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CREATe Working Paper 2017/01 (January 2017)

Digitization and changing windowing strategies in the television industry: negotiating new windows on the world

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CREATe Working Paper Series DOI: 10.5281/zenodo.55755.

This release was supported by the RCUK funded *Centre for Copyright and New Business Models in the Creative Economy (CREATe)*, AHRC Grant Number AH/K000179/1.

Please note this working paper is the author's pre-print of the article *Digitisation and Changing Windowing strategies in the Television Industry: Negotiating New Windows* on the World published by Television and New Media, Vol 17, Issue 7, 2016.

Abstract:

Windowing – the process of managing the release sequence for content so as to maximise the returns from intellectual property rights (IPRs) - is changing because of transformations in the way that television is distributed and consumed. Drawing on original research into the experience of leading international television producers and distributors, this article breaks new ground by examining how rights owners are adjusting strategies for exploitation of the economic value in their content. Findings show how the rise of digital platforms and outlets whose footprints are diffuse and boundaries are porous is disrupting traditional windowing models. This has necessitated new thinking about how best to organize the sequential roll out of content so as to build audience demand, avoid overlaps and maximise returns. This article argues that changes in the dynamics of television distribution have altered not just processes for exploiting the value in IPRs but also content and content production, with implications for audiences as well as industry.

Key words: Windowing; IPRs; international distribution; SVOD; high end drama.

1. Introduction

The business of managing and maximizing the returns from intellectual property rights (IPRs) in television content is changing because of transformations in the way that content is distributed and in how audiences access, pay for and consume it. The fundamental catalyst has been growth of the internet and, alongside this, the recent rapid development of on-demand television (Bond and Garraghan, 2015). Producers and distributors use strategies of windowing to exploit their wares (Owen and Wildman, 1992; Ulin, 2013). Global audiences are segmented by platform and territory and television content is rolled out across domestic and international markets through a series of sequential release 'windows'. The timing and other conditions surrounding how content is made available to differing segments of the audience are closely managed in order to effect scarcity and to build demand for the product (Christophers, 2012). However, as this article will show, digitization and growth of the internet have disrupted the ability of television IPR owners to segment audiences and to deploy the strategies that traditionally have allowed revenues to be maximized.

Drawing on an original empirical investigation of the experience of leading international television producers and distributors, this article breaks new ground by examining in depth how rights owners are responding to new digital distribution technologies by adjusting strategies for exploitation of the economic value in their content. The questions it addresses are, first, how have windowing strategies changed in recent years? Focusing predominantly on drama content, in what ways are the strategies deployed by television companies to exploit the economic value in IPRs changing on account of the arrival of new forms of digital distribution? Second, as windowing strategies change, to what extent are international partners playing a greater role in financing television production? Finally, how are these developments shaping television content development and production decisions?

It has long been recognized that the economics of television, which typically involve high initial content production costs but then very low or at times zero reproduction costs, are relatively unusual in that, on account of the 'public good' qualities of content, there is no scarcity problem (Garnham and Locksley, 1991). Even so, without some form of restriction on copying and re-supplying content, it is not obvious how the producer would recoup initial production costs or what financial incentive there would be to make that content in the first place (Landes and Posner, 1989: 26; Maule, 2011). Hence copyright, which plays a pivotal role in allowing creators to exploit the value that resides in their output, tends to be closely guarded and protected in media production industries, including television (Levine, 2011).

Television programmes normally involve a package of underlying rights covering differing aspects of the production including the script, any music used, and other creative inputs which the producer pre-clears to facilitate ownership and future exploitation of the finished programme (Miller, 2007). At this stage a windowing strategy can be put into operation. Rights are carved up by platform, amount of usage, territory and language, often with initial or 'first window' rights (i.e. the opportunity to be first to deliver the programme to audiences) assigned to a domestic commissioning broadcaster and releases to other audience segments following later. For expensive professionally crafted content where recoupment is absolutely imperative, some careful thought needs to be given to how best to arrange the sequencing of releases so as to derive maximum returns (Hennig-Thurau et al, 2007; Ulin, 2013).

Owen and Wildman, who first theorizing the operation of windowing strategies for video content, identified a number of factors that may affect the timing of release windows including differences in the size of the audience that each makes available, differences in per-viewer profit margins, interest rates (which determine the opportunity cost of money) and levels of susceptibility to piracy (1992: 30). These considerations still have power to influence approaches towards arranging the release sequence for television content today. But since the 1990s technologies for distribution have changed and so ‘strategies for managing the sequential release’ of content have had to evolve accordingly (Wildman, 2008).

