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Channels 2016

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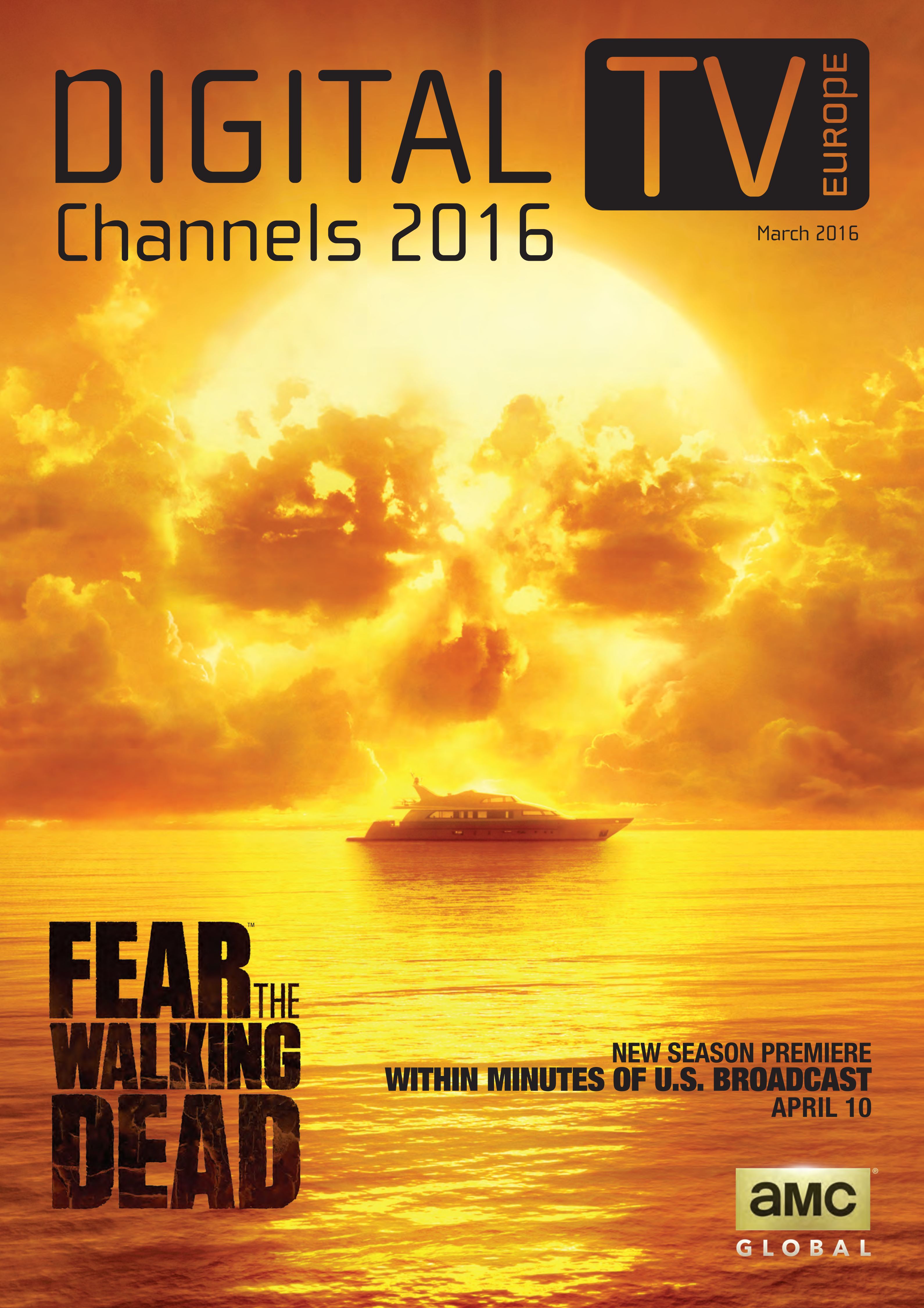

Changing channels

The channels business is changing, but there is little agreement about how quickly. For all the buzz around on-demand consumption, millennial multitasking and the use of multiple screens to view content, there has been little sign of TV viewing going into decline. Most TV viewing remains of live linear channels run according to a pre-set schedule.

For all the strength of the linear channel, viewing habits are shifting, however, and the pace of change could accelerate as millennials pass into adulthood and a new generation follows in its path.

In this special MIP TV issue of *Digital TV Europe*, we look at how content providers are rising to the challenge of changing consumption patterns. We look first at the ways in which pay TV channel providers are experimenting with their own direct-to-consumer OTT services to complement their traditional channel businesses, and the risks and opportunities associated with moves to bypass traditional distributors.

Much of the debate around direct-to-consumer moves has been framed by the impact of Netflix on the pay TV business. In this issue we also look at now alternative movie content players are attempting to carve out a niche to offer OTT services that complement Netflix or Amazon's broader offerings.

Finally in this special issue of *Digital TV Europe*, we look at the evolution of the multichannel network and growth of digital brands – assessing moves by MCNs to develop their own distinct content propositions, carving out a more substantial place for themselves as channels for the digital age.

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Contents

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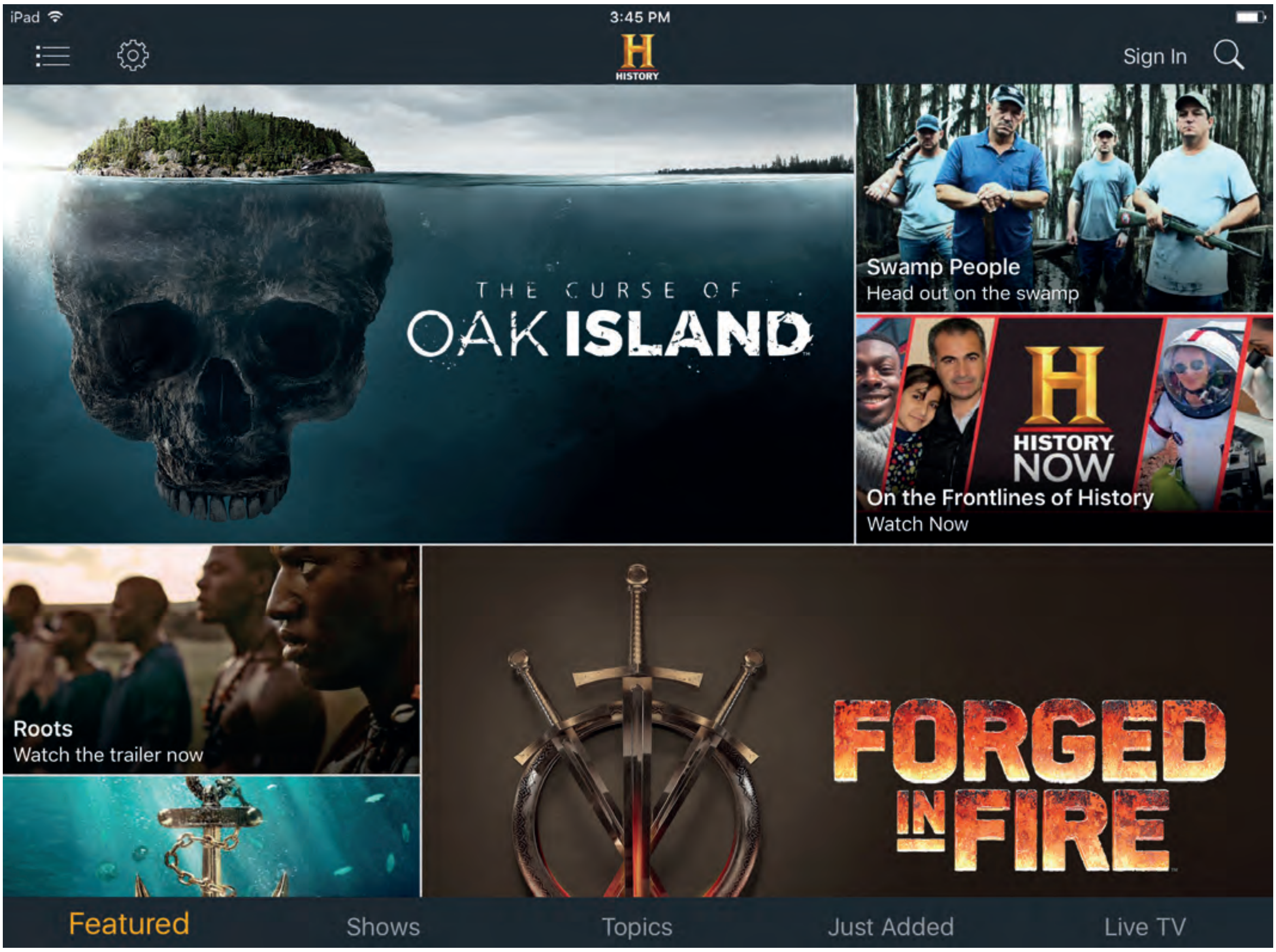


