

Between television and cinema: New platforms Which changes with what impact on contents?

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Abstract:

SVoD platforms (subscription video on demand), like Netflix, have set off a revolution in the consumption of television and movies and introduced serials as a mixed genre between the two. This change is probably the most familiar. However the success of these platforms has wrought a second, less visible change: a total overhaul of television, whether for pay or for free, with an unprecedented consolidation of the big groups in the television and movie industries. While some telecommunication operators are buying up some of these firms and launching new platforms, others are merging to launch their own platforms. Meanwhile, the Internet giants are increasingly penetrating the sector of content production, thus making competition more intense with ever more sophisticated platforms. This article tries to interpret these changes and their effects on contents: on the one hand, more creativity, a freer tone of expression, the race to come up with original, exclusive contents, and the increasingly crucial role of recommendation systems for managing this hyperchoice; but on the other hand, the flight of art films, the industrialization of production, the war of talents (which is fueling a financial bubble), and contents that have to prove their worth very fast.

Everywhere around the world, subscription video on demand (SVoD) is exploding, having grown more than threefold during a five-year period (2014-2019).¹ This growth, stimulated by the coronavirus pandemic, is deeply altering the movie and television industries.²

SVoD has reinvented business models for television

When SVoD platforms started growing in the United States during the 2010s (and in France after 2014), there was talk about over-the-top services (OTT), a phrase expressing the idea that players like Netflix were passing over traditional network operators (cable, satellite, ADSL) and their packaged offers of programs or channels. This “disintermediation”, possible owing to the Internet, skirted around the intermediaries who had contact with end users. Since its appearance in the late 1990s (LEEBART 1999), this phenomenon has gradually reached out into all branches of the economy via direct-to-consumer (DTC) distribution. Netflix opened the door toward a

¹ Foreseen for 2019-2023: from \$12.5 billion to \$38.2 billion according to PWC’s “Global entertainment and media outlook, 2020-2024”: <https://www.pwc.com/gx/en/industries/tmt/media/outlook.html>.

² This article has been translated from French by Noal Mellott (Omaha Beach, France). The translation into English has, with the editor’s approval, completed a few bibliographical references. All websites were consulted in December 2020.

disintermediation of the television industry with, as a consequence, a rapid, steady, still ongoing decline of for-pay television. Nowadays, the distinction between OTT and for-pay television has become obsolete insofar as for-pay television companies (such as AMC in the United States and Canal+ in France) have become DTC platforms on the Internet.

Looking beyond for-pay television, we observe that streaming platforms are affecting viewing habits and shaping new consumption patterns — the freedom to watch what you want to when you want to, the compulsive consumption of serials (“binge-watching”), etc. Viewers are turning away from “linear” TV program schedules interspersed with commercials (PLOTHE & LANG 2020). Besides, for-free television channels have gradually switched toward the platform model (like TF1 in France); and the distinction now to be made will be between linear and replay television.

Nowadays, three complementary online business models have blurred the borderline between platforms and television. The dominant one is still SVoD, the subscription-based model that triggered the revolution in this sector. In parallel, a business model for transactional video on demand (TVoD) is being developed that offers contents chosen by viewers, who then pay for viewing their selection. TVoD is tending to replace traditional VoD sales. Also emerging is advertising video on demand (AVoD), which offers online programs for free thanks to advertising.

What is actually new in all this? Some platforms are SVoD pure players, like Netflix, while others have adopted a different model. In the United States for example, Hulu (a platform founded shortly before 2010 and now shared by Disney, NBCUniversal and WarnerMedia) is available as SVoD but also as TVoD or AVoD. In 2019, 70% of its audience came from AVoD (O’DONNELL 2020). Hulu is increasingly staking out a position as a “metaplatfrom” that offers access to more than fifty American channels, for free or for pay, through linear “live” programming. It has thus become a mixed metaplatfrom that, in between Netflix, for-free television and for-pay television, distributes exclusive contents on par with Netflix’s quality and worldwide distribution. Let us not forget that *The Handmaid’s Tale* (Hulu, 2017, distributed in France by OCS) was the first creation — before Netflix — to have received the ultimate award, an Emmy for best drama in 2017.

Three sets of players with different roots and identities

This threesome (SVoD, AVoD and TVoD) helps us understand the unbelievable consolidation of the television and movie industries in the United States. A few spectacular megamergers have involved players from three different branches of the economy.

First of all, TELECOMMUNICATION COMPANIES have, in the past few years, been diversifying in pursuit of new sources of profit. They also want to avoid being confined to managing an infrastructure (4G, 5G, etc.) with constantly increasing installation costs.