The most significant development of recent years has been growth of the internet which, in turn, has facilitated development of over-the-top (OTT) or online television content distribution services (Steemers, 2014). Online distribution has triggered a flowering of video-on-demand (VOD) services that are popular with audiences including catch-up facilities from broadcasters, advertising supported services (AVODs) such as YouTube, transactional video-on-demand (TVODs) such as iTunes and - of rapidly growing significance - subscription video-on-demand services (SVODs) such as Netflix and Amazon Prime.

These developments have affected film and much recent empirical research which investigates changes in windowing is focused on feature films rather than television (Elberse and Eliashberg, 2003; Kuhr, 2008; Ranaivoson et al, 2014), in many cases emphasizing how the threat of digital piracy has shortened optimal inter-release time periods (August, Dao and Shin, 2015). For suppliers of television content, unauthorized re-mediation is also a potential concern. Some recent research has highlighted how, as processes of globalization diminish national boundaries, television suppliers are using windowing to engineer scarcity and build local demand so as to 'get their products to the maximum (preferably global) geographic audience' (Christophers, 2012: 142). New approaches to segmentation have been analysed from an audience-centric and consumption perspective (Shay, 2015). From a policy perspective, an important emergent theme for legal analysis has been the potential for clash between the territorial nature of copyright and aspirations to promote open digital markets (Cabrera Blázquez et al, 2015). A few earlier studies have usefully addressed the economic effects of changes in distribution on exploitation of television rights (Sherman and Waterman, 2015; Wildman, 2008; Napoli, 2011). But, despite its topicality, relatively little detailed research has been conducted on how exactly the windowing techniques used by suppliers of television content are evolving in response to digitisation.

This article is concerned with how television windowing strategies are adjusting to the spread of digital distribution and the rise of SVOD windows and what the implications may be for content production and development. Anderson (2006) has famously argued that extended temporal access across the internet creates opportunities for niche products to achieve higher sales over longer time periods. The research presented here will show how additional digital windows are bringing positive opportunities for television suppliers but, as the landscape of media provision fragments, arranging an optimal release sequence for content has become much more difficult.

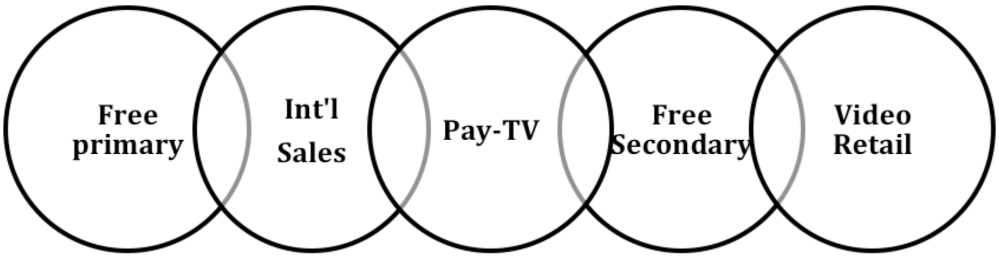
Findings presented stem from an original empirical investigation funded by the UK Arts and Humanities Research Council (AH/K000179/1). Methods of research involved a case study based investigation of leading UK-based television production and distribution companies. Interviews were carried out with senior executives at companies including Endemol-Shine, Sony Pictures Television International, Lookout Point, KEO Films, Zodiak Rights, Warner Brothers International Television Production, ITV and BBC Worldwide in 2014-15. Interviewees included distribution specialists with frontline responsibility for developing and enacting windowing strategies and Chief Creative Officers with responsibility for production decisions. The selected group of companies and spread of interviewees facilitated evidence-gathering on the key questions about not only changes in windowing strategy but also implications for content that this study was interested in exploring. Although mainly London-based, case studies include a number of internationally renowned television companies (such as Endemol-Shine, BBC Worldwide and Warner Brothers International) whose profile and activities extend across multiple geographic territories. This selection reflects awareness that, notwithstanding variations in the local market circumstances of any given country such as the UK, the changes in windowing strategies occasioned by digitization and growth in internet-based distribution that this article is concerned with are of wider international relevance for television companies right around the globe.

