OBSERVATOIRE EUROPÉEN DE L'AUDIOVISUEL
EUROPEAN AUDIOVISUAL OBSERVATORY
EUROPÄISCHE AUDIOVISUELLE INFORMATIONSSTELLE

ECONOMY OF EUROPEAN TV FICTION

Market Value and Producers-Broadcasters Relations

EXECUTIVE SUMMARY

A study carried out by the *Institut national de l'audiovisuel* (INA) in collaboration with the Eurofiction team for the European Audiovisual Observatory and the *Centre national de la cinématographie* (CNC)

Editors : Jean-Pierre JEZEQUEL (INA)
and André LANGE (European Audiovisual Observatory).

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Study objectives

The "*Economy of European TV Fiction*" study was carried out by the *Institut national de l'audiovisuel* (INA), and commissioned by the European Audiovisual Observatory (OBS) and the *Centre national de la cinématographie* (CNC). It provides, for the first time, answers to questions that are regularly posed in professional circles and by the public authorities in the European audiovisual sector, who have long been working under the absence of the barest minimum of economic data on the audiovisual production sector in Europe. The report is based on the experience acquired over 5 years by the Eurofiction team[1].

Economic information

Economic information on television production is practically non-existent. This can be put down to two main reasons: firstly, the failure to collect data on a regular basis and secondly, the reluctance of broadcasters and producers to give out details relating to the financial aspects of their reports. As indicated in a preliminary report carried out by the European Audiovisual Observatory, it is not possible to find out the total production spend of European television channels by reading through their annual reports and accounts.

The limitations of investigative methods based on corporate accounts is even more apparent when one tries to provide a comparative analysis on a European scale. Of the 5 countries looked at here, France, with its regulatory system and funding for programme industries, appears to have quite a substantial amount of economic data available for productions commissioned and broadcast by the channels. However, this highly specific, sophisticated system of statistical data does not exist in the other countries, except to a very limited extent.

Analysis of a comprehensive list of national TV fiction broadcast in the five main European production countries

Every year since 1996, Eurofiction has brought out a report on national first-run TV fiction in the five largest European countries (Germany, Spain, France, the United Kingdom and Italy). Each program is identified according to its programming (day and time), its exact duration, its format (TV film, series, etc.) whether the programme is 100% national or international (co-production), and its audience. These figures are gathered from the 5 national data bases. The Eurofiction project means that, for the first time, accurate statistics are available as to volumes of national TV fiction broadcast in the 5 countries involved in the study.

The Eurofiction report includes all the channels that have broadcast at least one national or previously first run TV fiction programme, making a total of 42 channels in all. Only 25 of the channels enjoy full national coverage and are unencrypted, with 22 of them showing a substantial volume of original TV fiction.

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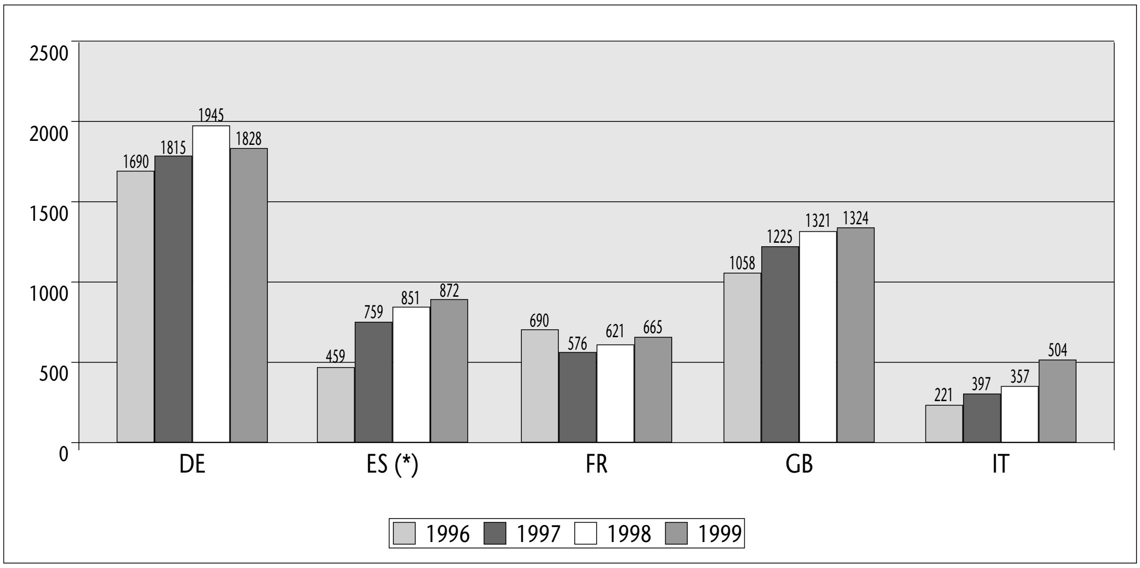
(1) The study was coordinated by Jean-Pierre Jezequel (INA)