- In 2018, AT&T, a telecom operator, acquired Time Warner (HBO, CNN and Warner Bros.) and set up WarnerMedia.³ The firm is going to launch in 2020 its HBO+ platform, initially as SVoD, but that will soon include AVoD in order to better tap the potential of AT&T’s user base. HBO, the oldest for-pay cable television service, staked out an early position in the United States based on original, exclusive contents. At the high end of the market, HBO is Netflix’s oldest rival. Its large catalog contains many planetary hits and award winners (*Friends*, *Sex and the City*, *Game of Thrones*). The firm announced 31 original serials for 2020.
- Comcast, the first cable operator in the United States and an Internet service-provider, has acquired Sky, a strong British for-pay television group, in order to stake out a position in Europe and develop maximal synergy for exclusivities. Steadily losing subscribers to its cable

³ <https://www.nytimes.com/2018/06/14/business/media/att-time-warner-injunction.html> & <https://www.warnermediagroup.com/>

service, Comcast plans to launch in 2020 its own streaming service, Peacock (to be offered via its subsidiary NBCUniversal). Peacock's model will be mixed: AVoD to broaden the user base, TVoD for contents in the catalog, and SVoD for access to exclusive, premium contents.

Secondly, THE MOVIE AND TELEVISION INDUSTRIES are trying to spare themselves disruption and even profit from the explosive growth of VoD by concentrating their financial means on developing original, exclusive contents.

- The emblem of this is Disney's acquisition of 21st Century Fox and the launching of Disney+ at the end of 2019. To the astonishment of corporate headquarters, the Disney+ platform attracted ten million subscribers in the United States within 24 hours, whereas the objective had been to reach eight million by 31 December 2019.⁴ Its communications strategy, centered on a synergy between the studios of Disney+, Marvel+, Star Wars+, Pixar+ and National Geographic, has emphasized the "unlimited" offer. At the end of 2019, Disney had plans for 61 serials or original films in the near future.

- In 2019, the American groups Viacom and CBS merged to create one of the very first global groups of cinema and television. This new group is, of course, going to launch its own streaming platform, which will bring the platforms of the two founders under the group's umbrella, ViacomCBS.

Everywhere around the world, local alliances are taking shape between players in public and private television for creating joint platforms (e.g. Salto in France).

Thirdly, the GIANTS OF THE INTERNET are trying to make their customers loyal by diversifying their services.

- Since 2011 in the United States (2016 in France), Amazon has been offering a subscription by default to Amazon Prime Video to anyone who subscribes to Amazon Prime. The platform has adopted Netflix's strategy: original productions in exclusivity (which are starting to win prestigious awards). Unlike its rival however, Amazon Prime Video is drifting away from a pure SVoD model and gradually adopting a mixed model as an SVoD-TVoD metaplatfrom with access to local and international, for-pay or for-free, television channels.

- Apple launched AppleTV and then set up AppleTV+ in 2019 as a metaplatfrom for access to several for-free and for-pay channels. Unlike competitors, Apple does not have a large catalog; but it does have cash and is beginning to invest in upscale productions like *The Morning Show* with Jennifer Aniston (recipient of an award).

In the race with all these newcomers, Netflix is the forerunner with 71% of the world market in 2018.⁵ However the initiator of the revolution in the movie and television industries might be overtaken. It is still a pure SVoD player. Too dependent on contents produced by other firms, it switched toward the production of serials in 2013, and of films in 2015. Every year since 2018, Netflix has increased its investments in exclusivities.

Parallel to these big players, several local SVoD platforms in niche markets have sprung up over the past few years in many places around the world. In 2019, there were nearly forty platforms in France (THUILLAS & WIART 2019a & 2019b, CNC 2019).

The mediascape, with all these platforms, is changing. It is more diverse since these players have different backgrounds and identities. The key factors to the success of these platforms are: their contents, the user experience, the recommendation system, the editorial quality or the smart use of data. In other words, investments in exclusivities, on the one hand, and, on the other, in technology, might enable Netflix and the big high tech players with awesome expertise to sprint ahead of the others.

⁴ <https://www.capital.fr/entreprises-marches/netflix-disney-et-amazon-prime-declarent-la-guerre-de-plateformes-de-svod-1362637>

⁵ See Parrot Analytics (2018) Global Television Demand Report available on <https://insights.parrotanalytics.com/the-global-television-demand-report-2018-q1>.

For many experts however, the public's attention span is already saturated. Since each minute gained is taken away from competitors, a brand name represents a competitive advantage, evidence of this being the current battle "for talents" that has pitched the big platforms against each other for the recruitment of stars and well-known directors. This battle is swelling a financial bubble, the costs of productions apparently having increased three- or fourfold in the past few years.⁶ Netflix placed an estimated \$160 million on the table for the recent production of *The Irishman* (with Joe Pesci, Robert De Niro and Al Pacino) by the well-known Martin Scorsese.⁷

A final point: the growth of platforms has also raised questions about what has been called the "tyranny of choice". To how many SVoD services will a viewer subscribe? We understand why AVoD is thriving, since it can cast a larger net for viewers than SVoD, and why metaplatforms have formed, since they can incorporate several channels and even other platforms as partners.⁸ The mediascape is being overhauled. Some players, like Disney and Netflix, are withdrawing their contents from rival platforms while working out new partnerships (e.g., Disney with Amazon) in response to changes in the positions of other players. For three successive years (2017-2019), this overhaul has spurred tensions between French TV channels and telecom operators about how to distribute revenue streams.

