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Continuity in ‘the space in between’ Production and Consumption
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International Sales of UK Television Content:

Change and Continuity in ‘the space in between’

Production and Consumption

International sales of British television programmes and formats appear to be booming, riding on a wave of competition, fuelled by the rise of online broadband-delivered subscription video-on-demand (SVOD) services such as Netflix and Amazon (Pact 2014). This article considers the impact of these new OTT (over-the-top) services on the UK’s position as an exporter of television programming in a period of transition with potential implications for UK production. As an object of analysis it considers the practices of the UK’s international television distribution sector, sitting at the intersection of the national and the global, precisely at a time when digital technologies allow content to be distributed seamlessly across borders, offering consumers on demand engagement opportunities that challenge the territory-based international sales strategies of the past. Analysing international distribution as the ‘space in between’ (Perren 2013) production and consumption allows us to consider international market considerations that drive production decisions, decisions that are shaped by increasingly complex conceptions of what audiences in the most valuable markets are likely to watch.

Focusing on the UK as a case study, the first question this article addresses is what are the key issues facing international distribution arising from OTT digital distribution and the continuing fragmentation of audiences and revenues. Building on these issues, the second question examines the continuities and the markers of change for the UK

international distribution industry. These include shifts and continuities in the destination and type of sales as well as shifts and continuities in the role of UK-based distributors as they adapt to changes in the UK broadcasting landscape and global production environment. The final question considers how these shifts and continuities are playing out in the international circulation of British content, and in drama in particular.

While there are several studies that consider the US as a global distribution player in the broadest sense (Cunningham and Silver 2013; Curtin, Holt, Sanson 2014), the purpose of this article is to gauge tentatively the extent to which the international television distribution space is being ‘reinvented within an online, broadband-enabled, transnational if not global paradigm’ (Cunningham and Silver 2013, 7) with implications for the UK distribution sector. Focusing on the UK as an exporter, provides an opportunity to consider the extent to which OTT players like Netflix are redefining the UK distribution industry, and the extent to which there are still continuities (in trading relationships, underpinned by territoriality) even amidst shifts in consumption.

Findings draw on the annual surveys of ‘UK Television Exports’ by UK producers association PACT (Producers Alliance for Cinema and Television) and the annual ‘Distributors Survey’ by *Broadcast* magazine for the ten-year period between 2006 and 2015. Although the UK distribution industry has not been the object of government inquiry since 1999 (DCMS 1999), documentation from government, regulatory and industry sources is referenced where it has a bearing on international distribution. This is supplemented from interviews with senior executives working at three of the UK’s top five distributors (BBC Worldwide, Endemol Shine

International, All3media International). Interviews also took place with the Director of International Development at PACT and with two smaller niche players working in the area of children's content and factual programming. The focus is on UK sales executives rather than buyers because of their insight into the changing nature of distribution within a shifting UK production landscape. All interviews took place between December 2014 and January 2015.

The article is divided into five parts including the introduction. Part two briefly defines international sales as a distribution activity and pinpoints the issues that are redefining the business globally. Part three contextualises the characteristics of UK international distribution, referring to its historical and policy background and key trends since 2006 when the industry expanded following changes in the way rights were allocated. The fourth part focuses on relationships with domestic broadcasters and changing perceptions of UK drama as a driver of international sales. The article ends with critical evaluations and conclusions about the future direction of international distribution in the UK and its significance for domestic production.

Re-defining International Television Distribution

International sales occupy one facet of a broader set of distribution activities, which Perren has labelled the 'space in between' production and consumption (2013, 166). For the post-network era Lotz usefully draws the distinction between distribution that is concerned with new *distribution windows* (the sale of programming to TV stations and content aggregators in domestic and international markets) and *distribution to the home*, concerned with the technologies and organisations that deliver content directly to the consumer (2014, 133-4). International television distributors are the middlemen (Havens and Lotz 2012, 147) who license either their own or third party content,

formats and content-related rights to broadcasters, cable and satellite channels, DVD companies, consumer product licensees, SVOD content aggregators such as Netflix and Amazon Prime as well as video download services such as iTunes (Ulin 2014).