The direct approach

Faced with growing demand for content to be available on multiple devices and in different formats, pay TV channel providers are increasingly looking at direct-to-consumer digital distribution. Most, however, remain wary of destabilising their existing businesses. Stuart Thomson reports.

Pay TV channel providers, keen not to break a model that works, have until recently viewed digital distribution warily. Content companies know the value of established relationships with pay TV distribution partners such as cable, IPTV and DTH providers and the affiliate carriage fee model has served them very well.

For this reason, digital distribution initiatives on the part of channel providers have typically dovetailed with the strategies of their distribution partners. This has meant – in the US context – TV everywhere, or making content available on multiple screens, but only to 'authenticated' pay TV subscribers. In Europe too, pay TV operators have developed their own multiscreen, catch-up and on-demand services and channel provider partners have supplied the necessary content rights.

There are, however, signs that the ground is beginning to shift. While content providers remain keen that pay TV partnerships continue to deliver a strong, predictable revenue stream, some perceive that viewing among the younger generation may rapidly begin to shift away from big bundle pay TV offerings. They also believe that digital distribution could offer an additional revenue stream that will not necessarily cannibalise the existing business.

At the heart of this is the question of whether or not to go direct to the consumer, bypassing the traditional distribution partnership. In many cases, of course, international

A+E plans to follow up its Lifetime Movie Club services with a similar History offering.

channel providers have been going direct to the consumer for years, offering free-to-air linear channels in addition to their core pay TV offerings to build an advertising funded business to complement distribution fees. But launching an OTT service, perhaps with the kind of functionality that pay TV operators increasingly see as a way to differentiate their own services, is a bigger step.

Integrated approach

Big channel groups are in any case certainly looking at digital distribution as a core part of their overall strategic focus. Companies that have targeted the OTT space include premium content providers such as HBO, with its HBO Now service, and factual giant Discovery, which recently said it was on track to hit a million OTT subscribers by 2017 through services such as DPlay and Eurosport Play. NBCUniversal, meanwhile, recently launched reality-themed SVoD service hayu in the US, UK and Australia.

A+E Networks, for its part, recently combined its international and digital activities in a single structure under Sean Cohan, now president, international and digital media.

While conceding that the combination of international and digital "may seem unconventional", Cohan argues that both businesses share many key characteristics. Digital, he says, now has an impact on everything and digital distribution is global, making traditional territory-specific distribution less relevant. He says that digital initiatives provide lessons that can be transferred from the US to A+E's international businesses and vice versa. "You do need local knowledge, but because of scale and the need to innovate, internationalising [digital] makes sense," he says. "We want to take what we have done in the US and leverage that internationally."

According to Cohan, A+E's experience in developing an international business is directly relevant to building a global digital business. "A lot of the last decade for us and other US players was spent integrating 'international' into everything we do across the company, making it feel like a global entity. That is what we need to do in digital. It is all about integrating 'digital' into everything we do," he says.

Furthermore, says Cohan, international and digital development are the two areas where A+E – like other media companies – has the greatest opportunity to grow. Cohan says that while the environment is becoming more challenging in some areas, there is still growth to be had in linear channel distribution and in advertising sales, and there are still markets where A+E will also launch free-to-air channels.

In the digital domain, however, A+E is looking at direct-to-consumer initiatives to complement its partnerships with pay TV distributors. In the US the broadcaster has launched Lifetime Movie Club, which Cohan describes as "a complementary niche product for TV move fans". Based on its success with Lifetime Movie Club, A+E is now moving ahead with plans to launch a similar product around its flagship History channel called History Vault. "This is a complementary niche offering for real history junkies that they will take in addition to our linear channel," he says.

Cohan says that both Lifetime Movie Club and History Vault will be launched outside the US "in a handful of markets where it makes sense". He is clear, however, that these offerings

"These apps and direct-to-consumer initiatives are not substitutes for the channel. They are about digging deeper into these curated categories."

Sean Cohan, A+E Networks

are "not a substitute for linear channels but a complement". A+E does not wish to cannibalise its existing linear channel business and does not see digital offerings of the kind it is building as a threat to its traditional channel distribution model.

"These apps and direct-to-consumer initiatives are not substitutes for the channel," he says. "They are about digging deeper into these curated categories."

Cohan says that the digital services could be offered in partnership with pay TV distributors as part of their app store as well as through a pure OTT offering. He sees advantages and disadvantages in both approaches. "If you do it yourself, you get more data and own the direct relationship. If you do it with partners you get benefits from scale and visibility."

Cohan says that the return on investing in digital platforms will be through a mix of things. Audience data will have, he says, "tremendous marketing value". Digital distribution can provide incremental advertising revenue. Subscription revenues from OTT services can provide an incremental revenue stream. At the same time, the digital services will enhance engagement with the audience and bring people back to the linear channel.

"For me it about all three – learning, direct revenue and indirect revenue." Cohan says that there are other, less immediately tangible benefits to investing in digital. One is the ability of channel groups to use digital platforms to bring on new talent. "You can incubate talent and intellectual property and content in a low-cost way. It's less costly to produce something than would otherwise be the case, and there is a creative opportunity and a financial benefit from that," he says, adding that A+E has been developing content and talent on digital platforms in a "below the radar way" but that it plans to take a more strategic approach to this in the future.

Cohan says that A+E is well-placed to experiment with alternative models because it owns the rights to the bulk of the content it airs on its linear channels – particularly on the unscripted side. More recently, the company has looked to hold the same rights to its scripted content, enabling it to provide content on its own platforms globally.

Adding value

Dan Reich, senior vice-president, multi-platform product strategy and development at Viacom International Media Networks, like Cohan, believes that there is still mileage in traditional pay TV growth – especially outside the US, where pay TV penetration remains far below the level of the US in many territories. However, he also believes that this growth will go hand in hand with investment in digital.

"We are still optimistic that there will be traditional pay TV growth, but this will be augmented by digital growth," he says. Digital can involve tie-ups with existing distribution partners in an authenticated model or it can involve establishing new partnerships – for example with mobile operators, an area that Reich sees as having considerable potential.

The performance of Viacom, with its youth-focused channels, can be seen as a bellwether of change in video consumption patterns. In order to keep up with the pace of change, Viacom has undertaken both to commission content specifically for digital platforms, such as short-form content targeted at the Snapchat generation, and to launch a range of products that can be delivered globally. The company has developed Play Plex as a business-to-business umbrella platform to enable content to be made available on multiple services in partnership with pay TV operators, and it has also developed consumer-facing digital brands such as MTV Play and Comedy Central Play.

