



Content Distribution in 2020

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The global market for content has always seen change, but over the last ten years we have seen unprecedented evolution. In the US alone scripted series production has increased over 150% since 2010. TV productions in the UK have increasingly exceeded the £1M per hour production budget, with 123 qualifying productions in 2019 (up from 44 in 2012 — growth of 270%). More recently digital service provision has accelerated at pace, media consolidation has fuelled direct-to-consumer growth and the activity of the FAANG companies with significant funds and different return on investment calculations has all contributed to change.

As broadcasters are responding faster, enhancing their proposition to meet consumer expectations, it is clear there is still a vibrant market for the distribution of TV content. Whilst there are some signs that US Series may be finding it harder in selected European markets, and original production initiatives may be impacting 3rd party acquisition budgets, our own data tracks over 250 services acquiring first window rights to scripted series in 14 markets alone.

The presence of local SVOD players in markets and innovation with AVOD services all points to further experimentation and market change, with it unlikely that any kind of equilibrium will be reached soon. The flow of content from the first window to the second is an area of key interest.

As more value has shifted into the first window and the utilisation of content within those windows changes, we will see more experimentation as services establish the value and appeal of content in different windows with their viewers.

There remain questions as to how the balance of power will shift between services, and with companies playing the role of aggregation and service provision, but content distribution remains key to the global market of video services.

“Direct-to-Consumer activity will continue to affect the industry and drive service innovations”

2019 brought further disruption to the TV landscape as more major US players announced their plans for new Direct-to-Consumer services, with Disney and Apple first to enter the market with their new streamers. Disney is positioning itself as a direct competitor to Netflix with the aim of becoming a significant global player, and has significant strength in its TV and Film library to do so. Gradually pulling their content from other platforms (including Netflix) and buying out legacy licensing deals where possible, they plan on making Disney+ the ‘one-stop’ destination for content from its brands that include Pixar, Marvel and Star Wars. Disney+ is priced competi-

tively and available in a variety of bundles — in France Canal+ is the exclusive Pay TV home of Disney+ with similar deals expected elsewhere. The alignment with Pay TV is an important move in accelerating distribution and a strategy that Netflix has deployed successfully.

In contrast, Apple has significant market penetration, with over 1.5 billion touchpoints worldwide through its iOS platform. Apple TV+ was announced with much fanfare and with an array of creative talent and investment in exclusive commissions — two seasons of the Jennifer Aniston, Reese Witherspoon and Steve Carrell-fronted ‘The Morning Show’ is reported to have cost \$300m. The announcement of their TV+ venture coincided with similar launch plans for their curated news service ‘Apple News+’ and the gaming orientated ‘Apple Arcade’.

We believe that Apple’s overall aim is to become a super-aggregator. ‘Apple TV Channels’ launched in March 2019 and is currently available in over 100 countries worldwide offering access to third-party subscription services. To date the launch of Apple Channel services has been relatively limited. Amazon offer a similar service in just several countries at present, but with more variety in the channels available.

HBO Max and Peacock will arrive in 2020, both with different business models and targets for

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international expansion. But it is not just the number of SVOD services that is increasing worldwide, AVOD is in a growth phase with both standalone services and broadcast channel innovations competing for a share of increasing online advertising revenues.

“Production levels to increase further as Originals become the content focus for SVOD and Pay TV”

As the number of services vying for customer attention increases, so has the volume of content in the marketplace. Pay TV is investing significant sums in creating exclusive content to help differentiate itself from competitors in an ever-crowded market. Sky Studios has doubled their commitment for Originals investment to £1Bn over the next five years, with similar localised content creation the focus of the likes of Movistar (in Spain and Latin America) and Nordic Entertainment Group.

Public and free-to-air broadcasters are increasingly collaborating to be able to compete more in a market where budgets are higher and access to talent and resources is harder. In Western Europe, the Alliance (Rai, France Télévisions and ZDF) has entered a pact to co-fund and co-produce bigger shows with international appeal. In the Nordics the public service broadcasters are

working closely together, ‘Nordic12’ is a collaboration aimed at developing 12 new drama series.

Amazon and Netflix continue to invest in their own productions, the latter releasing over 80 new Originals in 2019 — half of which were in a foreign language, reflecting the need to offer customers in international markets localised content they can relate to.

Such investment is a way for broadcast channels and SVOD services to achieve content-supply security while uncertainty remains over the intentions of key suppliers and the competition for IP and talent reaches unprecedented levels.

