

US Scripted TV Distribution

Trends in distribution and utilisation
in an evolving marketplace

Jack Davison, Managing Consultant



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NETFLIX
A NETFLIX ORIGINAL SERIES
ORANGE
is the new **BLACK**
NEW EPISODES
NOW STREAMING

A billboard for the Netflix original series 'Orange is the New Black'. The billboard features the Netflix logo at the top, followed by the text 'A NETFLIX ORIGINAL SERIES', the title 'ORANGE is the new BLACK' in large letters, and 'NEW EPISODES NOW STREAMING' at the bottom.

US Scripted TV Distribution

Introduction

The environment for TV series' distribution continues to evolve, with more services to license to, new pan-regional and global players, and new or newly important deal components. We hear every day about the increasing number of Digital Originals being produced and the growth in overall production volumes and budgets, all factors that are driving change in the marketplace.

There remains significant volumes of TV series available for acquisition across the world, with the US market still funding and producing quality programming that have deficits to fill from international sales. The volume of content for sale is increasing further as more players outside the US are producing high quality, higher budget productions. As this market evolves series' distributors have to factor many more elements, optimising revenues in the 1st window whilst keeping an eye on the potential in the 2nd and future windows, and managing the cash flow.

The increasing strength of local programming across the globe, and the subsequent marginalisation of imported TV shows, has contributed to the challenges distributors face as they try to secure sales in many markets – with 35% of the 2016/17 new season shows currently unsold (see Page 4). With this distributors now have to factor more pan-territorial or global SVOD opportunities, the value of adjacent digital rights with broadcasters, and the impact of licensing to certain services.



Insight is critical for sales teams, understanding where deals are being done, who with, and how the content is being exploited. The revenue impacts are yet to be understood or fully developed, and there remain many unknowns.

More change is coming. Free and Pay TV broadcast channels are all strategically positioning themselves to protect and grow their place in the ecosystem – through diversification of business models and enhancements of their services. SVOD services will continue to watch these developments closely and decide where it does and doesn't matter to their USP, all of this is happening alongside an evolution in how great scripted content is made and distributed.

A scenic view of the Hollywood sign on a hillside. The sign is white and stands out against the green and brown vegetation of the hill. In the background, a tall radio tower is visible against a clear blue sky. The foreground shows a residential area with palm trees and a street lamp.

HOLLYWOOD

US Scripted TV Distribution
Global Overview

US Scripted TV Distribution

Global Overview – Show Status

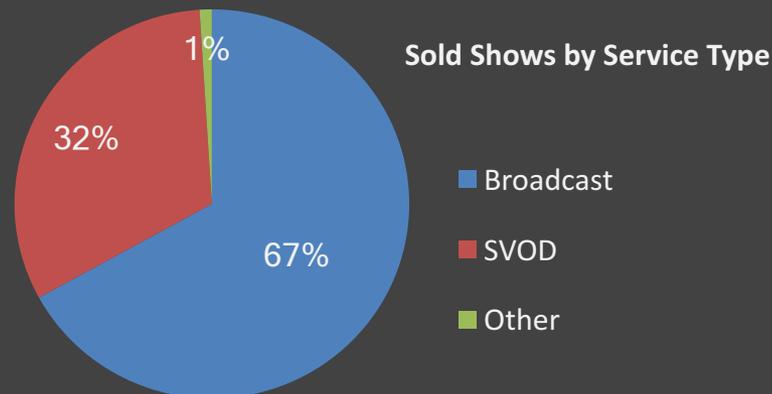
Data collected and analysed as part of 3Vision's Show Tracker provides interesting insight into where deals are being done, who with, and how the content is being exploited.

Based on the published sales in key markets of all new US Network shows from the 2016/17 season, selected Digital Originals (e.g. Star Trek: Discovery, The Handmaid's Tale and StartUp) and selected new and returning US Basic and Pay Cable shows, an average of 59% of shows tracked have been acquired.

The range in different markets is relatively small, with Germany lowest at 48%, and Spain and Sweden having the highest proportion of acquisitions at 67%.

Spain and Sweden's competitive SVOD markets may help drive these levels, with the typically strong English-speaking markets of Australia and the UK also with higher acquisition rates. The remaining markets show little difference between them.

