable to assume that audiences will not have their full viewing schedules dictated to them. A wide variety of other release strategies will become more common. When big-name shows are released as full seasons on demand, it creates another fictional scarcity: a lack of time to see it all while it's still "hot".

Finally, in a media market demanding either substantial investment of time (for "binge-event" releases) or a recurring weekly scheduling commitment (for "live-event" drama releases) while juggling one's on-demand viewing, casual viewing of stand-alone episodes on a linear channel will probably still play a role. Watching a specific show on

purpose is not the same behaviour as watching programming that is just there, without any particular requirement of active choice, social interactions or calendar planning.

Sami Kallinen, YLE: *The problem of scheduled programming is that it tries to serve everyone, the whole population; it might be hard then to interest anybody. I think we will have more of a playlist logic three years from now ... My boss always says you can put content in a pile and you can put it in a row. I think that what's now in a row, that will continue more like a playlist. Since your TV will be IPTV, you can choose a channel that nobody else is watching that exact show on at that moment. ... I'm sure we'll also have IPTV simulating old tv for [those who miss the old way]. And technically speaking broadcasting, the networks, will probably exist for ten, fifteen, twenty years. But whether it's used how relevant it is... We'll see big changes even in five years.*

It is worth noting that the two core features of linear broadcasting – simultaneity of watching and the curated selection of the programming – are only historically connected to each other. Within the next five years, we are likely to see growth in hybrid services divorcing these two qualities. For instance enabling small groups of people in different locations to watch content of their choice at exactly the same time. Or through niche channels (whether genre-based, curated by individuals or algorithmically created for individuals) operating more like a playlist. And in the continued growth of services like Magine and TiVo, which in different ways give linear broadcasting an on-demand feel.

Hanne Palmqvist, SVT: *There is a need for something that motivates me to watch this specific thing on this specific day. Something where not everything revolves around me. In a deeply individualised society where you have to make active choices 24/7... that's exhausting. We are individuals in a social context, and for there to be movements across a day, or a life, that recur, that you can recognise... I don't think we should underestimate this human need.*

Anders Tullgren, HBO Nordic: *But couldn't [linear TV be replaced by] another online service? "Live Nation presents Melodifestivalen [the Swedish ESC tryouts]", and you have to subscribe to see it?*

Göran Danasten, HBO Nordic: *I think that will take a really long time to happen. I believe in that basic human need... "tell me what to do! I can't handle [choice], just tell me!" "OK, at 8 PM you should be doing this".*

11. More Or Fewer Broadcast Channels?

What will happen to niche linear broadcast channels is uncertain. In the light of the above, it makes sense to see all viewing of broadcast TV as a mix of different behaviours. The viewers who turn to the niche channel as a curated source of content on a specific theme or in a specific genre are likely to shift to services allowing them to choose when to see what. This could be the catch-up service of a broadcast window, a YouTube channel, a specialised premium service, or their individualised recommendations on a broader VOD platform. Viewers who turn to the niche channel to provide any content appropriate to their specific mood as easily as possible might well stick to its broadcast window for many years to come.

Sami Kallinen, YLE: *If a niche channel is a broadcast channel in a terrestrial network or on cable, no, that won't exist in the future. Three years from now it could be a playlist you can focus on your interests, perhaps dynamically generated based on your choices. But I'm starting to notice – I've lived in this reality for many years myself and I notice I'm starting to long for... the mainstream... some kind of authority to summarise the world for me. I don't know whether the new world is broken or whether it's that I'm born in the old one and can't let go.*

Of our interviewees, United Screens' Malte Andreasson – who earlier spent many years turning Swedish TV4 into a 42 channel network airing 700 hours of TV a day – thinks the existing range of niche channels will broadly speaking survive, although he does not see any further growth in the area.

Göran Danasten at HBO Nordic, does not believe in the survival of existing linear niche channels. But he predicts instead that international networks will make plays for the Nordic market to capitalise on their own content under their own brand, probably on a subscription model, again widening the range of available choices.