In the sections that follow, this article traces how windowing strategies have changed in recent years and it argues that the developing dynamics of television distribution have altered not just processes for exploiting the value in IPRs but also content and content production, with implications for audiences as well as industry.

2. Transition to a Digital Distribution Environment

Back in the early 1990s when Owen and Wildman (1992) explained the process of windowing, the main distribution windows available to UK programme suppliers were, typically, the primary and secondary domestic broadcast channels plus international markets – see Figure 1 below. Initial transmission or first window rights were usually assigned to a domestic commissioning broadcaster such as ITV or the BBC whose fee would cover all production costs and provide an upfront production fee – a system known as 'cost plus' (Doyle, 2013: 112). Following this initial window, the programme would become available for release into a series of international and secondary domestic windows such as cable.

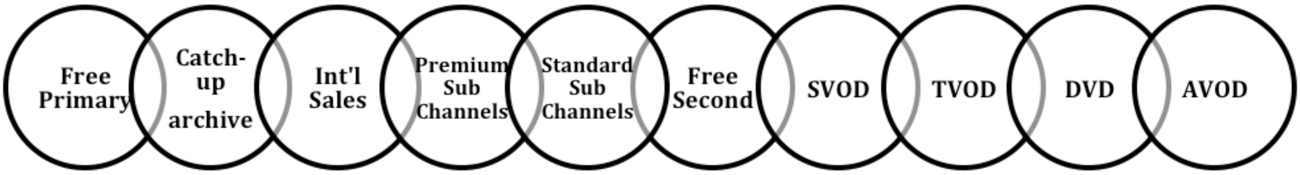
Figure 1: Typical windows for television content in 1992



However, since the early 1990s transformations in the way that television is distributed and in how audiences access, pay for and consume content have impacted in numerous ways on windowing. The most striking way in which the windows available as at 2015 are different from 23 years ago is that they have expanded in number - see figure 2 below. Cathy Payne, CEO of television distribution business Endemol-Shine International summarises the process of expansion thus:

> 'The first big change was the advent of digital terrestrial television … So all of a sudden you had more outlets to sell to. But also you have the big broad outlets and lots of smaller [niche] outlets. [Another] big change was the ability to buy copies digitally and also to watch by renting digitally. The big change in recent times is the introduction of the over-the-top (OTT) platforms'
>
> (Payne, Interview, London: March 2015)

Figure 2: Typical windows for television content in 2015



The testimony of executives at leading London-based international production and distribution companies suggests that additional windows have been a source both of opportunity and challenge. Andy Zein, who oversees creativity, content and production at Warner Bros International Television, explains how new distribution windows bring valuable additional revenue to television producers:

> 'I don't think anyone would dispute more money is flowing into content creation than ever before and that is directly a result of new entrants [who] fall into two categories: new aggregators like Netflix doing the SVOD plays and new direct retail platforms such as iTunes or Sky Box Office. More money in the system, more people, more ways for consumers to invest in content - sometimes directly, sometimes via aggregators. So we feel very confident about being in the television

> production business because people need content and there is more value in it.'
>
> (Zein, Interview, London: April 2015)

While new market entrants at the distribution stage are adding to investment in content, the growth of additional windows is, at the same time, serving to fragment audiences and this makes it more difficult for IPR owners to maximise exposure to their content properties. Thus some are more cautious about the impact of additional windows. Gary Woolf, an experienced windowing executive who has worked at BBC Worldwide, All3Media and most recently at Zodiak International, the distribution arm of one of the UK's foremost television production companies, explains:

> 'I think what is interesting is that these opportunities tend to start off as a sort of a nice bit of additional revenue and over time you get to a world where rather than it being 'and' it is 'or'. That is the challenge that everyone faces. If you look at the TV landscape in general over the last 5-10 years it has just become more fragmented. The number of pay-TV and free-to-air channels you have and having additional SVOD services just complicates that further. And it is harder to launch a new [programme] brand now than perhaps it was 5 or 10 years ago… It is not that the programmes aren't as popular but actually getting viewers into one group is getting more and more like herding cats.'
>
> (Woolf, Interview, London: March 2015)

Cathy Payne of Endemol-Shine concurs with this view that additional windows do not necessarily equate to additional revenues. Indeed, ongoing fragmentation of the media environment has meant that organizing a release sequence which achieves exposure to sizeable segments of the population is more difficult to accomplish now than in the past:

> 'Never before has there been so many places to sell to but obviously it is one pie that is being split in many different directions. We get lots of actors and writers saying "Well, now you have got Netflix which is an OTT you should be paying more". We are going "No, because that revenue is also taking away from other streams and it is not all incremental"'
>
> (Payne, Interview, London: March 2015)

Digital technology has not only added new windows for television content but also it has transformed the nature of the windows through which content can be supplied to viewers. One force for change has been increased risk of piracy caused by the ease with which digital files containing content can be copied and circulated across the internet. The difficulty of maintaining control over unauthorised remediation of content across and between windows has prompted many TV rights owners to shorten delays between releases to different segments of the market (August, Dao and Shin, 2015). In the small handful of cases where content is perceived as being at very high risk of widespread piracy (e.g. the *Game of Thrones* series), some content suppliers have moved to a day-and-date approach in which material is released simultaneously across differing outlets and platforms worldwide. In the words of Amanda Baird, Business Manager at BBC Worldwide:

> 'Speed to market is the answer to that. The quicker that you can get your content out, the less the risk of piracy'
>
> (Baird, Interview, London: March 2015)

The addition of online platforms has introduced a number of new VOD services that offer extended access to content and that occupy a multi-territory footprint. This has made windowing more complicated. Whereas, in a pre-internet era, partitioning audiences into discrete segments and controlling the release of content across the available windows was relatively straightforward now, thanks to OTT services, some windows for distribution involve multi-territory footprints and many provide extended temporal access. As windows become more porous and overlapping, rights owners are confronted with the problem that shepherding content through a series of neatly delineated release windows is no longer feasible. So although in principle a strategy of weighing up the value of differing windows and organising the release sequence accordingly in such a way as maximises returns makes great sense, in practice the growing prevalence of online windows has made this increasingly complex, as Saul Venit, Chief Operating Officer of Lookout Point, a leading UK independent production and distribution company, concedes:

> 'The number of windows that you can exploit in different ways has expanded so enormously… a lot of people are really struggling with it, really struggling to understand what it all means and to kind of create business models that make sense.'
>
> (Venit, Interview, London: March 2015)

3. The Rise of SVOD services

A significant aspect of the transformation in distribution windows for television over recent years has been the growth of subscription video on demand (SVOD) services such as Netfix, Amazon Prime and in the US, Hulu. According to evidence gathered from UK content suppliers, growth in SVOD services has, in turn, had major implications for the sort of programming material that is now in demand. As Wayne Garvie, formerly MD of production company All3Media and now Chief Creative Officer, International Production at Sony Pictures International Television explains, new SVOD services 'need content that is absolutely top of the range' (Garvie, Interview, London: April 2015).

Amongst emergent SVOD services such as Netflix, the need to establish a distinctive market position has fuelled demand for what one television production executive referred to as 'big statement' programmes (Manners, Interview, London: March 2015). For example Amazon Prime invested alongside the BBC in creating a third season of the distinctive and critically acclaimed drama production *Ripper Street* in 2014 (Conlan, 2014). The resulting series had its first exclusive window on Amazon Prime Instant Video in Autumn 2014 before receiving a second window airing on BBC One television in Spring 2015. Saul Venit of Lookout Point, which made *Ripper Street* for Amazon Prime, summarizes how SVOD services have re-shaped investment in content thus:

> '*Breaking Bad (*or *House of Cards)* made a statement just because of the scale and the budget and the enormity of it. It is obviously very good but it also made a statement for Netflix. In our experience of talking to [SVOD services]… they are all looking to do something that makes them stand out and look a bit different in a way that is very different from a domestic broadcaster.'
>
> (Venit, Interview, London: March 2015)

The emergence of SVOD services for whom investment in original content is integral to branding and market positioning strategies has created excellent opportunities for suppliers of television that specialize in distinctive high end material. But how are windowing strategies affected by the growing presence of SVODs – as opposed to broadcasters - as primary commissioners of new content? As Ian Griffiths, Finance Director of ITV (which owns ITV Studios and several television production subsidiaries) put it: '[t]he challenge with the new platforms like Netflix… is they tend to want global rights, and that's really difficult' (Griffiths, Interview, London: May 2015). SVOD players have multi-territory footprints and they typically require exclusive ownership of content for an extended period. Do content suppliers benefit from gaining a commission for a new show from an SVOD service such as Netflix? Or do they find that, on account of the need to relinquish all or most rights to the SVOD, the loss of opportunity to exploit residual value in later release windows leaves them worse off?

