BSAC HYPOTHETICALS
DISRUPTERTHON: WHAT HAPPENS IN A POST BROADCASTING AGE?

8.30am – 2pm, Tuesday, 5 February 2013

Introductory comments, by Adam Singer, Chairman, BSAC, and Facilitator for the event

Good morning, welcome to this BSAC Hypothetical, working title the Disrupterthon. This morning is not about terminal events, or winners and losers, or the death of beloved institutions. As Bob Lefsetz says in his wonderful blog on the music industry, "Music goes on for ever, it's just the carriers and retailers that change," and today we are looking at where change may lie for the carriers and retailers of screen product.

Discussing change in TV is, to borrow a thought from Jon Gisby, like talking about global warming: Does it exist? Can we deny it? Can we ignore it? Or are we close enough to the pension that we can leave it to the next lot?

You will hear from Ian Armitage, a recently retired city fund player, about investment. He said to me a while back, "it's time to reweight the portfolio from the mature into the right eco energy investments." If I had listened I would be better off, and in our world, as far as investment goes there is nothing more mature than broadcasting, how the reweighting of investment will affect us.

Fred Hasson pointed out to me that whenever you get a new generation of video game boxes you see shifts in the power of game supply. These changes create opportunities for new entrants. Likewise it's the same for broadcasting: whenever there is major shift in the cost of bandwidth we have seen the rise of new players. At the equivalent of this conference in 1983 no one saw that within 20 years the most powerful and wealthy commercial broadcaster in the UK would be Sky. The cost of bandwidth is now falling again.

30 years ago, Ken Baker passed the bill that allowed multi-channel television and I joined Britain's first satellite movie channel. Two years later, at the Edinburgh TV festival, I sat on a panel with Paul Fox, later to become Sir Paul, and he said to me, "what possible difference can your handful of subscribers make to British television?"

A fair question: research showed little interest in the terrible programmes of those nascent services.

30 years later everyone has multi-channel television and those handfuls of subscribers fuelled Sky, took away football from ITV and BBC, and 30% of their audience, while eviscerating the share value of ITV and changing the skills needed from programme making to programme selling. The current heads of BBC, ITV and C4 are all from marketing. If you had predicted to Paul Fox, Jeremy Issacs and Alastair Milne that British public service television would be run by marketing men, they would have shuddered in disbelieving horror

The mid 50s to mid 80s was a period of TV stability; mid 80s to mid 90s a time of slow but increasing change; late 90s to now, relative stability. But now it feels to me like another bout of change, it feels like the mid 80s all over again. Too late for me but a chance for someone to lose a lot, or maybe make serious money by betting against the incumbents, or by being one of the many new fellow travellers in second screen services like Zeebox, Shazam or Magine.

This year sees the arrival of internet browser enabled TVs; given the normal rate of change, that means in 7 years most people will have them. Towards the end of the 7 years this will be boosted by 4K HD as the price comes down. There is no difference between the screen in your pocket, the screen in your bag and the screen on your wall: a screen is a screen, use as necessary.

We have the rising power of IP distribution, and ever falling costs of signal storage, lowering barriers of entry beyond the dreams of any satellite pioneer. This will encourage new entrants, new signal, new noise, and the maturation of YouTube type aggregators.

The last era was about compression and the 500 channels, the next is about the 500 hundred thousand channels, and if each of those has just one viewer, that has impact. It’s easy to dismiss those tiny, microscopic pieces of coral that aggregate and rip holes in old hulls. Jessops and HMV illustrated that financial structures are more frail than anyone supposes and, as any virus knows, you don't have to be big to be a plague.

We have a whole industry resting on the pillar of BARB, but new tech, new IP delivery systems means the post broadcast post BARB era is on the horizon. What form will the IP generated audience data wars take? I don't know, but I do know the change in the data will affect the purchasing decision of advertisers, and advertisers love to spend a bit of what was allocated to you on new businesses, because it teases, because it might grow into options to drive down what they pay you, because it's their media version of the CIA giving Bin Laden his first Kalashnikov.

This month sees the launch of the Netflix exclusive, House of Cards. A $50 million series, all streamed, all on-demand show. Netflix has had a volatile share price: up, down, now back up; and the market, which is normally ahead of us, seems to be saying: short linear, buy on-demand.

Now the research will tell you that the audience is currently happy with linear and has little interest in on-demand television. In the 1970s, research would have told you that the US audience was happy with the networks, and not much interested in HBO; the same happened in the early 90s about Sky. Research always says people 'like what they’ve got'. Any research that tells you that people 'like what they’ve got' should be treated carefully, as if it were true no entrepreneurial act in the history of the world would have succeeded.

If you think that over the next 10 years you can have 10 years of rising IP television and 10 years of growing awareness about IP functionality on every screen you own, and that this will have no impact on linear television and its concomitant advertising model, then I would say short that companies stock as you are being told there is no growth.

Why is this important? Well, in the late 90s and early 2000s ITV got nearly every techno-economic distribution call wrong, and the result has been a flat share price for the last 10 years – while Sky conversely has seen theirs double. It’s not your audience that tell you your worth, it’s the market.

Nothing in this industry ever dies, you can still buy brand new made in Sheffield wax cylinders for your Edison phonograph; nothing ever dies in media, it just loses its ability to set the agenda. Your business may be doing fine, it’s just that you don't get invited to the cool parties any more, those invites go to Google.

So today is not about the end of anything, it’s about how the techno-economic forces, having been dormant for a while, are marching and singing again. It won’t be an overnight change, but it will be change, and this time it doesn't look like being a major change by a single large event or player, but lots of little ones that might add up to a major event.

If you don't have a licence fee then TV is about monetizing your audience and, like any industry, that means adapting to waves of technology driven, new business model enabling, market disruption.

Mark Selby and I are going to Chair this event, and we are going to try and make it as interactive as we know how. Hence we will have a fish bowl lay out. I have mentioned some speakers already, but we also have the awesomely incisive Claire Enders and the thoughtful David Abrahams from C4, and let’s start with Claire.