"We can let people customise these apps from a look-and-feel or content perspective. We are building things that area scalable across the whole world," he says, citing the example of kids-focused Nick Play, which is available both in Europe and Latin America.

Viacom has focused on rolling out non-linear services in partnership with pay TV distributors and Reich says that "these products add value to our affiliate partnerships", with pay TV operators benefiting from the ability to give additional value to viewers on top of the linear channel. He says this has a clear impact on carriage deal renewals for the linear channel.

Viacom recently launched MTV Play in

Nick Player is one of a number of digital services developed by Viacom.

Taking 4K UHD direct to the consumer

While major international channel providers naturally take a cautious view of migration to digital in general and direct-to-consumer in particular, smaller channel providers are sometimes more bullish about the pace of change and their own response to it. The development of new 4K services, providing a clear source of differentiation, has incentivised some players to extend their OTT offerings.

For European channel provider SPI International/FilmBox, reaching non-pay TV customers is a core part of its plan. In order to address this market, SPI recently launched FilmBox Live, an OTT SVoD service, and is now looking to make its growing 4K content library available as a standalone app.

"We are strongly committed to continue diversifying our business model and reach

Uziyel: platform will continue to distribute content, but business models will change.

millions of broadband subscribers who don't pay for TV. This is why we developed FilmBox Live, an over-the-top subscription video service that offers full access to our library and live TV channels. OTT distribution plays a major role for us now and it will most likely do so in the future as we come up with new apps and services," says Berk Uziyel, executive director. "After having launched the Funbox 4K UHD channel in summer 2015 we are now making available the biggest part of our 4K content library as a stand-alone OTT TV app. It will be a premium subscription-based service."

The company hired Munich-based agency Coeno to create a 4K UI for the service, and SPI has developed a technology solution to deliver 4K-quality pictures over the web with results that Uziyel describes as "visibly superior to HD" at bit-rates as low as 7Mbps.

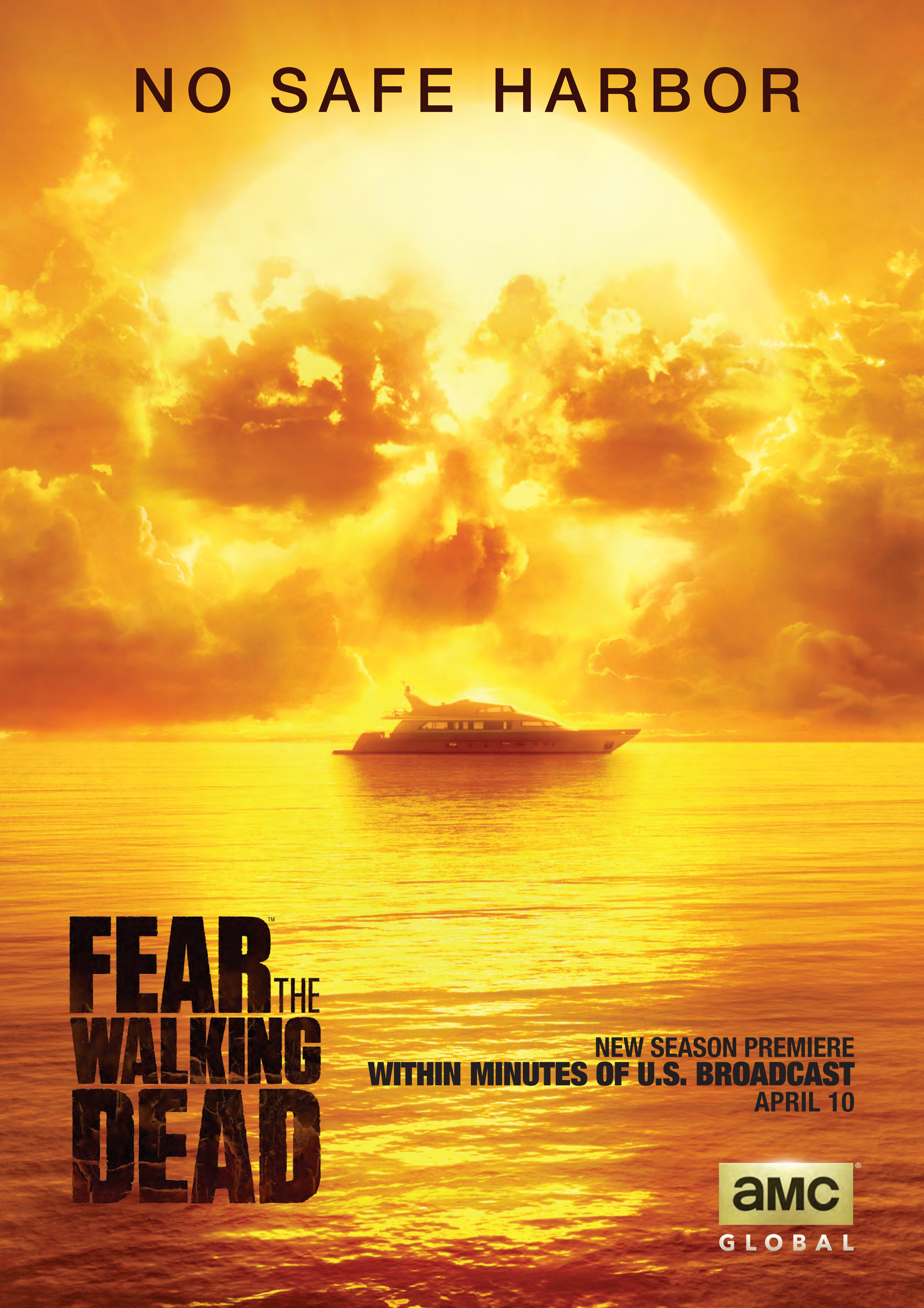
When it comes to making money from digital, however, SPI is looking to traditional pay TV relationships as well as to a non-traditional operators and OTT distribution. The company launched FilmBox Live in Poland in partnership with Orange, for example, with Orange subscribers able to access the content on the service without incurring data charges.

"There are a few options and business models to consider. In many cases we bundle the subscription to our service with an operator's pay TV offer. Very often access to FilmBox Live is complimentary to those who subscribe to the FilmBox Premium channel package," says Uziyel. "We also welcome a pure OTT model. We are achieving this by working directly with OTT operators but also with manufacturers of set-top boxes like Netgem or Sagem where our app comes with the box itself as a pre-installed application." Uziyel says he believes that "platforms will keep on being distributors of content" but that business models will change, with operators looking for example to an app store model alongside linear carriage deals.

Also looking to a direct-to-consumer model - in this case specifically for 4K - is Blue Skye Entertainment with its Love Nature SVoD service, part of a co-venture with the Smithsonian Institute in the US.

"We see direct-to-consumer as a natural reflection of how people are consuming content today. The likes of Netflix and HBO Now have beaten the path and show consumers are happy to pay for great content - especially high quality, exclusive content. At Love Nature, we know that stunning nature documentaries have a global appeal and we want to give our audiences a front row seat to the wonders and perils of our natural world," says Jo Parkinson, Love Nature's managing director. Parkinson says that forming partnerships is key to the company's approach, not only in sourcing content but in securing distribution. In the US, the partnership with the Smithsonian Institute gives the service a platform via the latter's existing OTT service, Smithsonian Earth.

While holding that "non-linear platforms allow us to have a much greater engagement and to build a real community around our brand", the service is "very much complementary to our linear proposition", she says. "While consumption habits are changing, viewers still watch a lot of traditional linear TV and I don't see the format going away. Even Netflix has shown that they recognise the value of linear. By automatically playing the next episode of a programme, they have, in essence, created a customised linear channel."