How are current changes affecting contents?

Have the platforms and binge-watching killed movies? Different opinions have been voiced (BALDACCHINO 2019, CAMPION 2019).

Some pundits think that serials have adopted the practices and techniques of the cinema (shooting, sequences, etc.), and that the visual grammar of serials is close to that of films. According to them, the platforms are financing art films that would have never found other sources of funding. Therefore, the "platforms" mean more creativeness and freedom of creation. The resources devoted to certain types of films have never been so substantial. In effect, the platforms have such a large international viewership that it is easier for them to escape from the mold while retaining an audience large enough to form a critical mass. This trend is growing. Subjects such as the identity of transpersons used to be topics for Netflix, but other platforms have now taken them up: e.g., the serial *Bisexual* created for Channel 4 (public TV in England) and carried by Canal+ or Hulu — what might have not been possible earlier. Another Netflix effect is that platforms make it possible to distribute on a large scale very local contents along with "global" contents, which vibrate across borders, cultures and languages (MICHAUX 2018).

Then, there are those who feel that there these three different worlds (movies, television and platforms) correspond to distinct forms of storytelling. Movies for theaters are screenplays of a certain length and with a specific grammar adapted for movie theaters (QUINTON 2020). Television has invented its own contents and grammar based on everyday viewing patterns: news stories, pop music shows, debates, serials in installments, etc. The platforms have invented a new model for serials that has borrowed the codes used by the cinema. These three models of contents now have a live-in arrangement. Those who see the audiovisual field in this way have many reservations about the impact of platforms on creativeness. For them, the platforms are forced to strike a balance between pleasing as many viewers as possible and being original. After all, they soon enough put an

⁶ "La guerre du streaming fait flamber le prix des séries télé", *Les Echos* of 24 September 2019, available on <https://www.economie.fr/quotidien/les-echos/2019-09-24/sommaire>.

⁷ <https://www.lesechos.fr/tech-medias/medias/the-irishman-le-pari-a-160-millions-de-dollars-de-netflix-1151119>

⁸ Like Molotov TV in France: <https://www.molotov.tv/>.

end to serials that do not attract a large audience. These pundits are also more critical of the impact of AVoD, which resuscitates the problem (eliminated by SVoD) of measuring an audience.

Still other critics think that the cinema is in danger of losing its identity. There used to be several years between an idea, the shooting and the distribution of a film or serial. The platforms tend to shorten and industrialize this process with budgets from fifty to sixty times higher than that of for-pay television (BALDACCHINO 2019). These persons admit that platforms, like Netflix, are taking risks by financing art films like *Roma* by Alfonso Cuarón, *Okja* by Bong Joon-Ho and *The Irishman* by Scorsese. Nonetheless, they feel that these examples are evidence of a “flight of authors” toward the platforms. Creation thus risks becoming dependent on the platforms alone while movie theaters run only global blockbusters. Defending a “French chronology” for new releases, these critics have taken a stand against eliminating theaters in a film’s circuit. Films are now being programmed to have just enough theater showings to open the possibility of being nominated for an award, like the Oscars. In this changing context, the French parliament is going to place this issue back on its agenda once the coronavirus pandemic ends. These critics, like Scorsese, are worried about the life cycle of films that are only viewed on smartphones. In effect, 70% of the audience that started viewing *The Irishman* on Netflix (13.2 million viewers in five days in the United States) stopped watching before the end (QUINTON 2020).

Contents in the future

Thanks to Wi-Fi, 4G, the cloud and mobile telephones, new platforms are proliferating. Another change in the works is 5G, which will bring in virtual reality and viewer interactions. Nonetheless, the nascent 5G revolution will slowly stretch out over the next ten years; and the new contents related to it will be very gradually distributed. Meanwhile, viewers, bearing down under the tyranny of choice, will be demanding ever more advice. Artificial intelligence should soon enough have an impact on both the platforms’ ergonomics and recommendation systems. Furthermore, the future of AVoD will be “customized” advertisements based on experiments with the latest advances made by artificial intelligence. This is, in fact, one of the axes of the new law on the audiovisual industry in France, which will make a start at authorizing targeted advertisements. The key to a platform’s success will be the customer experience, which heavily depends on investments in technology and in the production of original contents in exclusivity.

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