

### **Content generation – Focus on your strengths**

Almost 740,000 minutes of TV programs are produced in Germany every year. Private broadcasters RTL and Sat.1 are by far the biggest buyers, each accounting for just under 20% of the volume. Though worth almost EUR 2.3 billion, the market for TV productions is suffering. High production and financing risks, low margins caused by fierce competition, fragmented markets and overpowering broadcasters all serve to put TV producers under pressure. They are faced with two lasting trends. First, the number of producers has dropped dramatically as a result of bankruptcies or mergers (market consolidation). Second, TV buyers are relying more and more on cheap studio productions, which they try to recycle over and over again.

So how can TV and movie producers get out of the doldrums? In a project for a German film producer, experts from the InfoCom CC suggested a successful turnaround concept based on four main pillars. First, revert to the company's core competencies (in this case German cinema movies). Second, license only a handpicked selection of international productions. Third, rent out only selected productions. And fourth, adapt the cost structure to the change in business volume. In short, ensure the company's survival by focusing on its core strengths.

### **Rights trading – Becoming a buyer's market**

People are becoming increasingly skeptical of the trade in movie rights. The collapse of the Kirch Group – until its demise the largest trader in movie rights in Germany – added further acrimony to the discussion. Some of the potential problems had been brewing for a long time: in the boom years, long-term cooperation and risky output deals between buyers and sellers (mostly the big American studios) were the only way of accessing attractive movies. Moreover, under pressure from the stock markets, some companies inflated their sales using accounting tricks or created artificial sales through counter-purchasing deals with producers.

In the meantime, however, the movie rights market is increasingly becoming a buyer's market: TV broadcasters are investing in home-made productions or bypassing the rights traders and going to producers direct. The powerful film studios are prepared to grant better terms and are moving away from output deals because they are facing massive supply from free-TV film libraries. After all, the German market is anything but insignificant: German broadcasters buy TV licensing rights worth around EUR 1.4 billion every year.

### **Content exploitation – The TV industry stuck between consolidation and privatization**

The German TV market is enormous: the advertising income from free-TV, charges levied by public broadcasters and pay-TV subscription fees amount to EUR 9.1 billion

a year. Since around half of all revenues come from advertising income, the industry was hit hard when this source of income dropped by almost 10% since 2000. This is especially true for private broadcasters, who share more than 90% of the advertising market between them. No major improvement is expected here in the short term. That is why the trend is moving increasingly toward entertainment formats, which are cheap to produce. The InfoCom CC has developed a number of successful restructuring concepts to help TV companies fight the drop in advertising income. These focus on the seven stages of the TV value chain, from program development to handling the actual broadcasting. Considerable savings can be made simply by using one central system for scheduling all production resources, for example.

The international trends currently emerging – in the UK and Denmark, for example – suggest that the issues of consolidation and privatization will continue to occupy the TV industry in the future.