“Broadcast channels’ response to declining linear viewership is with enhanced catch-up, service innovation and collaboration”

Linear television viewing continues to decline at a global level. While some territories are more resilient than others — some Asian markets are stable, Africa is showing signs of growth — in most markets, Free and Pay TV is losing viewers at an increasing pace, and most alarmingly from younger audiences. The response from broadcast channels and Pay TV service providers has been to evolve their OTT proposition, targeting the move

of viewing to online platforms, with a number of new AVOD and SVOD service innovations.

First and foremost, the trend in recent years has been increasing the catch-up availability to viewers from both Free and Pay TV channels, however there are significant variations by market. For example, almost all US series acquired by Pay TV channels in Spain are offered with In-Season-Stacking — this is where episodes are added to the OTT service weekly in line with the broadcast schedule and remain there available for the duration of the series. In Italy, by contrast, there are much higher levels of basic catch-up with the former Fox Networks Group and Mediaset offering no more than rolling five episodes for scripted series acquisitions on their Pay TV channels. In India there are fewer acquisitions by Pay TV overall (instead, SVOD service Hotstar Premium is a leading buyer) with 7 day catch-up at best.

There are a growing number of linear channels offering In-Season-Boxsets (all episodes released online with the first episode), with this most common in the UK on both Free and Pay TV. Sky are a leading advocate of enhanced catch-up with all new US acquisitions from the 2018/19 season offered with at least stacking and 11 series released as full Box Sets. In recent years the BBC has offered a number of acquired shows in Box Set form, with the likes of ‘Fosse/Verdon’ and ‘Pose’ through its output deal with FX.

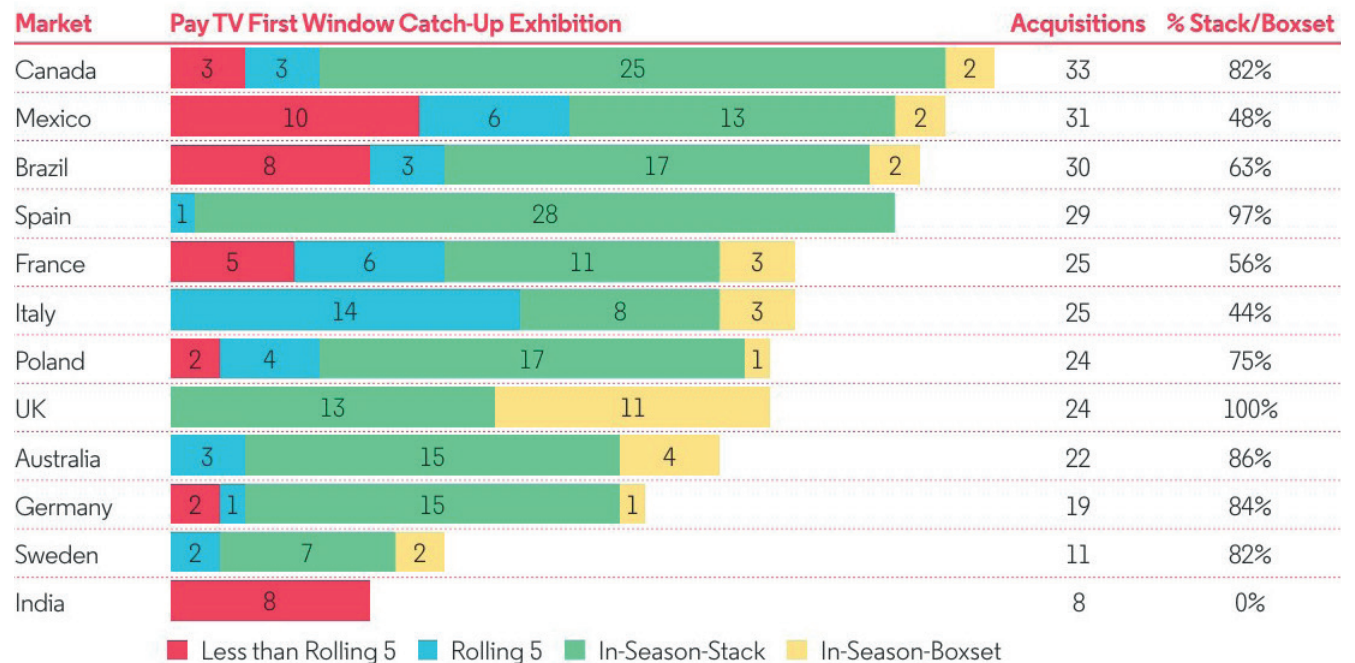
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As more catch-up is being offered for first window releases, the effect is to move more value upfront, making it much harder for distributors to secure value from second window licensing deals.