In terms of 1st window exploitation broadcast channels remain the dominant player, with 67% sales to channels. The remaining sales are almost totally to SVOD services, with one AVOD service and one transactional service featuring.

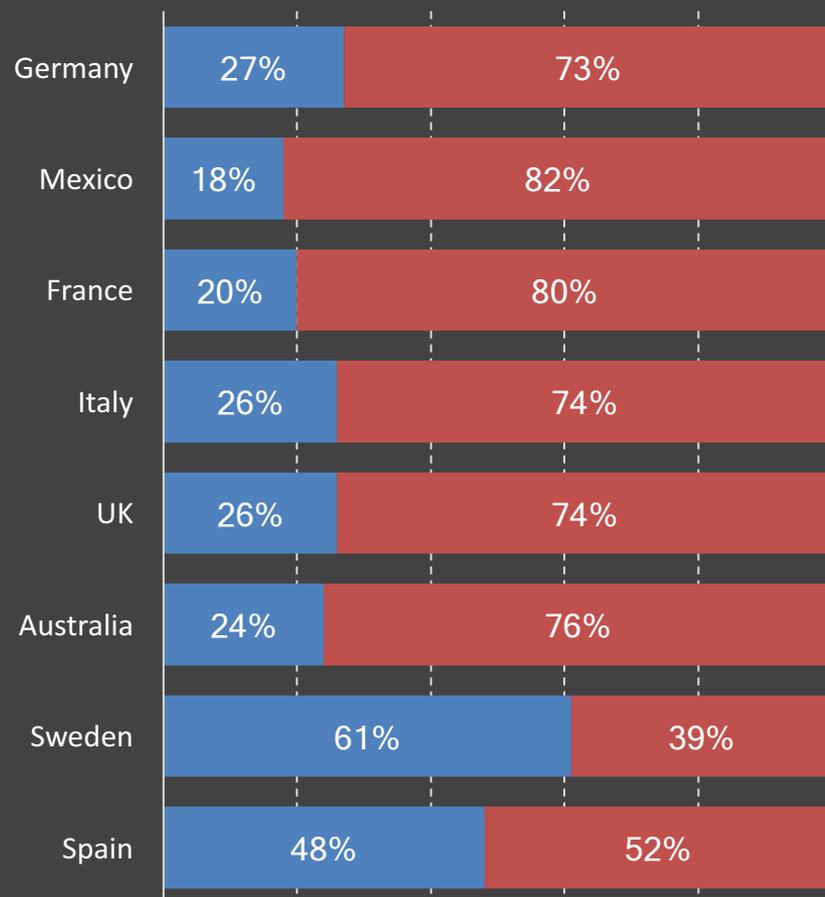


US Scripted TV Distribution

Global Overview – Service Type

% Sales by Type of Service

■ SVOD ■ Broadcaster



Whilst broadcast channels dominate in terms of sales there are significant variations by territory.

Overall 67% of sales were to broadcasters, but this varies from a low of 39% in Sweden to a high of 82% in Mexico.

Spain appears to be joining Sweden as a highly competitive SVOD market where local operators are actively buying US series. The numbers are impacted by HBO ventures in both Spain and Sweden that are the route to market for the US shows produced by parent HBO.

