

**Where We're At:
A Snap Shot of Distribution & Revenue Models for
Cross-Platform Production**



**HIGHLIGHTS FROM A RESEARCH REPORT OF THE
BELL BROADCAST AND NEW MEDIA FUND**

Fall, 2007

Objective of Research:

To provide a summary of the current challenges and opportunities in today's cross-platform sales environment.

To determine business models and revenues sources.

To provide recommendations that overcome challenges and increase opportunities to exploit cross-platform production domestically and internationally.

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The Method: Surveys were undertaken with a selected group of Bell Fund recipients. Their comments were collected and analyzed and form the basis of this research.

The Bell Fund Remains Pivotal to Future Success

Interactive content exploitation will continue to require investment in time and resources. Meaningful financial return depends on a focused pursuit of opportunities which will lay the ground work for a burgeoning industry.

The Bell Fund has played a pivotal role in the development of the industry and it is recommended that the Fund become even more pro-active in providing market support and intelligence.

The Challenges: A Snap Shot

There are common challenges when exploiting cross-platform content to Broadcasters who are the main sales target. Many Broadcasters are still developing their own broadband and internet opportunities and have been unwilling to commit to licencing content when their own strategies have yet to be fully developed. In addition, Broadcasters want their online presence to reflect and focus on their channel brand versus show specific information. Other challenges include:

- **Limited or non-existent budgets.** Budgets have been limited and/or non-existent for cross-platform content. Similarly, portals looking for content have been offering “shared revenue” models which are unproven. When fees are offered, they do not reflect the cost of creating the online content.
- **Interactive content is not seen as essential.** Interactive content is fundamentally seen as having less value than television content and has

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been treated as promotional (and disposable) versus as essential. This opinion has been supported (unwittingly) by Producers/Distributors who in the past have offered interactive content as “value-add”; to “get the deal.” Broadcasters use the online world primarily to promote programs. Although there is tremendous promotional value to being able to offer this content, most Buyers are unable to determine if the added value will benefit traditional television ratings.

- **Control, Safety & Security.** Key Broadcasters are hugely proprietary regarding what they are prepared to publish online as part of their branded online environment. Broadcasters may not be willing to take on the liability issues that might arise should licensed content be breached in some way..
- **Localization.** When content is too text heavy, the costs and time associated with modifying and adapting the material make it less attractive to potential buyers. It is too expensive for Broadcasters to localize, translate and re-designing web content.
- **Clearances/Rights.** Content is sometimes not ready or cleared for international exposure. Producers have to ensure that music/performers etc. are approved for international exploitation in new platforms. This is especially an issue for content that was produced prior to the ratification of the ACTRA/CFTPA agreement.
- **Buyers' ability to ensure geo-restrictions.** Sellers have to ensure that a Buyer has the technical capabilities to restrict and protect content within its territory, as this will affect the potential territory by territory sales.
- **Lack of US Sale/Exposure.** A US presence/sale for a television program/interactive content is still driving international interest. Broadcasters continue to use the American market as a measuring stick for success.
- **Broadcasters Demanding Rights without Delivering.** Sellers are subject to the demand from Broadcasters that interactive content and rights are included in the deal but often without having any plan/opportunities/infrastructure in

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place to exploit those additional rights requested. When buyers have the capability to generate revenue, they are not always prepared to share this revenue with the content provider/producer.

- **Identifying and Meeting the Right Buyers.** Distributors who attend traditional international television markets (like MIP & MIPCOM) are generally meeting with the television program buyer. The television program buyer's budget does not usually include/allow for the purchase of interactive content.
- **Distributors Focus on TV.** Traditional Sales Executives have no upside in pitching interactive content because the return is limited. Most Sellers want to sell their TV content and move on to the next Buyer.

Opportunities

There are some obvious trends emerging that represent opportunities for Interactive Content Creators and Sellers.