Göran Danasten, HBO Nordic: *Five years ago the cool business model among TV networks was starting up niche channels ad absurdum. And that won't work. The EPG [electric programme guide] on the traditional TV set will be a lot shorter in 3-5 years. That will make it harder for the rights owners to sell in enormous bulk, because Sweden, the Nordics, have had a massive demand for volume. Almost everyone [but SVT] have been screaming for content that they pay*

relatively well for to fill these niche channels, of which 95% perform really poorly. ... The American studios are noticing we're not asking for those volumes any longer. Will that mass be swallowed by Netflix or by us [at HBO], or someone new? Probably not all of it. This would speak for the rights owners – British, American, likely the Germans, French – moving in to seriously exploit the markets themselves. Arte On Demand in Sweden, ZDF Nordic and so on. And then we're back where we started. We will sit there, as consumers, going, "Whaaaaat... This is too complicated, package it!"

Cecilia Beck-Friis, TV4: *Talking about Hollywood studios is difficult... they really have different strategies. Some are building their own services, some want to make their content available – in packages or channels with their brand name on it, but on somebody else's platform. And some still only want to sell to others. In three years? I think the hardest thing for Hollywood majors is establishing their own services, locally. It's a big investment... and the cash flow still comes from the existing customers.*

JK: *But as you say it could be a partnership with someone... like, uh, Amazon – someone who's new on the Swedish market.*

CB: *Absolutely. And if you go on Hulu, in the US, and read their FAQs they'll tell you they have international ambitions! But they've said that for years. The question is when they are willing to spend the money to buy the rights they'd need.*

Linear TV does not have to be broadcast television in the technical sense. The distribution platform could be any that allows for programming video content indefinitely and making the stream visible to groups of people at the same time in different geographic locations. Digital distribution in combination with lower production costs can make extremely local TV viable even in very small markets: both geographically localised contexts (like university campuses) and geographically dispersed social groups (like faith groups).

Malte Andreasson, United Screens: *But if you'd asked me whether traditional cable TV, the technical platform, if that will be around in thirty years – no, that will disappear. Don't invest your pension funds in cable TV.*

JK: *But will we have cable five years from now?*

MA: *Yes, but less. Not that it really matters, unless you own cable. Because what matters is whether the behaviour will still exist.*

III. Content Strategies 2: Making and Buying

Cecilia Beck-Friis, TV4: *More resources will be invested into locally produced content, whether it's humour or drama... Like Solsidan and Morden i Sandhamn. On all networks, compared to five years ago, the proportion of foreign acquisitions in prime time is shrinking and local productions are growing.*

Broadcasters want to commission more (inherently expensive) local scripted content, while at the same time prices for foreign rights are rising. As are sports rights, where not just TV companies, but increasingly for instance newspapers, are competing to acquire the online rights. Logically, the expense of these core content types will have to affect production costs somewhere - probably in other genres.

Cecilia Beck-Friis, TV4: *Talking about live we've only now started with slow-TV, following events for a very long time in another way, over 4G mobile. Like our Göta Kanal... allowing the camera to look out, not in. Letting it be exactly what it is ... instead of thinking flow and dramaturgy all the time. ... I also believe in platform neutral commissioning. Instead of thinking "8 PM on a Friday" you think "how should this content meet the audience"? And doing it across platforms.*

We can expect a boom for very cost-effective production models, probably with formats and aesthetics migrating from YouTube and fast-and-loose web tv producers like *Aftonbladet*; a continued growth in low-budget live streams of events and performances for the broadcast window; and increasingly absurd slow tv experiments. The market will create many work opportunities in video production, and a worrying percentage of these new positions most probably on entry-level salaries.

Hanne Palmqvist at SVT argues that for the production of scripted content, a diversity in cost will be a financial necessity.

Hanne Palmqvist, SVT: *As the economic framework at least for public service broadcasters is unlikely to change, it will become necessary to find ways of making more. Whether web drama will look different or whether it will all just be platform independent is one question. But there are tendencies in that direction. Cheaper productions, [shorter or variable-length] formats, that could become interesting. Of course content needs production value, there should be locations, you can't just have two people in a room telling stories. ... We've*

known this about film too for years, that it is an unsound development for all movies to cost the same. At least we have a new tendency now of a few very expensive movies every year. I don't think flagship TV drama will be cheaper. A challenge is to keep price increases in check, salaries and so on are getting higher and higher. That doesn't necessarily translate into better quality on the screen.