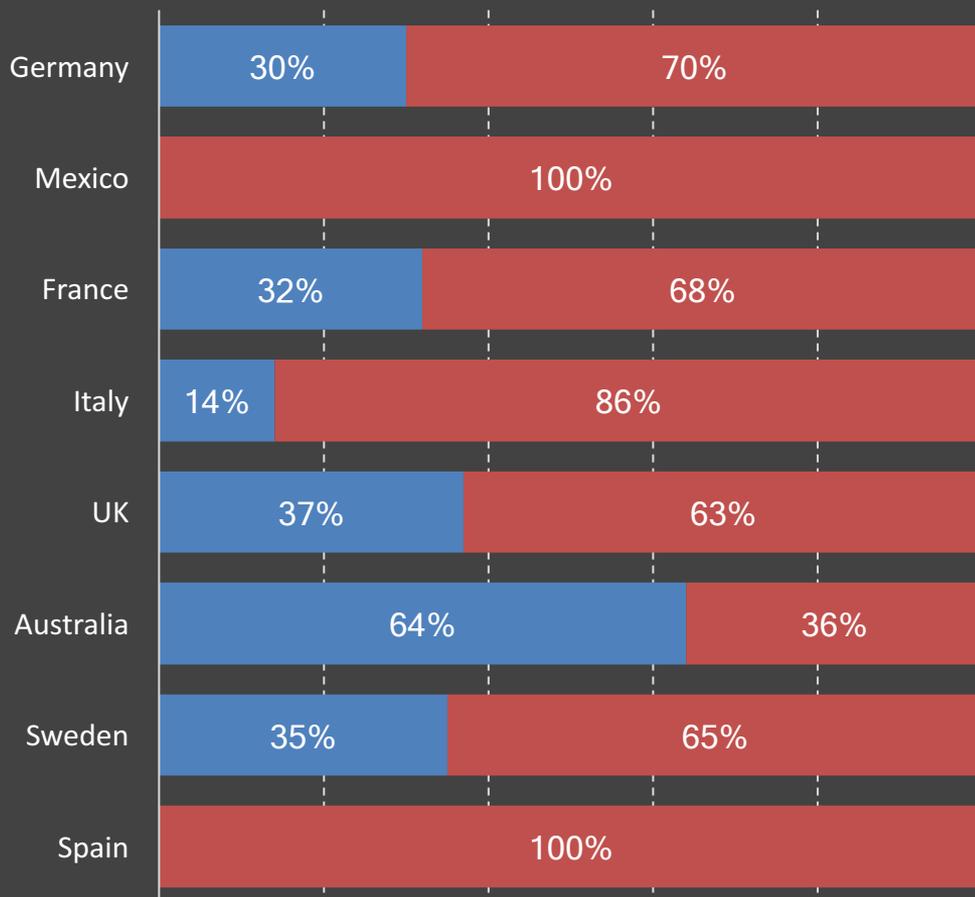
SVOD Acquisitions - Spain		
Netflix		Amazon
American Crime Story		American Gods
Designated Survivor		Falling Water
Shooter		StartUp
Star Trek: Discovery		Taken
Wynonna Earp		
HBO España		
Berlin Station	Handmaids Tale	Westworld
Better Things	Insecure	When We Rise
The Exorcist	The Night Of	The Young Pope
Feud: Bette & Joan	Six	
Frequency	Taboo	

US Scripted TV Distribution

Global Overview – Broadcast Channels

% Sales by Type of Broadcaster

Free TV Pay TV



In terms of sales to broadcast channels Pay TV dominates the market with acquisitions, and across all markets they represent 75% sales to channels.

There are numerous influences in this split on a market-by-market basis, but the move away from international TV series acquisitions by Free TV broadcasters has been going on for some time, and is clearly demonstrated by the numbers.

Local productions are increasingly dominating Free TV primetime slots as US content is marginalised in Access Prime or on secondary channels (or not required at all).

Australia is a notable exception to the trend, with 64% of acquisitions in the market made by Free TV channels.

Significant variations can be seen between the markets, and even where Pay TV channels dominate acquisitions characteristics can vary greatly.

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Global Overview – Catch-up Rights

The battle for extended catch-up rights is heating up as broadcast channels continue to position themselves to protect and grow their business with enhanced services, and look to satisfy consumer demand for bingeing on TV series.