NO SAFE HARBOR
FEAR THE WALKING DEAD
NEW SEASON PREMIERE
WITHIN MINUTES OF U.S. BROADCAST
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Latin America with a promotion based on the channel's *Super Shore* show – a variant of Mexican version *Acupulco Shore* featuring cast members of Spain's *Gandia Shore*, which Reich says drove a million downloads of the app and three million streams in the first week. He says that users are spending an average of 20 minutes a session on the app, delivering value that can be conveyed to pay TV partners. Together with promotion on social networks, he says that putting content on the app helped drive up linear channel ratings by over 200%.

In addition to supporting pay TV relationships, Viacom has experimented with direct-to-consumer offerings. These can be advertising-supported initiatives like providing short-form content via Snapchat and other social media platforms. Having used Snapchat to "amplify and grow a buzz around the linear experience", for example ahead of the MTV European Music Awards in Milan last year, Viacom is shortly to launch a Comedy Central Snapchat channel. The company has also launched straightforward OTT products such as pre-school subscription video-on-demand service Noggin, which also allows parents to download content for offline consumption.

For Reich too, offering direct-to-consumer products should not be irreconcilable with maintaining pay TV partnerships. "The key for us is strategic content windowing," he says. "We spend a lot on different formats and some content is created specifically for different platforms. We can keep *Super Shore* for linear and pay TV partners and hold back library content or other short-form content and use that to support a direct-to-consumer business."

In addition to using new content to offer an OTT product, Viacom has an eye on new distribution partnerships – particularly in the mobile arena – that may be focused on new categories of content. "We will work with traditional partners and also with mobile operators to get the structure right. Mobile operators are likely to be similar to pay TV operators in terms of distribution so those deals may not be very different," he says. However, mobile operators may additionally be interested in products such as MTV Trax, which is a curated music offering that makes the 100 songs "you need to know about" available either as a direct-to-consumer proposition or as a service that is integrated into the mobile bill.

Other mobile-focused initiatives include *The Ride*, an MTV show that exists in one form as traditional 22-minute episodic content but

The free-to-air broadcaster: the case of ITV

For free-to-air broadcasters, the benefits of digital offerings such as online VoD platforms are broadly similar to those tempting pay TV operators. The risk, on the other hand, is investing in platforms that can encourage viewers to turn away from linear TV, where the broadcasters make the vast bulk of their revenues from traditional advertising.

For Paul Kanareck, director of online and brands at UK commercial broadcaster ITV, the death of linear TV has however been much exaggerated and Millennials' changing viewing habits have to be viewed in context.

"A company like ITV has to be very focused on our USP, and live TV remains very prevalent," says Kanareck, who will speak about the commercial broadcaster's digital initiatives at the forthcoming TV Connect trade show in London. "TV is still at the heart of what we do. Young people have always watched less TV, although the change in habits now possibly is more acute because what they are spending their time doing is consuming other forms of media, especially other forms of video content."

While the pace of change could accelerate, Kanareck says that the commercial impact of this could be less severe than expected. "Commercially, money doesn't always follow eyeballs. If you are trying to reach a lot of young people simultaneously, buying an ad around *The X Factor* is still the most cost-effective way to do it," he says, pointing out that digital brands are among those most

Kanareck: buying an ad during *The X Factor* is still the most efficent way to market to young people.

eager to buy linear airtime. He says one lesson he has learned from time spent in the US is that "a lot of money going into online video is cannibalising other forms of advertising rather than TV – it is a lot more about digital video superseding display advertising."

Kanareck is moderately sceptical about the potential of targeted advertising, pointing out that ITV's commercial model remains based on its "mass reach" and the "gold-plated" measurement data provided by ratings agency BARB. The online promise of hyper-targeting needs to be seen in the context of "an online world where there is a lot of fraud" around viewing figures, he says.

For now, the majority of viewing is still accounted for by linear TV and the majority of non-linear viewing is 'near-linear' viewing of content in the first one or two days after it is broadcast. For these reasons, Kanareck says ITV Hub, the broadcaster's recently revamped online TV platform, offers a completely different proposition from OTT services such as Netflix: "We drew a distinction between what we offer and SVoD. Netflix is a retail browsing environment – spending 15 minutes working out what to watch is part of the experience. That is not TV, which is fresh and instantaneous."

This insight led the broadcaster to make live TV available as part of the ITV Hub experience and about 30% of use of the platform on tablets is using this feature, according to Kanareck. "What we did with the Hub was try to recreate the TV experience as much as possible – the viewer is immediately presented with live TV and when you swipe on the app you swipe from channel to channel and the live TV stream automatically plays," he says. ITV's experience of simulcasting coverage of the Rugby World Cup online showed that it is now technically "getting close to offering a near-TV experience" on the web, with limited buffering and technical problems, despite the spike in usage.

Kanareck declined to comment on recent reports about plans for a possible SVoD joint venture between ITV, the BBC and NBCUniversal, but he concedes that "broadcasters sometimes work better together", citing the example of Freeview Play, the free-to-air on-demand platform recently launched to complement the linear digital-terrestrial service.

In terms of making money from online, Kanareck says that ITV has focused on making the bulk of content available on its linear channel rather than developing exclusive content for online, although it has provided a 'freemium' offering that provides an ad-free viewing experience to those willing to pay a small subscription. Kanareck said that the service, ITV Hub+, could be extended in the coming years with better functionality and a more compelling user experience.

Scripps Networks has focused on delivering non-video apps to engage consumers.

which can also be cut into two-to-three-minute segments specifically for consumption on mobile devices.

"I think the mobile operators are the big opportunity that we will go for," says Reich. "It makes sense for them as they look to deliver value from their data plans. Video is one of the biggest users of that data and we believe there is an opportunity there through Trax or Play Plex from a business-to-business perspective."

Complementary service

Scripps Networks Interactive is another international pay TV channel provider that is addressing a growing demand to consume content in different ways while maintaining a well-established pay TV business.

While Scripps has developed a strong digital offering internationally in relation to its Food Network channel in the UK, the company has focused primarily on developing digital products and services in the US to date.

Tamara Franklin, executive vice-president, digital at Scripps, compares the company's approach to that of sports network ESPN, "in that we have a connection with the consumer that we can speak to directly even without video". Scripps' focus on food and lifestyle content enables it to offer ancillary products and services that are complementary to its TV channels. "We are always thinking about complementing the video services and not competing with them. The main digital opportunity is not necessarily about video," she says, citing the example of recipes that can be provided across multiple digital platforms to complement Food Network.

In addition to food-related content, Scripps has formed partnerships with retailers in the home space, which it serves via the Home & Garden TV channel in the US.

Franklin says that the goals of digital initiatives are "revenue diversification" and driving consumer engagement. "It is about driving people to the linear channels," she says, citing the example of 'Millennial moms' whose "love of Scripps comes from getting food on the table". While the non-video-based digital content is offered as a direct-to-consumer proposition – with the added benefit of driving viewers to the channels – in the video sphere Scripps has focused primarily on TV everywhere – catering to the appetite for multiscreen viewing via authenticated apps that require a pay TV subscription. Franklin says that of all video-based digital initiatives, TV everywhere is consistently the service that provides the best return. She is more sceptical about direct-to-consumer video and says that the need to set priorities means experiments in this area remain secondary to delivering multi-device viewing to pay TV customers.

"The economics of direct-to-consumer are not outrageously compelling – there is a lot of noise but not many people have been successful in this space," says Franklin. "It is a crowded space."

TV everywhere, on the other hand, can deliver additional viewing hours and new audiences. Scripps has worked closely with Nielsen to ensure that time spent viewing content on these platforms can be monetised, although Franklin admits that the industry is still "struggling a bit" with the so-called C3 window – the ratings agency's now decade-old extension of audience measurement to include not only live linear viewing but non-linear viewing for the first three days immediately after the linear broadcast.

