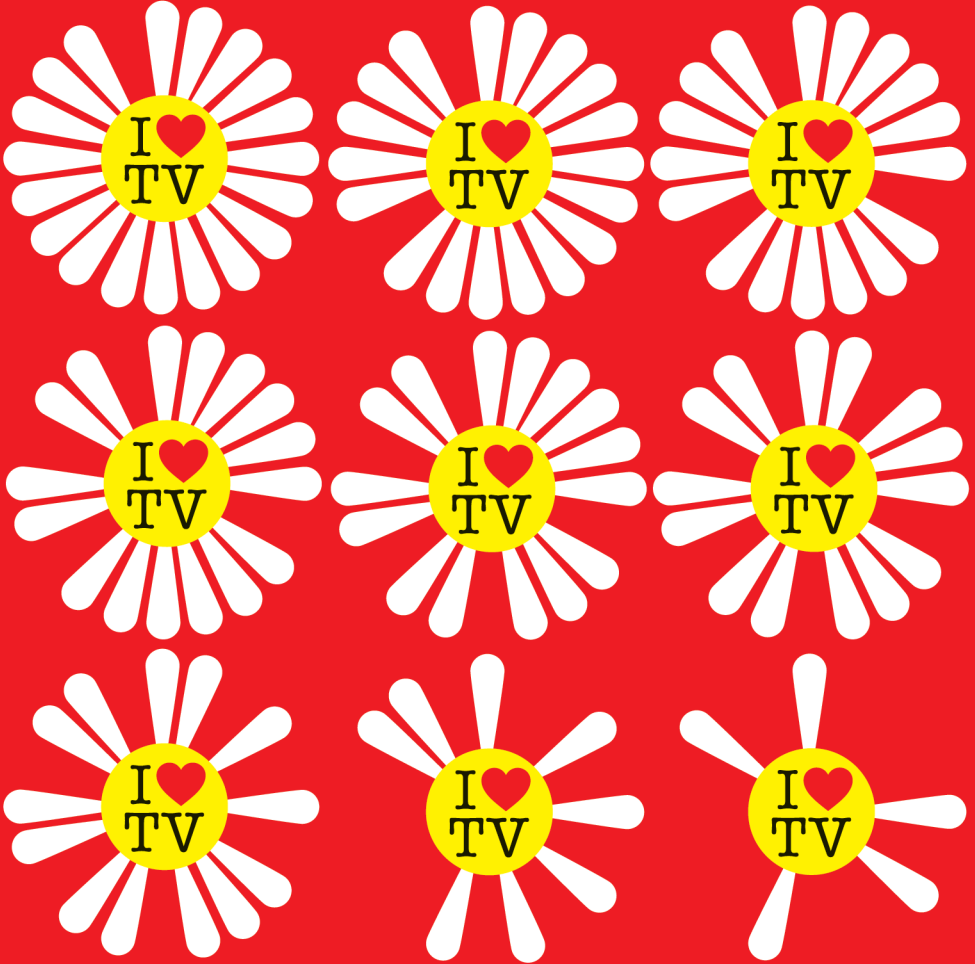


**MediaGuardian
Edinburgh International
Television Festival
22 – 24 August 2008**

**Loves Me, Loves Me Not...
Perspectives on the UK Television Sector**



Researched and written by:

Deloitte.



mediaguardian
Edinburgh International
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About the research

Deloitte* undertook three phases of primary research for this report. All research approaches covered the same themes of trust in television, Internet television, advertising, technology, public service broadcasting and production. Research themes were identified via consultation between the Media Guardian Edinburgh International Television Festival and Deloitte.

Deloitte undertook two quantitative surveys, one with the public (2,046 respondents) and the other with executive and advisory committees of the Media Guardian Edinburgh International Television Festival (32 responses from 79 committee members). The surveys were administered by YouGov and are referred to as 'the poll(s)' throughout this report. Deloitte also undertook in-depth discussions with 12 senior industry figures, most of whom were members of the executive committee.

*Throughout this report Deloitte refers to one or more of Deloitte Touche Tohmatsu ('DTT'), a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTT and its member firms. Deloitte & Touche LLP is the United Kingdom member firm of DTT.

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Foreword

It is important to feel loved, particularly if you're one of the United Kingdom's biggest industries responsible for feeding the country's second most time-consuming pastime after sleeping.

Yet in the last year, the United Kingdom's television industry appears to have been feeling insecure about several of its most cherished relationships.

It is not yet clear whether recent arrival, Internet television, is friend or foe, or if the public is going to love it. Advertising may soon take on a new best chum: the Internet. Viewers' trust in television seems to have taken a knock. Technology may turn the viewer from a passive spectator to an active participant. Public service broadcasting (PSB), a feature of UK culture that is the envy of many an overseas visitor, may be under threat. And tender loving care for the television production budget seems to be all about making it slimmer.