JK: *You mentioned the cost of reruns of local productions is part of the problem.*

HP: *It's a catch-22. It can mean that great content is not meeting its audience to the degree it should. And that the rights holders... end up earning no royalties at all. You could say that distributors should just cough up whatever sums current contracts between organisations and unions and, for instance, TV networks state. But if the consequence is that the TV networks will acquire a cheaper show to air instead of re-running a high quality Swedish production, that is a problem on every level. We need to get better at getting more value of the money we invest in drama. We'll need to find some kind of mutual understanding between the different interest groups, those who make movies and those who distribute them, unions and so on... we are a kind of ecosystem, and if we can't find an equilibrium together we won't be creating the best circumstances for anyone.*

I think over the next decade, assuming we keep the same high standards, production economy will be better. In part because we can attract more international capital, in part because we might be better at making things together [in the Nordic countries]. The question again is, what about your brand value? If you only have x million to make TV for annually, would you not want to focus on getting that big SVT or DR or YLE logo on it 100%? Perhaps. But if you get the best product out of pooling talent and economy I choose to believe that is what will bring the audience you're ultimately wishing for. Bron is proof that it can be done. If we can air a TV show the same week in four Nordic countries and see a serious success in Denmark and Sweden, stable ratings in Norway... Why would we not do this? Why not build a local Nordic market?

One question that arises is whether the Nordic public service companies would not benefit not just from a common market, but from a common brand for at least their co-funded scripted content on the international market.

Göran Danasten, HBO Nordic: *As for what we at HBO represent, there's a terror balance at these companies... should they enter a market and exploit it themselves, like HBO has, like BBC is doing a little, as Fox has done in Finland and*

Norway: starting their own networks. Or should they continue to sell rights to happy buyers? So far the balance has tilted towards selling shows to linear channels and making a lot of money.

But we're going to see, perhaps not within 3-5 years, but let's give it a ten-year perspective: we will see at least ten large players who've taken a serious step onto this market and are exploiting their programmes themselves. Fox will have a channel, and that means SVT can't buy the next Homeland because it'll be on the Fox Channel. NBC might do it, A&E are talking of doing it. And what happens then? The next wave will be both linear and on-demand. Many branded, and to some degree specialised, providers of quality drama content.

Cecilia Beck-Friis, TV4: Today as a broadcaster you still negotiate a long contract with a studio, three to five years. We don't know what they will be producing... whether it will be any good. But then you're buying volume, bundled packages. And it's worth thinking about how much, in three to five years, [broadcasters will need] the volume. Because that's where the business is today for Hollywood studios, bundling the most attractive content with lower value things that might still serve a function [in the programming].

JK: And some of it – whatever you air at 1 PM, perhaps no-one will miss?

CB: But as a viewer, you want lean-back viewing too ... As a big channel we program 24/7 and we schedule 1PM for the needs of those viewers ... they've never been many, and they won't be, but we need something for them. The screen won't go dark at 1 PM five years from now. I should add that two of our afternoon pearls are Emmerdale and The Bold and the Beautiful. Digitally too. We're always talking about the latest and trendiest [shows], but if we're talking about value for TV4 Play ... Emmerdale and The Bold and the Beautiful are both really important acquisitions for us, in both windows.

JK: Is it still strategically important for you to have, for instance, big US drama premieres?

CB: Absolutely. Just look at something like Broadchurch, great show and great ratings... Even though viewership might decline over time the whole scheduling economy requires a mix of imports and local production. And the broadcast window is a really important marketing tool for the content, [which] then pays itself back on VOD services... that will still be true in three years. And five too.

Malte Andreasson, United Screens: Christmas day, next Wednesday, is the day of the year Swedes are the most social with their families, the mother-in-law, all the kids, mom, dad, wanting to do something together. What does TV air? Of the commercial stations, Kanal 5 shows Bodyguard, TV4 shows

Sällskapsresan, TV3 shows Indiana Jones, Raiders of the Lost Ark. Films that everyone is guaranteed to have seen five times before. And they will all have massive audiences... and no-one in that sofa has made an active choice to see Indiana Jones, the social process is completely different.