Overall, Franklin says, digital, and non-linear in particular, is "a tough business to scale" and broadcasters have to "place a few bets" that will not necessarily "yield fruit in the short term". Addressing an issue that is on the minds of all mainstream broadcasters, she maintains that one of the key strengths those broadcasters have – brand recognition and association with quality – will retain its currency even if the distribution channels for content undergo deeper transformation.

"We would be foolish to say we are not concerned [about migration to non-linear] but it is not an immediate threat," she says. "There is a question of do younger viewers exhibiting different traits follow them through life? Even with this disaggregation brands still matter. We will make sure we have strong brands on every platform and when the dust clears that will still be important." ●

"We are always thinking about complementing the video services and not competing with them."

Tamara Franklin, Scripps Networks Interactive

Independence on-demand

Curzon Home Cinema builds on the UK company's 82-year old cinema brand.

The booming online video space has given rise to a number of independent film services that are offering an increasingly compelling alternative to mainstream players like Netflix, reports Andy McDonald.

The growing maturity of the online video space has created on-demand giants out of the likes of Netflix and Amazon. However, an interesting recent trend is the growth of independent services that are focused on offering a curated collection of movies and programming to a more narrowly defined audience.

Power of curation

On-demand movie service Mubi has taken a subscription model that limits choice to a slimmed-down collection of 30 films at any given time, while user-generated video site Vimeo has started programming its Vimeo On Demand service with a focus on premium content and original programming. Elsewhere, UK film stalwarts the BFI and Curzon both started their online efforts with TVoD stores, though the BFI also now offers a subscription option and Curzon has plans to follow suit by the end of next year. At the same time We Are Colony, a new entrant to the market, offers a value-added TVoD model that aims to take the DVD extra into the digital age.

The British Film Institute's online transactional film store, BFI Player, first launched in 2013 but celebrated two major milestones last year. The first of these was last summer's launch of Britain On Film – a major digitisation project that has made thousands of clips from the national and regional film and TV archives available to watch online for free. The second was the launch in November of a subscription film offering called BFI Player+ that gives users access to a curated collection of movies for £4.99 (€6.38) per-month.

"What we think we offer that's unique about BFI Player is the diversity of choice and the diversity of models – so there is a rental, a subscription and a free-to-watch element of what we do," says BFI digital director Edward Humphrey, claiming the BFI complements other online services. "If you look at the rise of the niche SVoD services both here and in the US, I think there's a real emerging appetite from audiences who are happy to have a Netflix or an Amazon subscription to deliver the majority of their mainstream offer. Then they're looking to add to that."

According to Humphrey, the SVoD offering is a "one of the core pillars of how we think audiences will discover and rediscover the very best in classic and independent film". Offering 300 titles, each film is handpicked and titles are gathered into collections such as 'the art of seduction' and 'Italian classics'. Each week UK film critic Mark Kermode also recommends a title from the collection with short introduction video explaining his choice.

"My perspective is that one of the greatest

Paul Thomas Anderson-directed doc *Junun* launched exclusively on Mubi in 2015.

challenges in video-on-demand is convincing people to explore a wide collection. We all know that what gets selected to appear on page one and two of most menu screens is what gets watched," says Humphrey. He claims that "people still like guidance as to what to watch" and the Kermode introductions drive a lot of traffic to the service.

While the 300-title SVoD catalogue may grow slightly, Humphrey believes that audiences "appreciate a concise collection". It's a bet that already appears to be paying dividends. Humphrey claims that sign-ups to BFI Player+ have surpassed expectations and that the revenues the BFI earns from the subscription product is "already at a par with revenue that we earn from our rental service".

UK cinema chain Curzon takes a similar curated approach to its online film offering – though its transactional model is focused around day-and-date releases in a bid to bolster its established bricks-and-mortar business.

Curzon Home Cinema director Philip Mordecai says that the 650-700 title-strong TVoD collection is aimed at a specific audience and does not cater "for everyone's likes and dislikes". The executive, who formerly worked at MGM Networks' European movie channel and for then Liberty Global-owned channels business Chello Zone, says: "I've come from the linear TV and pay TV world and we're curating Curzon Home Cinema, in an OTT environment, like a TV channel."

Curzon's independent cinema brand dates back to 1934. In 2006 the firm also acquired UK film distribution company Artificial Eye, meaning Curzon now buys, distributes and shows films. With its online presence, Mordecai is keen to stress the "vertically integrated" nature of the business – "all the way from theatrical to digital screens at home".

"We don't actually call ourselves a VoD platform; we call it a Curzon virtual venue; it's taking the Curzon to someone's house," says Mordecai. With Curzon Home Cinema the company releases in excess of 70 titles per year day-and-date with their cinema release. The idea is to offer independent films to those that might not live near an art-house cinema, or who simply prefer not to go. It also gives an outlet to films that are "cast aside" at the cinema in favour of major Hollywood fare.

"There is no canibalisation in our eyes because films don't get carried everywhere," says Mordecai, dismissing the idea that Curzon Home Cinema could damage its traditional cinema business. "Actually there's more money to be made in day-and-date films than there is in going to the cinema."

Curzon charges £10 for many day-and-date films – the average nationwide price of its cinema tickets. Mordecai concedes that while this is higher than competitors like Amazon the company's aim is to get people to choose and engage with the Curzon brand. "We're competing with a lot of forces out there right now," he says. "For us that means we have to give people access to something in a convenient way, but also in a meaningful way."

Global aspirations

We Are Colony is a newer entrant into the TVoD market, having launched its online store last spring. While it too is looking to capture a slice of the independent film market, founder and CEO Sarah Tierney says that the company is skewing to a younger, slightly less art-house crowd than the likes of BFI Player and SVoD service Mubi. The UK-based firm is also globally focused and already claims registered users in 115 different countries.

We Are Colony's unique selling point is offering additional content to film lovers for the price of a rental or purchase – including interviews, film stills, deleted scenes and making-of documentaries. "I had a real sense that there is an enormous amount of content created during the process of production that goes un-exploited. That's the traditional things that once would have been on a DVD special edition," says Tierney. "I just felt that for the right fan that extra content gives them a much deeper experience and a deeper appreciation for the film itself."

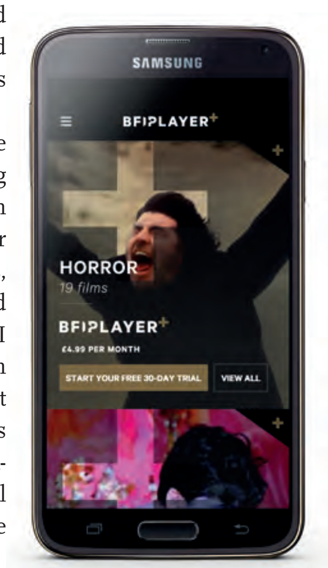
So far the company has released some 60 films – including a number of day-and-date releases – and Tierney says it aims to release up to another 100 titles this year. "At the moment they're coming from the indie film sector. I think it's worth saying that we curate for a slightly more mainstream audience. So it tends to be the indie titles that are either very strong genre or really talent-driven," she says.

"My view is that we're now in a market of total abundance and actually what consumers are looking for is curated, trusted, quality homes of content," adds Tierney, claiming We Are Colony can be "picky, frankly, about the titles that we take".

While North America and the UK currently account for 60% of We Are Colony's traffic, Tierney says that Japan and other Asian countries are now "commonly in our top-10 by visitor and by activity" – an interesting trend given its focus on English-language content. She says that adding subtitles to We Are Colony is on its roadmap – a move that promises to expand its international footprint further.

