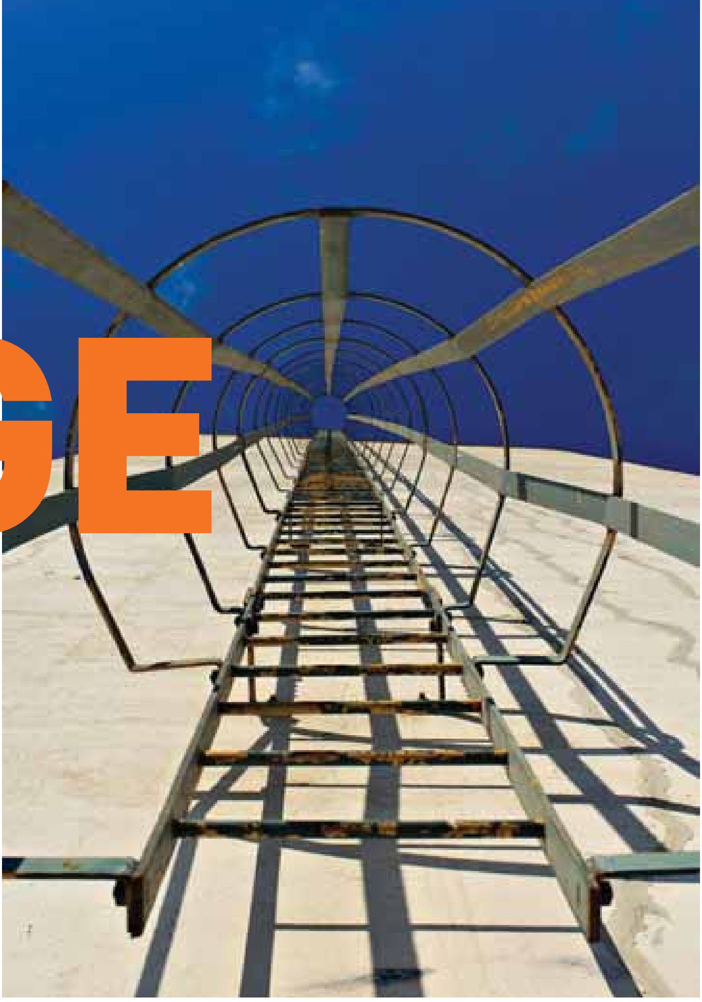
EMBRACING CHANGE



Production processes within television have changed little over the last 40 years. **Jeremy Bancroft** and **Michael McEwen** of full-service consultancy **Media Asset Capital** argue that it is these inherited working practices and rigid structures that will be the undoing of many TV companies, not the new technologies deployed by Google, Hulu and others. Structural change within the broadcaster can fix the problem and offers an opportunity for renewal

The challenge for today's technologists and consumers is bandwidth. Historically, it has increased periodically by large steps following major technology shifts. In the UK during 2010, 21st Century network (21CN) will start to roll out, bringing up to 100Mb/s broadband within reach of more than a million UK premises. BT plans to accelerate the fibre to the cabinet (FTTC) rollout aimed at hooking up 40% of UK homes and businesses (10M) premises by 2012.

This increased bandwidth provision, and the availability of multi-casting technology, will enable the delivery of real-time HD content over the public internet for the first time. The stranglehold of the existing terrestrial, cable and satellite transmission networks will effectively be broken. What is happening in the UK mirrors what is taking place in developed media countries around the world. We are at the cusp of solving the bandwidth problem and marrying processing, storage and distribution technologies to create a whole new media world.

> "New media departments regularly operate as a silo and separate business unit"

THE NEW TV PARADIGM

Whereas TV programming was almost exclusively the domain of broadcast organisations until the mid-2000's, the emergence of Blinkx in 2004, YouTube, Babelgum and JumpTV in 2005, Joost in 2006, and Hulu, the BBC iPlayer and BSkyB's Sky Player in 2007 is fundamentally changing the way (predominantly young) people consume TV content. Unlike the traditional broadcasters, internet companies have been able to benefit from one-to-one relationships with their consumers, and customer profiling techniques have been employed by several of the larger companies for some time, despite public and regulatory concerns over consumer privacy.

With the introduction of integrated, internet-connected TV sets, it is expected that the convergence of broadcast and internet-delivered TV programming will hasten. Such TV sets currently have a small installed base and will take time to proliferate due to a typical replacement cycle of 5-10 years for a TV set. However, as about half of prospective TV buyers say they are likely to purchase an Internet connected TV, these devices are expected to help drive the uptake of online video content.