Opinions amongst leading UK producers and distributors are mixed as to whether, from the point of view of maximising returns from content, growth of SVODs is beneficial or not. One possible explanation for mixed views is uncertainty. Many concede it is impossible to know how exactly growth in digital and online distribution windows will re-shape consumption behaviours over the long term and, in turn, shift prosperity and content purchasing power in favour of SVOD services. More immediately, whereas programme suppliers have always been faced with some uncertainty in estimating the potential value of differing territorial and segmental windows, such uncertainties are greatly exacerbated by the reluctance of SVOD services to share detailed data about their audiences. Lack of reliable and comparable data makes it difficult for rights owners to devise strategies for exploitation of their wares which are based on informed and rational analysis of the returns that any one windowing strategy as opposed to another may yield. According to an experienced distribution executive:

> 'With a broadcaster we can negotiate using the same currency, if you like. We all know or we can all get our hands on how many people viewed a programme and what the programme before was, what the programme afterwards was [so we can analyse the show's ratings performance]… You just can't do that in the on-demand space firstly because it is not linear, so even if the data was available goodness knows what it would look like. But secondly because the native VOD players have decided to keep that data locked down.'
>
> (Woolf, Interview, London: March 2015)

Many programme-makers are optimistic about the opportunities created by the rise of SVODs and their willingness to pay high fees in return for exclusive access to attractive content. Selling content this way may bring substantial financial returns, as Wayne Garvie of Sony Pictures Television explains:

> 'We have recently got the biggest drama commission in British television history which is a show called *The Crown*. It is going to be a very, very expensive show…Originally our intention was that we would make it for a British broadcaster and we would look for American co-production money - the traditional model... [But] then Netflix came in and said we want *all* rights so we will fund this and we will fund it at a level that is unimaginably high. Because clearly they see it strategically …The British monarchy is one of those brands it is quite easy to sell. They can market it. It will be top quality. For them it is worth the premium.'
>
> (Garvie, Interview, London: April 2015)

It is notable that the freedom which SVOD services enjoy to pay high fees to producers in exchange for exclusive ownership of rights over a lengthy period of time – essentially adopting a 'cost plus' approach - does not extend to the UK's primary broadcasters. Since 2003, the terms of trade governing commissions to independent producers from the main UK broadcasters have been subject to oversight by UK communications regulator Ofcom and these require a 'deficit financing' (as opposed to a cost plus) approach in which ownership of all or most of the secondary rights will remain in the hands of the production company rather than being transferred to the commissioning broadcaster (Doyle and Paterson, 2008). These measures were introduced to protect the commercial interests of independent producers. Back in the early 2000s, UK producers fought a vigorous and a successful campaign to bring to an end the cost plus approach to programme financing – i.e. where commissioning broadcasters pay a high fee but retain most rights – because it was recognized that this arrangement impeded producers from developing sustainable commercial businesses based on exploitation of their own rights (ibid). Yet a return to the cost plus approach appears to be what is on offer from SVOD services. How can this be a welcome prospect?

If the fee that a buyer will pay for first window rights is 'unimaginably high' then, albeit that it may entail granting global exclusivity over a lengthy period to one outlet, this approach could yield a higher return than the strategy of selling that same content across a protracted series of windows. Even if it is unclear that the fee on offer from an SVOD exceeds the likely aggregate proceeds from an alternative windowing strategy, a producer might be tempted by a high fee that is guaranteed and immediate. A senior production

Executive at KEO Films weighs up the relative merits of accepting a commission from an SVOD service thus:

> '[With Netflix] you know they are going to want worldwide rights probably for a significant amount of time if not forever. And whilst we are lucky enough not to have that model with the UK broadcasters, we are prepared to accept it on some other platforms. The *quid pro quo* is that [SVODs] tend to pay the full cost of production plus a decent margin. So you know that you're going to be making money off the original commission.'
>
> (Manners, Interview, London: March 2015)

Some producers are more skeptical about how a return to the cost plus approach might affect their businesses. A related concern is the emergent trend towards demand for multi-territory rights both from SVOD services and broadcasters who operate in multiple territories. Some are critical about how this may impede producers from fully exploiting their content assets in international markets. According to Andy Zein at Warner Bros International Television:

> 'In the past distribution and rights businesses were built on rights to a territory and particular segments of rights for that territory and particular windows… Now the Netflix's are going "Right let's just scrap the territory model"…Multi-territory global buyers are completely changing the landscape … It reduces potential revenues. It makes it a lot more difficult because a buyer will now say "Well, you are making it for me in country X but I want to use this in countries Y and Z." You will find some way of making them pay something for that but very rarely will it be what you would have got if you had taken it to them directly after the event and it

will be certainly a lot less than what you would have got if you had been able to generate competition for the rights to the particular product created. So it is bad news.'

(Zein, Interview, London: April 2015)

The content strategies of SVOD services pose potential threats not only to producers but also to competing broadcasters and audiences. For SVODs that are establishing their reputations and building subscriber levels, there is a clear and compelling rationale for investing heavily in selected 'big statement' programmes. But for commercial broadcasters supported by advertising, strategic investment in expensive forms of content is less feasible. This asymmetry has implications for segments of the audience who do not wish to or cannot afford to subscribe to SVOD services. As Ian Griffiths of ITV explains:

> 'The down side of …SVODs is that it is getting harder for old fashioned heritage business models like ours, which is based on audience and advertising, to continue to make that same level of investment in that type of content. We can't afford to pay the price that Netflix will pay for content… Our model is very simple – we get X number of viewers. We know that with around X million viewers, we will sell this much advertising. Therefore we can afford to pay a certain amount of money [for content]. Whereas for [SVODs] it is about *marketing*… So from a viewer point of view, I am not necessarily sure that is a good thing.'

(Interview, London: May 2015)

4. Windowing, Production Financing and Content

Strategic investment in competitive market positioning by rival subscriber services has significantly boosted demand for one particular category of content: high-end drama. The impetus for SVODs to build recognition through investment in 'big statement' drama content has encouraged a retaliatory response from incumbent pay-TV services who can afford it such as, in the UK, BSkyB. According to Saul Venit:

> 'There has been a knock-on effect to other services so it's not just the SVOD services who are now looking for [high end drama]…There is a *House of Cards* effect across the industry. When you look at just the scale of the investment Netflix made – and other networks that are competing for space, like Sky, feel they need to match that with really big commissions like *Fortitude* in the same way.'
>
> (Venit, Interview, London: March 2015)

Gary Woolf acknowledges that competition between rival subscription services has encouraged 'a big push towards high concept box set dramas' (Woolf, Interview, London: March 2015). High end scripted drama is expensive to make. Estimated production costs of Netflix's *House of Cards* were $50m per 13-part series for the first two seasons or $3.8m per episode and, in a comparable league, Sky's 12-part *Fortitude* series which had its first domestic window on Sky Atlantic in 2015 cost some £25m (Plunkett, 2014) or $3.2m per episode to produce. Production costs for HBO's *Game of Thrones* have been running at $6 million per episode. Such unprecedentedly high production budgets for TV production are comparable to those for independently made feature films and, as with films, international distribution windows now form a critical component of strategies for recoupment.

While co-production of television content is nothing new (Hilmes, 2014; Steemers, 2004), the fact that high end drama is now a key site in competition for television subscribers has, according to interviewees, greatly increased producers' reliance on international sources of finance. Woolf describes the position of co-production finance as follows:

> 'Before it was a nice little bit of additional revenue; it was a good thing to have but frankly if you didn't have it, it wasn't going to be a crisis…But [now] co-production is increasingly integral, certainly on big budget drama pieces.'
>
> (Woolf, Interview, London: March 2015)

Examples of drama series that have sold well across international markets abound. For instance, the *Downton Abbey* drama series commissioned by UK broadcaster ITV is a Carnival Films (part of NBC Universal)/Masterpiece co-production and is distributed worldwide by NBC Universal International Distribution. Sky Atlantic's *Fortitude* drama series was pre-sold to a string of international broadcasters prior to production and this approach is now common-place for high end drama. According to Ian Griffiths:

> 'They [SVODS] have changed the economics of the market. They have created opportunities for IP owners to be more creative in how they make money and this is an area that over the next five years is going to evolve even further. It will be co-productions with international broadcasters and UK broadcasters to fund the cost of drama which is getting more expensive – that would be one way of doing it. It might be co-productions with a Netflix or an Amazon, which is another way of doing it.'
>
> (Griffiths, Interview, London: May 2015)