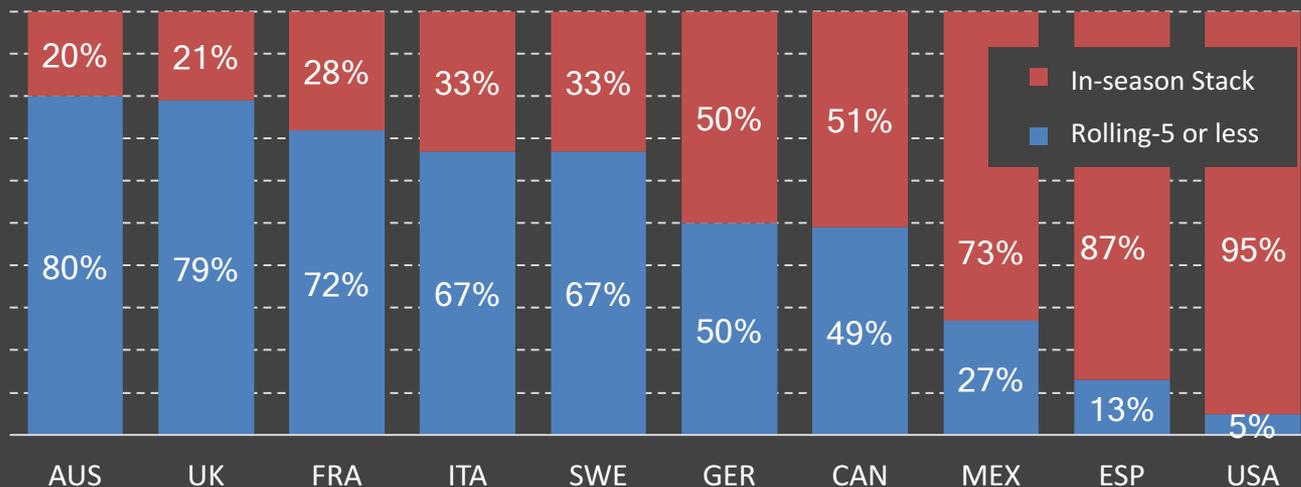
The issues around in-season stacking rights for broadcasters have been clear for some time now, with any granting of rights beyond 4 or 5 episodes at any one time likely to impact the potential for SVOD revenues in the second window.

With US broadcasters having critical leverage in terms of getting a show produced in the first place they have managed to bring with that in-season stacking rights – with 95% shows in the US being made available with in-season stacking (albeit some broadcasters only make it available to those who verify their Pay TV subscription with the catch-up service, e.g. CBS All Access and Fox Now).

Outside of North America the picture is much more varied, with up to five episodes only being available at any one time in 61% of circumstances.

However, in-season stacking is much more common in some markets – with Movistar, Fox, AXN, Cosmo and TNT in Spain responsible for 87% shows being offered this way.

% Broadcast Channel Shows by Catch-up Window



US Scripted TV Distribution

Global Overview – SVOD services

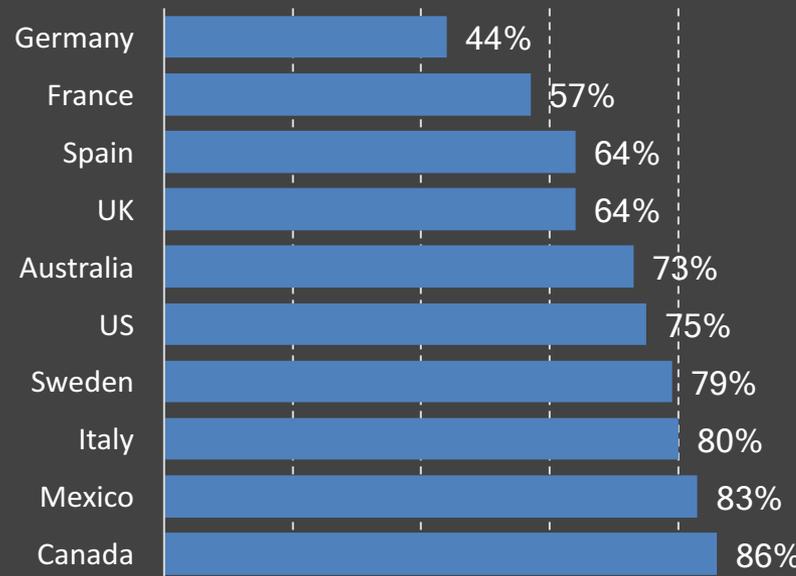
Netflix and Amazon are increasingly producing their own 'Originals', but they are still acquiring global or near-global rights for key series coming out of the traditional US distribution system. Along with this local SVOD players are actively buying US TV series, with 32% sales to SVOD.

A key USP of SVOD is the availability of complete series for consumers to binge on. The OFCOM Communication report highlighted how 35% UK Adults binge view at least weekly, and 62% within the 16-24 age segment. So the ability to offer TV in this way will no doubt impact acquisitions strategies.

Despite this requirement, the need to follow the production timetables of US output has meant that globally more than two thirds (69%) shows made available via SVOD have been released as an 'SVOD Stack', when a new episode is added to the service each week.

Releasing shows as near to US transmission as possible means SVOD players appear to be compromising on the need to offer shows immediately in complete Boxset form. Whilst the majority of SVOD shows in Germany were offered in full Boxset form, only 27% of sales were to SVOD, and the four offered in full Boxset were either US Basic Cable shows (Falling Water, Mr Robot), Digital Originals (StartUp) or a UK/US Co-Production (Taboo).