JK: But I wonder how many days a year you could schedule... I mean, on a Thursday in September you can't screen anything...

MA: Because the social environment that will receive it is completely different then.

5. Beyond Broadcast: Disruption Is Coming

JK: *Who are your competitors today?*

Cecilia Beck-Friis, TV4: *Today the other networks, competing for viewers and for the advertising. In the digital world... Google is a competitor, but also a partner. They own YouTube, who are a partner. Facebook is competitor, but also a partner. They will all be our, as the saying goes, "frenemies". Not [so much competing] for the consumption – [these media] live well together. But for advertising revenue. New players like Netflix compete about time, and maybe money. But they have also helped create a behaviour that is growing the market for pay-TV, which we're part of.*

JK: *You mentioned before that Netflix is currently a few windows behind. But isn't it also that we're currently in a shift between systems? They've established themselves so fast that a lot of rights are tied up in contracts. But in three to five years...*

Cecilia Beck-Friis: *Netflix in the US have a lot more, not current but much newer content and another type of agreements. They're completely bound by agreements tied up in the different markets. ... In three to five years all the contracts will be up in the air, and then it'll be a question of who signs what and how.*

The expected disruption to the industry caused by online viewing has been slow to start and probably underestimated because of the continued strong performance of broadcast TV and cinemas. But in the next five-year period all agreements signed in the broadcast paradigm will elapse. Producers and sales agents willing to bet on unconventional release strategies can cobble together entirely new kinds of deals, and the shape of the market ten years from now will depend in part on the boldness of their strategies now.

The other key shift involves the youngest demographics. Of 15–25-year-olds, over half report watching YouTube every day, against only 38% watching TV daily.¹³ Hanne Palmqvist of SVT mentioned that one of the reasons for public service broadcasters to be so invested in cross media for young audiences is that young children, who previously were raised into a TV behaviour, are now watching this con-

tent on tablets and will need to be approached on a wider range of platforms. Increasing anecdotal evidence from parents of young children about neologisms like "watching my youtube" or "netflixing" offer clues of where we're heading. In some families, this generation will not acquire a living room TV behaviour at all.

Original tv and film content is already being independently commissioned by most big VOD services, but also by players like Yahoo! and MSN.com, as well as the multi-channel networks or MCNs (see below for more on this). Advertising financed programming is doing well across platforms, corporate sponsorship of scripted content continues, and funding particularly for documentary content and non-fiction programming can be expected to emerge from the advertising and PR budgets from cultural institutions and non-profits. For this money, reach is everything, and its primary focus must be on shareable media.

Productions created for non-tv platforms will probably get on the air too, since turning down affordable quality content will be difficult for networks with schedules to fill. But for this market segment, broadcast is a secondary, nice-to-have window.

Malte Andreasson, United Screens: *[Online video] will grow into something insane, which means that if your focus is in a broadcast world – regardless of what broadcast is technically – you'll be operating on a minority market. The big winners are those who can handle it all at once. The flow between the different platforms will keep growing and even within the next five years people will feel it is pretty silly to say you should be exclusively online or exclusively TV... Why would you do that?*

JK: *Will [YouTube] be a window for drama?*

MA: *Yes, but I think there's a good while until it'll be the first window for drama. But we're not far from this window knocking out, for instance, the second and third window on TV. With an ambitious drama, you'd make it first... for a premium market, then TV, then a second window – a re-run*

including catchup – and if it's a local production, the third is another rerun. I think we're close to the day when people realise that many drama productions will gain both audience and money by moving directly online - or at least directly after the first rerun.

JK: And that digital window could be different things? YouTube, or a catalogue service like Netflix, or if you're a broadcaster and want to hang on to your rights perhaps your own archive service, some kind of eternal catch-up...