Attendees of the 2008 Media Guardian International Television Festival are therefore likely to be mulling the following predicaments:

Is Internet television the end of broadcast, or might this be the start of a beautiful relationship? Can advertising, which seems to be dedicating more and more attention to the Internet, stay close to television? Can the relationship between the UK public and its television industry survive the breach of trust, is trust repairing, or was trust never a pre-requisite for some viewers? Will technology drive UK television and its viewers further apart, or bring them together? Is PSB essential to UK television's charm? Does a trimmer budget also mean a leaner audience?

Loves me, loves me not considers whether UK television is still loved, or if it may simply be that the industry has fallen out of love with itself.

On behalf of Deloitte, enjoy Edinburgh.



Jolyon Barker
Head of Technology, Media
and Telecommunications



Ed Shedd
Head of Media



Internet television meets the parents

For many years, it was unwise to mention a liking for downloading video from the Internet in respectable company, given some individuals' motivations for doing so. And it would have been madness to mention such habits while having Sunday lunch with the in-laws.

But Internet television, in clip- and programme-based variants, has become respectable. The medium could now even be regarded as part of the establishment, following the arrival of the Royal Household's and Gordon Brown's micro-sites on YouTube.¹

Accompanying respectability has been a sharp rise in use and participation. YouTube's 11.6 million unique user base for April 2008 was up 46 per cent on the year.² YouTube generated 1.68 billion page views in March 2008, a significant increase on the 850 million impressions it was generating at the end of 2007.³ In all, 3.5 billion videos were watched via the Internet in March 2008.⁴ The BBC's iPlayer, which now ranks as the most popular of the broadcasters' Internet video sites, has experienced rapidly growing demand since its launch last Christmas. The iPlayer handled over 100 million requests to view programmes in its first six months, with a fifth of these handled in May 2008.⁵

Internet television's growth has been spectacular, and awareness has leapt, but it is not yet mass market. It still represents a tiny proportion of overall viewing: every two days there are well over 100 million individual "requests", by millions of individual viewers, to watch the BBC's televised output.⁶

Clips represent over 90 per cent of all Internet video content requested. In March 2008, the United Kingdom's 27.4 million Internet user population watched an average of 128 video clips during the month.⁷ Assuming an average of three minutes for each clip, this would mean just 12 minutes and 23 seconds of video clips per user, per day. This is considerably less than the average 3.6 hours of broadcast television consumed per day.⁸

Internet television's niche status was reflected in the poll of the public. Only 4 per cent of the UK population considered it "very important" to be able to receive television via the Internet and 47 per cent considered it "not important at all".

So does Internet television have what it takes to usurp linear broadcast television?

Internet television is certainly likely to become better known and more used. This is partly because the United Kingdom will literally grow into Internet television. The desire for Internet television rises with youth. Over a quarter of 18-to-24 year olds polled regarded the ability to watch television via the Internet as "important" or "very important" (see Figure 1). This contrasts with 8 per cent for over 55s. Thus over time, use of Internet television is likely to grow.

The poll of industry executives also forecast growing use of Internet television, albeit only on an occasional basis. Forty-seven per cent of executives expected that by 2010 Internet television would be used by the majority of viewers but only for a minority of viewing.

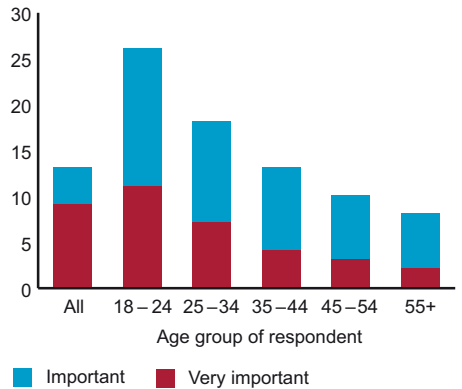
Several factors appear to be preventing Internet television from becoming fully mass market and competing directly with broadcast. One is uncertainty over the business model, particularly around the viability of advertising. Google, despite its advertising renown, does not appear to have hit upon a workable advertising format for YouTube.⁹ A variety of approaches has been tried out but none yet appears to be a winner.¹⁰ Another approach is to use product placement to supplement advertising revenues. **Sofia's Diary**, an interactive teen drama distributed via Bebo is funded in this way.¹¹ Executives interviewed considered that the Office of Fair Trading's inquiry into the Internet television joint venture comprising the BBC, ITV and Channel 4 might introduce further uncertainty into the market.¹² Until there is clarity over how Internet video may pay its way, more and better quality content may not be forthcoming.