% SVOD Shows made available on a weekly basis



SVOD Acquisitions - Germany		
American Gods	Amazon Prime	SVOD Stack
Designated Survivor	Netflix	SVOD Stack
Falling Water	Amazon Prime	SVOD Boxset
Kevin Can Wait	Amazon Prime	SVOD Stack
Mr. Robot	Amazon Prime	SVOD Boxset
Star Trek: Discovery	Netflix	SVOD Stack
StartUp	Amazon Prime	SVOD Boxset
Taboo	Amazon Prime	SVOD Boxset



US Scripted TV Distribution
Market Snapshot - UK

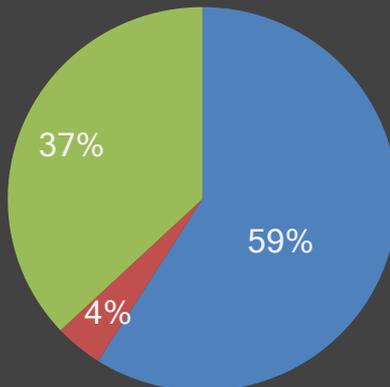
Market Snapshot - UK

Show Status and Destination

63% of tracked shows have been sold in the UK market, with a small number yet to air. Of the remaining 37% of shows that are currently unsold over half have been renewed for another season in the US so may still find homes in the UK market in the future.

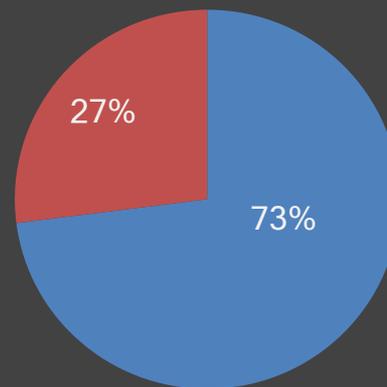
73% of shows sold in the UK are sold to broadcast channels, with Amazon and Netflix accounting for nearly all of the SVOD sales – only Virgin Media's acquisition of one title is the exception to this. Of the shows sold to broadcast channels the majority are sold to Pay TV channels – 63%.

Show Status



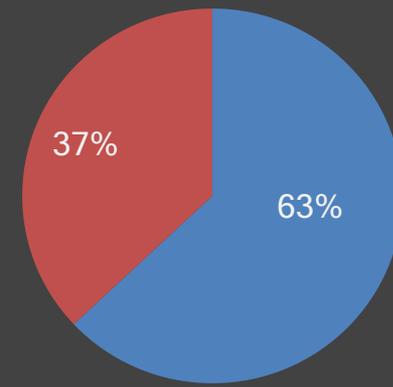
■ Sold - Aired
■ Sold - Not Yet Aired
■ Unsold

Sold Shows by Service Type



■ Broadcast
■ SVOD

Type of Broadcaster



■ Pay TV
■ Free TV

Market Snapshot - UK

Distributor Split

% Sales by Type of Operator

■ SVOD ■ Broadcaster

Warner	2	50%	50%
Sony	4	25%	75%
Sonar	1	100%	
Paramount	1	100%	
NBCU	7	57%	43%
MGM	1	100%	
HBO	4	100%	
Fremantle	2	50%	50%
Fox	10	100%	
eOne	2	50%	50%
Dynamic	1	100%	
Disney	1	100%	
CBS	7	14%	86%

Sales volumes by distributor vary greatly. The first column in the table representing the number of sales of shows tracked.

