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M&E Journal: Television's Third Act — Technology Reshapes Content

By Steven Herrera, Consultant, Zaszou –

Since it was first introduced, no other entertainment technology has been so reviled, yet so revered, as television. Though sometimes derisively described as an "idiot box" and "boob tube," television has also offered programs of intellectual depth and substance. Since its modest beginnings, it has continually challenged the film industry through its ability to reach large and diverse audiences, and most importantly, its ability to generate revenue. In recent decades, broadcast television itself has faced numerous challenges due to advancements in technology, as well as content targeted to smaller, more niche audiences.

Cable and satellite fueled content innovation: Whereas broadcast television often featured a slew of sitcoms and drama appealing to the widest possible audience, multiple system operators (i.e. cable and satellite) introduced the concept of channels differentiated by quality.

Perhaps because of competition from cable, there was a brief period of broadcast excellence during the 1980s that shaped the future of television drama. Steven Bochco created Hill Street Blues, a gritty, groundbreaking police drama that paved the way for many procedurals that followed.

In the 1980s, satellite television was a C-Band system with the big, ugly 10-foot dish antenna dominating the back yard. It was mostly a niche product for consumers in rural areas without access to cable. By the mid-1990s, satellite TV had been revolutionized by the introduction of Ku-Band receivers with much more compact 18-inch dish antennas. The subscriber fees created a new revenue stream for HBO, which debuted Sex and the City in 1998 and then The Sopranos in 1999. These successes proved that original series could create widespread buzz—and increase subscribers.

Streaming services are a new market for more niche content

The next phase of technological innovation was caused by the Internet, which enabled the delivery of content through "over-thetop" (OTT) streaming services, without the involvement of a multiple system operator in the middle. Consumers could now stream programs to their televisions, computers, or mobile devices.

Shows on Internet TV are allowed to be different because they are not bound by the network constraints of time and Standards and Practices. Some examples of series that have experienced an afterlife online include Arrested Development, which ran on Fox from 2003 to 2006 before making its 2013 comeback on Netflix, and The Mindy Project which was canceled by Fox in May 2015 before. Hulu picked up the Mindy Kaling comedy for a 26-episode new season.

Streaming services offer a variety of bundles

There are a wide range of streaming service bundles, appealing to different consumer tastes and budgets. Some streaming services offer "skinny" bundles of live channels on a subscription basis, just like linear TV, but without the cable or satellite contract. For instance, DISH Network's Sling TV live streams 20 cable channels for $20 per month.

Premium networks respond with streaming channels

Since last year, we have seen more of the premium TV content providers introduce their own "a la carte" streaming channels. These OTT services provide access to current season episodes as they air, as well as the network's entire library of hit shows. There could even be exclusive content not found on the linear TV counterpart.

CBS—the only broadcast television network that chose not to partner with Hulu— created its "CBS All Access" app, offering subscriptions for $6 per month, for example. The new Star Trek series premieres on the broadcast network, but subsequent episodes will be produced exclusively for the digital app. HBO debuted "HBO Now" for $15 per month, which is about the same incremental price that cable subscribers pay.

With this model, consumers can subscribe to just those channels they want, however, the cost of multiple services can quickly add up to the price of a cable bundle.

Basic cable networks step up the original content

As the shift to streaming services continues, the basic cable networks are increasingly developing their own original content in the hopes of growing their audiences and becoming indispensable.

Networks need high-profile shows that viewers will tune in for every week, which will give them leverage in fee negotiations with cable operators and other distributors of content.

Broadcasters employ new strategies

Broadcasters, meanwhile, have reinvented their programming strategies in numerous ways:

* Online streaming, DVRs, and digital downloads have made repeats obsolete. So now, broadcasters run new shows in the summer until the returning shows start up again in the fall.

* TV studios used to make a lot of money through DVD sales and selling series into syndication. However, the real profit now comes from streaming video rights and international sales. Since a network has to own a series to make money on its afterlife, the networks are stacking their schedules with series produced by their in-house production companies.

* Networks are green-lighting more “big idea” shows such as Under the Dome and Extant. These high-concept science fiction series carry high risk, but the networks are willing to take that risk because competition from other forms of entertainment is so fierce.

Cable companies consolidate

As consumers migrate to online television viewing, cable providers are quickly losing subscribers. This is already driving industry consolidation, such as the $10.4 billion merger between Charter and Bright House Networks. Cable providers will be forced to respond with their own nationwide live streaming packages, or their rapid decline will continue.

Comcast pulled the plug on its $45.2 billion bid to take over Time Warner Cable due to strong opposition from Washington and consumers. However, Comcast recently introduced Stream, its own Internet TV service, offering a bundle of about 30 channels to Xfinity Internet customers for $15 per month. Usage of Stream will not count against monthly data caps—a compelling reason to opt for the new service. Comcast does have a competitive advantage—ownership of NBC Universal’s cable channels, which include Bravo, CNBC, and USA. These channels must also be offered to rival service providers until 2018, but after that, Comcast could offer NBC and its cable networks exclusively.

AT&T has finalized its $48.5 billion merger with DirecTV, making it the largest pay TV provider. The takeover gives AT&T more market power and thus greater leverage to compete with Netflix for digital content rights from the studios.

The future — greater choice, richer content, and a blast from the past

Broadcast networks and movie theater multiplexes required large audiences for success, but thanks to Internet streaming services, niche content can flourish in an ever-fragmented market. Content providers are forced to be responsive through original content that appeals to diverse consumers. Some of the new shows are significant both artistically and critically, garnering awards that drive subscriber growth.

Networks still generate revenue from sports and will invest in event shows. More sitcoms, variety programs, and other performances will be televised without the safety net of delayed broadcast or editing (a la NBC's Saturday Night Live). NBC decided to broadcast the show Undateable live every week, and Fox packed big fun into the musical Grease Live. The goal is to get people talking, and since these productions are live, the conversations happen the very next day. The television business of the future may include subscriptions, targeted ad-support, or a hybrid of the two. The decreasing cost of production along with more accurate audience measurement systems may even allow half-hour sitcoms and hour-long dramas to be closer to their nominal running times. The pilot episode of the USA Network's cyberthriller Mr. Robot was longer than the standard premiere—65 minutes rather than 44 minutes.

There is now so much high-quality television programming that it can be difficult for consumers to decide what to watch. Technology giants may soon take the next step of integrating linear streaming channels with on-demand services such as Netflix, Amazon, and Hulu, presenting viewers with customized viewing choices tailored to their interests. And in the next wave of great content, consumers can look forward to greater complexity of character and narrative, alongside talk shows, house hunting, and survival contests.