Some questions remain: For how much longer can the internet video providers continue to provide content for free? Can subscriber revenue for internet delivered content sustain a thriving production industry which is now dependent on traditional TV distribution?

FULL PANIC MODE

The Broadcast environment has become hugely fragmented in the last 25 years with traditional over the air networks competing with subscriber based pay and specialty services. Whilst initially the advertising market grew as more services became available and new subscriber revenues were being generated, the old formula worked pretty well. But with the current collapse in advertising in virtually all markets this advertising growth has stopped and most projections do not forecast any significant recovery in the short term.

This does leave subscriber revenue for the distributed services, but even that is under pressure from new internet-based offerings. If the networks were worried about a fragmented market and declining share and revenue in the last few years, they should be in full panic mode now.

INTERNET TV BRANDS

One of the major structural differences between the Internet TV and broadcast TV companies is that few, if any, Internet TV organisations produce or commission professional content. They do not invest in creation, which in September 2008 prompted Michael Grade, then Executive Chairman of UK's ITV, to label YouTube a "parasite" that lives off the TV shows and content created from the broadcaster's £1bn annual programming budget.

He was right to focus on technology and distribution mechanisms. The internet TV companies operate in a capital economy. Their head count is substantially lower than broadcasters. Instead, their investment is in commodity IT technology, storage and connectivity; all of which are reducing in cost, and can be scaled depending upon the number of consumers that they serve. A broadcaster's costs are largely fixed regardless of audience size, and being driven by creativity they operate in a people economy. The cost of good people continues to increase, and even today, good people are hard to find.

Google and other internet companies have not inherited the working practices and rigid structures that have developed within the TV industry as a whole. It is these working practices and structures that will be the undoing of many TV companies, not the new technologies deployed by Google, Hulu and others. To succeed, the internet companies need the content and creativity that broadcasters provide, and the broadcasters need to recognize the structure and practice of new media and its importance as both a delivery mechanism and a vehicle for social interaction.

NEW MEDIA

New media departments exist in many broadcasters today, but regularly operate as a silo and separate business unit. They often work on completely separate technology platforms and employ different processes than those used within the 'traditional' TV strands. Broadcasters' New Media operations, often frustrated with the speed of response of internal technology departments and working practices have been driving the uptake of a wider range of IT-based and prosumer media products, and radically different ways of working. But they are often isolated within broadcast organizations.

The growth of online video has been phenomenal, although the broadcasters still largely 'own' the audience. So why should broadcasters be worried? Their brands are under attack from internet TV companies, several of which have created globally recognized brand identities within a few years, they generally do not have a one to one relationship with their consumers, their revenues are depressed and they seem unable to cut sufficient cost to ensure profitability. We suggest that broadcasters must embrace structural change if they are to survive and prosper.

EMBRACING CHANGE

Although some of the technology tools have advanced for TV production (e.g. the vast majority of editing is now non-linear rather than tape-based) the processes by which programmes are made are largely the same now as in the 1970's. Structural change within the broadcaster will affect many departments and therefore can only be implemented if they are mandated and fully supported at board level. Although technology might be used to support the changes and harmonise workflows, technology alone cannot be the solution.

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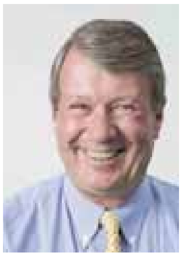

What's required is a thorough analysis of current processes, and a comparison of effectiveness at the process level with other similar broadcast organisations. Our own experience of helping broadcasters meet the challenges of changing workflows, harmonising platforms and helping to implement and manage change has shown us that organisations often think that they underperform in one particular area and are world class in another, whereas the truth is sometimes exactly the opposite.

There are few formal benchmarks available to broadcasters that will allow them to appraise their own performance, other than at a macro level. Unfortunately, many of the problems exist at the micro level; buried deep within specific processes that have grown up over years of operations, and are ingrained within the culture of the organisation. This is where it is important to draw upon experience gained in multiple organisations by people who not only understand the processes, but have 'walked in your shoes'.

Change Management and Benchmarking were a hallmark of the original thinking required by the big networks in the 1990s when faced with a fragmenting market of pay and specialty services. It was a difficult and wrenching time but the result was for the most part a wonderful decade of media growth and diversity.

In the face of the internet challenge, traditional broadcasters are once again going to have to embrace change, but in a way that they have never faced before. ■