The Internet's speed and consistency of service quality may also be constrained, particularly in parts of the country that are not currently passed by high-speed cable networks. The Internet would come under particular strain if the public starts downloading high-definition (HD) content.¹³ Investment to improve significantly both the pace and reliability of the broadband networks throughout the United Kingdom should happen but the timetable is not yet clear, due to uncertainties over who might fund the billions of pounds of investment required to provide fibre to the home.¹⁴

The growth of personal video recorders (PVR) could also be factor, with a particular effect on broadcasters' catch-up services. The better PVRs get at helping us to record programmes, the harder forgetting to record the unforgettable may become. Twenty-six per cent of the United Kingdom's households have a PVR and adoption rates are rising.¹⁵

Figure 1: Regard for Internet television is distinctly correlated to age group.

It is very important for me to watch television via the Internet, analysis by age group.



Source: Deloitte & Touche LLP/YouGov, 2008

But the biggest issue preventing Internet television from becoming mass market in the short term could be that, at present, most viewers simply do not want most of their television to be on-demand. While a minority may wish to select everything, the majority may prefer to have most of their television scheduled for them. In the long run, Internet television may well become one of the options from which the mass market could occasionally source its television viewing, along with direct broadcast, DVDs and PVRs.

Internet television's long-term destiny may not be as a replacement for broadcast, but it is still likely to play a key role in the television sector.

One of its biggest contributions could be to bolster traditional, linear television. It could be used to market programmes scheduled for broadcast, to maintain interest in a series during the week between each episode's broadcast, or to test reaction to pilot programmes. There are already early examples of this happening, such as the Internet-generated buzz around BBC3's **Lily Allen and Friends** or the iPlayer's 40 per cent share of **The Mighty Boosh's** total viewing. Clip-based sites could be used to drive traffic to a programme's website, which could in turn drive up broadcast audiences.

And Internet television will steadily become indistinguishable from broadcast as more sets become Internet-enabled. A growing number of television peripherals, such as set-top boxes, PVRs, games consoles and computers, have Internet connections. This has enabled Internet television applications, such as iPlayer, to be accessible via televisions.¹⁶

Internet television is nascent, and predicting the next phase of its development is a challenge. One particular unknown is now that it has parental approval, will this put younger viewers off?



Television for advertising forever

The UK public's fondness for the television commercial has, like most relationships, had its ups and downs.

But, overall, viewers have accepted the need for advertising, not just to fund the existence of free-to-air television, but also as part of the entertainment, with the best advertisements featuring in the following day's water-cooler discussions.

In 2007, commercial television reached 97.9 per cent of the population, disseminating 0.8 trillion advertisements in the year, or 40 commercials per UK adult per day.¹⁷

But the future of the UK viewer's relationship with the traditional television advertisement looks less certain. Ninety-one per cent of industry executives polled considered advertising to be under a "high" or "medium" level of threat. Increasingly the public has the power, most commonly in the form of PVR, to filter advertising out, leaving just the programming. Product placement has become the subject of governmental review. And, to add insult to injury, television may soon lose its status as the 'alpha male' of advertising: the Internet has been forecast to overtake television as the medium generating the most advertising revenue in 2008 in the United Kingdom.¹⁸

The television advertisement has had many challenges over its 53 years of existence. But are things really that much worse this time round?

While the industry may fear for the future of the advertisement, the poll found that 43 per cent of the public were content with the number of commercial channels on television.¹⁹ Only a quarter wanted fewer. Implicit acceptance of the commercial is also manifest in the quantity of advertisements consumed, which in 2007 hit an all-time high.²⁰ Commercial impacts even rose among the 16-to-24 age group.²¹

The perceived threat of PVRs, and in future, Internet television to the industry, is in making it easier for viewers to skip pre-recorded advertisements. While this capability has been available ever since the video cassette recorder (VCR) became a common feature of UK living rooms 30 years ago,²² the PVR's user interface makes it easier both to record programmes and to skip associated advertising. Currently 26 per cent of UK households have a PVR and penetration rates are expected to soar over the next couple of years as the price of equipment falls.²³

However ownership of a PVR does not oblige people to pre-record all content viewed, nor speed through all advertisements. PVR owners in the United Kingdom pre-record only 13 per cent of their viewing;²⁴ 44 per cent of pre-recorded adverts are watched at normal speed.²⁵ In other words, viewers zip through less than 2 per cent of all adverts watched.²⁶ Where they do fast-forward through advertisements, viewers still recognise and remember brands and their messages.²⁷ Zipping distracts viewers from engaging with an alternative media activity during a commercial break, such as browsing the Web or reading a magazine.²⁸ Thus the overall impact on consumption of advertisements may be less grave than initially feared.