The Eurofiction team is coordinated by the Fondazione Hypercampo, a partner of the European Audiovisual Observatory. It is made up of:
- for Germany: Gerd Hallenberger (University of Siegen),
- for Spain: Rosa A. Berciano, Charo Lacalle and Lorenzo Vilches (Autonomous University of Barcelona)
- for France: Régine Chaniac and Jean-Pierre Jezequel (INA) and Laurent Letailleur (CSA)
- for the United Kingdom: Richard Paterson (British Film Institute) and Georgina Higham, Alison Dodd and Matthew Hill (David Graham & Associates)
- for Italy: Giovanni Bechelloni and Milly Buonanno (Università di Firenze, Fondazione Hypercampo and Osservatorio sulla Fiction Italiana).

The annual EUROFICTION reports are edited and distributed by the the European Audiovisual Observatory. Latest available publication: EUROFICTION: *Television Fiction in Europe. 2000 report,* European Audiovisual Observatory, Strasbourg, 2000

(2) *Les coûts de programmes et les investissements dans la production audiovisuelle des chaînes de télévision européennes* (costs of programmes and investments in European television channel audiovisual production), provisional report, European Audiovisual Observatory, Strasbourg, October 1998. The conclusions of this study are reproduced in the postface to this report.

National TV fiction production volume in hours (1996-1999)



(*) Not included: 593 hours broadcast in 1999 by autonomic channels that were not considered in previous years.

Source: Eurofiction

The "standardised production costs" method

Having successfully defined its scope and methodology, the Eurofiction team decided to extend its work to include the economic aspects of national TV fiction, taking a methodology drawn up by the INA. Using the same national data bases, Eurofiction added two further items: the cost of the programme and the production company responsible for creating and making it. The latter information poses no conceptual problem but exhaustive details are not easily obtainable. Financial information is a different kettle of fish, with financial data on production costs or channels' programme-by-programme spend being confidential in at least three countries (Germany, Spain and Italy). It is slightly easier to get hold of the information in the United Kingdom for production by independents and in France for all programmes receiving financial funding (including TV fiction), although in neither case is the information actually published. A common methodology therefore had to be set out for the five countries, that allowed for these difficulties and which would give a figure for production costs that could be attributed to each TV fiction programme.

The method adopted was the "standardised production costs", or "standard costs" for short. It is based on the fact that there is a certain consistency for a given channel's spend in a given programming slot. The channels also have consistent production procedures, in terms of programme duration and target (channel and time slot). A standard cost corresponds to a production and programming configuration that is considered as a working standard by both the channels and the country's producers[3].

(3) Each programme given the same standard cost has a cost that can vary from this average. However, as a large number of programmes are included in the study, the variations are considered to cancel themselves out, statistically. There are, of course, certain risks in using this method, especially while it is still in its initial stages. An error in determining the standard will be amplified by the dozens of programmes allocated that standard.

The value of the work depends therefore mainly on the quality and accuracy of the standard cost models drawn up in each country. Each national team consulted both professionals in the production sector and the channels themselves. It is easier working with a financial value allocated to a production configuration, rather than using the estimated production cost of an individual programme.

Three basic factors were found to have a bearing on the cost of a TV fiction programme:

- the length of the programme, with average durations of around 90, 52 and 26 minutes;
- the programming slot, with 3 time slots each with different spend levels: *prime time, access prime time* for the second part of the viewing evening and thirdly, the other times.
- the programme's prestige level, which varies both according to the channel involved and to other factors. A higher prestige level could lead to bigger-name casting, with more time spent making the programme than would otherwise be the case - a historical TV fiction, complex special effects, etc.