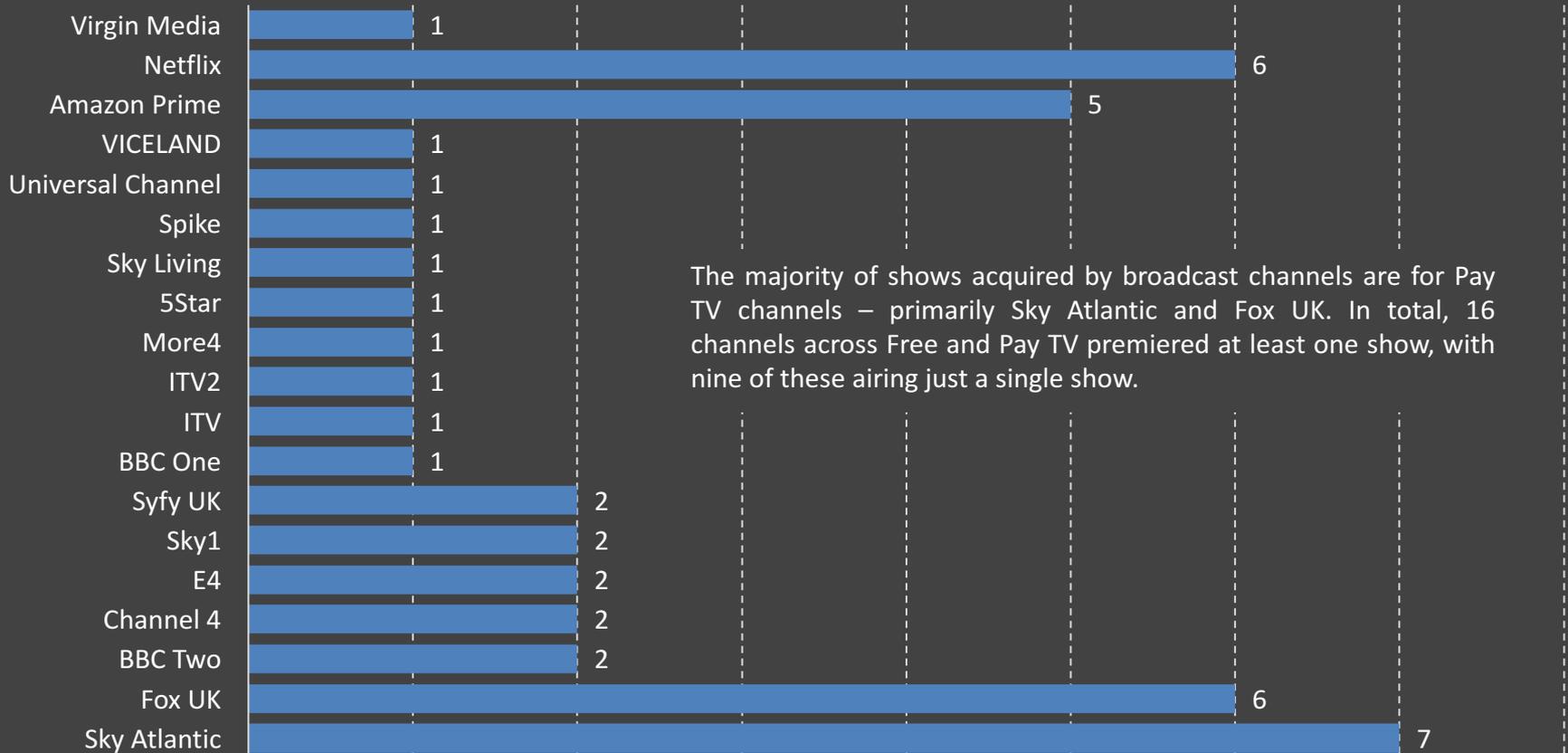
All 10 of Fox's shows have found homes in the first window with broadcasters, reflecting its relationship with both Sky and the Fox Networks Group (although not limited exclusively to them).

Similarly, HBO's output agreement with Sky saw 100% of its shows air on broadcast channels.

Disney and Paramount have sold just one show each, in both cases to SVOD services.

Warner, eOne and Fremantle have all split sales between SVOD services and broadcast channels.

