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Television Distribution: Economic Dimensions, Emerging Policies

Tom Evens, Karen Donders

The television industry has undergone a radical transformation following policy and technological developments since the late 1990s. Whereas deregulation broke the traditional cable and telecom monopolies, digitisation created a window of opportunities for innovative television services (like IPTV) and disruptive business models (like SVOD). Distribution has always been a key dimension of the content industries, being part of the supply chain determining access to the audience (Croteau and Hoynes, 2006). However, distribution platforms, both incumbent and emerging, are now manoeuvring themselves in the heart of the market, controlling access and bundling programming to consumers that are locked in via quadruple play strategies (television, Internet, telephony, mobile). This gatekeeping position may impact on the power structures within national audiovisual ecosystems. Undoubtedly, the spectacular growth of worldwide over-the-top (OTT) streaming services including Netflix, Hulu and YouTube, as well as the enduring popularity of illegal platforms such as Popcorn Time and BitTorrent further challenge existing industry structures and established regulatory approaches, both at the national and supranational level (Donders et al., 2013).

The debate of power shifts in television raises a series of questions, and is largely rooted within the political economy of television distribution. Political economy centres on ‘the study of social relations, and particularly power relations that mutually constitute the production, distribution and consumption of resources’ within the media industries (Mosco, 2009, p. 24). Hence, political economists of communication take it as axiomatic that media commodities are studied in relation to the broader social, economic and political context in which they are produced, distributed and consumed (Winseck, 2011, p. 11). In recent years, numerous authors have addressed the dynamics of institutional reform in the television industry, acknowledging that industrial processes, both of change and resistance, support entrenched structures of power. Lotz (2007, p. 4), for example, notes that periods of industrial, technological and cultural shifts create great instability in the relationships between producers, distributors and consumers, and that altered institutional norms ultimately lead to redefining the medium and the business of television. Hence, new intermediaries including YouTube and Netflix may claim, and occupy, a more prominent position in the industry.

Recent contributions from Cunningham and Silver (2013) and Strangelove (2015) highlight that the arrival of the post-television era, marked by extreme fragmentation in distribution, is radically reshaping the way television content is being distributed and consumed, and destroying the current outmoded business models. No doubt the impact of digital platforms will be substantial (e.g., Gimpel, 2015), but this does not automatically mean the television industry will lead up to the inevitable apocalypse (Tay and Turner, 2010). Leading distribution platforms – cable and satellite – tend to show high levels of corporate flexibility, and seek to retain control over the highly volatile environment. Williams (2003) notes that existing institutions sustain prevailing power structures and social relations, and prevent new technology and market entrants from disrupting the powers that be. With broadband becoming, more than likely, the main avenue for distributing digital video, incumbent distributors have transformed technological bottlenecks into commercial chokepoints due to monopolistic control. Sherman et al. (2014) provide an interesting account on the doubtful

sustainability of digital video platforms in relation to increasingly efficient incumbents – economic success of OTT platforms is not guaranteed.

The relevance of television distribution is not only of an economic nature, but extends to the social and cultural, affecting content diversity and cultural citizenship. As the value of content depends crucially on its distribution and the value of distribution depends on the programming it carries, content and infrastructure are highly interconnected (Donders and Evens, 2014, p. 94). The role and importance of infrastructure and distribution systems in television markets has been slightly addressed in media and communications literature (e.g., Michalis, 2014), but remains largely undervalued in scholarly research. In particular communications policy research has had a rather ‘narrow focus on mass media with a concurrent neglect of telecommunications’, as Just and Puppis (2012, p. 14) argue. Given the technicality of distribution, it has often been the playground of informatics whereas media and communications scholars overemphasised on the production and consumption of information and entertainment commodities. However, a bunch of recent contributions has accelerated renewed scholarly attention to television distribution, and especially its relationship with television broadcasting, as a focus of academic research (a.o. Curtin et al., 2014; Evens, 2013; Evens and Donders, 2013; Holt and Sanson, 2013; Waterman and Choi, 2011; Waterman and Han, 2010).

The main goal of this special issue, entitled ‘*Television Distribution: Economic Dimensions, Emerging Policies*’, is therefore to trigger more scholarly research on the issue of television distribution. The special issue brings together high-level academic contributions that reflect on the evolving configurations of power and control in distribution markets, both from a theoretical and empirical angle, in specific national or supranational contexts around the world. It takes a critical account on the changing political economy of television distribution, and zooms in on the emerging policy debates about the economic centrality of gatekeepers in contemporary television industries (see Waterman and Han, 2010 for empirical evidence). A few contributions in this special issue centre on how incumbent distributors are using control strategies (mergers and acquisitions, copyright and windowing) in order to maintain power, and how they are helped by regulations to preserve market structures. Furthermore, the role of content production and packaging in an area of platform proliferation is critically assessed in two other papers. Finally, evolving audience behaviour towards online and mobile services is not only putting pressure on the performance of traditional video platforms, but also challenges policymakers in how to regulate the converging ecosystem in a more effective manner.

- The seismic change in the television industry, in which boundaries between actors are blurring, has caused numerous conflicts between television broadcasters and distributors, among others about retransmission fees, original productions and rights windows. As the convergence between programming and distribution markets is likely to increase, more tensions in the ecosystem are expected. In the first paper, Paul Smith and Maria Michalis analyse the growing commercial and regulatory significance of broadcaster-distributor relations within the contemporary television industry. They focus on two case studies concerning the retransmission fees between public service broadcasters and pay-TV platform Sky on the one hand and on the regulation of sports rights in the UK pay-TV market on the other hand. Both cases highlight the impact of regulatory intervention on power balances between television broadcasters and distributors, and argue for increased regulatory oversight over distribution matters.