Developments with new or existing AVOD services from broadcaster channels aims to target the migration of viewing (and advertising revenues) online and away from linear television. In Australia, a number of buyers are active and taking first windows to be presented as online Box Sets with no simultaneous linear broadcast planned. Nine Entertainment (owners of both Free TV channels and SVOD service Stan) have acquired 'Reverie' and 'The Enemy Within' from NBCUniversal for its AVOD service 9Now. 7Plus has taken 'Blacklist: Redemption' and 'The Oath' from Sony Pictures Television and SBS On Demand has acquired 'Fartblinda' and 'Back to Life' from all3media. Australia is the leading Show Tracker market for AVOD acquisitions, but there are also a number of first window AVOD deals in recent years in the UK, Canada and Sweden, and most recently the first US series acquisitions by an AVOD platform in Germany ('Claws' by the ProSieben & Discovery joint venture Joyn) and France ('9JKL' by 6Play).

In the UK, Free TV broadcaster Channel 4 continues to improve the content offering of its All4 AVOD service, which has until now offered both catch-up of its current programming and access

Graphic 1: **PAY TV ACQUISITIONS FROM US 18/19 SEASON**



Box Sets and In-Season-Stacking are common in a number of Show Tracker markets, most notably the UK and Spain where almost all first windows of scripted series from Pay TV channels are offered with enhanced catch-up. Italy, Mexico and France have a number of first window acquisitions by Pay TV services, but the catch-up offer is more varied and with a higher percentage of basic rolling 5 episodes or less.

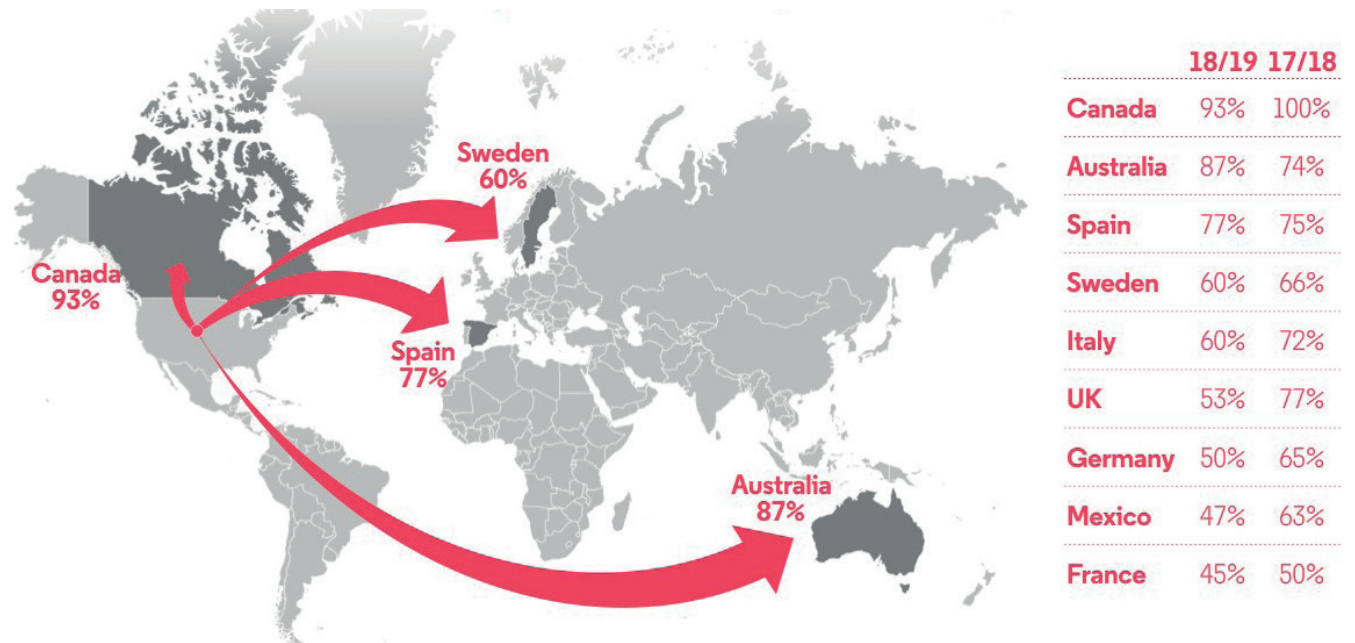
Source credit: 3Vision Show Tracker; US originating scripted series, first window and new season from 2018/19

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to its archive catalogue stretching back over 20 years. All4 now offers third party content from the likes of Adult Swim, Vice and Walter Presents, as well as directly licensing content exclusively for the platform. In February 2020 they announced the arrival of seasons 1-3 of Seinfeld (with more to be added weekly) and last year acquired first windows of 'All Night' and 'Light as a Feather' from ViacomCBS to exploit as exclusive online Box Sets.