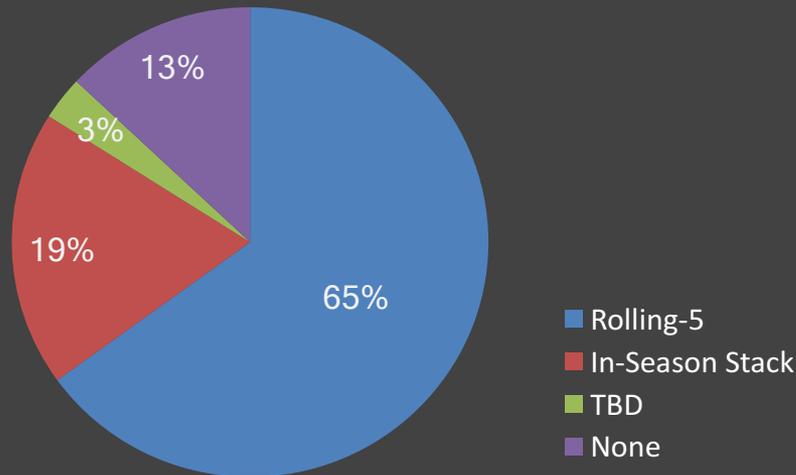
UK Services Acquiring Shows



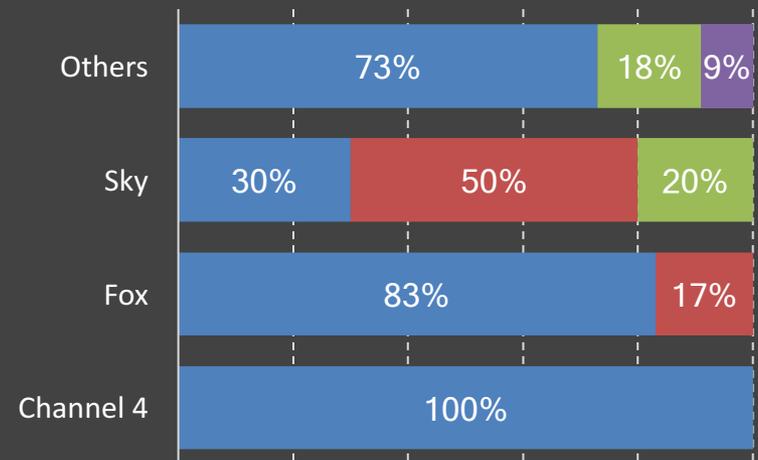
In the UK market Rolling-5 is the dominant catch-up TV format, with 65% of shows offered with five of the most recently broadcast episodes – and only 19% available via in-season stack.

Sky has been most prolific in offering in-season stacking and making all episodes of a show’s current season available to subscribers, driving their Sky Box Sets proposition alongside the overall need to strengthen their own channels’ content proposition in a strong Netflix market.

Catch-up Utilisation



Utilisation by Channel (min. 5 shows)



SVOD Show Branding

In the UK Netflix branded three of the shows it acquired – Designated Survivor, Shooter and Star Trek: Discovery – as ‘Netflix Originals’. Amazon Prime Video brands one show – American Gods – as an ‘Amazon Original’ with all others branded ‘Amazon Exclusive’. Virgin Media markets its only show from this review - Imposters - as a ‘Virgin TV Exclusive’.

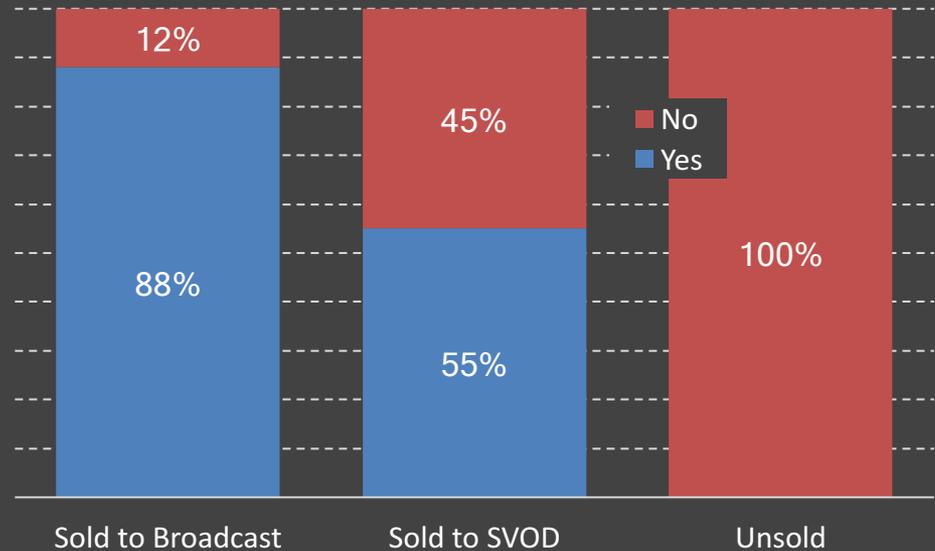
Transactional Availability

49% of tracked shows in the UK market have been made available to purchase via electronic-sell-through (EST).