- A favourable regulatory environment lifting cross-media ownership has fostered the further convergence television producers, broadcasters and distributors. In their paper, Tom Evens and Karen Donders scrutinize the drivers behind merger and acquisition activity, both horizontal and vertical, within and across the industry, and discuss the implications for policymakers. The authors contend that while European competition policy has had difficulties to regulate anticompetitive effects resulting from the combination of horizontal and vertical mergers and acquisitions, industrial and media-specific policies related to the consolidation of the television industry are virtually absent from national and European agendas. Moreover, they claim that merger control is not only a matter of competition policy, but regulatory intervention needs to preserve fair competition, induce European leadership and ensure media pluralism. Hence, they call for a more integrated policy approach instead of the current fragmented treatment of consolidation in the television broadcasting and distribution industries.
- Whereas (public) broadcasters have been the main commissioner of original programming for years, the increased competition between distribution platforms, including SVOD platforms, has induced distributors to create competitive advantage and invest heavily in original programming. At the same time investments in domestic content from television distributors and pay-TV operators still remain fairly modest in comparison with investments made by free-to-air public and private broadcasters. Moreover, in several Member States, including Belgium and France, there are discussions on an effective implementation of policies obliging distributors of television services to contribute to domestic production. The latter not only generates economic effects for the local production industry, but also promotes national identity and diversity in the globalised media space. Robert Picard, Charles Davies and Sora Park provide a comparative analysis of domestic content policies in four countries (Australia, Canada, Ireland and South Korea), and conclude that these policies have become ineffective in ensuring domestic, high-quality productions. Instead of protecting domestic producers and broadcasters, they plea for policy incentives, including subsidies and taxation instruments, so that foreign distributors and OTT platforms can be induced to support domestic production so as to establish a balance domestic and foreign content.
- The spectacular growth of high-speed connectivity, and the massive adoption of mobile devices, have put the Internet in a comfortable position as the television distribution mode for the future. Hence, the popularity of streaming platforms triggers questions about the future of television packaging and distribution, and challenges the concept of a 'broadcast channel'. In her paper Gillian Doyle provides an in-depth examination of how broadcasters' strategies for packaging and distributing content are being re-considered in response to newly emerging patterns of audience behaviour and demand. Drawing on the experience of BBC Three, which announced that it would cease a channel and revive as an online-only service (an announcement that was followed by fierce criticism, resulting in the BBC Trust putting the initiative on hold during a more thorough review of the plans), she found that channels will remain important for the foreseeable future. Doyle provides a compelling case for an integrated digital multiplatform distribution strategy in which broadcasters develop innovative distribution formats alongside conventional channels.
- Despite the proliferation of new distribution platforms and euphoric sounds about the disruptive potential of new players, incumbent operators are eager to defend their position, possibly helped by rigid regulatory frameworks and corporate lobbying. Brett Hutchins uses

the concept of ‘path dependency’ to discuss the oppression of mobile media innovation in Australia, and the cloud-based mobile television service ‘TV Now’ in particular. The case study is a compelling illustration of how incumbent operator Telstra has used its market power, helped by the copyright framework, to foreclose new market segments, protect the value of sports rights contracts and eventually discourage innovation by its main competitor Optus. In this respect, Hutchins points at the inevitable discrepancy between the volatility in the age of digital and mobile media, and the resilience of market structures and institutional processes.

- The arrival of new-media platforms, and streaming video services in particular, has raised questions about their cannibalisation effect on existing pay-TV services. The discussion about the threat of cord-cutting is on for many years, especially in the United States, still little evidence rules in favour of a full substitution of traditional pay-TV systems by OTT platforms. Literature tends to suggest that the impact of cord-cutting heavily relies on multiple factors, and heavily differs across countries. Using the concept of ‘niche theory’, Seongcheol Kim, Junghwan Kim and Changi Nam explain the competitive dynamics in the South Korean video platform market, in particular between traditional pay-TV and OTT services, and measure the substitutability of both service categories – both in terms of gratification and time spent. The authors found that pay-TV and OTT are highly complementary, and that overlap between both platforms are low in the South Korean market.
- Finally, regulatory agencies are seriously challenged to adapt governance models so as to keep up with the enduring pace of emerging new-media innovations. Since digital technology breaks down traditional walls between different types of media, with the Internet acting as the backbone of the media and communications industry, there is an increasing support for a platform-neutral regulatory approach. In the final paper of our special issue, Trisha Lin and Chanansara Oranop examine the regulatory approach for multi-screen services and suggest to regulate audiovisual media based on two criteria of content classifications, i.e. socio-cultural impact and content production/aggregation model. The approach recommends that pay-TV operators broadcasting videos via a gatekeeping mechanism should be regulated strictly in content and licensing whereas the light-touch approach should be imposed on nascent TV-like services that are based on a participatory content model with less socio-technical impact.

The geographical dispersion of paper submissions for this special issue suggests that the changing political economy of television distribution as a research topic is interesting for the global research community. This is not surprising since global video platforms are challenging local television industries and question the need for regulatory intervention at the national or even regional level. The special issue includes contributions focusing on Australia, Canada, South Korea, Thailand and several countries in Europe; only the interesting case of the United States is missing to provide a genuine global perspective. In total, this special issue includes seven papers addressing multiple aspects of television distribution and using a diversity of methods. The diversity is especially apparent in the topics investigated, providing a well-balanced structure between the economic and management implications of the rapidly evolving distribution landscape, and the challenges these developments pose for policymakers and regulatory agencies. Hence, the special issue provides a nice snapshot of the richness of academic research related to power shifts in television distribution, and offers a sound empirical basis for possible policy intervention.

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