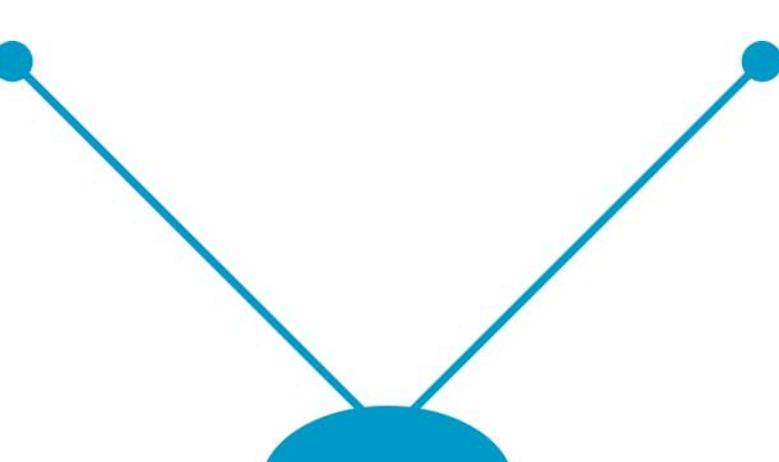


Reinventing Television: The Future of Television Drama

**A Report Arising from the 2008 Drama Summit:
New Frontiers, New Partners**





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“In this report, we’ve gathered the business’ most forward-looking individuals to discuss what’s in store for the entertainment industry in the future. Their findings are as surprising as they are pervasive; informing the global market as we reach for the next stage in creative and business models.”

Katrina Wood
CEO, MediaXchange Ltd
Founder of the Drama Summit: New Frontiers, New Partners

“The adoption of emerging business models in the television industry has occurred faster than expected and has centered on changing consumer behaviors and expectations, technical capabilities and the competitive landscape across the digital domain. Success in this evolving market requires the ability to support emerging business models while managing digital complexities. Changes in television viewing preferences, advertising waste, recessionary fears, and demand for greater accountability are driving advertiser behavior, manifested by cautious investment in online drama content. However, the movement of ad dollars online is gaining momentum and for television producers, the ability to more intelligently leverage their content online will drive greater monetization opportunities.”

Theodore Garcia
Capgemini
Strategy & Transformation Leader, Media & Entertainment

Executive Summary

We are in the process of reinventing how people interact with television. While the next step has not yet been invented, the future of television is the audience, and the audience wants to get involved.

Changes are happening in television that are now a part of the bigger global chain—the usual cycles are dead. With these new opportunities, how will drama stories be told in the new media era and what can be expected with the revenue streams from scripted programming?

Over the past decades, increased competition, in combination with the growing use of new technologies, has brought about significant changes in consumer behavior and expectations. This evolution is imperative to sustain focused growth, and at the same time, critical in cultivating further audience viewership on which any media's success ultimately relies. Without these audiences, a feature film cannot recover its production costs; a novel will not find the bookshelves; and television

programs will be unable to entice advertising, subscription or pay-per-view dollars.

With more than 300 available channels, the existing linear-channel delivery platform is posing questionable growth potential. Although television's existing platform is unlikely to be replaced in the near term, a next generation delivery platform that addresses both technology advancements and the changing needs of consumers will need to be both user-friendly and technically on the cutting edge. The online and mobile platforms comprise the two most innovative platform technologies with fully realized capabilities and revenue streams yet to be seen.

Networks and producers must begin to tap into new markets and develop platform-specific content that will drive revenue. With these technologies, viewers will have more control over the content than ever before. Viewers will have the ability to watch programming on demand without the restraint of their living rooms. Instant feedback from viewers via blogs and forums will provide the ability to affect the way networks and producers develop shows on a week-to-week basis. Television is truly becoming a consumers' market.



Although certain barriers exist to the development of content, the industry's creative and business leaders must join forces, invest and become true pioneers in this new era of entertainment. New business and economic models that optimize potential opportunities for both content producers and networks are essential in the transformation of today's television landscape. In the meantime, taking advantage of the global markets is just another step to increase broader viewership throughout the world.

Adapting scripted formats to new markets is providing the potential to reinvent popular stories from one region to another, while exploiting cross-platform distributions is providing new methods of distributing good content to a greater number of people. Programming in many formats through television, internet, and mobile, on the other hand, is providing reduced production costs and maximizes potential revenue.

As the world and television audiences change, so will the methods of storytelling. The changes developed across platforms and the creative and financial advancements that will arise will play a vital role in the next step towards television's future. In this report, we provide insights into how you can be engaged during the reinvention of television drama and its viewing.

Key 2008 Drama Summit Findings:

1. Opportunities to increase revenue and viewership across multiple platforms are extremely promising.
2. Different media platforms, such as the Internet, mobile, and VOD, have proven to be a threat to the once dominant linear-channel delivery system. These mediums are revolutionizing the way and format in which people watch their content.
3. Due to the less expensive production equipment, amateurs will be able to make an impact on the future of the television industry.
4. A growing portion of audiences are looking for participatory, interactive dramas.
5. Audiences want the convenience of viewing on-demand with limited interruption.
6. The increasing number of platforms is forcing the creation of various types of content, while dividing the viewership across multiple channels.
7. The ability to adapt scripted formats to new markets will create longer, more profitable revenue streams.
8. Global networks of production companies are able to produce 'pilot' projects abroad on lower budgets before bringing them back into the U.S.

Key Report Recommendations:

1. Exploring new ways of storytelling are essential to the growth of television drama, both creatively and economically.
2. Adapting scripted formats to new markets is an effective way for a network to promote their brand while reducing costs and risk on new productions.
3. Developing new business and economic models must be generated to meet today's growing cross-media distribution and advertising routes.
4. Seizing production advances will allow smaller markets and creative amateurs more opportunities to develop their own content and compete more effectively.
5. Implementing Internet TV with added premium content through set-top-boxes with the ability to connect to PCs and TVs will be important for content producers to work together.
6. Tapping into the growing mobile ecosystem early will create increased revenues for the television industry.
7. Participate. Investigate the world for new and innovative programming, talent and content solutions to integrate directly into your existing development process.