- Broadcasters are struggling to be relevant to their television viewers and are finding that one way to address this is to create online communities and activities that relate to the programming they are airing.
- Broadcasters are looking at interactive content as a way of building a local community (and therefore local relevance) for programming that often reflects values and lifestyles that are definitely foreign.
- Contextualizing of online content (through local forums and activities) allows for programming to have immediate relevance to the viewer. This relevance will engage the viewer further in what's happening on the television screen, driving up viewer-ship.
- The opportunity for Interactive Producers/Sellers is to determine how their online content is going to drive or enhance viewer-ship of their program and/or more importantly viewer-ship for the ENTIRE channel.

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- Compelling content and cross-marketing with Broadcasters can help interactive content reach a larger audience. Ultimately Broadcasters are trying to build destination websites and compelling content with embedded links help build traffic. It is up to the Producer/Seller to create and provide programming that fulfills this mandate.

Steps to Success for Cross Platform Producers and Distributors

- **Identifying the Correct Markets:** Plan and budget for representation at some of the international markets that focus on digital online and mobile distribution, such as:
 - Mobile Entertainment Summit – Los Angeles -October 22, 2008
 - Mobile World Congress – Barcelona - February 2008
 - Game Developers Conference – San Francisco – February 2008
 - CTIA Wireless – Las Vegas – April 2008
 - ICE – Toronto - Spring 2008
 - nextMEDIA – Banff – June 2008
 - MIP/Milia – Cannes – June, October 2008
- **Organization of assets.**
 - Have sample discs created for all games, activities, and projects, so that a strong database for the content is available to promote and sell.
- **Preparation of Pitch Materials.**
 - Ensure the availability of a suitable pitch package. These materials should include a working prototype of how the content will flow; information about new and interesting applications; proof of

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- experience in delivering and most importantly how the content will address Broadcaster needs.
- Be prepared to address how the interactive content can fulfill the Broadcaster's need to create relevance and context for their viewers online that will drive viewers back to the television program
- Be prepared to illustrate how the content might generate revenue.
- **Flexibility.** Content and applications together and on their own have been making head-way with Broadcasters. Broadcasters are looking for “off the shelf” – content solutions and distribution tools.
 - Minimize costs by creating re-skinable games; and re-usable engines.
 - Review Broadcaster sites and have a good understanding of how they work.
 - Deliver content which fits within the established systems but also suggest opportunities to adapt to the existing infrastructure.
- **Strategic Partnering.**
 - Encourage and ensure that URL rights are held by those who can best exploit them and have a concrete plan in place to do so.
 - Partner with well known brands that can bundle content and provide a fair return while ensuring the proper rights management.
 - To maximize results, ensure that partners have the infrastructure set up that allows for the promised exploitation.
 - Request performance clauses that ensure rights aren't frozen (for lack of partner's strategy) and non-exclusive agreements.
- **Innovative Marketing.**
 - Generate excitement by creating a strategy which emphasizes a multiplatform marketing push.
 - This might include press releases focusing on web-content VS television content; “unauthorized” leaks of content on YOUTUBE

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and Guerilla Marketing, which sees teams spreading buzz on content through blogs, forums and social networking.

- Recognizing the viewing habits of viewers is important so that a series' brand can be extended to platforms that are relevant to viewers.
- **Creating Premium Content and Sharing in the Success.**
 - Ensure creation of "standard" content that can be provided as promotional added value; (typical brochure ware) but allow for the creation of "premium" content.
 - This allows Broadcasters an option to buy into more content if they have the budget and opportunity to do so.
 - Provide a revenue source for the Broadcaster (from this premium content) which encourages a financial as well as a promotional return.
 - Ensure content is user-friendly and accessible. A simplified on-line experience that doesn't demand too much time from the visitor is ideal
 - Create online extensions that are task oriented; recognizable and offer achievable goals within a modest amount of time.
 - Create content that is supportive of the Television program, but can stand alone and be compelling outside of it. Stand alone games that are compelling outside of the television exposure reflects a large opportunity for producers especially in the children's genre. Parents are looking for and are willing to pay for the "walled garden" of safe and pre-approved content experience for their children.
 - Budget and incorporate into production schedules a Search Engine Optimization (SEO) Plan that will allow for content to be easily indexed and therefore more accessible through search engines.

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Revenue Streams

There have been a number of revenue streams and business models identified:

1. **Selling a web licence to Broadcasters.**

Opportunities are increasing for this as a result of focused efforts. Content Producers and Distributors are now offering:

- A promotional version of the website; which limits the number of games and functions and is offered for free.
- A premium version that is licenced for a fee and includes special features and games that would not be available otherwise.