Each country has drawn up its own standard cost model, which resulted in the following numbers of cost brackets:

Germany	*14*
Spain	*8*
France	*12*
United Kingdom	*17*
Italy	*13*

For the first time and using a common methodology, a study has been carried out to assess the costs of TV fiction production and to give a breakdown of the main economic criteria in the five largest European countries. Even if the results only involve TV fiction programmes, they still shed light on the scope and main features of these countries' programme industries. In terms of volume, audience popularity and money invested, TV fiction is the darling of television and is at the core of most considerations regarding audio-visual creation and cultural diversity.

The value of TV fiction production in the 5 European countries considered: € 2.7 billion

Warning: *The financial values given by our method should on no account be confused with channel investment expenditure or programming costs. International co-productions are based on splitting costs between several different countries. Even when a 100% national production is involved, the broadcaster does not automatically cover 100% of the cost. In France, for example, the funds put in by a funding mechanism represent an independent source of financing. For the four other countries, it can be said that there is a straight-line relationship between the cost of a 100% national programme and its broadcaster's spend.*

The method used makes it possible to allocate a cost to each programme unit. It is possible to build up a picture of the total value of previously first run national TV fiction shown in each country. For the five major European countries taken as a whole, the total value works out at € 2,743.7 millions.

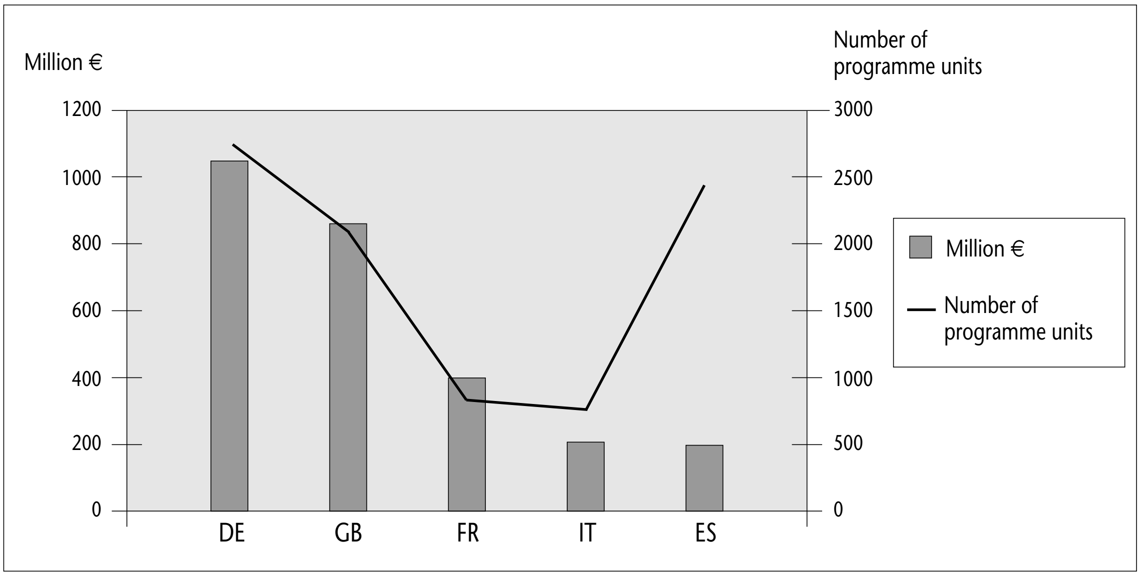
Comparison of the number of units of national TV fiction programmes broadcast and their financial value

	Number of programme units (*)	Value (in € millions)
Germany	2 712	1 026,3
United Kingdom	2 225	904,8
France	815	416,8
Italy	737	208,8
Spain	2 256	187
Total EUR 5 (**)	**2 256**	**2 743,7**

(*) A "programme unit" is considered to be a single programme (TV movie), an episode of a series, serial or a mini-series. We will be referring to this unit from here onwards as an "episode"

(**) After elimination of co-production double counting.

Comparison of the number of units of national TV fiction programmes broadcast and their financial value



Source: INA

This graph shows the value of TV fiction production excluding co-productions between the countries in question. This means a co-production involving, for example, two or more of the five countries (several dozen hours) has its programme value split up between the different partner countries, in line with the information we have. Without this method, a number of programmes would have had their values distorted and counted double. For other international co-productions, the total value of the programme was used.

In terms of the financial value of broadcast TV fiction, Britain's ITV channel comes out top, ahead of BBC1 and ARD, the leading German channel. The leading French channel, TF1, is in sixth position, while Italy's Canale 5 is in eleventh place and the leading Spanish channel (Tele 5) in twelfth position.