MA: I think it'll be a combination of Netflix and the free internet. Broadcasters providing catalogue services is a beautiful idea but somehow you still need to be where the audience is. Somewhere around 70% of video traffic today is YouTube, the others share the rest – the behaviour is that the content finds the viewer, not vice versa. As for pay windows – let's say the DVD is dead and now how do you sell people Beck? Mm... that could [actually] be its own premium service. But in the segment where the show needs to find its audience, you should be able to come across it – or be in some online [context] where you'd go: "hey, It'd be great to see c/o Segemyhr again"... if I'd own c/o Segemyhr today, I'd make sure it was on fifteen platforms, and one of them would be YouTube. At that point in the life span, advertising is the business model. And if you can sell it to Netflix – congratulations. Let them have it for six months, then move it out into commercial.

JK: In what direction will online content be developing next?

MA: Broader, broader, broader. The process we're in now is for YouTube, and online in a broader sense, to become Svensson [= everyman] media. In the next few years all the traditional genres are moving in... musicians, news clips, we ourselves were bold enough to start off with a scripted comedy... Traditional YouTube – Daily Grace and all that – will continue and grow because some of it is getting really good. But they will have a lot of company on the screen. ...the interest from entertainers and musicians to make the leap is enormous.

Everyone agrees you have to make your content available where the audience is, but what that will mean in the next few years depends on who you're asking. Unsurprisingly, the online companies foresee few problems, while the broadcasters identify a number of challenges in how their content will move across in the new distribution landscape.

Hanne Palmqvist, SVT: If you – like SVT often does – are financing TV drama with a big percentage, and are courting VOD money in your financing, there is a dilemma: what is

your first priority? Is it to have the best distribution possibilities [in your own channels], or is it for you as a co-producer to earn as much as possible from the total exploitation of the rights you have a share in? It looks financially sensible to let Netflix in, have them pay, give them that window. But it makes trouble... if you'd want to rerun something that is blocked by a VOD window.

JK: If the windows are exclusive. But is it a conflict otherwise? Perhaps the behaviour of watching a rerun on linear is not at all the same behaviour as searching out and choosing the content on VOD?

HP: When SVT produces something, like Bron, of which it had a big share, that becomes part of the SVT brand. But when it's on Netflix, some of that brand value disappears unless it's really clear that this content comes in great part from SVT. Does it have the exact same value for ... any broadcaster to air content themselves versus on somebody else's platform? I'd say no. You're building the value of the VOD service.

JK: I heard a Norwegian TV executive say on a panel that he is not sure whether he will acquire big drama series anymore, that he wasn't sure whether he should give a brand like HBO that exposure when they are also competitors now.

Cecilia Beck-Friis, TV4: We have to be where the audience is. That doesn't mean we'll stop developing our own services and only be out there... but in ten years, who knows, I can't say that will never happen. We do make our content available on other people's platforms... we syndicate our player in others' services. [In 2014] we'll distribute a lot more on YouTube, clips to begin with, and we're open today to distributing all or part of our service elsewhere. But the business model today, when we have TV4 Play, is in large part our own platform. It is important from an advertising perspective and from a pay TV perspective to build the relationship with the end user directly, and Play is where we do that today.

JK: But YouTube could basically be a new broadcast distributor?

CB: In five years... it might be. Hypothetically. But we shouldn't limit ourselves to that because we don't know where they're going and there will be new distributors. ...Many networks around the world are using it [YouTube] as a marketing platform to try to lure the viewers back to them. I don't believe in that. No TV networks have succeeded with it. I think you have to create the business model and the consumption [on YouTube].

Malte Andreasson, United Screens: No, it's another behaviour. In principle, you can use a YouTube channel to

distribute for the TV behaviour... but online viewing, what it really looks like, is another kind of behaviour. It happens on other screens. Less than 1% of YouTube viewing happens on a TV screen... what's growing is mobile viewing.

A multi-channel network or MCN is a business-to-business company that aggregates YouTube channels into networks through cross-promotion, typically support the professionalisation of the talent, and grow the total viewership of participating channels, against a cut of the advertising sales their packaging generates. United Screens is a Swedish MCN, although they do not use the term, which has become slightly tainted because of some US MCN:s growing too rapidly to serve their member channels well. United Screens prefers terms like online media broker or YouTube network, but for clarity we are referring to it as an MCN here.