Mubi is another player with international aspirations. The subscription video-on-demand service dates back to 2007, when it first launched under the name The Auteurs. The firm's unique business model is based around a 30-film offering, with a new title added to each day that users can access for a month. The focus is on international, art-house and independent films and the service is available in more than 200 countries, with China to follow next after Mubi struck a joint venture deal with Asian entertainment company Huanxi earlier this year.

With China the one notable market that Netflix is yet to crack, the move is a significant step. Under the deal, Huanxi will invest US$40 million (€35 million) in Mubi China and take a 70% stake in the business. It will also invest a further US$10 million in Mubi directly, giving Huanxi



The BFI launched its BFI Player+ SVoD service in the UK in October.

Q&A: Michel Chabrol, Eutelsat

Michel Chabrol, Director, Innovation Marketing & Digital Cinema, Eutelsat, talks about the prospects for UHD TV.

What are the key steps that the industry needs to take to ensure that 4K UHD TV is successful with consumers?

Consumers have at least three expectations from Ultra HD. They are asking for reassurance that their investment in a new screen will deliver a tangible improvement in terms of audio and video quality. They want to be sure that the screen they buy today won't be obsolete in six months. And, of course, they want Ultra HD content that truly delivers on the promise of an improved viewing experience. There is solid evidence that the foundations of an Ultra HD market are being put down. Sales of Ultra HD screens have been better than forecast, representing almost 10% of screens sold in Europe and MENA in 2015. However, there is still a lack of clarity on standards that is muddying the waters for consumers and there is also confusion over 8K and 4K. Some industry groups are doing useful work on creating consumer clarity. For example, the UHD Alliance has launched the Ultra HD Premium logo for products and services complying with performance metrics for resolution, HDR, peak luminance, wide colour gamut etc. This is the sort of reassurance consumers need to upgrade their equipment and the industry should be united in delivering this reassurance.

What are the main challenges standing in the way of successful adoption of this technology and what needs to be done to overcome these?

It has been said over and over that consumers don't buy digital technologies. They buy products that improve their digital experience. So compelling content is key to mass market adoption of Ultra HD. As an industry, we should work more at creating and capturing more opportunities for filming and transmitting in UHD. This can include one-off events of flagship sports and cultural rendez-vous that give consumers the chance to 'touch' Ultra HD in public venues, point-of-sale outlets or through demo satellite channels such as our 4K1 channel.

What role should satellite operators play in stimulating the market for 4K UHD TV and what can satellite provide to enable the success of UHD?

Satellites are in a strong position as a unique platform for delivering the bandwidth and coverage content producers and broadcasters need to maximise their audience and consumers depend on to not be excluded from this step-change in viewing experience. Ultra HD images filmed with 50 to 60 frames per second need approximately 30Mbps to deliver a quality signal. This is a struggle with ADSL, even for short distances. It's possible with fibre, although its limited penetration to urban areas by definition reduces the potential audience of a premium product. The satellite industry has a powerful role to play in ensuring that Ultra HD delivers on high expectations for quality, differentiation with high-definition TV and audience. And Eutelsat will play a vital role in this.

How important do you think UHD TV will be in the next few years relative to other sources of growth in the video distribution business, such as TV Everywhere, live streaming, organic channel growth, emergence of new pay TV platforms in emerging markets etc.?

Ultra HD is one source of growth in a video industry that is rapidly expanding beyond the backbone of linear television into multiple new domains. As a satellite operator with long experience in the video business our objective is to be an instrumental part of these new trends so that we can help our clients grow their business and attract new customers. Different geographies are at different phases of development. Africa, for example has the bulk of digital transition ahead that is driving the growth of new platforms and the opportunity for us to develop our video neighbourhoods. In the field of interactivity Eutelsat has been developing solutions such as the SmartLNB that equips broadcasters to take more ownership of the return path and we also plan to introduce EPG features that enable channels to engage more with their audience.

What business models do you believe will underpin UHD launches over the next few years?

Our consumer research, with pay-TV subscribers and free-TV viewers in seven leading TV markets, shows that pay-TV subscribers expect a linear offer to be added to their existing bundle. Free-TV viewers (across all markets) are ready to pay and invest to enjoy UHD quality – but would start with a pay-per-view option. Clearly, pay-TV platforms are best placed in terms of viewers and installed base to be the first to launch UHD channels as a differentiating element. Several of our clients are already working in this area (Tricolor TV, Digiturk, OSN). Public broadcasters and other free-to-air channels might satisfy their audiences by focusing first on occasional special sports and entertainment events or selected documentaries, and later upgrade their channels to UHD once the new format has become mass market.

an 8% stake in the SVoD service and Mubi a valuation of US$125 million.

"China is going to be the first market where the majority of our content is going to be local. So you're looking at 70% of the films that we show in China are going to be Chinese films and 30% foreign," explains Mubi founder and CEO Efe Cakarel. Currently the Mubi offering differs by country, with each having its own line-up based on the rights Mubi has in that territory. However, until now, the choice of films has not been significantly tailored.

Cakarel says that Mubi's home market, the UK, is its biggest, but is now also starting to focus on the US, having opened a New York office there last summer. The company is also in pursuit of more major studio deals, having signed agreements with Paramount and Sony in the UK last year. "The Sony deal took me three years to close, but in the end, all of our conversations with all the majors are going really well. The model makes sense," he says, predicting that one-by-one Mubi will agree terms with all of the majors. However, broadening the available pool of movies will not alter the company's core strategy, with the Mubi boss a strong advocate of curation.

"Choice isn't everything. On the contrary, we think that there is a paradox of choice. There is so much stuff out there that you really need someone who is an expert to choose the best for you," says Cakarel. "Thirty films curated well is more than most people in the world will ever need. Thirty films is also enough of a number that we can curate a very wide range of films – from classics to contemporary, from drama to comedy, from a documentary to an action film."

Rather than compete with the likes of Netflix, Cakarel says that Mubi offers additional choice. "We see ourselves as a very compldementary service to Netflix and others. "I'm a Netflix subscriber and I actually love it. Their TV content is brilliant. But films is where they are not doing a great job and that's where we come in," he says.

Content is king

Similar to Netflix, Mubi is now looking to concentrate more on exclusive content after it made its first foray into this area last year by debuting director Paul Thomas Anderson's latest film *Junun* – a documentary that follows Radiohead guitarist Jonny Greenwood an a musical tour around Rajasthan.

"It [*Junun*] did so well that we shifted gears significantly on that front. So over the next year you're going to start seeing us premiering films exclusively on Mubi – it just makes sense," says Cakarel. He claims Mubi will be "really active" at the Cannes Film Festival this year trying to buy exclusive film rights for select territories. Longer term, the firm is also looking to originate its own content.

"As we increase our subscriber base and cash flow we will be able to invest in films at a much earlier stage. At this point, we wouldn't be producing the whole thing, but we would be participating in the production of it and in return we [will] get online rights and some equity participation. The films that we are evaluating right now and we will be investing in by the end of the year will be shot next year and will be released by the end of next year, or in maybe 2018," says Cakarel.

The fact that original content can add significant value to an online video service has not been lost on Vimeo. At MIPCOM in October, Vimeo announced its first ever slate of original programming, which included *The Outs*, a gay-themed web series from Adam Goldman and Sasha Winters. At SXSW recently, Vimeo announced its second slate of shows, which includes a new series from longtime Vimeo creators Jake Hurwitz and Amir Blumenfeld, called *Lonely and Horny*; and Vimeo's first original documentary, *Wizard Mode*, from Salazar Films, a company that has had its content 'Staff Picked' 10 times by Vimeo's curation team.