International co-productions account for less than 15 % of the total production value.

Work based on the Eurofiction data means a precise analysis can be made of the importance of co-productions in the TV fiction programme offer. The report splits co-productions up into 3 categories: European co-productions from countries with the same language, those from countries with different languages and the inter-continental co-productions. When taken in terms of the total number of episodes, co-productions (totalling 536 episodes) only account for 6% of the physical total but 14.6% of the financial value (some 400 M €) of TV fiction production for the 5 major European countries. This provides confirmation that co-productions are mainly used for producing particularly costly programmes. Of this 14.6%, 4.4% is for co-productions with North America (mainly the United States, but also with Canada), while the remaining 10% represents partnerships between European countries (inside or outside the circle of the Big Five).

Share of international co-productions in first run national TV fiction in each country

All the international co-productions in each country are counted, whatever the partner country (neighbouring country, European or from a different continent)

	% of coproduced episodes/ total number	**% of the value of the co-productions/ total value**
Germany	10,0	19,0
Spain	0,5	6,5
France	17,0	30,0
United Kingdom	3,0	7,5
Italy	7,0	33,8

France and Italy are the countries with the biggest propensity for co-productions, which reflects the high proportion of costly TV fiction programmes and the relatively low level of financing for such programmes (compared to countries such as the United Kingdom and Germany). French-language co-productions (with Belgium and Switzerland) constitute a large share of French co-productions, while German-language co-productions form a very high percentage of German co-productions.

The financial weight of prime-time broadcast national TV fiction varies from country to country

Prime time TV fiction gets the biggest slice of the financial cake in all the countries. Variations are, however, to be found in the importance of prime time in the different countries and also the type of TV fiction (duration, format, etc.) programmed in the slot.

Definition of prime time

Country	Start	Finish
Germany	20.00*	22.30
Spain	20.30	23.30
France	20.30	22.30
United Kingdom	19.00	22.00
Italy	20.30	22.30

* Except ZDF : 19.25

The importance of first run prime time national TV fiction in terms of financial value and episodes broadcast

	% of number of prime time episodes / total number	% of prime time value / total value
Germany	36,0	68,0
Spain	39,5	64,5
France	38,5	73,5
United Kingdom	65,4	83,5
Italy	44,0	80,5

Source: INA

The proportions shown above reflect the programming policies of the channels and their financial implications. The considerable diversity in duration and format for British-made TV fiction, a large number of episodes of which are broadcast as early as 19.00, as well as their strategic importance in terms of audience figures, is reflected in the high proportion of TV fiction episodes shown in prime time and in the financial resources put into these programmes. Germany features a large number of lower-cost TV fiction episodes in access prime time, which means more financial resources are available for prime time TV fiction, of which there is less than in other countries.

TV fiction format strategies also vary considerably from one country to another

The way in which TV fiction programmes are serialised (the format), illustrates each country's approach to narration, production and image consumption. These different cultural approaches to broadcasting can also have financial consequences .

Definition of formats as defined by Eurofiction

Anthology, or collection: this involves different types of TV fiction, with different characters and production team, but which come under the same generic title.

Mini Series: this involves 2 to 6 episodes of a single TV fiction series.

Serials: this category includes

(1) open serials

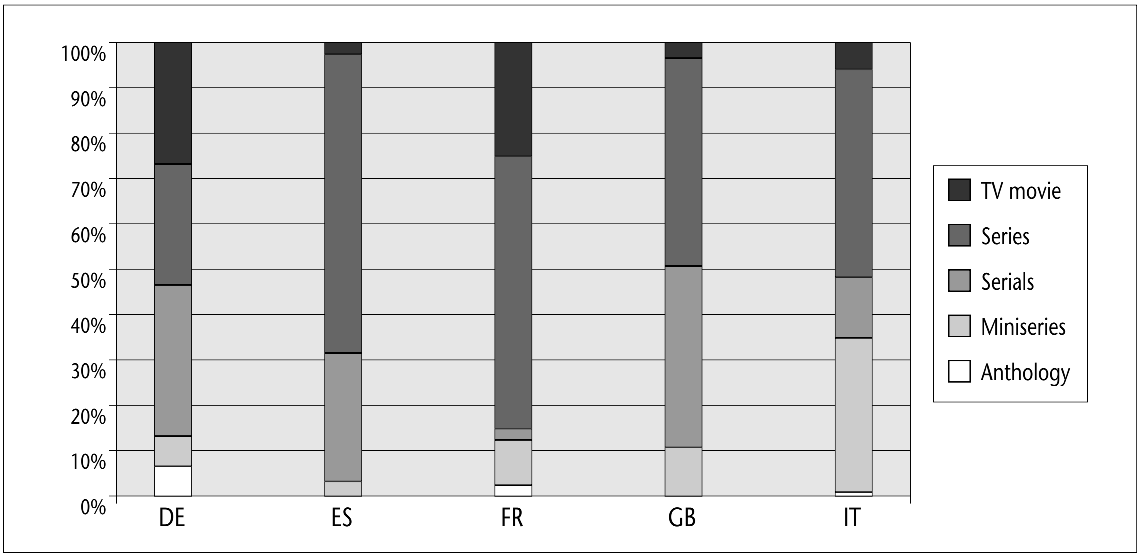
(2) closed serials, involving at least 7 episodes ; this category is only significant in the United Kingdom.