International distributors have mainly licensed programming and formats for specific territories (usually synonymous with nation-states, but including common language territories e.g. German-speaking territories). Multi-territory deals to transnational channels were in the past regarded as less lucrative than single territory sales, except where market failure offers up few national buyers - for example in children's television (Author 2004). As a business it has depended on content being developed, commissioned and produced by/for predominantly national broadcasters, who benefit from the first release (or window), before a programme airs internationally and on secondary outlets in the domestic marketplace. It is assumed that only a small number of genres 'travel' well internationally – some drama (action, thriller, police, historical); animation; factual programmes about science, history, natural history; entertainment and factual formats; but not news, current affairs, local sport and factual programming or drama (e.g. soaps) that are considered too parochial by buyers (Donders and Van den Bulck 2016, 11; Author 2004, 32).

Within territories distributors license for different platforms (broadcast, satellite, cable, online, DVD), different languages, different services (VOD, catch up TV) and different business models (pay-per-view, subscription, advertising, electronic sell through, download-to-own). Licences were typically restricted to a limited number of runs within a specific time period, with the local commissioning broadcaster usually taking first transmission rights before programmes were licensed to international buyers, pay TV, secondary channels in the domestic market and for video or DVD.

However the business has become more complex as channels and platforms have proliferated, fragmenting audiences and revenues, and increasing the number of outlets where content can be released to include catch up-services after first broadcast, and different types of video on demand (supported by subscription, transaction and advertising). Digital online distribution, which gives consumers the freedom to 'engage' with TV 'anytime anywhere' on a plethora of electronic devices either legally or illegally, represents an additional layer of complexity for international distributors. For all distributors this is significant in two respects: territoriality and windowing.

Territoriality, the licensing of content on an exclusive territory by territory basis, has been crucial for pre-financing the most exportable and costly dramas, animation and documentaries through pre-sales. According to Enders Analysis (2013, 3), writing about the multi-territory European landscape, territorial licensing of exclusive programming rights, supported by *national* broadcaster commissions, production subsidies and tax break/shelter regimes, constitutes the 'bedrock' of European television. This is because it creates 'an edifice of value' that generates revenues for further programming investment by rights-owners and producers, but also national broadcasters who have used advertising revenues from exclusive purchases to cross-subsidise other offerings (news, domestic production) in a virtuous circle.

However, structuring the business by territory is under pressure from SVOD players who are building transnational customer bases using multi-territory licensing deals to sustain growth (Blàzquez et al 2015, 14). Global SVODs like Netflix and international cable channels are demanding more global rights, leaving fewer territories for producers and distributors to recoup deficits and generate a profit

(Broadcast 2014, 12; Broadcast 2015, 12). According to this UK distributor of factual content, 'For distribution, territories still structure the business, but it seems to be making less and less sense when there are these global companies buying global content...' (Anonymous, 2014a). The EU European Commission has compounded pressures on territoriality by pushing for a European Digital Single Market (DSM) that will make it easier for consumers to legally access TV content online wherever they are in the EU if they have already purchased it (European Commission 2015). This has raised industry concerns about the future funding of original European content and the principle of territorial exclusivity if consumption shifts to VOD on online platforms (ACT 2015).

Closely linked to territoriality, international distribution has also depended on distributors carefully managing and exploiting rights as sequential windows in each territory across different platforms (free-to-air broadcast, pay, DVD), restricting access to avoid revenue cannibalisation (Owen and Wildman 1992). Windowing was adapted in the 1980s and 1990s to accommodate a multichannel universe, but with the arrival of SVOD and rampant piracy of popular dramas, there has been an 'incredible speed to market content' with distributors collapsing the time span between windows in order to manage, monitor and release content more efficiently across old and new windows (Nohr 2015; also Mediathique 2015, 37-38). This has been done to safeguard revenue streams and combat piracy, but in the process the principle of territorial exclusivity has been breached as distributors try to juggle an ever-increasing array of sales to overlapping, competing platforms. Louise Pedersen, managing director at All3Media International explains the complexity of rights management and windows and the shift to shorter overlapping windows in these terms:

Whereas probably ten years ago you would sell [to broadcasters] three showings in two years (a two year licence fee and then it would return to you from free TV). Now that deal, might have a six-month hold back within their two-year licence period on SVOD, so that they have all rights but they're non-exclusive, so we can sell to Netflix within their term. There might be the day after they transmit a DTO [Direct-to-own] deal with iTunes. And then after the two years we might look at putting in a Discovery second window. So the negotiations around the whole thing are much more complicated than previously. (2014).