If the public still likes, or at least tolerates adverts, and neither PVRs nor Internet television are currently serious issues, there remains the issue of money. Despite commercial impacts reaching an all-time high, revenues are falling. Television advertising revenue is expected to fall 2.5 per cent in 2008.²⁹

Falling revenues was one reason why product placement had been regarded as an almost inevitable development for the United Kingdom's commercial television sector. Among industry executives, product placement is regarded as the biggest development opportunity for television advertising in 2008.³⁰

The prospects of product placement took a knock, however, on 11 June 2008, when Andy Burnham, Secretary of State for Culture, Media and Sport, announced that it would be the subject of a Government inquiry. The importance of product placement to UK television was signalled by a 3 per cent fall in ITV's share price on the morning the announcement was made.³¹

But the battle for product placement is far from lost. In several respects product placement already exists in the United Kingdom. British television already serves up generous helpings of imported product placement. And agencies are already placing their clients' products into UK-made shows, albeit with fees paid only to the intermediaries.³²

If product placement were allowed, it would not prevent television from losing its crown as the largest generator of advertising revenue. Product placement is forecast to generate £35 million per annum in five years' time;³³ Internet advertising is expected to generate £170 million more than television this year.³⁴

Should television worry that it is no longer number one? To do so would imply that television and the Internet were discrete, mutually exclusive advertising media. While some sectors, such as classifieds, compete almost head-on with the Web, a pound spent on the Internet does not necessarily mean a pound lost for television. An increasing number of campaigns, such as Cadbury's Dairy Milk gorilla advertisement, rely on a strong integration between Internet and television components.³⁵

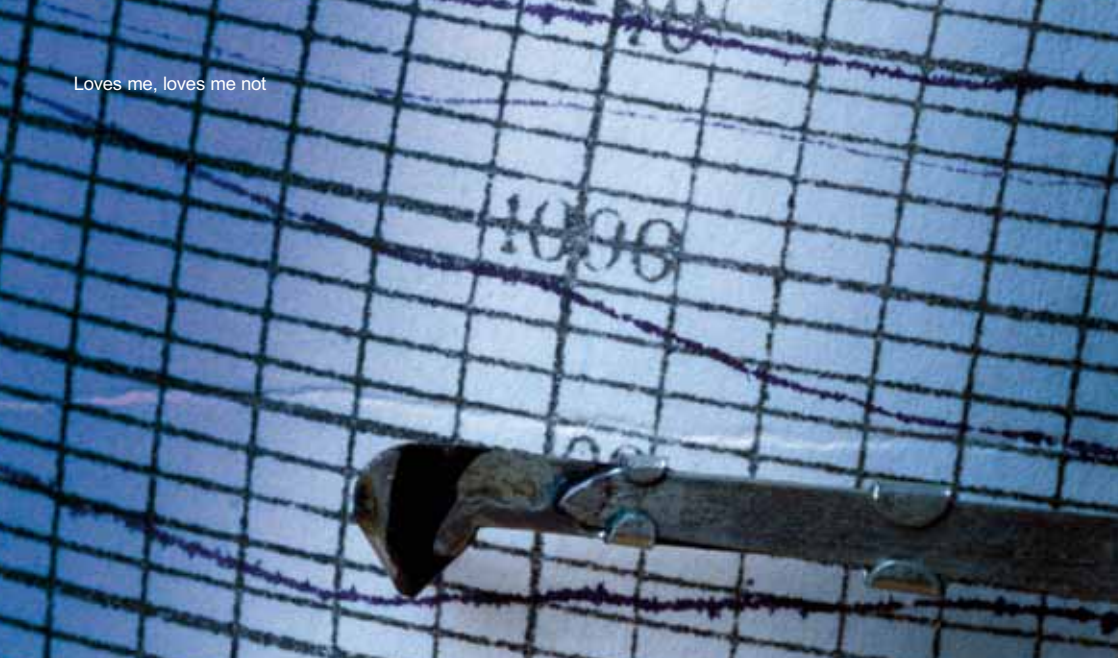
Indeed television advertising's prospects may increasingly be tied to the Internet. This is contingent, however, on the ability of agencies to accelerate the progression of the integrated multi-platform campaign from aspiration to reality, and from exception to rule.³⁶

Television's advertising fortunes may even improve over the next few years. Emerging innovations, such as HD advertisements and live commercials should maintain – and may even enhance – the value of television in conveying big message advertising to a mass market.³⁷

Furthermore, as televisions increasingly become connected to the Internet, it may become easier to track the impact of television advertising, to see, for example, whether a televised commercial had motivated a viewer to go to a website.

The emergence of a dozen or so core television brands over the coming years, each with a distinct audience group, may make it easier for advertisers to identify where to place their commercials for maximum return on investment. This may enable the price per advertisement to steady, if not rise.

