PRODUCING TV CONTENT IN A GLOBALIZED INTELLECTUAL PROPERTY MARKET: THE EMERGENCE OF THE INTERNATIONAL PRODUCTION MODEL

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ABSTRACT This article focuses on the *production* of transnational TV formats, and argues that a new business model has emerged over recent decades. Whilst many formats are still sold and produced under licence by a third party, leading TV production companies prefer to adapt their own shows in as many markets as possible, a strategy that has led to their internationalization. This article traces back the model's origins and shows how it was pioneered by game-show producers, and adopted by British independent TV production companies and a few European broadcasters, then eventually by several Hollywood studios. This led to the formation of today's 14 international TV production super-groups. This paper then argues that this model emerged in response to the globalization of the intellectual property market that was created by the TV format revolution. It was this revolution that spawned a market for intangibles such as programming concepts and production expertise, which today cross borders as much as finished programmes. This paper shows how the market has expanded a TV format's *value* chain, and how TV production companies have needed to develop their international capabilities in order to retain control of the chain. An international production network enables them to generate, exploit and protect intellectual property on a global scale.

KEY WORDS: intellectual property, international TV production, international TV production super-groups, media globalization, transnational television, value chain, TV formats

International trade flows in the television industry have changed considerably over the past decade. The bulk of this trade once consisted of finished programmes (i.e. ready-made TV shows) produced in one country and then sold across the world. Much of this content was made in Hollywood, but also included European animation, drama and documentaries. Although this type of programming remains, today it is complemented by international shows and concepts that have been adapted locally. This new development has led to the emergence of transnational formats covering the whole spectrum of scripted and unscripted entertainment, from game shows to talent competitions and from observational reality programmes to scripted series like *The Office*, *Ugly Betty* or *Prisoners of War/Homeland* (Chalaby, 2011; Esser, 2010; Moran, 1998, 2006). Each year, around the globe hundreds of formats are created, traded and produced, involving hundreds of broadcasters and TV production companies. From its humble origins in the 1950s the TV format industry has become a €3.1 billion-a-year global business that comes with protective trade bodies (FRAPA) and glitzy awards ceremonies in Cannes (FRAPA, 2009: 7-8, 11).

This article focuses on format production and argues that a new business model emerged in the 1990s. In the early days, format owners (or rights holders) would simply sell a show's licence to a local production company or broadcaster who would then adapt and produce the show for a local audience. Many formats are still produced under licence, but over the past 10 years or so the leading players have increasingly favoured a new production model: Wherever possible, rights holders prefer to adapt and produce their shows themselves in as many markets as possible, a strategy that has in turn led to the international expansion of TV production companies.

This article begins with a historical overview of the model, tracing back its origins and exploring its development in recent years. It shows how it was pioneered by game-show producers, and adopted by British independent production companies and a few European broadcasters, then eventually by several Hollywood studios. This led to the formation of today's 14 international TV production super-groups.

The second part argues that the TV production companies have had to adapt to the globalization of the *i*ntellectual property (IP) market created by the format revolution. This revolution opened up a market for intangibles such as programming concepts and production guidelines, which today cross borders as much as finished programmes. The IP market is global in scope since a format can travel anywhere in the world and, conversely, must compete with the world's best formats when a broadcaster opens up a slot. This article shows how the new market has expanded the *value chain* of a piece of IP, and how production companies have had to adapt their business strategy accordingly. It analyses the advantages and risks associated with the international TV production model in terms of IP generation, exploitation and protection, and the formation of global TV franchises.

ORIGINS: FROM GRUNDY TO ENDEMOL AND PEARSON TV

The international TV production model was pioneered by one of the few companies trading formats before the 1990s: Reg Grundy. Grundy began to adapt US game shows for the Australian market in the late 1950s and branched out into new territories about two decades later, notably, when he obtained the representation of the Goodson-Todman catalogue outside Europe and the Middle East (Chalaby, 2012: 43-4). Grundy Worldwide was the first company to set up an international network of subsidiaries, registering its first overseas company in the USA in 1979, followed by New Zealand, the UK and the Netherlands in the second half of the 1980s (Moran, 1998: 47-58). It expanded further in the early 1990s, with the opening of regional offices catering for the Mediterranean area, Latin America and Asia in Monaco, Santiago and Singapore respectively (ibid: 63-9).

Grundy emerged in the mid-1990s with a 'network of owned and operated companies in 17 countries tak[ing] an active hand in the production process' (Fuller, 1994a). It specialized in high-volume genres, and key properties included game shows such as *Hot Streak*, *Going for Gold*, *Man O Man,* and *Sale of the Century*, and two Australian soaps, *The Restless Years* and *Sons and Daughters*. All were adapted in various markets across the world and more often than not, Grundy managed to produce or co-produce these shows.