All the titles will appear to buy on Vimeo On Demand – the TVoD section of the service that allows Vimeo creators to sell access to their content alongside a curated set of 'new and noteworthy' Vimeo recommendations, which include a host of professionally-produced films and documentaries.

Vimeo's head of global content acquisitions and distribution, Sam Toles, says that in the two years since he has been at the company it has "invested heavily" in content for Vimeo On Demand – even though the majority of videos on the platform are uploaded by users "while we sleep at night". Currently, of the more than 34,000 titles on Vimeo On Demand, Toles says that roughly 3,000 are programmed by the site and are the result of the partners, production companies, networks and creators it has relationships with.

In terms of its original output, Toles says that Vimeo is keen to elevate the talent already using the site to post content. "For us it's a little bit different than how Netflix, Hulu or Amazon approaches it. I think it's very important for all platforms to showcase their work and to gain audience. But for us, it really is about reaching into our community and showcasing work that deserves to be seen and highlighted," he says. "I think when you look at Netflix and Hulu and Amazon, they're much more representative of the evolution of broadcast television. I think we're really doing something special that is unique and native to the web by bringing creatives that are incredibly talented and impressive and showcasing them and allowing them to earn real money to continue to build their careers."

We Are Colony's global TVoD service aims to add digital life to the 'DVD extra'.

The Outs **was one of Vimeo's first original commissions for Vimeo On Demand.**

Future models

While Vimeo's premium curated content offering is firmly focused on transactional content, the company does allow site users, like the National Film Board of Canada, to offer their own "mini-subscription channel" using its on-demand platform. A broad Vimeo SVoD offering is not something that exists, but Toles says "we are absolutely exploring all of the options when it comes to how we evolve our business".

At We Are Colony, Sarah Tierney says that "subscription is something that we're looking at," though she admits that this is "a very competitive space now" because of the might of businesses like Netflix and Amazon Prime. "I'm optimistic about the transactional model, although obviously from a business point of view the lifetime value of a subscription is more interesting," says Tierney, adding that if We Are Colony were to go down the SVoD route in the future, it would be as an additional tier to its existing TVoD business.

"My personal view is that we're seeing diversified loyalty to platforms. A couple of years ago, the average US consumer had something like 1.2 VoD accounts and now they have 3.6. What we're seeing is people understanding that the Netflixes of the world aren't the limitless catalogues they once thought they were, and they're increasingly willing to shop around for the content that they want," says Tierney.

At Curzon Home Cinema, Mordecai says that subscription is also in its thoughts, outlining a clear plan to introduce SVoD as part of a "value-add solution" in the next 18 months. This would again be a curated offering, featuring "around 100-200" films. "We have a membership club – Curzon cinemas membership – under various tiers. It would be attributed to those tiers – a bit like Amazon Prime," says Mordecai. The plan is part of a wider development effort that the company has in place for its Curzon Home Cinema offering. Mordecai says there are "a lot of technical pieces coming into play to make Curzon Home Cinema more like a cinema" – subtle touches like adding film trailers and the classic British Board of Film Classification ratings cards ahead of streamed content.

The company is also looking to expand outside of the UK and Ireland. "It's about picking the right market and picking the right partner to enter that market and those conversations are happening now," says Mordecai. "In the next two years you'll start to see Curzon internationally in a very meaningful way with day-and-date film releases."

Mubi's Efe Cakarel says it too is constantly evaluating how best to reach its audience – and would not rule out moving down a linear TV route. Though he stresses that there is no "active plan" to launch a Mubi TV channel, it has has considered the idea. "We are agnostic to the delivery channel," says Cakarel. "OTT we think is the best, and it's working really well, and this is where the world is going, but when you come to a certain scale we might find it attractive to reach our audience through various other different channels."

The BFI's Edward Humphrey predicts that audiences over time will be more comfortable taking a "porfolio approach" to entertainment, as the balance linear and on-demand TV continues to change. With Netflix and Amazon now powerful content commissioners in their own right, Humphrey believes this will bring even more upside for viewers.

"The mechanism by which people are subscribing and the means by which they're watching are changing, but in essence there's no real fundamental shift," says Humphrey. "There's much more choice in the market in the context of how you subscribe, through which type of service you subscribe and on which device you watch. That choice, I think, is benefitting everybody. For me it feels like a golden age."

While services like Netflix, Amazon and iTunes win out in terms of scale and volume of content, the idea of the 'global niche' is becoming ever more pertinent in the digital age. Independent services from companies like Mubi, Curzon and the BFI may not offer an alternative to these mainstream online options, but they cater to specific tastes and are already proving there is an clear and increasingly global business case for curated content. ●

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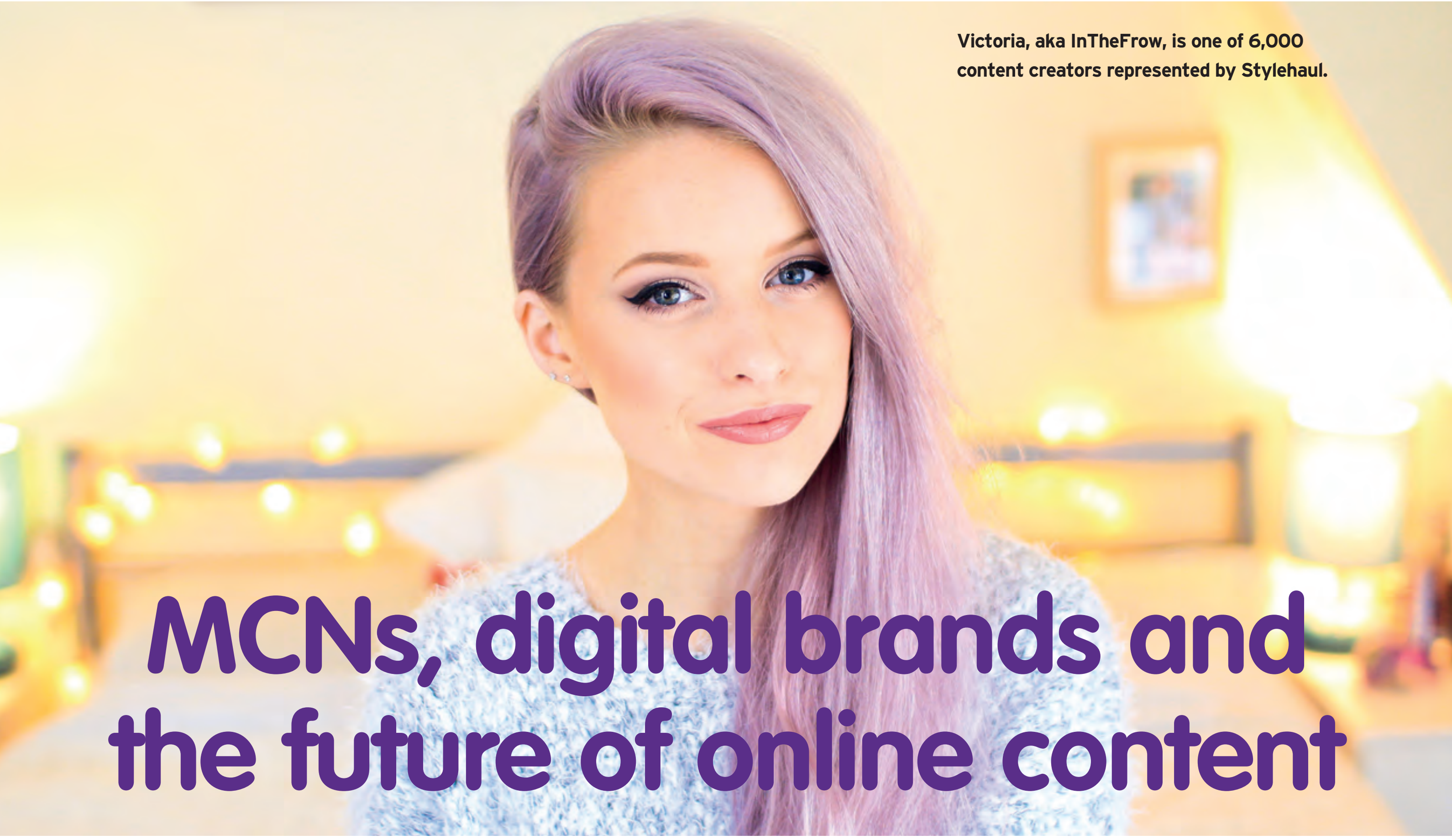

Victoria, aka InTheFrow, is one of 6,000 content creators represented by Stylehaul.