Collaboration between broadcasters is growing and in particular amongst those with Free TV channels. The BBC and ITV joint venture Britbox arrived in the UK in late 2019 offering subscription-based access to much loved archive content. The long-term success of this service is questionable while each partner has its own OTT platform and when much of its content has previously been licensed to and fully exploited by other digital channels in the UK. The BBC successfully arguing its case for extending iPlayer catch-up windows to 12 months also puts in to doubt how soon their content will move from the Public-Service-Broadcaster to this new SVOD. The second window of the Martin Freeman led ITV Studios drama 'A Confession' appeared on Britbox at launch, less than 2 months after its initial premiere on ITV. To grow and maintain subscribers, Britbox will need to ensure it refreshes its content proposition often – either further unlocking the broadcaster's archive, acquiring content or commissioning its own exclusives.

Graphic 2: **NEW US SCRIPTED SERIES DISTRIBUTION** (Fall Schedule 18/19)



US scripted series travel best to Canada and Australia, where around 90% of all 2018/19 fall season premieres have found distribution. A number of markets are showing a slowdown in acquisitions compared with the previous season, most notably the UK (-24%pts), Mexico (-16%pts) and Germany (15%pts).

Source credit: 3Vision Show Tracker; US originating scripted series, first window and new seasons from fall 2018/19

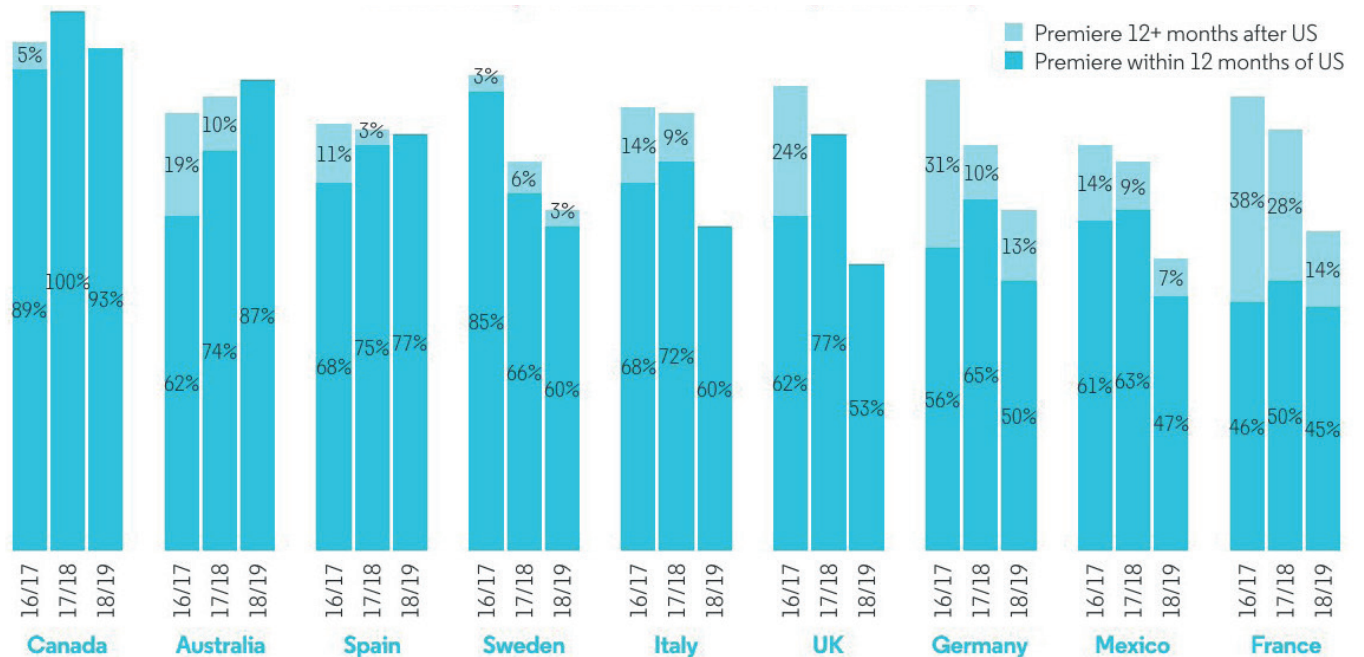
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There are further examples of broadcasters coming together to create new OTT platforms. In France, 'Salto' is the long-awaited joint venture between France Télévisions, TF1 and M6 and, having finally received the backing of regulators, is expected to launch in June 2020. In Germany, ProSieben and Discovery have evolved their partnership with the launch of Joyn – a successor to Maxdome and 7TV, featuring both a free tier of basic catch-up and a pay tier with more content and exclusives.