Nadine Nohr, chief executive officer of Shine International concurred with this view, adding that changes in release patterns have changed the business 'fundamentally' altering the role of distributors in the process,

First I think there is much more rights complexity, particularly with the arrival of some of the newer platforms, and therefore the job of the distributor is increasingly to segment rights and extract value across each possible platform that's available . . .there are a lot more of those slices of the pie now. (2015)

To deal with the new complexities distributors have had to invest in new systems to track sales; they have had to balance the demands of linear broadcasters who want digital rights and holdback against SVOD; as well as SVODs and international cable networks who want more multi-territory and windowing rights on an exclusive basis.

International Distribution in the UK

While the arrival of SVOD reinforces trends since the 1980s towards greater fragmentation of audiences and revenues in the international market, closer empirical investigation of the last ten years of UK distribution reveals other shifts, which

predate the arrival of SVOD and have a bearing on the relationship between UK production and distribution. This is a reminder that what appears disruptive in the short term as on-demand content, represents only one small part of a wider global distribution story, rooted in particular national contexts that have always been grounded in locally inflected policies, histories, distinctive production ecologies, economics and audience habits (Straubhaar 2014, 11; Waisbord 2015, 54), even if distribution now appears to operate in a more deterritorialised world.

As an exporter of completed programmes, the UK (with a seven percent share in 2007) always lagged in second place behind the US with a reputed seventy-six percent global share by volume (Television Research Partnership 2008, 20). In formats the UK has been a significant player in both formats sold and production revenues, securing first place above the Netherlands and the US in recent years (Frapa 2009, 13-15). Exports of television programmes have been recognised by successive UK Governments (DCMS 1999) as an important contributor to 'UK Plc', the growth of the creative industries and to 'soft power' (DCMS 2016, 43). UK Government support for exports has continued with the 2012 introduction of tax reliefs for exportable 'high-end' drama, documentaries and animation and for live action children's programming in 2013, mirroring similar schemes in other countries.

Analysing the UK's export performance over the years, academic commentators have variously positioned the UK as part of a dominant Anglophone-US culture (O'Regan 2000, 312; Tunstall 1999, 15), as a 'public service' high culture alternative to US fare (Collins 1986, 77) or as a supplier of universally appealing content whose 'British and public service origins are masked' to maximise sales (Author 2004, 14). In their recent analysis of BBC Worldwide, the UK's largest distributor, Donders and Van

den Bulck reinforce arguments about dominance, pointing to the ‘primacy of market principles over PSM values’ (2016, 14) at BBC Worldwide that contribute to the homogenization of content among smaller European public service broadcasters.

Yet the first government study of UK television export performance in 1999 (DCMS 1999) concluded that the UK was underperforming internationally, because broadcasters were commissioning too many soap operas aimed at domestic audiences rather than ‘positive, glossy, mainstream drama series’ (p. 26) that drive international sales. A review of the UK programme supply market drew attention to the lack of a ‘truly vigorous market for programme-related rights’ (ITC 2002, 118). This was because commissioning broadcasters operated a ‘cost plus system’ which funded programming mostly in its entirety, but retained most rights, making it difficult for independent producers to build an asset base based on secondary domestic and overseas sales (Author 2004, 58f).

A major shift came with the 2003 UK Communications Act, which paved the way for independent producers to retain copyright ownership in programming and control secondary rights after first broadcast by commissioning public service broadcasters. This was instrumental in changing UK distribution as some independent producers set up distribution operations, and acquired other production companies to become ‘Superindies’ (Chalaby 2010). With producers retaining copyright in their intellectual property (IP), broadcasters moved away from the fully funded cost plus model towards more deficit financing on internationally viable shows, shifting the risks associated with development and funding towards producers, who cash flow production deficits from a mixture of their own resources, international pre-sales, tax reliefs and specialist financiers who provide bridging finance (House of Commons

2013, Q183). Before 2004 distribution power was firmly weighted towards the integrated operations of broadcaster-distributors such as BBC Worldwide, Granada International (later ITV Studios) and Channel 4 International (Author 2004, 76). With the 2004 introduction of terms of trade that gave producers IP rights, producer-distributors became a more potent force, heralding a number of other changes.