MCNs, digital brands and the future of online content

As multichannel networks come of age, the future of online content looks increasingly geared towards rights ownership and multi-platform distribution, reports Andy McDonald.

In recent years the multichannel network approach to distributing vast amounts of content online has received considerable attention, as well as the backing of traditional media companies. A spate of deals and acquisitions has seen practically all the major players in this space snapped up by broadcasters and traditional content makers in recent years – exemplified by Discovery's 2012 purchase of Revision3, Dreamworks' 2013 deal for AwesomenessTV and Disney's 2014 buyout of Maker Studios.

However, as the online content models mature, the MCNs' aggregation model for mainly user-generated YouTube content is starting to evolve, according to industry insiders and online content specialists. Speaking at a recent Royal Television Society event focused on the future of TV – titled 'Beyond YouTube' – Ampere Analysis research director Richard Broughton said that a few years ago MCNs acted very much as "middlemen" between content creators and YouTube, but that this is now starting to shift as these networks focus more on producing their own content.

Speaking to *Digital TV Europe*, Broughton explains: "There's still a big aggregation role for MCNs, but the model is changing. There is value in owning their own content. They don't then have to share the proceeds of the ad revenue, the sponsorship and the brand affiliations with third parties if they have full control over the IP."

Broughton says that from his research, MCNs that have "more tightly integrated workflows and IP ownership" tend to be more profitable and are valued higher. Yet at the same time, he claims that a diversification of platforms, the maturity of the online market, and increasing competition puts MCNs "in a better position as aggregators now", pointing to the growing significance of outlets like Facebook, Snapchat and Instagram.

"YouTube's still the big dog, but these platforms are becoming increasingly important in different ways. The messages which resonate with audiences on these platforms are different, so you can't use Snapchat in the same way as YouTube and arguably you can't use Facebook in the same way as YouTube," he says, adding that monetisation models on these services are also "still evolving".

James Stafford is senior vice-president, Europe, at Stylehaul – an MCN that aims to unite brands and creators around content primarily focused on style and beauty. In 2014 German broadcaster RTL bought a majority stake in the business, which turns five years old in 2016. However, despite doubling the number of influencers and channels it represents in the past year to around 6,000 today, Stafford says that "the thing that's going to mark our next few years is an appreciation that scale isn't absolutely everything".

"There's no point reaching 1 billion or 10 billion people if you can't influence them, you can't add value to them and if you can't help brands to understand who those people are. Our focus has really been on engagement," he says, explaining that the firm's core business is based around helping brands to build campaigns and reach social communities.

Stylehaul's roots are firmly in the YouTube vlogger community, representing stars like Zoella, InTheFrow and Fleur DeForce. Stafford says that he sees YouTube as "video social networking", with the firm separately pursuing an original content strategy. Last year it co-produced a feature-length music documentary called *Freshly Dressed*; a series of online shorts for UK broadcaster Channel 4's All 4 service called *Internet Famous*; and this year signed a deal with Verizon's mobile video service Go90 to produce a series called *Relationship Status*.

"We want to get really, really good at producing original content under the Stylehaul brand. Whether that's making it for our own distribution, for a platform like Channel 4, or whether that's making a television show, film or documentary, I think we really want to upscale in those areas," says Stafford, discussing the company's future direction.

He claims that another big focus area is in helping brands get more intelligence on campaigns they run – looking at the interplay between posts on services like Instagram, YouTube and Snapchat and tapping into the "long-tail of social media".

Luke Hyams, creative director of Maker Studios International, says that it too is looking at "innovative ways" to tell stories across platforms like Snapchat, Periscope, Instagram and Facebook, claiming this is one of the creative challenges it "relishes most".

"Our ambition by World Cup 2018 is to become the most influential football media business on Earth."

Tom Thirlwall, Bigballs Media

"The important thing we keep in mind is that the distribution destination is motivated by both the story and the audience, rather than purely making content for platforms to keep up with the pack," says Hyams.

Discussing the future evolution of the online entertainment space, he says that "now, more than ever, consumers have a plethora of choices for entertainment" and that "creators and producers will need to continue to elevate and evolve their creative process, appealing to audiences in new, unique ways."

Maker claims to be the largest content network on YouTube, accounting for more than 10 billion views each month and over 650 million subscribers. Founded in 2009, the firm now represents 55,000 independent creator partners from more than 100 countries. However, it too has its own strategy for producing formats and original programming.

Hyams says that Maker is collaborating with established and up-and-coming online creators to produce a range of content across devices and genres. "The individual videos or series which we collaborate on are often centred around enabling specific creator aspirations in an effort to find formats that can elevate and/or expand their creative output and often expose them to new audiences."

One recent production is *Scare PewDiePie* – a web series starring videogame vlogger, and one of the Maker's biggest stars, Felix Kjellberg, aka PewDiePie – that is co-produced by Maker and is available exclusively on YouTube's subscription service, YouTube Red.

Digital IP

The power of digital-first content is no longer in doubt, with brands like Vice Media proving the model for millennial-focused online video. Disney reportedly invested a further US$200 million (€178 million) into the company in December, giving it a valuation of US$4 billion. Vice has since also launched its linear channel Viceland in the US with A+E Networks and plans to bring it to the UK this year with Sky.

UK-based Bigballs Media is something of a veteran of the digital content space. Founded in 2006 the company started producing for platforms like Bebo and has also dabbled in linear TV with the co-produced comedy-drama series *You, Me and the Apocalypse*. The firm is now firmly focused on digital football content and CEO and founder Tom Thirlwall says it is pursuing the "Vice model" of a rapidly evolving media business.

Bigballs launched Copa90 as a YouTube channel in 2012 to shine a light on football fan culture. This has since notched up more than 134 million views and the brand now sits across multiple platforms including Facebook, Snapchat, Instagram and Periscope. The firm recently bought North American rival KickTV after receiving £7 million (€9 million) in funding from Liberty Global and venture capital firm e.ventures in October, and aims to cement its place in the online sports landscape.

"Our ambition by World Cup 2018 is to become the most influential football media business on Earth," says Thirlwall, explaining the firm's evolution from an "innovative production company that understood how to distribute content online" to a brand-building, "new model" football media business.

"There is a huge opportunity that's presented to us because traditional media simply can't satisfy the demands of a young millennial audience. Their legacy business models and the fact that they're tethered around the traditional rights model means that there's a huge opportunity for us to engage an audience constantly – between each 90 minutes of the game and during the game as well. We're always on, 365 days per year."

Bigballs is focused on "driving the football agenda and conversation" and is "somewhere between a Buzzfeed and a Vice Media", according to Thirlwall, who is keen to point out the distinction between its approach to web media and that of aggregator, ad-sales network MCNs that don't own their own IP.

While the MCN model is starting to change, the power of standalone digital brands is coming into focus. Where young viewers flock, brands will surely follow and the 21st century model for millennial media looks less and less about YouTube ad-revenues and more about total engagement and tapping into the power of a range of social platforms. ●

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