While distribution activity is mixed and some markets are demonstrating less demand than others, it still remains a large and healthy market for programme sales overall. Data from 3Vision's Show Tracker service identifies over 250 services including SVOD platforms, Free and Pay TV channels that have been actively licensing scripted series in key global markets since the beginning of the 2016/17 season. But the market is changing and the dynamics of first windows is shifting as greater catch-up and on-demand availability becomes imperative, with added competition and risk involved in making first window acquisitions.

Canada, Australia and Spain remain strong distribution markets, with upwards of 77% of new series from the US 18/19 fall schedule (in this instance from September to December) finding a home in each of those three territories.

Graphic 3: **NEW US SCRIPTED SERIES DISTRIBUTIONS** (Fall Schedule)



Distribution within one year of the original US premiere has fallen over the past three seasons in a number of Show Tracker markets. There are signs based on previous years, that we may see an increase in distribution of 2018/19 season shows going forward, particularly in France where acquisitions are low within the first year but picks up thereafter.

Source credit: 3Vision Show Tracker; US originating scripted series, first window and first season

“Global first window distribution is mixed and impacted by a number of local market factors — it is not as simple as English-speaking markets being the most receptive to US Scripted Series”

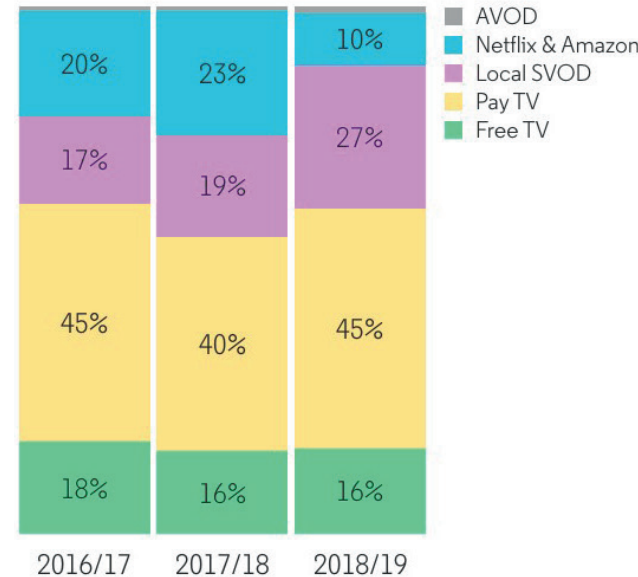
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Elsewhere the outlook for distribution is mixed, with some markets facing particular challenges. In the UK, just 53% of new US shows have sold (down from 77% the previous year) with Pay TV channels buying fewer of these early season shows. In Germany, only 50% of titles have found a home within 12 months of the US launch, down from 65% in the previous season. The feedback from buyers in Germany is that audience demand is shifting away from US series to more local content, and the slowdown in distribution activity noted from Show Tracker data certainly reflects this.

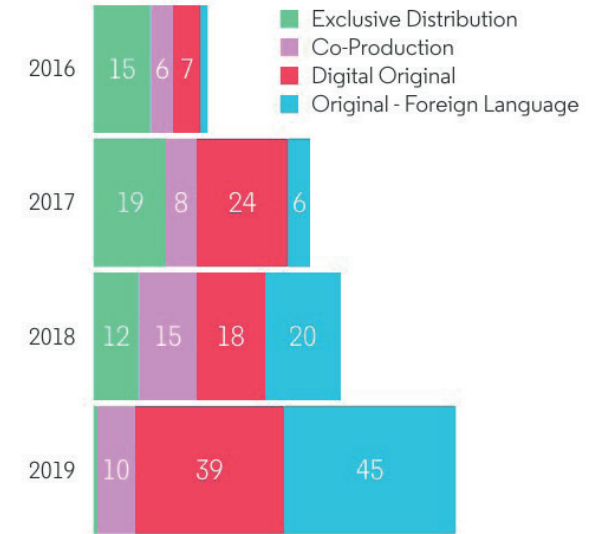
One of the most significant developments evident from Show Tracker data over the past 12-18 months has been the withdrawal of Netflix (and to a lesser extent Amazon) from buying scripted drama first window rights, as they have placed more focus on the development of their own Originals. Such global SVOD services do continue to spend vast sums on tentpole acquisitions (Netflix paying \$500m for Seinfeld, for example) and remain active in buying second windows as they seek to find the right balance of library content to complement their 'originals'.