Television is likely to be for advertising forever, not only because it depends on commercials as much as ever, but also because the integrated advertising campaign relies on television's unique reach.



Will you still trust me tomorrow?

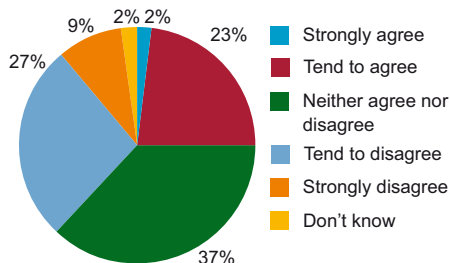
Trust is core to most relationships. Fundamental to trust is mutual honesty. In the year since the last Edinburgh Festival, television's relationship with the public has been damaged by a string of revelations of dishonesty spanning a wide range of programmes, from pure competition television shows to mainstream, prime-time entertainment.³⁸ The long shadow of deception even caused the integrity of voting for 2008's Eurovision contest to be questioned.³⁹

The public's trust in television had already been undermined by the time Jeremy Paxman rose to deliver his MacTaggart lecture in 2007, a speech influenced by the scandals that had recently surfaced.⁴⁰ A survey undertaken just prior to the Festival found that 48 per cent of the UK population did not trust television very much at all.⁴¹

Almost a year later, following significant efforts by the industry to prevent a recurrence of issues, has television been forgiven? Deloitte/YouGov's survey (the poll) of the public found that in June 2008, just 2 per cent of the UK population strongly agreed with the view "I trust the United Kingdom's television industry" (see Figure 2). Nine per cent strongly disagreed with the statement, and a further 27 per cent tended to disagree. Thus over a third of the United Kingdom do not trust television.⁴²

Figure 2: A third of the United Kingdom do not trust television, but almost two-thirds either do, or have no strong view.

Question: To what extent do you agree or disagree with the statement "I trust the UK's television industry"?



Source: Deloitte & Touche LLP/YouGov, 2008

The industry's perception of the public's trust in it is even starker. The poll of industry executives found 87 per cent of this group believe that trust in television has decreased "somewhat" or "a lot".⁴³

There have been two main types of dishonesty, distorted storylines and compromised phone-in and text-in competitions. Eighty-eight per cent of executives blamed such competitions principally for the loss of faith.

By contrast, variations to the storyline, often purely for the sake of dramatic impact, were not regarded as major culprits in the erosion of trust. For example, just 6 per cent of industry executives polled considered the noddy shot as being the main cause for loss of trust.

What caused things to get so out of hand? One common factor blamed for the proliferation of deception was competition for ratings as well as profits. Competition tempted some broadcasters and producers into tweaking storylines, for example by changing chronological order, to increase a programme's appeal. Several executives interviewed considered that too many people in television now 'want to be a millionaire'.⁴⁴

Loss of trust can kill a relationship. In terms of television, such an outcome would be shown in the form of lost viewers. But so far, viewing figures have remained steady. Viewing hours for the first three months of 2008 were higher than for the two previous years.⁴⁵

Revenues from competition television have fallen.⁴⁶ But some of the United Kingdom's highest profile shows remain based on elimination, a process heavily influenced by the viewers' premium-rate votes.

Loss of trust can also affect self-confidence, particularly within the industry. One executive predicted that the consequences of a loss of belief may not be apparent until 2009.⁴⁷ Programmes broadcast this year typically will have been commissioned in 2007, when the mood was more bullish. But 2008's commissions might be smothered by over-zealous risk assessments, with the result being a conservative set of programmes for 2009 and a turned-off audience.

Few relationships enjoy complete, unquestioned trust throughout their lifetime. And public trust in television is quite likely to resurface as an issue on an occasional basis for the foreseeable future. But developing an obsession with the issue of trust is likely to cause as many problems for broadcasters in their relationship with the public as complacency would.

The industry has, after all, taken numerous initiatives to identify the causes and sources of breaches, and steps in the areas of editorial, compliance training and supplier relationships to prevent their recurrence.

Of the third of the UK public that distrusted television, two-thirds lost their trust as a result of deception scandals. Yet despite this loss of trust, half this group, equivalent to about one-eighth of the sample, still watched the same amount of television.⁴⁸

Will you still trust me tomorrow? Perhaps not, but for many UK viewers, they are not walking out on television. Not this time.



Sets, drives and terabytes

The world's first ever demonstration of television in 1926 was a landmark event for both television and technology sectors.⁴⁹ Not only did it establish an industry that generates billions of pounds for the UK economy every year, but it also stretched the boundaries of what technology could achieve.

In the decades since, technology and television have enjoyed a successful symbiotic relationship that has benefited producers, broadcasters, advertisers and viewers.