Introduction

Change requires communication. It requires the creative, executive and the television industry as a whole to come together to collaborate in inventing new models.

As such, it was the purpose of MediaXchange – a leading international media business consultant led by CEO, Katrina Wood – to stimulate and encourage this communication, and together address the issues brought about by the necessity for change. By bringing together writers, producers, studio and network executives, as well as distributors and new media experts, MediaXchange provided a structured yet open forum to discuss the status of television drama during their 2008 Drama Summit in Los Angeles in June. The three-day event was supported by leading industry sponsors Fox TV Studios, NATPE, CBS, RDF/Pangea, Avot Media, TV4 Sweden, Telefe, the AFI Digital Content Lab and media partners Hollywood Reporter and C21media.

The panel-based Summit covered a wide range of topics including content creation and adaptation, global television models, production advances, financial models, and multi-platform distribution. The international panelists and attendees were given the opportunity to discuss the current state of television drama, their future visions for the genre, and the gaps and obstacles preventing it from achieving these goals.

The purpose was to bring leading media practitioners together to act as a catalyst for change. In essence, the gathering of such high caliber TV drama individuals together in one place for 72 hours was a breakthrough in itself. As the television drama industry develops a stronger consensus for global development and acknowledges

change, the opportunities for growth will become increasingly apparent.

To create a report from the outcome of the Summit which would also include their own insights into the future, MediaXchange joined forces with the North American Media and Entertainment division of Capgemini. Capgemini is a global leader in consulting, technology, outsourcing, and local professional services which enable clients to transform and perform through leveraging new technologies. With a common focus on the collaborative approach, also a main theme of the Summit, this Report and future joint events by the two companies will look to progress the industry in its discussions on the Summit's main topics.

TV Drama: Post U.S. Writers' Strike

As evident by the recent writers' strike, the entire U.S. television industry is under pressure to become increasingly agile, outward looking and open to change. As the typical cycle was interrupted due to the strike, studios and networks were forced to look strategically at alternative sources for new drama formats and show options. As the U.S. looked abroad to the rest of the world, they found themselves in a somewhat unfamiliar territory. While U.S. television drama stakeholders have not been averse to the global landscape in the past, they haven't necessarily been progressively outward looking either. Until fairly recently, the United States television drama industry viewed itself as primarily self sufficient, with limited,

minor international interaction. The strike acted as a wake up call. This example, however, was not just a lesson for the U.S., but for the entire industry. While all territories have their own unique television drama nuances, the strike should serve as an eye-opener to the entire landscape, as it affected the television drama industry worldwide.

While the strike created hardship for all stakeholders within the entertainment industry, it also can be viewed as a necessary evil. The revised 'global' outlook that resulted from the strike has not only come from fear and the urgent need for new programming, but also from the time and availability to break from the conventional thought processes. U.S. studios began to realize that there were other creative voices with compelling stories that had the ability to travel and reach the domestic audience as well as other territories around the world. The strike additionally created more examples of global productions achieving high standards and on lower budgets.

Currently, the U.S. domestic supply of drama production has originated and been based solely in the United States. As they struggle with rapidly escalating production and talent costs, this current model appears far less reliable than once perceived. The gap of both creative and financial influence between the U.S. and the rest of the world must be filled in order to provide long-term stability worldwide. The identification and implementation of a sustainable television drama model should be at the forefront of all involved stakeholder agendas.



“The business is changing [due to the strike]. The U.S. majors were used to controlling everything. Now they realize that there are some formats, ideas, and concepts that they really like and that could be hits in the U.S. but somehow have been sold to other places before.”

Gonzalo Cilley

Former, Head of Formats and International Production at TELEFE, now President of Resonant Television

Adapting Content to New Markets

Adapting shows and scripts to new markets is often a viable means of developing new revenue streams. By localizing content through adjusting the language or subtitles, changing content to abide by television regulations, and making the content culturally relevant allows programs to reach new markets while minimizing risk for a new producer/buyer.

An example of localization is in the Peruvian comedy, *Mi Problema con las Mujeres*, which is now being adapted by Reveille across 20 countries including the United States with the title, *My Problem with Women*. In drama, post-strike series in the U.S. include shows with overseas origins such as the UK's *Crusoe* and *Eleventh Hour* and Israel's *The Ex-List*. Production of *Law and Order* is currently underway in the UK following on an earlier French version of *Criminal Intent*.

While the story is pivotal to a show, handling its property rights effectively is equally as important. There are several ways for producers and networks to transfer scripts from one market to another, but the simplest way is to sell the script as an intellectual property right (IPR). Through this avenue, the buyer then has the right to take the story and manipulate it anyway he or she sees fit. Then, the local writing teams are able to take the story and build on its current script. In turn, the show becomes more culturally relevant to the local audience. On the other hand, a buyer can also choose to “transplant” the script to a new market, hire new actors and actresses and merely adapt the script to the local language. For example, *Who's the Boss*, an American sitcom from the 1980's, has quickly been adapted in many foreign markets (UK, Russia, Germany, Mexico, Brazil), but maintains the same storyline.

As the new global and transmedia demands for content continue to develop, adapting new scripts is important, but new development strategies for the business must also be considered. To ensure success, it is necessary to establish robust processes to be applied to creating and developing shows, while making them economic and sustainable. This style of creative process requires the kind of consistent management, infrastructure building and replication potential, which MediaXchange is providing with respect to the need for development strategies for new creative and business models as well as to meet new global and transmedia demands for content.

In fact, MediaXchange is currently revitalizing its development program to a new scale in its Creative Development Forum. This Forum offers television channels an infrastructure to build processes for their interaction with the creative community. It allows producers and writers to address the conception, development and production of long-running series through establishing, streamlining and extending management of the creative process. The resulting model, together with the embedding of consulting writers and executives within projects, will progress both adapted and original programming. It can equally be expected to return to the international market with their existing flexible talent, who are accustomed to producing alternative models, as well as introducing new formats for distribution.

