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Resistance of channels: Television distribution in the multiplatform era

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ABSTRACT

This article focuses on distribution of television and, using BBC Three as a case study, provides an in-depth examination of how broadcasters' strategies for packaging and distributing content are being re-considered in response to newly emerging patterns of audience behaviour and demand. It considers the extent to which the role of the broadcast channel – traditionally the main vector via which audiences have enjoyed television content – may now be threatened by the rise of online rivals and accompanying pressures to adjust to a digital multiplatform environment. Drawing on the experience of BBC Three, the research question it asks is: to what extent is there an economic justification for switching from 'the channel' as the distribution format to an online-only service? The original findings presented are based on analysis of the finances of BBC Three, on evidence gathered through a series of in-depth interviews carried out with senior executives at the BBC, and on analysis of secondary source data and public policy statements and performance reviews. They provide an empirically based contribution to knowledge about how growth of the internet is prompting public service suppliers of media to reconsider and adjust their strategies for distribution of television content and, more generally, to understanding of contemporary strategies for re-invention and survival in the television industry.

1. Introduction

In the television industry, channels have long been the established and main avenue via which audiences consume television content. However, the advent of digital distribution platforms has significantly affected consumption habits with an ever-growing proportion of time devoted to non-linear viewing, especially amongst the young. Many broadcasters have responded by developing their online presence and placing ever-greater emphasis on digital platforms as the key touch points where audiences can engage with content. Such changes have prompted questions about the longevity of 'the channel': Netflix CEO Reed Hastings recently declared that broadcast television is like a horse and 'the horse was good until we had the car' (Hastings, 2014). Are broadcast channels becoming a thing of the past?

In 2014, the BBC for the first time in its 92-year history announced the closure of a television channel. Senior management put forward proposals to stop distributing the corporation's youth-oriented service, BBC Three, as a broadcast channel on terrestrial, cable and satellite platforms and instead to reinvent it as an online and iPlayer service from Autumn 2015 onwards. In suggesting that BBC Three will cease as a channel and go online only after 2015, BBC Director of Television

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Danny Cohen hailed this move as 'transformational for both the BBC's relationship with young audiences and the BBC's approach to the digital age overall' (BBC, 2014d). To what extent does this landmark proposal support Hastings' suggestion (cited in Atkinson, 2014) that channels are destined to disappear by 2030?

This article considers the shifts in technology and consumption behaviour which have encouraged television companies to migrate towards multiplatform strategies for distribution of content. It focuses on the BBC and its decision, taken against a background of wider competitive and financial pressures, to adopt a radically altered strategy for distribution of its flagship television service for younger audiences. Drawing on original research findings gleaned from interviews with senior BBC executives, examination of documents and analysis of BBC financial statements, the central question this article asks is: to what extent does discontinuation of distribution via linear broadcasting make economic sense for an established channel such as BBC Three?

Earlier research has considered the ways that digital convergence and growth of the internet are affecting distribution strategies in the media industry (Küng et al., 2008). A drift towards online consumption of content has encouraged many newspaper and magazine publishers to become increasingly reliant on online subscriptions and some, including for example newly launched international editions of *Cosmopolitan*, to switch to 'online-only' models of distribution (Bond, 2015), a trend reflected in earlier scholarly research on print publishing which investigates shifts from traditional to online only models (Westlund and Färdigh, 2011). However few earlier studies have broached this sort of strategic transition in the context of the television industry.

Even so, changes in the television industry have been the focus for an abundant body of literature, from early seminal work on the effects of convergence by Negroponte (1995) and Jenkins (2006) to more recent studies of how digitization and internet-delivered television are transforming production and consumption of television (Alvarez-Monzoncillo, 2011; Dwyer, 2010; Turner and Tay, 2009). Some earlier work has focused specifically on how the rising popularity of the internet is affecting distribution strategies (Curtin et al., 2014; Evens, 2013). A number of authors have highlighted how increasing use of digital distribution platforms is fundamentally changing the relationship between suppliers of television content and audiences (Duncan, 2006; Ulin, 2014).

Many television companies have responded to digitization by moving to become, rather than broadcasters, multiplatform entities fit for and focused on making and assembling content for distribution across the multiplicity of digital platforms available (Doyle, 2010, 2015). Several authors have examined how multiplatform approaches are changing delivery and consumption of audiovisual material (Guerrero et al., 2013; Roscoe, 2004; Ytreberg, 2009). Some have centred specifically on how public service broadcasting organisations such as the BBC have adjusted to become suppliers of public service content across multiple platforms (Bardoel and Lowe, 2007; Bennett et al., 2012; Enli, 2008; Sørensen, 2014).

As distribution of television has migrated onto web-connected platforms, growing competition from on-demand sites (such as Netflix and YouTube) and a progressive empowerment of viewers to assert their own choices has raised questions about the ongoing role and relevance of 'the channel' as a format for content delivery. Channels, where content is packaged into a linear transmission schedule, have traditionally played a key role in bundling and packaging television content for audiences and in enabling broadcasters to engage in strategies of segmentation, marketing and positioning of their wares (Barwise, 2004; 24).

Although the television industry is still dominated by conventional broadcast channels, the online television industry is growing rapidly with new entrants deploying a range of business models (Waterman et al., 2012). As Sørensen's research suggests, UK public service content suppliers are responding to the rise of on-demand sites by increasingly using the term 'curation' to describe their approach to content delivery across multiple platforms (2014: 35). Sørensen argues that, as viewers are faced with an ever-growing 'morass' of audiovisual content offerings, channels now 'function like curators of specific types of high-quality programmes' (2014: 35).

Using BBC Three as a case study, this paper provides an in-depth examination of how strategies for packaging and distributing content deployed by television companies are being re-considered in response to newly emerging patterns of audience behaviour and demand. It considers the extent to which the role of the broadcast channel – traditionally the main vector via which audiences have enjoyed television content – may now be threatened by the rise of online rivals and accompanying pressures to adjust to a digital multiplatform environment. Drawing on the experience of BBC Three, the research question it asks is: to what extent does switching from 'the channel' as the distribution format to an online-only service make economic sense for established television broadcasters? To what extent is it likely to facilitate more economical or more cost-efficient provision of the service in question? BBC Three provides a suitable and timely case study to examine this issue because this is the Corporation's flagship television service for younger audiences and BBC Management recently announced controversial changes in how the service will be distributed in future involving closure of the linear channel.

The findings presented in this article are based on original research involving analysis of the BBC's emerging strategy for digital multiplatform distribution of its television services. Evidence was gathered through a series of in-depth semi-structured interviews carried out with senior strategists and executives at the BBC from October 2013 to March 2014. Interviewees included the Channel Controller for BBC Three and the Head of Scheduling and Planning for BBC Three who were able to provide extensive insights into both strategic and operational aspects of the case study. This paper also presents and analyses evidence concerning the costs and finances of the BBC's television services drawing primarily on data from the BBC's annual Report & Accounts and on BBC statements and reports. Additional secondary source material used in the analysis includes public policy statements and performance reviews produced by the Department of Culture, Media and Sport (DCMS) and the BBC Trust which oversees the BBC and audience data from BARB and from UK communications