Consolidation

First, mirroring what has been happening in production, the number of distributors fell. In 2006 *Broadcast* was reporting on thirty distributors. By 2015 this had dropped to nineteen. However, the top five companies continue to generate over eighty percent of sector revenues, and BBC Worldwide still accounts for more than a quarter of revenues (Figure 1). By 2008 the separate distributor arms of ITV (Granada and Carlton) had consolidated as ITV Worldwide. Specialist distributors of sport and children's content, while occupying top positions in the *Broadcast* table of 2005/06 (Figure 1) had disappeared by 2014/15, because of bankruptcy (Entertainment Rights in 2009), acquisition (toy company Mattel acquired Hit in 2011) and withdrawal from distribution altogether (IMG in 2010). Without IP of its own, broadcaster-distributor Channel 4 International saw producers take their distribution business elsewhere; it was acquired by the Digital Rights Group in 2008. Consolidation has been fuelled by the rise of deficit funding, which suits larger distributors with sufficiently deep pockets to fund development, pick up third party product, maintain overseas offices in key territories, and take on the risk of deficits left by broadcasters (Broadcast 2015, 12). It has also been driven by shortages of internationally desirable content as more production companies are absorbed by broadcasters or 'superindies' (Broadcast 2012, 38). Smaller niche distributors with no production capability have fallen away in the

last ten years (Target Entertainment in 2012, Electric Sky in 2015) because according to Nadine Nohr at Shine International ‘they might have quite significantly overpaid’ advances to distribute some programmes and because they do not have ‘sufficient scale’ ‘to sustain the overhead required to be in the distribution business’ (2014).

[INSERT FIGURE 1]

Foreign ownership

Second mirroring changes in production, those at the top of the distribution industry are now increasingly foreign-owned.¹ By 2015 only four of the top ten distributors (BBC Worldwide, ITV Studios, Cineflix, Passion Distribution) were UK-owned, as established US media corporations, attracted by globally appealing programme assets and international expertise, moved in. NewsCorp acquired Shine in 2011; All3media was sold to Discovery and Liberty Global in 2014; Shine and Endemol merged in 2015 to form Endemol Shine Group. Even one of the UK’s most celebrated recent exports, the ITV costume drama *Downton Abbey*, is owned and distributed to 250 countries by US-owned NBC Universal, which acquired UK independent Carnival Films in 2008 (taking them out of *Broadcast’s* annual distributor analysis, which requires distributors to be UK-based). Rather than purchasing content and formats from UK companies, US players have increasingly sought to secure the creative pipeline and internationalise revenues by investing directly in UK production companies with distribution capacity (Chalaby 2015; Elwes 2015, 22-23), underscoring the economic and cultural interconnectedness of UK and US television industries in the joint pursuit of global markets, and ‘blurring the sharp distinctions between home-grown and imported product, and between the local and the global’ (Torre 2012, 179).

Growth in non-UK programming in Catalogues

It is also clear that UK content is increasingly less central to the success of UK distributors. In 2015 non-UK content accounted for most of the catalogues of five top ten distributors (Figure 1): Endemol Shine (80%), Fremantle Media International (60%), Cineflix (81%), Sky Vision (60%) and Content Media (60%) (Broadcast 2015, 8). Those with the most UK content included BBC Worldwide (94%) and All3Media (82%) (Ibid.), but not ITV Studios which has sought to internationalise its offerings through overseas acquisitions (Talpa, Twofour Group, Mammoth Screen, Leftfield Entertainment). For Nadine Nohr at Endemol Shine, there has been a clear shift, with distributors becoming more open to non-UK programming because of a more competitive market in acquisitions:

There's been increased globalisation, which sounds bizarre, as it's a global business anyway. But whereas previously it was very much dominated by US product with UK product being very strong. Now what we've seen is that arguably good IP can come from anywhere. So you have huge success stories coming out of Israel, France, Turkey, Korea. We as a business have to have our ears and eyes open to interesting content coming from any possible country.