The Future of Storytelling

The onset of new media over the past 25 years has significantly changed the way in which people view television from the traditional means from print, right up to the digital era. As platforms and audiences evolve, so must storytelling.

While user-generated content on YouTube and MySpaceTV is becoming as popular as ever, writers and producers all over the world are realizing the need to create superior storytelling to attract the audience. As Brian Seth Hurst from The Opportunity Management put it, "Storytelling is still what drives the shows."

Today, new writing conventions have emerged to drive the storytelling, especially online. Creators are delivering compelling narrative in short-form formats. With shorter attention spans and the rise of digital video recorders (DVRs), making viewers more adept at commercial avoidance, breaking up commercial pods with compelling content is a way to make programs and networks more unified. This will keep viewers from drifting; which has an effect not just on the programs' ratings, but on the network's bottom line.

Innovatively changing the way stories are told is reflected by Christopher Sandberg of The company P, who has intelligently incorporated audience interaction. In *The Truth About Marika*, a participatory drama created by Sveriges Television (SVT) and The company P, the viewers of the television series were invited by a young woman to participate in the search for her lost friend. In essence, it was a new genre. This "participation drama" had viewers search online and all over Sweden for clues to solve the mystery. *The Truth About Marika* has proven to

be a successful way of storytelling, winning the International Interactive Emmy Award for Best Interactive Television Service in April 2008.

Online technologies can do more than simply add to the content. Online television has currently created considerable problems for network executives that leave many wondering about the future. As television viewership continues to grow online and on other platforms, the future of real-time television viewership becomes questionable. Is the television industry headed down the same road as the music industry? Many fear that this is the case, while others are adamant that it will not.

What is clear is that people in the television industry need to find new ways in understanding the platform and audience; similarly to how creators are finding new methods in



“We’re constantly reminded that technology is really breaking up the audiences in so many ways and there’s obviously a lot of interest in the short clips and the amateur video, and that’s competing with the amount of time you have to spend in front of any screen. There’s also the need to watch and consume great quality dramas and stories, but they have to be relevant as well because they have to compete with stuff that is very cheap to produce, so the supply is infinite.”

Emiliano Calemzuk
President of Fox Television Studios

storytelling. Though understanding the platform and audience may not be an easy undertaking, the result will be rewarding, both creatively and monetarily.

Finding the right technology may be the key to success. Many are realizing that ratings such as the U.S. Nielsen are not giving the fair numbers for a program’s following, seeing as the audience is also watching online or mobile devices. An example is the show *Gossip Girl*. While U.S. television ratings may not illustrate its popularity, online plays have significantly proven otherwise. At the moment, the online platform has not created capabilities in generating a revenue model that provides economic gains. Individuals in the industry are in a race to find ways to monetize, but none have reached the finish line. (See New Finances Models on page 11).

Online platforms YouTube and MySpaceTV have also demonstrated the unique ability to provide innovative programming that has forced new ways of storytelling. “Form forces content and the form is constantly evolving,” said James Duff, Executive Producer of *The Closer*. User-generated content on these sites, such as lonelygirl15, have caused quite the buzz. So the question arises, can these online programs migrate to the television box?

“Glossy or gritty?” was one question a panelist brought up during the Drama Summit. Does the audience want premium content or are they looking for that raw footage? If you ask any creative mastermind, they will say it depends on the story, the point of view, the audience and the experience. Nowadays, it seems that almost any format would work. It is the variety and the options for which the audience is looking. Tailoring different formats and stories to the audience is the challenging part, and again will depend on understanding the audience and platform.

Creating social communities for television programs has become just another way that technology and audience interaction has together changed the game. Facebook and MySpace have been the leaders in creating new platforms for audience communication and interaction. In many cases, viewers are able to create fan groups on these platforms. Online blogs have also been popular avenues for social communicates. These outlets have truly become an easy marketing tool for networks and creators to implement and exploit.

In addition to the obvious publicity it stirs, it allows audiences to take part in the story and share feedback with other users after each episode. The *L Word* and *Heroes* are two television shows that have done extremely well in involving today’s youth with use of such groups. While these social communities have enhanced audience interface, they are not enough to satisfy the changing appetite of the audience.

Integration of Technology

Pleasing the vast audience may be one issue, but the growing production costs have also been a problem. When trying to gain the upper hand, adapting current hits to new markets will often be a smart investment.

Executives are looking into countries that have successful content in order to buy the rights and adapt these ideas into their own networks. By adapting high quality writing into their own market, the producers and networks are able to save money. During a dialogue with one interviewee, it was stated that the quality of writing is very high in Los Angeles, and recommended that other regions take advantage of this by learning, modeling, and adapting scripts to their local regions.

For the most part, it is smarter to license to the networks as opposed to the production companies because ultimately, the networks decide what to put on the air. However, the problem that arises when taking this route is that the networks do not know what shows they want to air; while production companies are experienced and have been forced to be selective in shows they choose.

An innovative and creative business model is being played with now. A script will be sold outside the United States to act as test market because of the lower costs of production. If the show is successful, it is then expanded into larger, more profitable markets. This process eliminates some of the risk for the investors. One new model is led by Gonzalo Cilley, President Resonant TV, who has created a company positioned to fulfill the need to find and develop formats globally. Gonzalo pointed out, that networks act as production companies and produce parts of the scripted shows too. There is a tremendous economic advantage of



owning the rights to a script or story and selling the format to another network to be produced. If an alternate network creates a show from a script, the network will pay royalties to the creators. Agreeing on a price for the script is often difficult because of the potential back end revenue that is rarely predictable.

When policing a production in new markets, the owners of the script or show will send a representative that is closely linked to the project to help ensure the show is not produced in a way that compromises the value. If a show is produced in a poor way and does poorly, the ability to sell that show to other markets is then dramatically reduced.