Where shows are available EST the majority (82%) are being made available primarily in the market by broadcast channels. The remaining 18% are available on SVOD services, with the data suggesting that SVOD services are being successful in securing a holdback on EST.

Only 55% of shows sold to SVOD services have also been made available through EST. This is significantly different from broadcasters where 88% shows are available. None of the currently unsold shows are available on a EST basis.

Transactional Availability of Shows



A M E R I C A N G O D S
B U L L
D E S I G N A T E D S U R .
E X O R C I S T
F E U D
G R A V E S
G O O D F I G H T
H A N D M A I D S T A L E
I N S E C U R E
K E V I N C A N W A I T
L E G I O N
L E T H A L W E A P O N
M A C G Y V E R

F R A A M A Z O N
G E R 1 3 T H S T R E E T
U K N E T F L I X
I T A F O X I T A L I A
F R A C A N A L +
I T A T I M V I S I O N
E S P M O V I S T A R
U S A H U L U
F R A O C C I D E N T A L
S W E T V 8
C A N F I L M
U K I T V
I T A S A T A

US Scripted TV Distribution

Wrap-up



Tracking the distribution and utilisation of shows coming out of the US market will continue to show how the market is changing for international TV series.

We expect more tracked shows to find homes, especially as many are moving to second seasons in the US. It will be interesting to see how the data evolves with 2017/18 shows soon to be available for analysis along with tracking returning shows' second window sales.

In general, broadcasters still dominate sales. Whether this is because they simply remain the best revenue opportunity, or because SVOD services are more focused on Originals and the limited boxset rights make these programs less attractive remains to be seen but all will factor in future sales trends.

In-season stacking by international broadcasters is not on the same level as the US, however it is clearly growing with 49% of sales on average offered this way. Broadcasters continue to push adjacent viewing on their digital platforms as well as broadcast and we see this as a key indicator to follow, with the most potential to impact revenues between windows.

TV Series included in this analysis		
24: Legacy	The Good Place	Pitch
A.P.B.	Graves	Powerless
American Crime Story	The Great Indoors	Prison Break
American Gods	Great News	Shooter
American Housewife	The Handmaid's Tale	Shots Fired
Atlanta	I'm Dying Up Here	Six
Berlin Station	Imaginary Mary	Son of Zorn
Better Things	Imposters	Speechless
Beyond	Insecure	Star
Blacklist: Redemption	Kevin Can Wait	Star Trek: Discovery
Bull	Legion	StartUp
Chicago Justice	Lethal Weapon	Still Star-Crossed
Conviction	MacGyver	Taboo
Designated Survivor	Making History	Taken
The Deuce	Man With A Plan	This Is Us
Doubt	The Mick	Timeless
Downward Dog	Midnight, Texas	Training Day
Emerald City	Mr. Robot	Trial & Error
The Exorcist	The Night Of	Twin Peaks
Falling Water	Nightcap	Westworld
Feud: Bette & Joan	No Tomorrow	When We Rise
Frequency	Notorious	Wynonna Earp
The Good Fight	People of Earth	The Young Pope

About the Author

Jack Davison, 3Vision



Jack Davison is Managing Consultant for 3Vision, a leading international content consultancy working for all types of TV platforms, TV channels, content owners and technology providers. Founded in 2003, 3Vision provide companies with expert advice to help them build highly successful content businesses.

The insight provided in this whitepaper is sourced from 3Vision's Show Tracker, a comprehensive database tracking the distribution of US Scripted content across global markets. Data from 3Vision's Show Tracker presents a unified view of where TV series are being distributed in key international markets, picked for a mixture of their geographic diversity and market value. 3Vision's Show Tracker captures information on the characteristics of all deals, including broadcasters' use of catch-up, in-season stacking, digital retail/rental exploitation, Digital Originals branding, temporary download availability and SVOD service scheduling.

The analysis provide here is based on the distribution of all new US Network shows from the 2016/17 season, selected Digital Originals (e.g. Star Trek: Discovery, The Handmaid's Tale and StartUp) and selected new and returning US Basic and Pay Cable shows.

Contact 3Vision:

 +44 1225 636 200
 contact@3vision.tv
 www.3vision.tv
 [@3Vision](https://twitter.com/3Vision)

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