There are variations in the first window destination of US shows in each market. Free TV activity is mixed and, to date, no channels have acquired shows from either the 18/19 or 19/20 season in Brazil, India, Mexico, Poland or Spain. Pay TV

Graphic 4: %US SCRIPTED SERIES ACQUISITIONS (9 Key Markets)



NETFLIX NEW SCRIPTED SERIES BY CALENDAR YEAR



Netflix and Amazon are acquiring a smaller percentage of new US shows from the 2018/19 season than they had from the two previous, with Local SVOD services becoming an important buyer for international distribution. Netflix are instead focusing on their own 'Originals' development, with an increased number of English and Foreign Language scripted series within the last year.

Source credit: 3Vision Show Tracker; US originating scripted series, first windows and new season from 2018/19

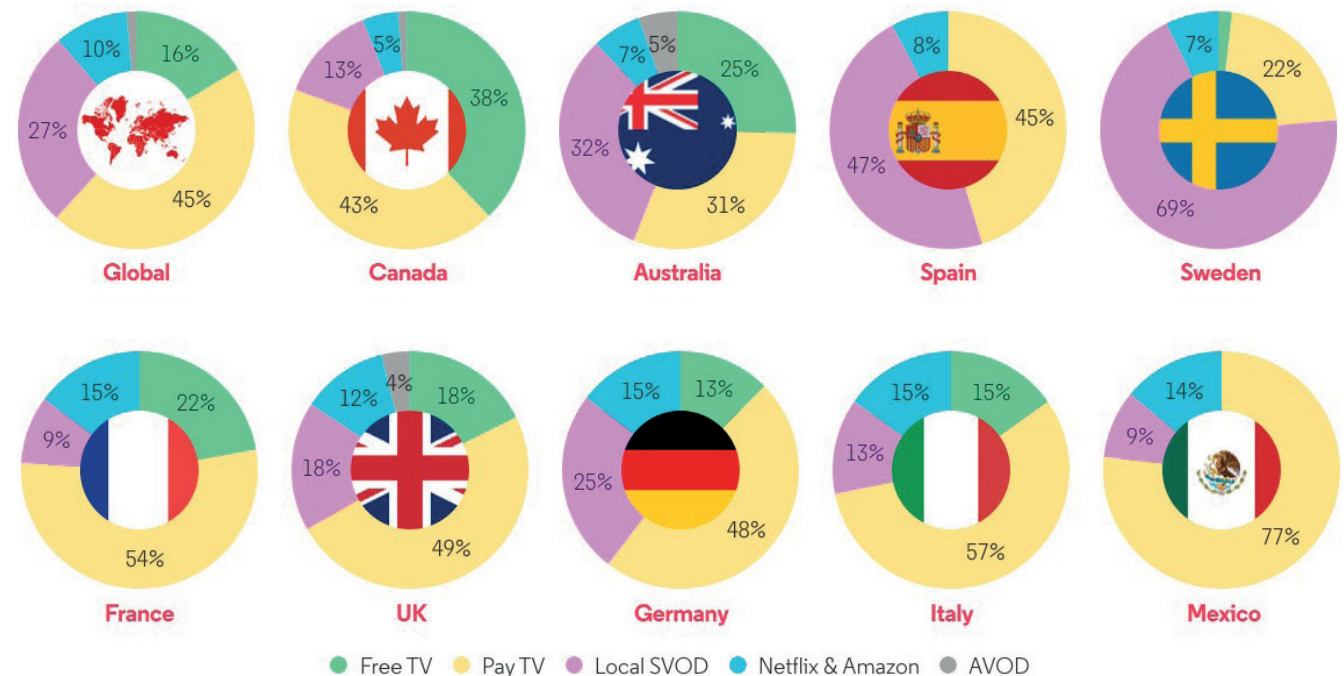
“Local SVOD services an emerging key buyer in multiple Show Tracker markets”

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channels are overall the biggest buyer of US shows, but there are some markets where local SVOD services acquire even more. In Spain and Sweden (and by a small margin Australia), SVOD services are the leading buyers of new US scripted shows. HBO are a key buyer in both European markets, offering not only content from the extended WarnerMedia family, but acquiring titles such as 'Stumptown' and 'Godfather of Harlem' from Disney (HBO Spain) and 'The Loudest Voice' and 'Escape at Dannemora' from ViacomCBS (HBO Nordic).

Year-on-year local SVOD services are taking a bigger percentage of acquisitions in all Show Tracker markets, and are becoming an alternative buyer for shows that would have previously gone to Netflix. The Lionsgate-owned StarzPlay continues to buy US series like 'The Act' (NBCUniversal) and 'Pennyworth' (WarnerMedia) to supplement its own Originals slate as it continues to increase its global footprint beyond 100 countries. And it's not just US series that they're buying, having acquired European titles such as Baptiste (all3media) and The Dublin Murders (Fremantle) for multiple markets. Non-US series are also selling well elsewhere, with numerous British shows finding homes on a mix of Free, Pay TV and SVOD services in Show Tracker markets, such as 'The Cry' (DRG), 'World on Fire' (ITV Studios) and Les Misérables (BBC Studios).