“I think right now content is very important. I think content has come back to have a point on center stage, and I think the platforms are becoming more and more established. We need each other, we need the platforms to launch our content, and I totally embrace the idea of mobisodes or any sort of narrative styles that will help the core business, which is the big program that can be viewed on that major platform.”

Rola Bauer
Tandem Communications

Production cycles in the United States have tended to vary from those elsewhere, in large part due to the differences in scheduling and budget models. American broadcast networks will shoot 22 or 24 episodes, whereas the UK will often shoot 6 to 13 episodes per series (a model adopted by emerging U.S. cable networks for starting their original programming). While a South American telenovela will run for several hundred episodes, it will have a finite number that is set, distinguishing it from a returning series. On the other hand, a series episode in Spain can run 90 minutes, the length of a made-for-TV movie anywhere else. European networks will customarily have a show entirely completed before it airs a single episode, allowing effective consolidations in production and overhead costs. The traditional U.S. method is to complete production just a few weeks prior to an episode airing, allowing for script revisions to include

ongoing network and audience feedback. With more content being needed by networks in all countries, and better consolidation of production practices and costs, it would benefit all parties involved to examine alternative cost reduction practices from each other's territories.

“An answer to the problem of reducing costs on productions will be found sooner or later,” one industry leader stated. The answer, most likely, will not come from within the industry because we all have adapted our thinking to the system. It will take someone from outside the system with a new approach to solve the problem.

New Financing Models

Financing television programs used to be simple, but those days are gone. In the past, a network or producer had an idea, created a pilot, which would typically be high in costs, put it on television and it either signed on for more episodes or it did not.

In today's economy, financing television programs is not as linear and financially straightforward. Networks and production companies are facing increasing complexity in their financial models and revenue streams, due to the increasing cross-media distributions, cross-media programming and diminishing financial support from traditional mediums. Managing this environment will be critical to managing profits, losses and costs. Television executives and creators must develop smarter and more integrated business support systems that contain costs as they add new storylines and offerings, drawing in new audiences and providing further services that will develop new revenue streams.

Networks are facing a major roadblock: a heavy saturation of their core market. Escalating programming development costs and the resistance of cable operators and consumers to pay increased fees is further exacerbating the dilemma. At the same time, licensing fees are also increasing, leading to resistance from the cable operators due to fear of customer churn. In the mean time, as this continuous cycle grows and evolves, someone or something must create a profitable solution.

"Production companies have quickly seized the opportunity to venture out and the new world is no longer divided," suggested Rola Bauer, partner at Tandem Communications. Two ponds must communicate as one. Globalization has eliminated the state-forced restrictions and created an

increasingly collaborative arena for productions to occur. Crossing borders has allowed many productions to lower their costs while sustaining their audience. Ultimately, the larger the audience, the more air time across the world, and the additional branding creates a higher potential for increased revenues.

Fox, for instance, is expanding its Latin America footprint through development deals with production companies in Argentina and Chile. While the audience will perceive the backdrop as U.S. cities, in actuality, they are cities in Latin America. This will provide lower production costs. While actual figures have not been seen, it has been suggested that costs have been decreased by almost half. However, as productions occur in these developing cities, they may soon become developed and less savings will be realized. New production development plans across new borders must continuously undergo negotiations to maintain costs and to provide global growth, and in turn, provide new financial incentives.

Formats are selling internationally—inking deals to produce local versions. It has proven to be quite successful and many are searching for more. Shows like *Ugly Betty* and *The Office* have been able to adapt to their local markets while still maintaining their core storyline. For many, it is a challenging task as many productions are typically localized, but if produced in an innovative way, they have the potential to be big. Gonzalo Cilley

believes that the U.S. can sell to the rest of the world. He believes that 90% of scripts are universal and is a firm supporter of selling formats to multiple countries. Cilley has been historically successful at taking formats all over the world.

During the Summit, co-productions were a hot topic. While the notion of a 50/50 co-production appears as straightforward, most people would agree that a true co-production is almost impossible to achieve. The bottom line is that there will always be one party that is invested more, and ultimately, they will have the final say. To most, co-productions present an easy method to reducing risk through sharing the production costs which lower out of pocket expenses.

One Summit participant noted, “Co-productions in the series format are very difficult. Dramas are very localized formats. People want to watch something that is going on in their home country or region. In order for it to work, a co-production must look like a local production. You need

to find stories where both cultures are being represented, and for the contemporary drama series, it is a tough act.” While this may be the case, co-productions essentially allow people to come together from different countries and work together. If a true co-production occurs, then the best of all worlds can be genuinely achieved.

While the World Wide Web has provided the audience with convenience in their everyday lives, it has created a dilemma for industry executives and creators—revenue generation. Although today’s viewership of television is quickly moving online, advertising revenue continues to be heavily invested in television. This is changing as advertising giants are realizing the clout of the online demographic. With the ever-advancing technology tracking consumers’ every click, advertising and online gurus are able to provide targeted ads to gain more revenue and sell more ad space, respectively.

Advertising sales is currently a primary revenue driver for television. However, Digital Video Recorder (DVR) technology is posing to be a threat to this once profitable stream. Networks with strong brands and large content libraries are leveraging syndication and brand extensions as well as developing business models to monetize new video outlets, such as broadband and mobile Internet. Complementing the television outlet has been and will continue to be the growth of on-demand television as it could enable growth opportunities in the pay-for-video market. Making this easier are the evolving networks and technology that are allowing advertisers to better target groups of consumers. Finding a good fit between revenue streams and cost of content continues to be a challenge.



New Technologies Impacting Drama Creation

New technologies and ideas are revolutionizing the way we watch television. The Internet may have the greatest potential to impact the culture. This change may draw closer from the availability for amateurs to display their content on video search engines such as YouTube or MySpace.