(2015)

The shift towards distributing non-UK content has also been driven by shortages of first-run originated UK drama (excluding soaps), which is largely commissioned by PSBs² and drives sales. Yet between 2008 and 2014 hours of first-run UK originated drama declined forty-one percent to 371 hours, with broadcaster investment declining by forty-four percent to £278m (Ofcom 2015, 9). The increasingly large deficits on UK drama have put some high-budget dramas out of the reach of all but the most well

resourced distribution operations. The use of overseas content, including subtitled drama from Denmark, Sweden and other non-English speaking territories, protects distributors from a UK commissioning drought, and reflects the growing internationalisation of the UK industry where US formatted versions of UK dramas such as *Broadchurch* (Endemol Shine) are marketed alongside the UK series (Nohr 2015; Pedersen 2014).

Destination and Type of UK sales

Chalaby (2015, 468) notes how programme sales, TV formats, transnational channels and the emergence of SVOD appear to reinforce the ‘cosmopolitan nature of the new media order’. However, he also argues that this underestimates the power and ‘embeddedness’ of ‘capitalist power structures’ in international trade, which replicate older asymmetrical trade patterns, that are shaped by territorial affiliations and the widely different attributes of national media ecologies (p. 476). The persistence of particular trade patterns remains particularly relevant to UK distribution.

[INSERT FIGURES 2 AND 3]

Export statistics collected by PACT (Figures 2 and 3) confirm these continuities, although they do not enumerate multi-territory deals. Observing UK performance between 2006 and 2015, it is remarkable how little has changed in the geographical spread of sales, confirming the persistence of older trade patterns. In 2014/15 thirty-four percent of the UK’s export revenues originated in the US, slightly lower than the thirty-six percent share in 2006 (Figure 2). Fifty-two percent came from English-speaking territories (US, Canada, Australia, New Zealand, South Africa), compared to 50 percent in 2006. A further twenty-seven percent of sales originated in Western

Europe in 2014/15, from countries with geographical and institutional proximity in the form of public service broadcasting (Nordic countries, Benelux, Germany, France), slightly lower than the twenty-nine percent generated in 2005/06. In fact US revenues may even be underestimated by PACT as production income from US versions of UK formats does not necessarily flow through distribution arms, because US rights are retained by the producer (Pedersen, 2014).

The US still matters because it is large, wealthy and according to one distributor ‘ten times bigger than even a core European market’ (BBC Worldwide, 2015). Trade with the US has long been historically important (Miller 2000; Author 2004; Tunstall 1999), based on commonalities of language, culture and television heritage. In the past that relationship was arguably more important for the UK, and UK programming invariably circulated on the peripheries of US television, on public channel, Public Broadcasting Service (PBS) and lower ranking cable channels (Author 2004, 144). What changed is that the US became more open to overseas content, because of cost pressures and competition from overseas format specialists both at home and abroad (Torre 2012), and this US connection has been reinforced by US ownership of UK-based companies.

Other markets matter less. PACT (2015) has been targeting emerging markets in Asia (primarily China) and Latin America (primarily Brazil) as part of its ABACUS strategy to double exports by 2020 (McCarthy Simpson, 2014). Yet while growth reached double digits in recent years, sales from China amounted to only 1.3 percent of revenues in 2014/15 and 3 percent for the whole of Latin America (Figure 2). All distributors confirmed that opportunities have grown in China, particularly in formats, but the cultural and political barriers that were evident in 2003 (Pedersen 2014; Nohr,

2015; McCarthy Simpson, 2014; Author 2004, 198) remain, with state regulator, SARFT, applying pre-screenings and quota restrictions to overseas content on commercial satellite channels and increasingly to online platforms (Dickens 2014).

Where there has been significant change is in type of sales. Sales of finished television programmes rose from fifty to fifty-seven percent between 2006 and 2015, suggesting a buoyant market, but less of these now originate in North America (Figure 3). Growth in North America has been driven in two new areas: new commissions and digital rights, with US revenues from formats and co-productions declining (Figure 3). In 2014/15 new commissions at £142m represented almost twelve percent of UK sales and eighty-five percent of these originated in North America. For Dawn McCarthy Simpson, Director of International Development at Pact, this represents ‘the most exciting figure’ ‘because it means we don’t have to rely on a commission in the UK to then sell it’ in a UK market where ‘domestic money is flat and declining’ (2014).