Graphic 5: **ACQUISITIONS BY SERVICE TYPE — US 18/19 SEASON**



Pay TV is the biggest first window buyer of scripted series in most markets. Sweden and Spain are dominated by SVOD services with HBO key buyers in both. Free TV activity is mixed with a large number of acquisitions in Canada and France, but minimal to no activity in Sweden, Spain and Mexico.

Source credit: 3Vision Show Tracker; US originating scripted series, first windows and first season from 2018/19

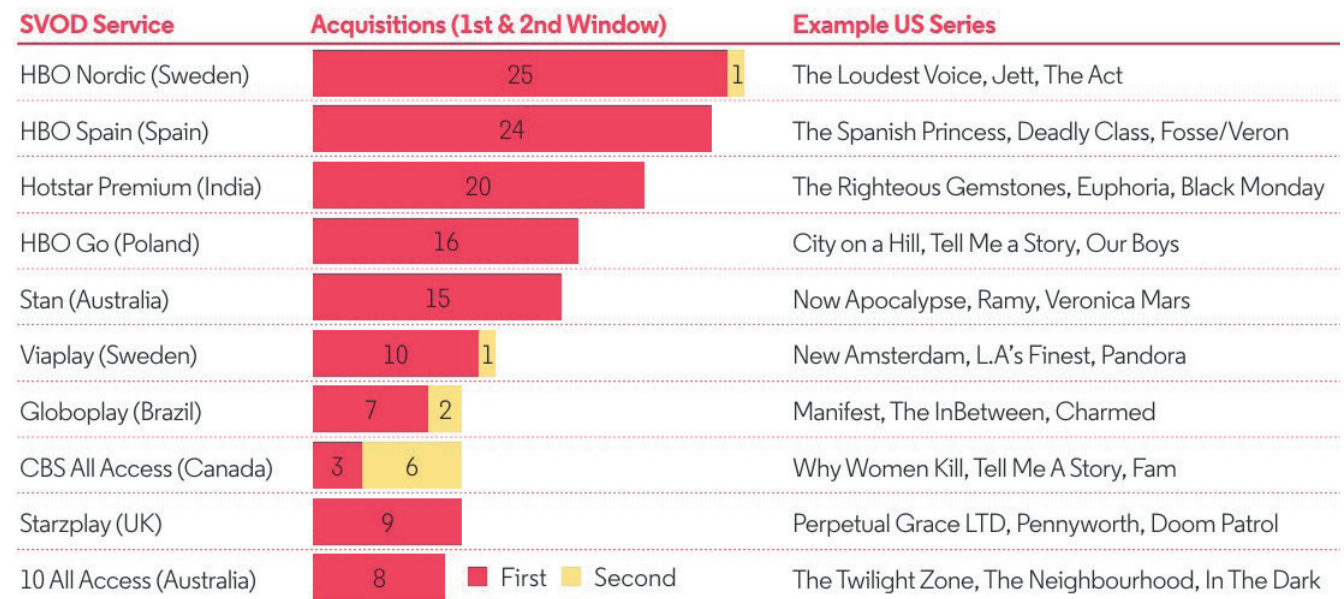
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The mixed outlook for first window distribution and the resistance in certain territories to new US shows have not had an overall detrimental impact on second window activity. SVOD services continue to be the main buyers of shows that had previously aired on a Free or Pay TV channel, with Netflix and Amazon both leading destinations.

Free TV channels are increasingly experimenting with second windows after global SVOD services. They will need to find the right show to suit their audience profile and our understanding is that channels will continue to experiment to establish what value these shows deliver. In the UK in February last year Amazon took first window rights to NBCUniversal's 'New Amsterdam', with episodes stacked weekly. More4 made the show available in a second window in September, offering basic rolling 5 episode catch-up while the series was still available in full to Amazon Prime Video customers. By episode six, the 28-day consolidated ratings fell to 363k (down 41% on its 619k launch) and More4 will wonder whether the audience decline was through a natural drop-off in viewership across the series or a direct loss of viewers to Amazon.

In a similar vein, the BBC offered Good Omens in a second window, a show it helped to co-produce, but that was majority funded by Amazon.

Graphic 6: **LOCAL SVOD SERVICES ACQUIRING 18/19 SEASON NEW SHOWS**



Local SVOD services are becoming increasingly competitive for first windows, with services in a number of markets acquiring a diverse range of US shows from multiple distributors.