An accepted business model has been to licence content for the cost of an additional episode. Another option is to sell web licences through a percentage increase per episode.

Web-content can be licenced to Broadcasters in its original language or Broadcasters can cover the cost for localization/translation costs based on a pre-approved budget.

2. **Advertising based sales model**

This business model is only viable if the television property and associated cross-platform content has successfully proven viewer uptake. Advertisers want to ensure both volume and readability for content which ultimately will drive traffic and the “eyeballs” required.

Generally 10,000 unique visitors a month or more can attract advertisers. Content must be indexed to allow for search engine optimization.

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3. Licencing content to subscription based broadband channels

Packaging content in themes and with similar subject matter allows for the opportunity to attract more viewers and therefore allow for increased advertiser interest. The licence fees are distributed across the board on a pro-rata share to all content providers.

4. Premium content/subscription model

A viable revenue model if the content has had mass market exposure on a major international/national level. Visitors to sites have access to "regular content" but then can subscribe to premium games and other offerings

5. E-commerce

Selling DVDs and other merchandise online. Fulfillment can be done either internally or through a third party. This opportunity needs to be supported by promotion in order for it to be truly viable.

6. Micro Transactions

This is an option for mass media multi-player games with a strong social environment hook where users purchase points (via credit card) that allow them to enhance their experience online by buying elements; property; "material" goods to improve their environment. Generally this is only viable with big budget sites that have security built in such as HABBO Hotel. This type of revenue opportunity is not proven by television content yet but may represent a spring board for future opportunities.

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Revenue examples: Note This chart represents examples of revenues being generated but does not necessarily represent standard fees being offered.

Potential Revenue Source	Country	Fee	Notes
Banner Ads	US	\$15-18,000	Per month based high number of registered users 1 million+
Website	Denmark	\$5,000	Licence fee as reported by seller - adult property - broadcaster took care of versioning
Website	Germany	\$5,000	Licence fee as reported by seller - adult property - broadcaster took care of versioning
Website	Australia	\$8-13,000	Licence fee as reported by seller(s) - kids property
Website	France	30,000	Projected Licence fee based on one episode cost - kids property
Website	Germany	40,000	Projected Licence fee based on one episode cost - kids property
Element from Website	UK	\$5,000	Based on combination promo and premium content
Element from Website	Pan European	\$5,000	Based on combination promo and premium content
Element from Website	Korea	\$5,000	Based on combination promo and premium content
Element from Website	Ireland	\$5,000	Based on combination promo and premium content
e-commerce	Canada	\$1000-1200	Per month/mostly DVD sales
Game Licence to Aggregator	Canada	\$1,000	Per quarter for content available thru consumer targeted (i.e. parents) walled garden
Premium Website Creation	USA	\$100,000	One time service fee
Ringtones	Canada	\$10	Per month based on minimal promotion
Game Licence	USA	\$5,000	To broadcaster based on series also acquired by broadcaster
Website - non broadcast related	France	\$5-10,000	Content sold to Broadcaster website only, i.e. not for broadcast
Portals buying games	Worldwide		No confirmed deals although one client was very close to closing a deal
Mobile Content licencing/blogs/ mobisodes			None reported
Museums	Canada	\$50,000	Yearly fee

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Conclusion

It is clear from the findings of this report that Bell Fund Producers/Distributors are facing considerable challenges in exploiting content. However, what has also become apparent is that many Producers/Distributors are committed to growing this part of their business. If demand grows as is expected, many indicated that there is great potential for primary business goals (within the next five years) to focus on multi-platform content development and production.

With their pioneering efforts and perseverance, Bell Fund Producers continue to set the standards for this industry domestically and internationally. Breakthrough success is not far behind.

It is the intention of the Bell Fund to follow up on this report to provide distribution support to the industry. Various approaches will be undertaken and the Bell Fund's level of involvement is to be determined. Therefore, **we welcome your comments on this report and your own observations as well as any suggestions you have for the next stage of enhancing the potential of cross-platform distribution.**

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