Malte Andreasson, United Screens: *I think there is room for 2-3 [MCN:s] in Sweden now, maybe 4-5 in five years. It's hard to say. Today our competitors are the internationals. A good Swedish YouTube channel will have offers from seven different networks, of which we are the only Swedish one. ... the lady sitting over there is one of Sweden's biggest experts on music and acting rights. We'll have three or four like her [five years from now]. That is one of the things where we can make a difference ... music rights are the worst ... record labels came running to us [for help] when we started.*

JK: *Will you be commissioning film and tv in three years time?*

MA: *Absolutely, [or perhaps] not film as such... We might own a small share in a film. Programming, definitely. It makes sense for us to own certain concepts and shape them after the needs we have at that moment. But it is just tools to reach the goal, which is the size of our network.*

JK: *When will you be co-producers of a TV show with broadcast as its first window?*

MA: *There is proposal on the table at one of the Swedish networks.*

JK: *OK... It should be possible for, say, a Hollywood studio to make a distribution deal where instead of TV networks they'd go to a global network of MCN:s, which would allow for local advertising but much higher viewership than dealing with YouTube directly.*

MA: *It's completely possible. As is... let's say Warner Brothers made a really expensive TV show in the US. And they want to sell it to the world, and there are 240 territories, and they sell it in 110. Releasing it on YouTube in the other 130? Completely possible.*

JK: *And directly on YouTube means either building their own sales organisation or collaborating with companies like yours.*

MA: *Yes, and many of the big American media houses are acquiring stakes in US MCNs. ...one way [for them] to enter the Swedish market could be to take that MCN they invested in and opening a Stockholm office.*

JK: *Will that happen in three to five years?*

MA: *Yes, someone is likely to. I think so. If I can guess – there's a British company called Base 79 [whose channels cumulatively generate over 750 million views per month] who might well think of opening a Nordic office.*

JK: *Will producers make less money when some of the windows and some of the steps in the distribution ladder disappear?*

Martina Ternström, Distribution & Acquisitions Consultant: *I don't believe they will, as costs of distribution will be smaller but the actual distribution much more targeted. The digitalisation will ultimately give us such specific knowledge about our end-consumer ... The more knowledge we acquire the more successfully we will be able to distribute, this is the great benefit of this new era ... That said, there is a big need for producers to gain knowledge and realistic expectations when it comes to both international and local distribution. There is a real opportunity out there for indie filmmakers, but they need to know about the distribution deals and structures to benefit from the new avenues that are opening up. ... My hope is that with this more hands-on approach to creative distribution ... producers that take to [it can] actually make money during the life of their films ... producers will become more equal in power to the distributors, especially in Scandinavia where there are so few players. ... I really do believe that you should and could mix and match the distribution platforms and strategies endlessly. Every movie is unique and so should its route to the consumer be. There is so much "white noise" in media today that we should use every creative tool possible to capture those eyeballs...*

JK: *How will the distribution chains have changed in three to five years?*

MT: *Some distributions chains and models will of course remain stable, but a few of the windows we see today will disappear simply because they don't produce enough return on investment to be able to survive ... The DVD and SVOD window is for example under big pressure at the moment and my projection is that it will become shorter or even totally overlap some of the other windows. Consumers have such an enormous amount of choice at the moment and the quality of the*

content provided is only getting higher, especially with some of the digital platforms producing original films and series to avoid being held back by rights windows. So we really do have to cater to on what and when consumers want to spend their money and limited time. We need to be flexible as far as rights structuring and windows go in order to maximise both exposure and profit – but with this mindset and knowledge the sky can be the limit even for smaller scale movies and production companies that would normally only ever count on money from the production fee. As much as this is a time of change and hurdles, this is most of all an opportunity and a really exciting time for the film and TV industry, both for producers and distributors.

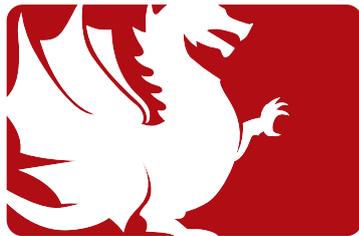
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**37th
Göteborg
International
Film Festival
Jan 24 – Feb 3
2014**

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