Source credit: 3Vision Show Tracker; US originating scripted series, first and second windows of new shows from 2018/19

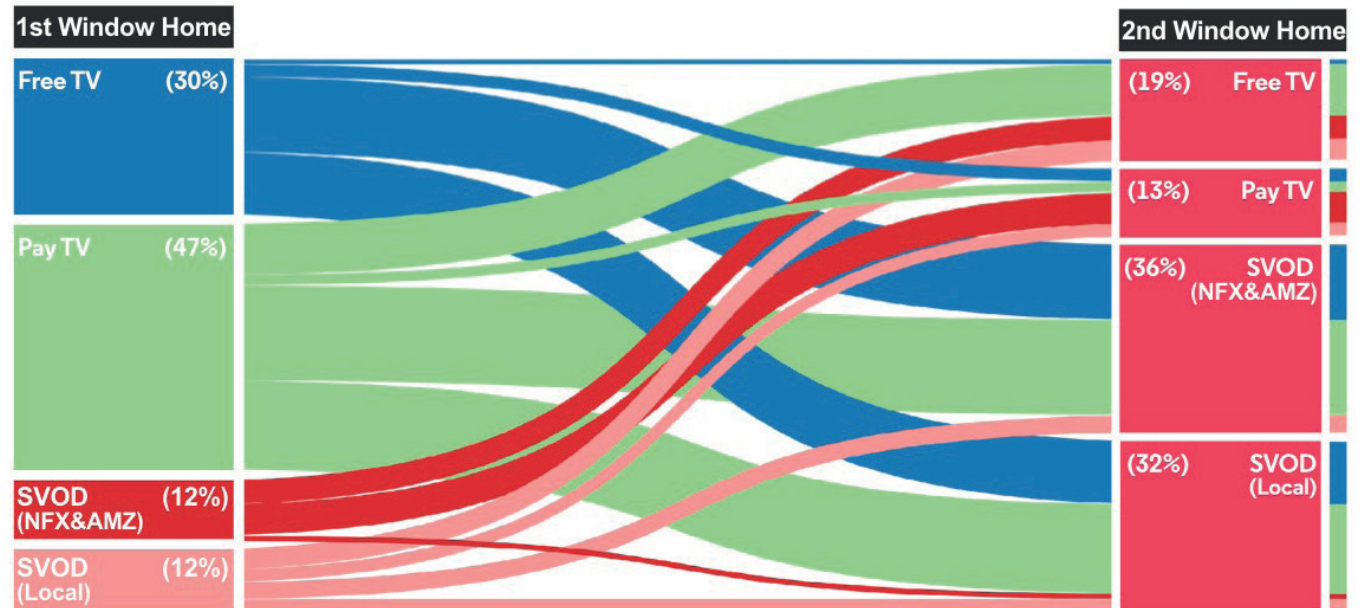
“Broadcast channels are experimenting further with post-SVOD second windows as they seek to find value in licensing deals”

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It is unlikely that this will be the last occurrence of the BBC (or other broadcasters for that matter) combining their production capabilities with the financial power of global players and consequently settling for a secondary window.

As we look ahead to the remainder of 2020 and the new decade, we expect that distribution activity will become more complex, as buyers wait to see if new series are renewed beyond a first season before committing to an acquisition. More Direct-to-Consumer activity is likely as content owners' partner with Pay TV Operators for distribution or use direct 'Channels' such as those offered by Amazon and Apple. Local SVOD players are likely to be even more active in first window acquisitions of US and International scripted series when they do not have an Originals strategy of their own. In the short term, we believe there will be no slowdown in the production of scripted series, particularly as services look to establish their competitive edge. Consumer demand for immediate access to content is likely to accelerate growth in enhanced catch-up propositions offered by broadcasters, as channels themselves increasingly evolve their business to an on-demand world.

Graphic 7: **US SCRIPTED SERIES**
— FIRST AND SECOND WINDOW RELATIONSHIP



SVOD services are the biggest buyer in the second window particularly when following a Free or Pay TV channel. There are still fewer second windows that follow on after an SVOD service but this is growing, with an increasing number of Free and Pay TV channels taking shows, albeit with minimal catch-up on offer due to first window holdbacks.

Source credit: 3Vision Show Tracker; US originating scripted series, first and second windows from 2016/17 - 2018/19

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About us

3Vision is a specialist content consultancy that helps content owners, distributors and operators understand key content trends impacting their businesses through in-depth research and analysis.

Our syndicated research product, Show Tracker, is a powerful tool that tracks distribution of scripted TV series in key markets and what the rights attached to each deal are.

We track over 480 shows to present a unified view of where scripted TV series are being distributed in key markets, providing stakeholders the tools to track the distribution environment.