Digital Rights

By 2015 half of all distributors surveyed by *Broadcast* were claiming to earn at least ten percent of their revenues from digital rights including sales to Netflix and Amazon, with the BBC (26%) and Content Media (30%) claiming considerably more (Broadcast 2015, 14). By 2014/15 PACT data was showing that digital revenues accounted for twelve percent (£145m) of exports, a 1300 percent increase since 2010 (Figure 3), although this may be underreported as distributors do not necessarily split out digital sales to broadcasters (McCarthy Simpson 2014)

For distributors SVoD has been a welcome addition, providing an opportunity to sell 'ninety percent of the catalogue that the terrestrials aren't [buying]' (Pedersen 2014) and involving 'substantial' syndication deals (BBC Worldwide 2015). They perceive SVOD as 'just another channel' in much the same way as cable and satellite television in the 1980s and 1990s, because the new players need content that is 'very unique and fresh' (BBC Worldwide 2015). Distributors spoke about SVOD as 'a new buyer of shows, a new place to go, a really helpful addition to the market rather than a threat' (Pedersen 2014). They saw their role as providing a service in a market where 'all the syndicators need a lot of content and most of that content is still locked with the big TV broadcasters' (BBC Worldwide, 2015). For Louise Pedersen at All3Media SVOD provided welcome competition and 'a new chance for a British production company to find a new buyer, because wherever you are in Denmark, France or wherever, there have only ever been six buyers of big drama, and now you have seven, eight and nine and that is a good thing' (2014). For others Netflix provided some protection against piracy, 'because people will still pay if they can get it quick and immediately' (Anonymous 2014a)

However, one UK distributor warned that there are few local VOD operators with the scale to challenge Netflix and these 'are not paying a lot of money' (Anonymous 2014b). Another noted that 'there isn't another global player alongside them [Netflix]' (Pedersen 2015). There is evidence that as Netflix finds out more from viewing data about how its customers really engage with acquisitions, it is adjusting its buying strategies. In the more mature US market it has become more selective, scaling back its film and TV offerings by thirty-two percent between January 2014 and March 2016 (Lovely, 2016).

The true test of SVOD, however, will be the extent to which players like Netflix consistently commission original content in markets other than the US. In spite of high profile Netflix investments in US shows such as *House of Cards*, investment in original content outside the US remains limited (Blázquez et al 2015, 13-15). In an overview of original drama commissions by OTT players since 2013, just one production, *The Crown* (2016) had been commissioned from the UK, and only two out of twenty-six commissions were originated outside of North America (Mediathique 2015, 29). Moreover unlike commissions from free-to-air UK broadcasters where producers retain rights, Netflix is usually insisting on all secondary and international rights, effectively turning independents into producers for hire, who will not have access to the later revenues that accrue from a more traditional distribution model (Bulkley 2015).

Drama as a Driver of Sales

The emergence of SVOD, consolidation, the growth of overseas ownership and decreasing dependency on UK content by some distributors have an impact on relationships with UK broadcasters, who are still responsible for commissioning the bulk of UK originations, including drama which drives sales. Growing deficits on drama have meant that UK distributors have become ‘as much financiers as sales people’, helping to bridge deficits of between 20-30 percent on UK drama and assuming ‘significantly greater’ risk than in previous years. (Nohr 2015). A BBC Worldwide representative concurred, that on large scale drama and documentaries ‘it’s not just a passive distribution business anymore; you have to co-finance or the money is not enough’ (BBC Worldwide 2015).