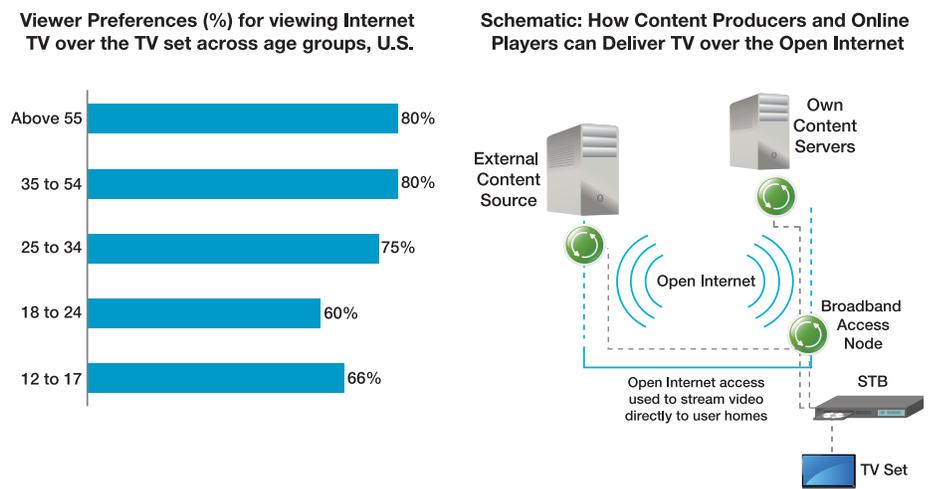
The low cost method of broadcasting content has allowed the industry to see what ideas and concepts work, that otherwise, might be dismissed as too risky for any major network or producer to invest.

In addition, the change may be derived from the platform in which the viewers watch their content. The Internet is showing record numbers of people watching—streaming content of their favorite shows online. As mentioned, networks have yet to figure out how to develop revenue streams through the Internet, but, with the accessibility of broadcasting through sites like YouTube, more amateurs are able to play with new ideas that could potentially open doors

to new revenue streams. Like a lottery draw, networks are hoping for that big win, that big idea.

A transition from cable television to Internet television streamed directly into a set-top box (IPTV) may open up new avenues for networks to display content. The shift will not only come from the ability to stream content to the viewer's computers and have remote access, but will also provide the ability to customize the viewer's experience. Through this new form of broadcasting, networks will have the ability to track important data from viewers that will help display content that is applicable to the specific demographic of the viewer. This in

Figure 1: New Media Alternatives to the Tube



Source: Caggemini TME Lab analysis; 'Online Video: Making Content Pay', eMarketer, August 2007; 'Evaluating the Impact of BBC iPlayer', October 2006.

“Having been part of groundbreaking changes in new media technology, as well as in participatory culture in society as a whole, I am very excited about the current evolution of the industry. The sheer number of users, and the general social networking aspect of media, reflect that a great deal of money is to be made from letting the audience engage. What better marriage then, than between television entertainment, so well-suited to generate real broad engagement, and these new forms of deep collaboration. The future of television is the audience. And the audience wants to get involved.”

Christopher Sandberg,
CEO, *The company P*

particular will be of interest to advertisers. By knowing who is watching what genre, time of day, and channel, advertisers can target viewers with products they will be more likely to purchase.

A great strength of IPTV for networks and viewers is the ability for content to be broadcast world-wide. Networks benefit because they are able to reach other regions in the world that may not have been previously captured due to high costs in pursuit. Advertisers can develop new revenue models through real-time television shopping. The viewer is able to watch a program, see the product being used and immediately purchase that item through his or her television set. Furthermore, the viewer also benefits from being able to watch television in their native language through global content delivery. The global network possibility opens the door for many ideas, most of which probably have not even been exposed.

Mobile devices have a tremendous potential to change the drama landscape. These devices will allow viewers to watch short episodes whenever and wherever they want. The cost of these “mobile productions” will be very low and the potential is

still being discussed as media experts are wondering whether or not the audience will stream television on such a small platform. For creative minds, it takes away from the masterpiece of a production.

Three-dimensional content is quickly entering the market and the audiences are enjoying it. Currently, movies that are shown in 3-D are generally more popular than the same film shown in two dimensions. For example, the movie *Journey to the Center of the Earth* made 3.7 times more revenue in 3-D than 2-D. Despite the three dimensional display working well for the big screens, television dramas will have a harder time capitalizing on this technology because of the limited niche.

The Emergence of Cross-Media and Cross-Platform Programming

For each platform, content is created differently. Ideas that may work for the television screen may not necessarily work for the Internet or for mobile devices.

Similarly, the distribution of content has different challenges on different platforms. With the linear-platform television, content is delivered through the network time slots. Typically, television dramas have a half-hour or one hour slot, which significantly contrasts with the average Internet episode ranging from a few minutes to approximately 15 minutes in length. With the Internet platform, viewers want the ability to see their content on demand with limited to no commercial interruptions. Waiting for the show's time slot is simply unacceptable in the new world of audiences; they demand instant delivery.

By allowing streaming content, networks can reduce costs by not having high peaks in bandwidth and lowering charges incurred to content delivery networks (CDN). A similar benefit is reducing the length of content on mobile devices. Often, the length of a mobile device feature will be no longer than eight minutes. Mobile devices parallel the Internet because content is on demand.

Despite the content being created from the same script, the final product and distribution of the content can differ significantly. Production costs for television shows are the most expensive because, historically, it has driven the most revenue. Naturally, a half-hour or one-hour slot will allow for more advertising opportunities. In addition, when watching content as it is broadcasted, advertisements can not be skipped. Often, when using the Internet to stream content, a button

can be clicked to skip the undesired commercial. Furthermore, the content is generally a shorter length allowing for fewer commercials.