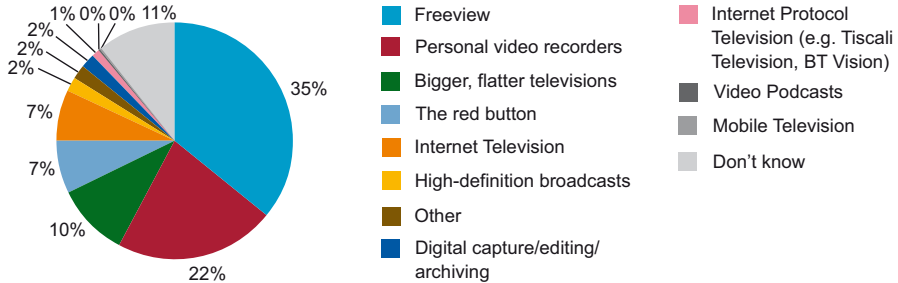
The impact of technology on behaviour has been profound among the suppliers of television: it has completely revolutionised the way a programme can be made. Technology has enabled numerous innovations, from special effects to citizen journalism.

But technology has, so far, had little fundamental impact on the way the majority of viewers consume television.

Since television's first broadcast, the act of watching television has essentially involved sitting and viewing moving images on a static screen. The image is now far better, as is the sound. There is more choice of content. Television can be watched broadcast, pre-recorded or, for a growing number of viewers, on-demand. The number of channels has increased from one to hundreds.

Figure 3: Television is still largely a passive activity.

Question: In recent years which one of the following innovations has had the biggest impact on the way you view television?



Source: Deloitte & Touche LLP/YouGov, 2008

But beyond that, the act of watching television has changed little. This conservatism is reflected in the poll of UK viewers, which asked respondents to select their television innovation of the decade.⁵⁰

Respondents' favourites were Freeview (selected by 35 per cent), PVRs (22 per cent) and bigger, flatter television sets (10 per cent), as shown in Figure 3.

None of these recent innovations requires any significant change to the way television has been watched over the last three decades. The core benefit from digital terrestrial television is greater choice. The PVR, popularised by BSkyB, is essentially a hard-drive based upgrade to the video recorder, a device that first appeared in the 1970s. Bigger televisions consolidate television's pre-eminence within the living room. They also appear to be purchased more for their dimensions than for their technical excellence, given that only 2 per cent of respondents regarded HD broadcast as the technology with the biggest impact.⁵¹ Technological innovations that have attempted to take the viewer outside of the traditional viewing experience have tended to struggle overall.

The offer of interactivity, via the red button was regarded by only 7 per cent of the public as having had the biggest impact.⁵² Internet television was selected by a similar number. Mobile television, which offers a television viewing experience while away from home, received no votes at all.⁵³ The poll of industry executives produced a similar finding, with 31 per cent of respondents considering mobile television as the recent innovation that had had the most muted impact on the television industry.⁵⁴

However, while the average UK television viewer appears quite conservative, the youngest age group surveyed, 18-to-24 year olds, has a different approach to television.⁵⁵ If this group's viewing habits stay the same as it grows older, then the television's core function as we know it may change.

One interesting difference concerned interactivity. The 18-to-24 year olds were those most affected by Internet television: 18 per cent considered this the innovation that had had the most impact on their consumption of television. This was 11 per cent higher than the average viewer.

The PVR also mattered far less to this group. Only 15 per cent rate the device as having had the most impact, compared with 22 per cent for all age groups. This may mean that younger viewers do not want control just over the domestic broadcast schedule, but are satisfied only with content from everywhere in the world.

The 18-to-24 year old age group has far less reverence for large screens, with just 6 per cent regarding this as high impact, relative to an average of 10 per cent.⁵⁶ One executive interviewed argued that this was because younger generations preferred television to be individual, even if this meant watching on a small screen, such as on their laptops.

Behaviour does change as people age. As today's 18-to-24 year olds settle down, work full time and start families, television's principal role may change from providing excitement and engagement to being more about rest and relaxation. A programme on the schedule may provide more serendipitous enjoyment than content that is searched for.

But some practices will inevitably be retained and today's youth might find that an hour spent downloading videos, or surfing personal terabyte video libraries, is the best way to wind down at the end of a tough day. And whilst people may be typically 'condemned to become their parents', when it comes to television, the roles are often reversed.

So technology may, at last, enable the nature of television to change, but this will be over the long run. Habits, especially our second most time-consuming pastime after sleep, are hard to change.