Increased reliance on international sources of finance is reflected not only in prioritization of overseas distribution windows but also in the targeting and harnessing by television production companies of any tax breaks offered by countries or regions for carrying out production activity locally. For example, in order to finance production of a new high end period drama series *War & Peace* which was commissioned by the BBC, Lookout Point drew on advances for international distribution not only from BBC Worldwide but also from a second international backer - the Weinstein Company – and it located the production in Lithuania in order to avail of recently introduced local tax credits. Saul Venit explains that the fees available from commissioning broadcasters are generally 'nowhere near enough' to cost of producing expensive drama series, so:

> 'firstly you shop around to try and find the right balance between location and kind of tax incentive that is going to enable you to achieve that …and secondly, you need a really big [international] backer … where there's a significant sort of distribution advance.'
>
> (Venit, Interview, London: March 2015)

The fact that production financing and windowing strategies are centred around international markets is naturally reflected in production decisions and content, as acknowledged by Wayne Garvie at Sony Pictures Television:

> 'What has been happening recently, as there is much more increased pressure on budgets, is that [producers] are being forced to work much more closely with distribution to fund drama in a new and different way. For example the Sky show *Fortitude* [which has] an international cast. And you're looking for stories that are

> not based in one particular place. People are beginning to think very differently about drama because everyone is after those international co-productions.'
>
> (Garvie, Interview, London: April 2015)

Many expensive high-end dramas such as *Game of Thrones* are, in the words of one television executive, 'ensemble pieces' that include a number of stars who are well-recognised and have appeal in differing part of the globe (Griffiths, Interview, London: May 2015). The prevalence of US actors in leading roles, for example in *Fortitude*, reflects the exceptionally high commercial value of this particular distribution window. As a leading distribution executive put it: 'having a [recognized] talent attached is going to make a significant difference to how much an international distributor can invest' (Woolf, Interview, London: March 2015). Thus, it is widely conceded by interviewees that, with drama as the crucial battleground in rivalry for television subscribers, the need for international appeal and international finance acts as an increasingly powerful force shaping and influencing creative decisions about which stories are selected for production, how narrative is scripted, casting and where production will be located.

5. Conclusions

This article set out to examine how windowing – the process of managing the release sequence for content so as to maximise returns - is changing because of transformations in the way that television is distributed and consumed. A further question it addressed is to what extent, as windowing strategies change, are international partners playing a greater role in financing television production? And, related to this, how are these developments shaping television content development and production decisions?

Findings show how recent technological advances have added extra windows and potential revenue streams but, at the same time, have contributed to processes of fragmentation which have made it increasingly difficult to capture large audiences and launch new programme brands in the digital era. It is perhaps no surprise that advancing technology has brought new windows to the fore while others recede in importance and, of itself, this evolutionary change does not undermine the principle underpinning traditional theories in this area, first elucidated by Owen and Wildman (1992), that in order to maximize returns from content it needs to be sold to differing audience windows in whatever pattern yields the greatest return. Indeed, the findings presented here which show that, by and large, fees are the key driver guiding decisions about the sequencing of releases by platform, territory, language and amount of usage generally back up Owen and Wildmans' suggestion (ibid: 1992: 30) that the timing of releases will be influenced by factors including the size and profitability of a window. Piracy is another factor that may affect timing and, while recent research on film distribution highlights how the threat of digital piracy has shortened release window periods (Ranaivoson et al, 2014: 4), the evidence of this study suggests that, for most television content suppliers, piracy is not perceived as a very serious risk albeit it does militate against allowing lengthy delays between distribution windows.

More significantly however, this article argues that the immanent and highly distinctive qualities of internet-based distribution are causing not just evolutionary change but also more fundamental disruption to windowing models. This is partly because the growing presence in the windowing chain of digital VOD services who typically are unwilling to share audience and profit data has made it virtually impossible to base decisions about the release sequence on informed comparative estimates concerning audiences and per-viewer margins. But the main cause for disruption stems from the fact that the rise of internet-based VOD and other digital services whose footprints are diffuse and boundaries are porous and who offer extended temporal access to content has made it increasingly difficult for rights owners to partition audiences into neatly delineated territorial and time segments that remain separate from one another. The erosion of segmentational boundaries has meant that traditional templates guiding how best to arrange the sequencing of releases function less adequately. Thus, on account of digitization, the process of organizing the roll out of content into a pattern that builds audience demand, avoids overlaps and yields highest returns has become considerably more complex.