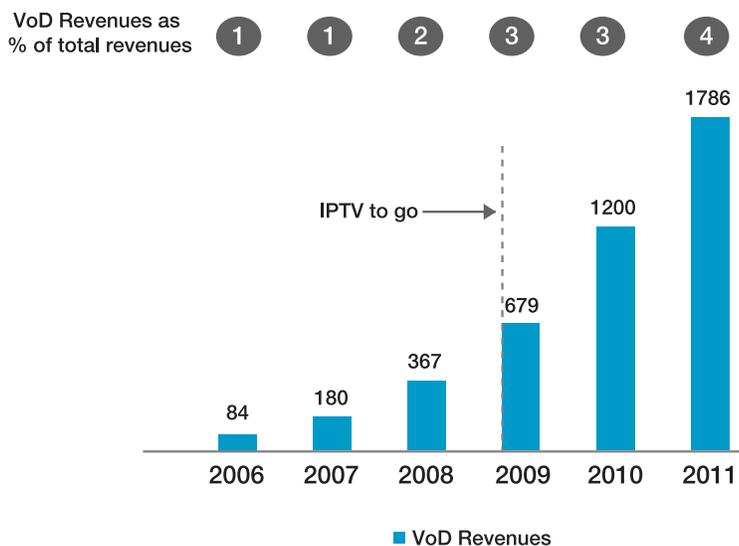
Storytelling is dramatically affected by the different mediums. With television, stories and characters are able to be developed over a longer period of time as compared to a shorter Internet episode which draws straight to the point. Traditionally, different mediums have provided different types of content. However, the emergence of cross-media distribution is opening other opportunities. In fact, one type of content could potentially be seen on three different platforms. As the platform technology is enhanced, content will not have to be changed. As experienced today, television can now be streamed online. Soon, this will occur on mobile just as quickly and remotely. Cross-media platform is a gift to the audience, providing them with new forms of storytelling, new content and easier means to connect.

1. Audience Insight Factory: Delivering the Right Content, to the Right People, at the Right Time, Using the Right Channels

The Audience Insight Factory is a process that will result in intelligent insights that can match the right ads or content, to the right people, at the right time, through the right channels. For users of this solution, the benefits are numerous. Content distributors can drive higher ad revenues by micro-segmenting their users based on behaviors, enabling more accurate and measurable targeting of advertising and content. Additionally, lower value ad

Figure 2: IPTV and Video on Demand Revenues

Western Europe (m€), 2006 – 2011



Source: Capgemini TME Strategy Lab Analysis; Ovum: "IPTV and VoD forecasts, Western Europe: 206-2011"; 2 eMarketer: "IPTV: The Global Picture, September 2006; Ovum "France Telecom launches movie-making unit", November 2006

integrating audience, transaction, advertiser, ad performance, enrichment and behavioral data for a single channel and the inability to do this across multiple channels. Further complicating the problem is the huge volume of behavioral data (click-stream and set top box). The Audience Insight Factory is designed to solve these problems by providing a packaged data sourcing approach and leveraging the massive parallel architecture of Capgemini and Teradata; enabling continuous loading of data. This real-time approach is critical to success across new media channels.

At the turn of the century, John Wanamaker, U.S. retailer, made his famous declaration: "I know half of my advertising is wasted. Trouble is I don't know which half." It's tempting to say that nothing has changed, since advertisers continue to voice the same complaint. Analysts estimate that waste in total global advertisement exceeds \$200 billion, with the U.S. contributing approximately 50%. One of the most dramatic benefits of the Audience Insight Factory is that the quality (that is, the impact) of its results (the behavior-based, micro-segmentation) enables advertisers to reduce waste through more accurate targeting.

Individuals, depending on region and title, will have differing views when asked what the future state of the Television Drama should look like.

Christopher Sandberg from The Company P stated, "Form relies on function." He wants to see an

inventory can be more effectively monetized as advertising and content is distributed based on known niche preferences and behaviors of each individual consumer.

New media requires new audience segmentation approaches based on behavior and real-time tracking. The speed at which advertising dollars are moving from traditional to online channels is increasing rapidly. By 2012, online advertising is projected to represent 13% of total advertising spend in the U.S. compared to 4.5% in 2005. Leading advertisers are already making significant changes to where they spend their advertising dollars.

While this year, 29% of consumers' media time is estimated to be spent online, online advertising spend only represents 8.5% of total spend.

Data is king as audience quality becomes as important as audience size. Not surprising, the amount of data available around online consumers is vast. Whether it includes searches made from consumers, clicked advertisements, pages viewed or videos watched, the information can be tracked. For the first time, a potential consumer's actual behavior is visible.

An Achilles heel of most environments is the difficulty of collecting and

integrated development model in place that will account for all platforms that display content. With new technologies, such as IPTV molding the web model and standard television model, two separate entities will become a thing of the past. Taking the step to incorporate all platforms in the development cycle will be a huge step forward, not only in content delivery, but also in adopting future revenue streams. While developing integrated development models over several platforms, networks and producers should also look for investors from different platforms to spread the costs. This concept will allow a single investor to lower the risk and will ultimately make shows cheaper.

As the current landscape is being challenged with the growing popularity of mobile devices and Internet, revenue streams from television are losing profitability. During focus interviews, most interviewees stated that the costs of production needs to be reduced in order to maintain profitable revenue streams. The future state of the one-hour television drama will need to address this issue in order to produce high quality content. According to Gonzalo Cilley, “The difficulty in finding the path to new revenue streams is that more executives need to take risks. Finding new revenue streams will take a great deal of creativity and reflection.” Adding to this point, Brian Seth Hurst stated, “These new ideas will come from the youth because they have the fresh outlooks into the industry.”

Also first with fresh outlooks into the industry is the Capgemini Telecom, Media and Entertainment (TME) Strategy Lab, a global network of strategy consultants dedicated to generating content-rich insights into the telecom and media industries. The lab conducts in-depth strategic research and analysis to generate leading-edge points of views on crucial industry topics that stimulate new ideas and help drive innovation. In their research

into the future of television, their recommendations include insights into Internet television and the mobile ecosystem.

2. Internet Television: An Evolving Frontier

Internet television offerings are becoming increasingly comprehensive, and the Internet is a quickly emerging new platform for consuming television content. While some are striving to understand how to best optimize the opportunities with Internet television, many are trying to find ways to mitigate the perceived threat to their own services. Capgemini’s TME Strategy Lab believes that content producers—through collaborative offerings—can offer a compelling Internet television service directly on consumers’ television sets. If bandwidth limitations, delivery architectures and limited availability of devices can be overcome, this service can be delivered.