We love PSB

PSB is, according to the industry, under threat, with children's programming and local content particularly at risk.⁵⁷

But it should have no cause to feel unloved. Sixty-two per cent of the public consider that broadcasters' PSB obligations should be maintained.⁵⁸ Ninety-two per cent of the industry regards PSB as "very important" to the character of UK broadcasting.⁵⁹

The clamour for PSB is unequivocal but, within the industry, definitions of what exactly PSB is are diverse. Opinions on how to deliver and fund PSB are equally divided.⁶⁰

Ofcom's official definition of PSB identifies four purposes to PSB: "informing our understanding of the world"; "stimulating knowledge and learning"; "reflecting UK cultural identity", and "representing diversity and alternative viewpoints".⁶¹

However most of the individuals interviewed had definitions of PSB that differed moderately and in a few cases considerably from Ofcom's.⁶²

A few of the executives interviewed largely concurred with Ofcom's definition, regarding PSB as content with an educational dimension, such as **The Secret Life of the Manic Depressive**, Stephen Fry's insight into the world of bipolar disorder.⁶³ Others regard it a combination of education and campaign, such as Channel 4's **Jamie's School Dinners**.⁶⁴ Both these programmes attained healthy ratings, but weren't intended to be ratings winners. Jeremy Hunt, Shadow Culture Secretary, described PSB as a means of influencing or even delivering policy agendas, such as reducing violent crime.⁶⁵

A few executives characterised PSB as prime-time content that is able to attract many millions of viewers.⁶⁶ In other words a programme's ability to engage with a large share of the UK viewing public, possibly more via entertainment than insight, determined whether a programme should qualify as public service.

The PSB discussion also touches on the United Kingdom's cultural identity. Its definition may also imply UK originated content, or at least content that reflects this country's perspectives.

The options for delivering and funding PSB are as diverse as the definitions. Ofcom's current review of PSB has outlined four possible approaches: "Evolution", "BBC only", "BBC/Channel 4 plus limited competitive funding" and "Broad competitive funding".⁶⁷

But there is disagreement over which approach should be chosen and alternative solutions for delivering PSB abound. One approach mooted by the BBC and supported by third parties would be for it to share some of its technology with other broadcasters. This would enable them to exploit new creative opportunities and realise efficiency gains.⁶⁸ Some executives interviewed advocated relaxation of rules on product placement and advertising quotas per hour to increase revenues and hence the ability to fund PSB programming.⁶⁹ Stripping down the BBC's remit to a PSB core of BBC1 and Radio 4 has also been proposed.⁷⁰

A slightly different angle to the debate included scheduling as a means of delivering PSB. Placing a major news bulletin at prime time should qualify as public service behaviour, as the opportunity cost for this timing would be lower advertising revenue compared with what could be attained through screening pure entertainment in that time slot.

The constantly evolving debate over how PSB should be delivered has even diversified outside of the television sector. One argument has been that PSB could be delivered by funding the creation of a 'public sector Internet'.⁷¹

The debate over PSB is, without a doubt, a distraction for many in the industry. Several executives we spoke to wanted – but did not expect to see – a swift resolution to the debate to allow the industry to focus all its energies on creating good content.

But so long as television exists, debate is always going to rage over what quality programming is, who should provide it and how it should be paid for.⁷² It is a strong sign of this country's affection for and belief in PSB. And the discussions, however fervent they may become, might be exactly what is required to keep the United Kingdom's television industry alert to what quality is and ensure it remains the envy of many broadcasters around the world.



No bear hug required

A bear hug from a loved one is normally regarded as a sign of intimacy. But the squeeze being applied to the production budget may at times feel like a little too much pressure.

In 2008, television advertising receipts are expected to fall by 2.5 per cent, leaving less funding available for making programmes.⁷³ The BBC's commissioning budgets are also under strain.⁷⁴ The search is on for savings and production costs are a key target.

Technology is commonly regarded as a key enabler of a shrinking budget. Half the industry executives surveyed expected that technology could reduce the cost per hour, due primarily to the need for fewer staff.⁷⁵

Technology can, for example, enable content creators, such as a newsroom's journalists, to undertake many more production-related tasks, reducing the need for editors. ITN recently trained 700 of its 800 staff to use broadcast-standard editing and graphics-creation tools. And ever-faster broadband networks are enabling parcels of post-production work to be offshored to lower cost locations.⁷⁶

Advances in technology can also reduce the cost of post-production equipment. Editing suites can be built around standard PCs, priced at thousands of pounds per workstation, rather than bespoke equipment, costing significantly more to acquire and operate.

Technology could even reduce the labour cost to zero: the steadily increasing power of a standard PC, coupled with falling prices for digital storage, means that amateurs, with minimal overheads, now have the capability to shoot, edit and post their own footage. The planned availability of the BBC's entire archive will enable amateur producers to create their own programmes. And the rise of YouTube and other content-sharing sites has acclimatised the public to lower resolution and grainier footage: in other words, lower production values.