But even if windowing has become more complex, it is still highly relevant. Some earlier research has questioned whether it may become obsolete, not least as broadcasters shift their content strategies towards material that is 'Digital Video Recorder (DVR)-proof' (e.g live event programming such as sports) which tends to have only a short shelf life (Napoli, 2011). However, a further finding of this study is that the emergence of SVOD services who are keen to position themselves in the market through investment in 'the hottest new programmes' (Garraghan, 2015) has boosted demand, in particular for original high end drama. High quality drama often has appeal that extends across international markets and over time. Therefore, although optimizing the sequential roll out of content has become more challenging, changes in technology have certainly not eliminated the rationale for seeking to plan and execute a windowing strategy aimed at maximizing the value that resides in television content.

Investment by SVOD services in drama has become a key battleground in competition between rival subscription TV services and, as this research has shown, this has necessitated greater reliance on international sources of financing. Stitching together international co-production partnerships, achieving pre-sales to international distributors and finding international locations that offer generous tax incentives are now seen as essential priorities. The imperative of ensuring that content is imbued with international appeal has caused programme-makers to 'think very differently about drama' (Garvie, Interview, London: April 2015) and this is reflected in casting, scripting and other production decisions.

While the evidence reported here draws particularly on the experience of London-based companies, these research findings also reflect trends increasingly evident amongst television companies, for example in France, Scandinavia, across Europe and beyond of 'drama departments from different countries … pooling their budgets to create shows that are bigger than the sum of their parts' (Edwards, 2012: 18). The broader point – one that is of significance for television suppliers and audiences internationally – is that, spurred on by the rise of transnational distribution platforms for television, cross-border collaboration to produce drama with global appeal is very much on the increase.

Albeit that recent work in media and cultural theory has emphasized the effects of globalization on flows of content (Giddens, 2003; Kuipers, 2012; Thussu, 2007) and the increasingly open nature of culture, the fact that, politically, indigenous television content is still regarded as important to national culture (Hartley, 2004) suggests a need for further research to tease out the implications of the evidence presented here that creative decision-making is increasingly shaped by concerns about likely global appeal of new content.

Changing approaches to windowing reflect evolving audience behavior and a concomitant migration in economic power away from broadcasters in favour of emergent SVOD services. The gradual ebb of content purchasing power away from linear channels who 'can't afford to pay the price that Netflix will pay for content' (Griffiths, Interview, London: May 2015) has adverse implications not only for free-to-air commercial broadcasters but also for their audiences. However, from the perspective of suppliers of high end drama, growing demand from SVOD services for expensive programming represents something of a bonanza. And such demand is likely to continue because, in an ever-more cluttered and competitive digital environment, compelling or, as one interviewee put it, 'big statement' content that serves to differentiate one outlet from another has a major role to play in establishing and underpinning the distinctive brand and positioning of any television service, traditional or OTT (Garraghan, 2015).

It is widely acknowledged that new digital distribution windows and outlets are a source of opportunity for television content suppliers. However, the history of the UK independent television sector demonstrates how important ownership in and exploitation of IPRs are to the sustainability of content production businesses (Oliver and Ohlbaum, 2014, McVay, 2014). Some producers are justifiably concerned about how supplying content to SVODs may curtail opportunities to exploit residual value in content assets. According to the Saul Venit of Lookout Point:

> ‘This is the big question really at the moment in the industry – if you are creating programming for these big SVOD platforms, are you doing it in a way where those platforms end up owning the entire content? … Windows become a bit less important there when you are just dealing with one client who wants to own the world.’
>
> (Venit, Interview, London: March 2015)

This paper would argue that, as SVOD services assume ever-greater prominence within windowing strategies, producers and policy-makers need to be wary about any incipient drift towards a cost plus approach which, as the lessons of history suggest, are likely to attenuate the economic viability of television content-makers over the longer term.

Acknowledgments:

With grateful thanks to all interviewees who participated in this research. This article draws on a UK Arts and Humanities Research Council (AHRC) funded research project on ‘Converging Technologies and Business Models’ which forms part the CREATe (Centre for Copyright and New Business Models) research programme (AH/K000179/1).

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