It has been estimated that in the UK, Internet television could garner a customer base approximately around one and a half million households. In turn, it could generate annual revenues of over €200 million and delivering a profit margin of up to 17% by its fifth year of operation. Content producers, established by Pay TV operators and IPTV players must quickly map out clear strategies to achieve maximum benefits from Internet television. Capgemini’s lab suggests that content producers work together to offer set-top-box (STB) based Internet television services. Established Pay TV operators should use Internet television to both capture a share of the free television markets and complement their own services.

Recent initiatives by content producers and online players have already enabled consumers to view produced content on their PCs through their web browser or web application. The BBC’s iPlayer is an example. Players such as Apple are enabling individuals to view Internet

“Getting global in terms of appeal is what is going to allow us to compete. We can’t really fight [YouTube]. We need to peacefully co-exist, but have our set of content that is global enough and relevant enough to compete.”

Emiliano Calemzuk
President of Fox Television Studios

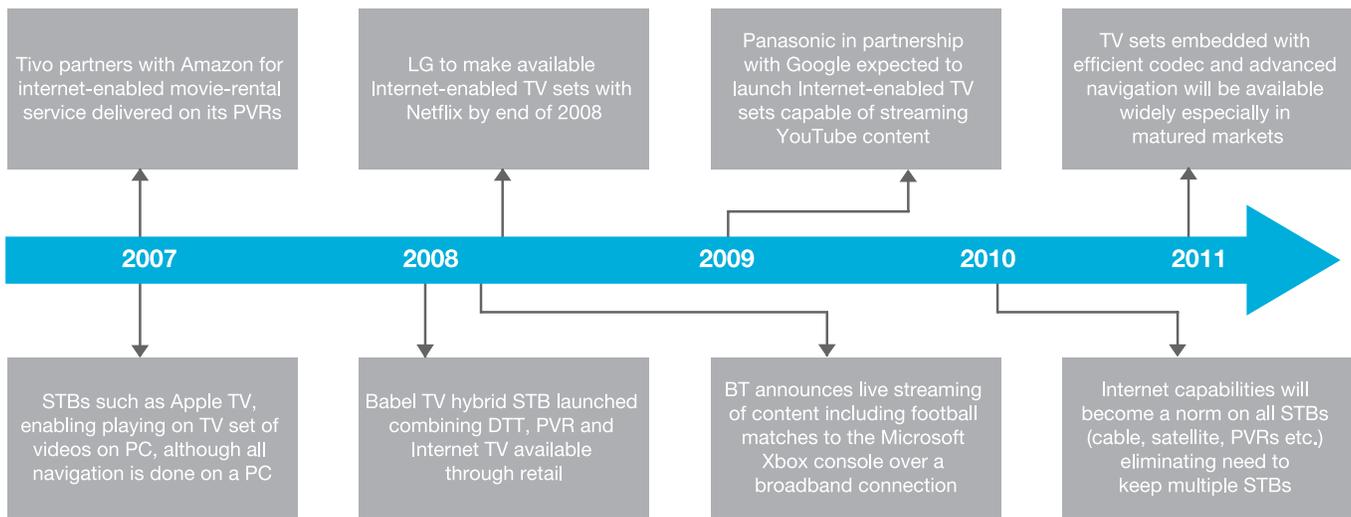
content on their televisions through a set-top-box and devices which stream and download television content. Disney, Comcast and Sky are other players who own premium valued content and have also started offering Internet television services.

The initial consumer uptake of Internet television services has been promising. In the UK, between 2006 and 2007, the number of Internet users watching television online increased by over 50% to nearly 3 million users. During the same period, the number of online television streams watched grew even more by 75%. Similarly in the U.S., 43% of viewers reported to have watched television online in 2007, up from 25% in 2006. Consumer uptake is likely to grow, but penetration from content producers will remain low.

The most likely scenario would be that the content producer consortium would launch a service utilizing a hybrid set-top-box in order to offer customers a bundle of linear broadcast-free television channels through a

Figure 3: Evolution of Internet-Enabled Devices

This evolution is moving in the direction of Internet-enabled TV, capable of directly accessing online videos



Source: Capgemini TME Lab Analysis; Reuters, Matsushita's Panasonic, Google to launch Internet TVs, January 2008; Broadcasting cable, LG, Netflix Team Up on Set-Top Program Delivery, January 2008; BBC, Xbox will host BT's TV service, January 2008

Digital Terrestrial TV turner in addition to Internet television. The Internet television offering can encapsulate free streamed catch-up content in addition to pay-per-view on-demand content such as movies and premium television episodes, which are downloaded onto the hard drive of the set-top-box. Since STBs are relatively expensive, a rental model will lower entry barriers for consumers who are unwilling to invest.

Capgemini's Strategy Lab recommends leading content producers to pioneer in the creation of an Internet platform, provide valued content and drive STB development in collaboration with

partners. Offering Internet television services will provide content producers to foster new revenue streams in the form of advertising, on-demand and subscription revenues. Content producers will not have to be dependent on broadcasters to telecast their shows, content producers will be able to use on-demand services to monetize their catalog further by serving niche markets more broadly and extend the shelf-life of content. This will allow content producers and networks to have a better view into the behaviors of consumers and potentially channel insight into the creation of new content.

3. Mobile Ecosystem: Becoming All Things to All People

The mobile system has historically remained a closed ecosystem where operators control almost all aspects of the consumer experience. While the Internet is an open interface, drawing fresh application developers and new generation content producers, the mobile space has had little accessibility and creative malleability. However, the mobile ecosystem is slowly, but definitely, changing the way it has traditionally operated.

Companies such as Nokia and Google have launched services that directly

interact with the end-user. In fact, online players are increasing their capabilities to target mobile users by launching application platforms. Google, for instance, has introduced “Android,” an open source mobile platform that vastly differentiates itself from the traditional platforms. Transformation that has not been seen in years is evidently occurring.