However there are tensions between the national orientations of commissioning UK broadcasters, who need to engage national audiences (dictated by regulatory frameworks and in the case of the BBC, by public funding) and the global aspirations of independent producers and distributors. According to BBC Director-General, Tony Hall, the UK's export successes have not come about by accident, but because of 'this country's vision and foresight in establishing institutions like the BBC' (2015). This is a sentiment shared by Channel 4 Chief Executive, David Abraham, who in his 2014 McTaggart Lecture, reminded his audience that 'the flowering of UK companies' internationally was made possible 'by enlightened politicians and regulators backed by huge public support' (2014). The point being made is that many of the UK's export successes come out of a *national* system shaped by *national* regulatory interventions, backed up by substantial public investment through the BBC licence fee, a funding system which has come under extreme pressure in recent settlements with the government in 2010 and 2015. Distributors confirm the tightening financial situation from all sides,

Everyone's under pressure and paying less, because the market's fragmented, because the eyeballs can go to so many different screens, that each individual screen gets less. . . .Public service broadcasting is getting less; the pay TV platforms are losing out to Netflix, particularly in the US, but less so in other territories . . . but platforms like Netflix don't pay that much and it's very difficult to monetize [YouTube] because...you get very little per viewer, so you need huge numbers of viewers to get any [advertising] revenues... And the new players haven't got to the point where they're established enough to really feed money into content. (Anonymous 2014b)

The national orientation of policy-making and public service broadcasting with its obligations to a national public sit uneasily next to the international strategies of some producer-distributors, who are increasingly less aligned to the UK as they distribute more non-UK product, produce overseas, and succumb to overseas or US ownership. In his McTaggart lecture, Abraham raised concerns about the impact that US investment might have on creative risk-taking and the diversity of UK production and broadcasting, by reshaping the UK industry and altering 'where decisions get made and by whom'. In the wake of Viacom's takeover of commercial channel Five in 2014 and a possible US-led acquisition of ITV, he speculated about accountability towards British audiences of these 'new global gated communities' who operate across 'technical and geographical boundaries'.

These tensions around exclusivity and the first broadcast window are beginning to become apparent as Netflix moves to secure high profile content in the UK marketplace. For example, negotiations between Channel 4 and Endemol Shine broke down in March 2016 over the third series of the Channel 4 drama *Black Mirror*, when Endemol Shine granted the UK premiere to Netflix for a reputed fee of \$40m for a longer order and increased budget - although Channel Four had commissioned and built audiences for the first series (Gannagé-Stewart 2016, 7).

Within this increasingly volatile environment, drama continues to drive the sales of the larger companies, with smaller companies concentrating on less risky factual content, factual entertainment or factual formats, which do not require large gap financing (Figure 1).

According to distributors, where there has been a palpable shift in recent years is in the type of drama prized by buyers. Britain long had a reputation as a purveyor of

public service imbued costume dramas (*Downton Abbey*) and crime thrillers (*Midsomer Murders*) that are ‘skewed in various ways towards the maintenance and reproduction of a literary and cultural heritage’ (O’Regan 2000, 304). Other successes include *Sherlock*, which is ‘deeply British’ at one level, but also ‘translates worldwide’ (BBC Worldwide 2014). These always worked fairly well in English-speaking markets with public service broadcasters in Australia and New Zealand, or on marginal low-rating channels in the US such as PBS and cable (Author 2004; Tunstall 1999), which had flexibility to risk shorter runs and more serialized storytelling (Lotz 2014, 103). In 1999 UK policy-makers felt that the UK was seriously underperforming as an exporter of drama, which was deemed ‘too dark; too slow; unattractive; too gritty or socio-political’ (DCMS 1999, 24) with ‘distasteful characters’, ‘storylines’ and downmarket lifestyles (ibid. 25). This was material that was also deemed difficult to sell because the UK broadcaster practice of commissioning short serialised runs did not suit US commercial schedules built around long-running hour and half hour series aimed at mass audiences.

However, in a VOD world where schedules are no longer important, short serialized runs with irregular length episodes that can be consumed at leisure or as ‘binge viewing’ have made UK drama more attractive. VOD buyers need distinctive programmes to entice subscribers and have taken risks with serial acquisitions from Scandinavia and the UK, because longer series, owned by US majors are simply not available in sufficient quality or quantity (Broadcast 2013, 14). What had once been viewed as a UK weakness is now recognised as a virtue by VOD buyers who are targeting multiple niche audiences rather than one mass audience. According to Nadine Nohr at Shine Endemol the shifts are driven by technology and changes in consumption:

We've seen a big trend in the massive drama resurgence again, partly as a result of technological advancement in the way that people consume content, and also linked to that, the arrival of some of these new platforms who want game changing and channel defining drama. (2015)

Expanding on this argument a clear connection is drawn between changes in consumption and the type of drama, which buyers think their audiences value *now*, including drama styles, which had once been deemed unfashionable:

It's changed significantly partly because of new platforms,The consumption lends itself to shorter form, heavily serialised drama, which traditionally British content has been. Therefore what previously might have been challenging is now what these guys want appetites have changed a lot. (Nohr 2015).