Series: this involves open and shut episodes with the same central characters recurring in each episode.

TV Movie, or TV movie.

Financial impact of each format in each country (as a percentage of the financial value of national production)

	Germany	Spain	France	United Kingdom	Italy
Anthology	6,8%	-	2,3%	-	0,8%
Miniseries	6,9%	3,5%	10,3%	10,9%	35,6%
Serials	33,0%	28,0%	2,2%	39,4%	11,6%
Series	26,9%	66,0%	60,0%	45,9%	46,0%
TV movie	26,4%	2,5%	25,2%	3,8%	6,0%
Total	*100%*	*100%*	*100%*	*100%*	*100%*



Source : INA

Seen from the viewpoint of production structures and logic, the formats listed above can be grouped into two broad categories:

- TV movies and their offshoots (anthology and mini-series) which follow the more "traditional" approach to programme-making (writing, filming, post-production) that is similar to making cinema films, even is there is, like in France, a fairly high wall between the two sectors
- Series-based TV fiction (series and serials), a format made specifically for television and which uses other infrastructures and work procedures that could sometimes be described as "industrial".

The first category occupies an important position in Germany, France and Italy. British and Spanish television, on the other hand, have used their expertise more in making serialised programmes. It is hardly surprising, therefore, that the TV movie, in the strict sense of the words, hardly gets a look-in in these two countries as it is so closely related to cinema films.

The features of the production sector

The study shows that 360 companies have been involved in producing TV fiction programmes. The number of companies active in each country is an indication of the health of the production sector, but also shows the dispersion of the TV fiction production sector. To interpret the figures properly, they need to be compared with the volume of TV fiction output.

Number of production companies and production volume in hours

	No. of companies	Volume in hours
Germany	147	1 828
Spain	30	1 455
France	74	665
United Kingdom	71	1 324
Italy	38	504

Source: INA

The data can be processed to group the production companies country by country and even channel by channel according to the value of the TV fiction programmes produced.

Ranking of production companies according to the financial value of the TV fiction output

GERMANY

European Rank*	Company	Financial value of the TV fiction output (th. €)	% of total TV fiction output for the country
3	Grundy *	144 631	13,7%
6	Bavaria *	51 678	4,9%
9	Studio Hamburg *	42 043	4,0%
11	Nova film	39 058	3,7%
12	Regina Ziegler	33 074	3,1%
18	Saxonia Media *	25 622	2,4%

SPAIN

Rank	Company	Financial value of the TV fiction output (th. €)	% of total TV fiction output for the country
13	Globo Media	31 632	16,0%
15	Zeppelin	28 708	14,5%
20	TVC	22 455	11,5%

FRANCE

Rank	Company	Financial value of the TV fiction output (th. €)	% of total TV fiction output for the country
8	Gaumont TV	44 410	10,2%
14	Marathon	30 450	6,9%
16	Alya *	28 290	6,4%
17	Telfrance	26 395	6,0%
19	GMT	23 270	5,3%

UNITED KINGDOM

Rank	Company	Financial value of the TV fiction output (th. €)	% of total TV fiction output for the country
1	BBC *	209 908	23,2%
2	Granada *	209 667	23,2%
4	Pearson *	90 155	9,9%
5	Mersey	79 990	8,8%
7	Carlton *	49 394	5,5%

ITALY

Rank	Company	Financial value of the TV fiction output (th. €)	% of total TV fiction output for the country
10	Mediaset *	39 564	15,8%
	Titanus	21 952	8,8%
	Pearson Television (Italy)	17 787	7,1%
	Lux Vide	14 826	5,9%

* Companies marked with an asterisk are those companies that are part of or which are linked in one way or another to a broadcaster of the considered country. These are therefore not independent production companies according to the definition given below.