While mobile advertising offers significant growth potential, there are formidable barriers to overcome. Online players will have to work around the issue of hardware diversity, which makes customizing applications much more difficult. With over 6 different web platforms, such as Windows and Apple, adapting applications to these different class browsers with different capabilities will be challenging—leading to stakeholder delays and high costs from the wide mobile audience.

However, online players have standardized platforms that seem to be in the early steps towards an open ecosystem. For example, Yahoo! has launched its mobile developer platform consisting of middleware, device client, and a Software Development Kit (SDK). It is intended to enable developers and publishers to take their services quickly across multiple devices without the incremental costs of development. The SDK can be used to write code once, and then quickly publish application content across hundreds of devices.

Most importantly, there has been an increasing consumer interest towards

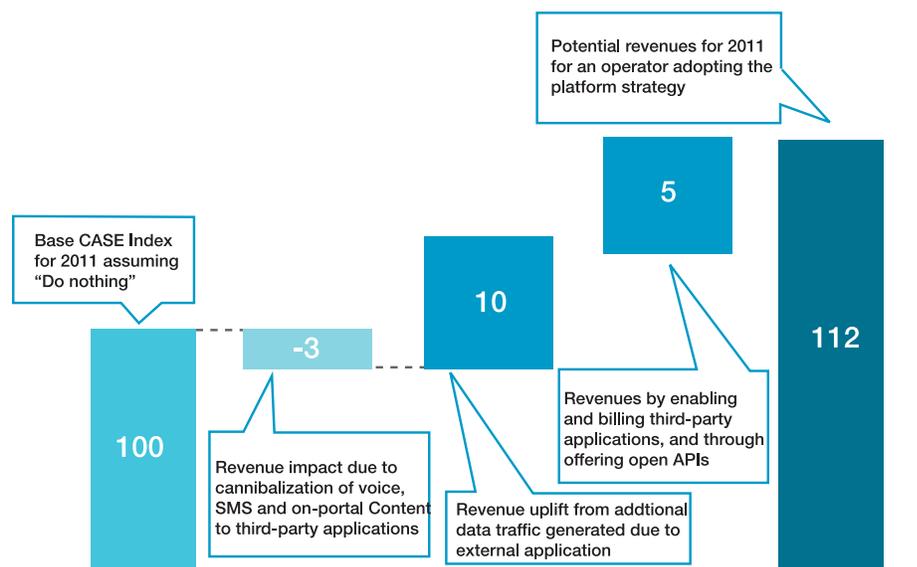
a near-PC experience on Mobile. Consumers want to access their favorite online services on their mobile phone and television has the opportunity to enter here as well. Social community updates and blogs could be responded to instantly. Shows could be watched and passed along remotely. Going forward, consumers will likely want to treat their mobile as an extension of its fixed counterparts, Internet and television.

Operators are responding to the growing data needs of consumers by coming up with flat-rate plans. Content

producers and networks have the potential to work together with mobile operators to stream television content at a flat-rate fee as well, opening a new revenue stream and increasing advertising opportunities.

While barriers may initially exist, new devices and applications are opening doors. Where there is potential for revenue uplift, the television industry should jump quickly before others go first.

Figure 4: Potential Revenues in 2011 for an Operator Adopting the Platform Strategy Assuming an Index of 100 basis points



Source: Capgemini TME Strategy Lab Analysis

Conclusion

As channels flourish and technologies change, the interaction between the audience and entertainment evolves—generating a future full of opportunities. To ensure success, understanding the wants of the audience is critical, but equally important is the establishment of robust processes that will drive future markets.

Adapting shows to new markets, finding new ways in storytelling, and seizing production advances are a few steps in the process where industry leaders can create opportunities. Applying these processes to creating and developing shows, while making them economic and sustainable, will help industry leaders continue to develop high quality content. Initiating a collaborative development process that takes the best from mature, international markets and matching it with the best from domestic markets will result in better understanding between the executives, writers and producers. This process will lead to the ultimate goal—creation of successful, sustainable, and marketable content from any region that can be played across multiple platforms.

Leveraging the right tools with today's technological advancements to gain insight into the audience can additionally help the producers of the future. Ultimately, this will lead to an increased understanding of the clients' needs in respect to development strategies for new creative business models as well as to meet new global and transmedia demands for content. Understanding the audience is the key to unlocking the future.

Beginning to understand the audience will better able the industry to adapt shows and integrate ads for each unique individual viewer leading to potentially increased revenue

streams. As we head into 2009, advertisers are persistently putting more money into internet ads. Providing audience preferences in products and environments metrically to advertisers will allow industry leaders to draw ad revenues back into television, as the Audience Insight Factory solution offers.

Television, much like the music industry, has become a consumer's market. In order to keep sustainable revenues streams, industry leaders must continually reinvent the television landscape. The world is becoming one global nation; we must participate and quickly investigate new and innovative solutions, such as those included in this report, to move and successfully grow into the Future of TV Drama.

A special thanks to our contributors: Matthew Claffin, Joanna Fan and Theodore Garcia of Capgemini; John Barber, Alison Simmonds and Katrina Wood of MediaXchange.





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About MediaXchange

MediaXchange is an international media consultancy with two decades of experience. With offices in London and Los Angeles, MediaXchange provides entertainment industry professionals in television and new media with the resources necessary to develop global business interests by enabling them to expand their business through developing the knowledge and contacts necessary to succeed in the global marketplace.

We are an industry resource, providing strategic and business-development services to some of the World's foremost media professionals and organizations.

Our clients range from international broadcasters and large production companies, to film funds and freelance professionals.

We specialize in providing our clients with the resources they need to bridge new markets, primarily through tailored individual-consultancy initiatives as well as a portfolio of Exchanges, International Events, and Premium Services including our unique Inner Market.

We are your bridge to other markets.

For more info on the Drama Summit go to: www.mediaexchange.com/dramasummit
For Drama Summit interviews reel go to: www.mediaexchange.com/dramasummit.php

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