Thus the need for highly skilled, dedicated production teams may be ebbing away, implying the end of production as a standalone skill, and a steady reduction in production costs.

That is one scenario. But another potential outcome is that the role of the producer and the cost of production grows, rather than diminishes. This may be particularly applicable for genres such as drama, major sports events and nature programmes.

Technology is one factor justifying the need for bigger budgets and specialist production teams. Technology has enabled features such as HD and 5.1 sound. Incorporation of HD and 5.1 can, for some genres of programme, mean bigger audiences and lucrative export sales. But post-production costs for both technologies can be higher than for standard definition. Shooting in HD means larger files, which requires more storage. Filming in HD can also require larger teams: a football match shot in HD could require a 20-strong production team.⁷⁷

The premium for HD production costs is falling, but new technologies, such as 3D are already on the horizon. A few post-production houses are already equipped to process 3D, charging a 15 per cent premium on 3D-content compared with HD.⁷⁸ Furthermore, while technology offers the possibility for savings, economies are not guaranteed. As several executives commented, producers may insist on using trusted editors who in turn might insist on using proprietary, relatively expensive editing software.⁷⁹

Even if producers did become perfectly flexible, digital would not necessarily be cheaper. While digital storage costs are falling steadily, they are not, at present, always competitive with tape. The vast files producers are working with, particularly when manipulating HD content, mean that digital storage may only be economical during editing; tape can still often be more economical for distribution and archiving.⁸⁰

Also once prices fall sufficiently to make digital storage the cheapest competition, there is still the issue of standards. Digital reduces everything to ones and zeros. But not all ones and zeros are equal. There are multiple standards for video, audio, metadata and compression.⁸¹ This means that companies working on the same programme need to use the same or equivalent standards for the benefits of digital to be reaped. Otherwise footage may need to be exchanged via the common denominator of video tape.

Can the citizen producer drive costs down? Unfortunately, while technological advances have enabled the barriers to entry to create, edit and post a television programme to tumble, the UK public's mediocre levels of creativity have been maintained, and robustly so. Tools don't equal talent, and are never likely to.

Further the public has little, if any appetite, for user-generated content. The poll of the UK public found that half the respondents did not want to watch user-generated content (see Figure 4). Forty-three per cent wanted “small amounts” of user-generated content. Just 1 per cent of respondents wanted user-generated content to represent most of what was shown.

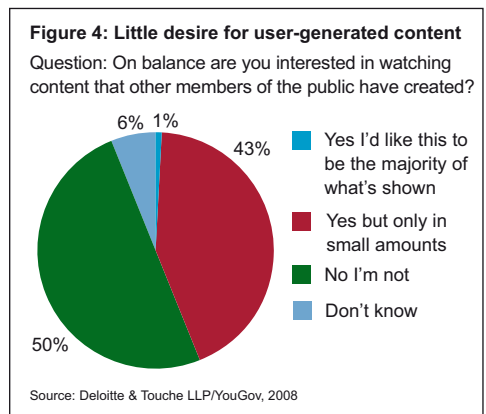
As for user-generated “mash-ups” of editing-room discards, these may just prove that previously unviewed footage is simply unviewable. **Top Gear**, **Blue Planet** and **The Forsyte Saga** are renowned for their production values, one consequence of which can be a high proportion of discarded footage. But an hour’s worth of footage of a static track, an empty ant’s nest or the *n*th cut of a period drama is unlikely ever to become compelling viewing.

So technology may not be able to reduce production costs as quickly or as much as had been hoped. The impact of technology is likely to vary by genre, with documentaries and factual entertainment benefiting most. Costume dramas, or any genre requiring high production values, may even see rising budgets. And in some cases technology may be required to enable a programme to compete not just with other television, but with other media, such as video games, whose production budgets are now approaching £50 million.⁸²

If technology is not the panacea for reducing budgets as had been hoped, what is the answer?

One solution, as suggested by several executives may simply be to change the way production budgets are structured.⁸³ This could encourage cost optimisation, for example prompting a producer to choose between special effects and HD, rather than insisting on every option available. Currently there is little incentive, monetary or otherwise, for the producer not to use every penny of the budget allocated. But if incentives were introduced as an industry-standard, for example giving the executive producer a share of a budget under-run, then productions may suddenly start to come in under budget as the norm, not the exception.

Another approach, mooted by a few poll respondents, would be fewer productions, but larger individual budgets, delivering content over multiple platforms. In other words, less output solely for the domestic broadcast market and more reliance on ancillary revenues, with broadcast and websites increasingly serving to market themed merchandise. Executives expected that the production market might stratify between those specialists in global hits and experts in addressing local audiences.



Notes

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