Source: INA

The totals attributed to each company should not be confused with their turnover. In accountancy terms, turnover is considered as coming from the sale of goods or services, meaning here the sale of programme rights to broadcasters. For international co-productions, costs are shared and therefore there is not any revenue, in the strict sense of the term, coming in from foreign partners. On top of that, the contributions from broadcasters could be of a non-financial nature, in the form, for example, of filming or post-production services. These financial data provide the basis for assessing TV fiction volumes for the companies surveyed.

For information purposes and with all the reservations that such an undertaking involves (share of co-productions for each company, relative standards of living and consequently the value if the programmes), we have drawn up a theoretical ranking of the top 20 companies.

TV fiction production companies have, relatively speaking, less independence with regard to the broadcasters in Germany and in the United Kingdom.

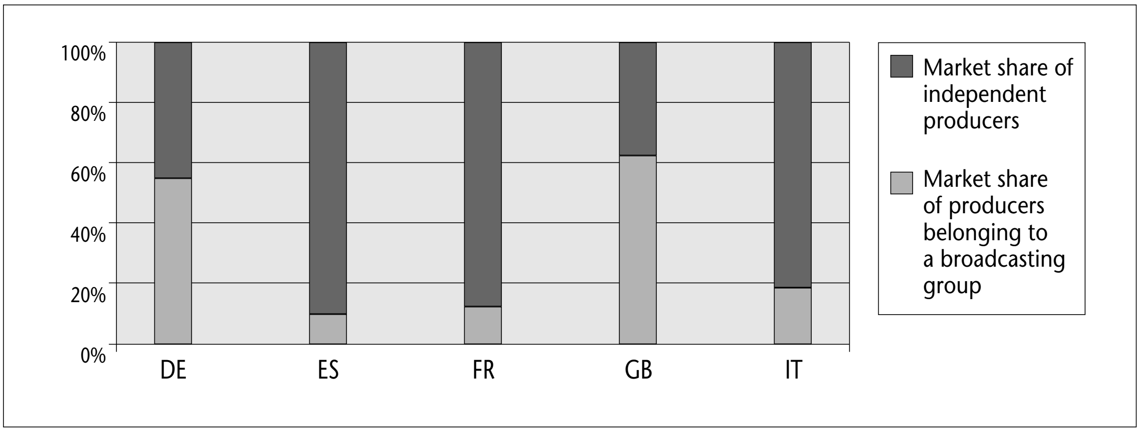
The study also takes an analytical look at group effects and the independence of production companies with relation to broadcasters. Producers can, to a varying degree in each country, belong to groups existing within the same sphere as the broadcasters or to groups of producers/distributors. This can be seen especially in France and Germany. Two transnational groups operating within the boundaries of the 5 countries have been identified and distinguished by the amount of TV fiction they produce: RTL Group and Endemol. The independent production sector has also been considered separately so as to assess its relative weight in each country.

Definition

An independent production company is considered to be any production company that does not have any equity link with any of the broadcasters on the list of the 41 channels that have ordered and broadcast TV fiction programmes. A producer belonging to a group operating theme channels will be considered here as an independent. This criterion is significantly different to the regulatory criteria in force in some countries, especially France..

Breakdown of broadcast national TV fiction between TV fiction from independent producers and TV fiction from producers belonging to a broadcasting group.

	Market share of producers belonging to a broadcasting group	Market share of independent production
Germany	53,5	46,5
Spain	12,4	87,6
France	13,4	86,6
United Kingdom	62,1	37,9
Italy	17,8	82,2



Source: INA

The main differences observed can be put down to regulatory differences that can act more or less in favour of independent production, but also to the institutional, historical and cultural features that are specific to each country. The category of production companies linked to broadcasters is a somewhat residual category which covers a radically different scope of professional practices and functions. It can be split up into three sub-categories:

- in-house production systems (for example, the BBC, Televisao de Catalunya) ;
- "cofinancing" companies, which have a monitoring brief rather than an active role in production (for example Mediatrade, Mediaset's production subsidiary) ;
- the companies that consider themselves as fully-fledged production companies and which can work with any broadcaster (for example Bavaria, Ellipse, Pearson Television).