All distributors reported seeing a drama upsurge, but this was not simply due to expediency on the part of buyers or the appearance of SVOD. Distributors felt it was attributable to longer term changes in consumption because of viewers' prior engagement over an extended period of time with different types of programming from a variety of platforms including pay TV, niche channels, and now SVOD as well. Viewers, in their opinion, were more 'tolerant' than executives had realised, and according to Louise Pedersen at All3Media the shift away from long-running drama series to serialized fiction was not only visible in the US, but also in European markets where SVOD was not yet so widely available:

There's a question mark in my mind about whether that's because British producers are making more internationally appealing shows, or whether

audiences who have been watching more online or on digital channels have got more tolerant about what they will view. (Pedersen 2014)

In this appraisal SVOD may only be partially responsible for an apparent resurgence of drama in international markets, reflecting not only the cyclical nature of markets, but also shortages of content from commissioning broadcasters, which have forced distributors and buyers to look at other sources, thereby gradually altering audience expectations. According to Pedersen:

I think it's because they've [buyers] realised that audiences are more tolerant of sub-titled drama than they thought, because of Danish drama, because of Netflix, because of all those things. I think that sort of thing is happening in a lot of Europe, perhaps not yet in Italy, Spain..... Certainly in Northern Europe, France, Germany there is an acknowledgement, that drama can be produced with different parties. It doesn't just come from the US. I'm not overstating our position in relation to the US but there's definitely been a change. (Pedersen 2014)

Conclusion

For British-based distributors, international expansion by transnational SVOD providers Netflix and Amazon Prime is affecting the marketplace. However, even as distributors come to terms with these changes, the real drivers for UK exports at this point continue to be sales to national markets. The continuities in international distribution encompass:

- a) The continued importance of territoriality *for now* in determining pricing and patterns of trade, although this is under pressure from transnational SVOD players who are disrupting sequential windowing and seeking global deals.
- b) The continued importance of national television rather than global online providers for investment in local content in spite of declines in commissioning levels because of falling or stagnating revenues.

Sitting in the 'space in between' production and consumption, UK distribution symbolises the complicated, asymmetrical nature of global trade. It continues to be largely dependent on the same English language export markets and intricately entwined with a production ecology where UK broadcasters, are still responsible for the majority of UK commissions. However, declining investment by UK broadcasters and growing deficits have made UK distributors look elsewhere for content.

The short-term consequences of SVOD for distributors have been a buoyant marketplace for UK exports, which echoes previous multichannel expansion. The longer-term consequences are difficult to gauge. Where SVOD may have more profound impact is if it manages to disrupt territoriality, which underpins rights and funding. Niche channels and now SVOD are having an impact on drama, challenging industry lore about what works and altering buyer expectations about what viewers want. In the past the UK's propensity for short serialized costume drama and crime thrillers relegated it to the margins of less valuable niche channels and off-peak slots. What SVOD has done is to elevate the marginal and niche to best business practice, because UK exporters can now sell to multiple niche providers in some markets (notably the US). What has yet to fully materialise is the extent to which taste-based algorithms and search-driven recommendations, will impact commissions and

international sales in future, as commissioners and buyers become more knowledgeable about the viewing history and ‘engagement’ of their audiences, using it to negotiate pricing, investment in new productions as well as guiding editorial decisions. These are the unknowns in what is clearly a transitional phase for the production, distribution and consumption of television, and in which battles for funding and rights are likely to become ever more prominent.

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¹ By 2015 US-controlled UK independents accounted for 44 percent of UK independent sector revenues, compared to 42 percent by UK-owned companies (Elwes 2015, 23).

² Multichannel commercial broadcasters spent only £345m on first run UK originations in 2014 excluding sport (Ofcom 2014, 26)