

## Chapter 9

# Key Disruptions in the Global and TV Industry

### ABSTRACT

*This chapter explains how the movie industry has to face new challenges closely related to globalization, technology innovation (digitization), industrial convergence, and new consumer demand since the end of the 1990s. Market has evolved towards an oligopolistic structure, and technology changes are affecting both content production and distribution. Consequently, this sector has been confronted by major changes in its sources of revenues. Traditional media groups have to adapt their services to changing consumer expectations for more on-demand content and face new competitors. New operators offer Over-The-Top (OTT) services, which increase regularly. This chapter looks at causes of change and the impact on value chains and illustrates the increasing role of the Internet in the distribution of audiovisual content (for both IPTV and OTT audiovisual services).*

### INTRODUCTION

As movies, broadcasting and video are closely inter-related, this chapter plans to address the challenges facing these media industries in transition.

The movies and broadcasting industry is still an integral part of popular culture. Cinema is a worldwide business but it is essentially run from Hollywood. The size of the US market (in terms of cinema, TV and video penetration rate) and the central role of the American studios have played

a central role in the film industry and more generally in entertainment activities by establishing different barriers to new entrants.

Release windows and territorial rights have been two major mechanisms set up to control the distribution and to avoid a destructive competition among media. But since the end of the 1990s, the movies industry has to face new challenges closely related to globalization, technology innovation (digitization), industrial convergence and new consumer demand. Market has evolved towards an

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oligopolistic structure and technology changes are affecting both content production and distribution. Consequently, this sector has been confronted by major changes in its sources of revenues.

The TV industry is undergoing similar structural changes due both to endogenous and to extraneous factors. The development of new and complementary audiovisual supports and delivery systems (smartphones, tablets, laptop computer, video games consoles etc.) and the blurring of the boundaries between TV and video are just a few of these factors. Traditional media groups have to adapt their services to changing consumer expectations for more on-demand content and face new competitors. New operators offer over-the-top (OTT) services which increase regularly. OTT operators (like Netflix and Hulu) serve content over the Internet to a variety of devices and bypass the systems of traditional broadcasters. The increasingly fragmented audience requires new business models. Subscription and rental models, rather than ownership models, will continue to be the dominant consumer preference.

This chapter is divided in three parts. Recent market trends are presented and discussed in section 1. Market figures from different sources are presented to give an overview about expected perspectives.

Section 2 looks at causes of change and the impact on value chains. Section 3 illustrates the increasing role of the Internet in the distribution of audiovisual content (for both IPTV and OTT audiovisual services).

## **THE FILM AND TV SECTOR: MARKET TRENDS AND DYNAMICS**

### **Market Segmentation**

The global market can be divided into several different segments based on the fundamental and traditional split between audiovisual services and consumer electronics equipment.

### **Audiovisual Services**

Cinema films, television (and radio) broadcasting and “home videos” (in-home includes both electronic and physical home video of films).

The movie box office segment is valued as the revenues received by box offices from total annual admissions.

Broadcasting revenues comprise generally public funds (licence fees), advertising revenue and subscriptions. The figure for public funding depends partly on financial decisions on funding in each country and on the extent of the activities of public sector broadcasting organizations. The level of public funding of television broadcasting (per household) has stabilized declining in most countries in the 1990s. Differences between countries in advertising revenue are due not only to dissimilarities in their size, but also to the differences in regulations concerning the amount of advertising time permitted in television broadcasts. Funding policies for publicly-owned television stations are also another factor.

Revenues generated from cable TV, satellite TV, Internet Protocol Television (IPTV) and the paid element of Digital Terrestrial Television (DTT) have to be taken into account. Subscriptions are generally related to all fees paid including video-on-demand (VOD) and pay-per-view (PPV) accessed through cable operators, satellite providers, telephone companies and other multichannel distributors (see chapter 6). Television programming delivered over the Internet (including OTT services such as Netflix) is generally incorporated in the filmed Entertainment segment. The digitization of content and the subsequent opening up of new distribution channels will lead to further business models (see part 3).

### **Consumer Electronics Equipment**

Television sets, and the home video segment covers mainly sales of Blu-Ray recorders and DVDs players. According to ITU (2013) data,

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