At the time, the only other TV production company to adopt this model was Endemol. Two Dutch TV producers, Joop van den Ende and John de Mol, had merged their companies in January 1994 to become the world's largest independent production company, worth an estimated $225 million (Smith and Life, 1993). Although the former was far more involved than the latter in the international format trade, they combined their international operations and Endemol started life with subsidiaries in Germany, Luxembourg and Portugal (Bell, 1994; Carter, interview 2008). By the time *Big Brother* launched at the end of the decade, Endemol owned or partially owned TV production companies in ten territories, notably Spain, Belgium, South Africa, Poland, Scandinavia, and the UK (Endemol, 2007: 8; see also Arris and Bughin, 2009: 104-111). From the outset, Endemol realised that growth required more than just licensing formats, as illustrated by Monica Galer, head of international:

> Of course we are interested in taking our formats abroad but that can be in a variety of different ways – producing directly for broadcasters, co-producing with broadcasters, or co-producing with broadcasters and other local producers – whatever the deal demands. (in Fuller, 1994a)

It is also in the mid-1990s that Pearson replaced Grundy. In 1993, Pearson, owner of the *Financial Times*, began diversifying into television production with the purchase of Thames Television, the UK's largest independent producer. Then, Greg Dyke, head of Pearson's TV division, swooped on Grundy, which he bought for £175 million in May 1995, and got hold of All American Communications for £233 million two-and-a-half years later (Benson, 1994; Bateman, 1995). Of particular interest to Dyke was a company acquired by All American three years before - Fremantle - a game show specialist that was exploiting the Goodson-Todman formats internationally, and whose library included classics such as *The Price is Right*, *Family Feud*, *To Tell the Truth*, *Concentration*, *Password*, *Card Sharks*, and *Blockbusters*. Within just a few years Pearson's network of production companies was more expansive than Endemol's and the company was producing and licensing shows in about 30 territories (Benson 1994; Dyke, interview 2010).

FROM THE RISE OF BRITAIN'S SUPER-INDIES…

The international production model gained wider currency with the emergence of several large UK-based independent companies at the turn of the century. The independent TV production sector began to develop rapidly after the launch of Channel 4 in 1982: a broadcaster-publisher that commissioned 100 per cent of its output (Darlow, 2004; Potter, 2008). The sector received another boost when British Parliament voted the 1990 UK Broadcasting Act that required terrestrial broadcasters to commission at least 25 per cent of their programming (Doyle and Paterson, 2008). Although the vast majority of independent producers remained small in size, a few larger production groups began to emerge.

Among them, the Chrysalis Group was the first to expand overseas when in 1994 it took a 49 per cent stake in IDTV, a leading Dutch production company (Fuller, 1994b). Four years later it took control of South Pacific Pictures, a drama production company based in New Zealand (*Broadcast*, 1998). On the broadcaster side, Granada Media, one of the larger ITV companies, established its first production outpost in LA in 1997, Granada Entertainment USA, immediately followed by the purchase of an independent TV production company in Australia and, two years later, the creation of a German subsidiary, Granada Produktion für Film and Fernsehen (Deans, 1999).

Creating a New Intellectual Property Regime

However, the process of internationalization only began in earnest once the Communications Act, passed by British Parliament in 2003, had created strong incentives for UK-based companies to seek growth abroad. This act required the British media regulator, Ofcom, to establish a new Code of Practice that would modify the *terms of trade* between broadcasters and their suppliers, the production companies. Essentially, the code disaggregated the rights attached to a TV programme, enabling producers to keep those rights not purchased by broadcasters, including distribution rights (terrestrial, cable and satellite, online, mobile and international) and ancillary rights that are exploited through merchandising and licensing (Chalaby, 2010). This created a *new intellectual property regime* that 'changed the fundamentals' of the independent TV production sector in the UK (Dey, interview 2010). Production companies became *owners of content* because the intellectual property attached to TV shows, which used to be controlled by broadcasters, had become assets. Not only did these attract investment either by floating the company or bringing in private investors. In all, this new intellectual property regime transformed small service companies that once lived a hand-to-mouth existence into fast-expanding businesses able to exploit their own assets (Chalaby, 2010).

The Consolidation of Britain's Independent TV Production Sector

Thus followed a round of consolidation in the independent sector, with small production companies coming together to attract investment and exploit their rights in a more efficient manner that cut out central costs. A group of about ten larger companies that came to be known as the 'super-indies' all adopted a similar structure: they assembled several production companies and developed one distribution arm specializing in international sales and distribution (Chalaby, 2010). While super-indies mostly acquired UK-based companies, they also made some overseas acquisitions, enabling them to expand production capabilities into key markets.

All3Media provides a perfect illustration. The company was formed in 2003 following a management buy-in led by Steve Morrison of Chrysalis TV. All3Media had inherited IDTV and South Pacific Pictures then, in 2004, it purchased Lion TV, a UK-based production company with several offices and clients in the USA. Three years later it added MME Moviement, Germany's largest production company, and in June 2008 it formed All3America after buying Zoo Productions, a US firm. As Morrison put it, the objective was to 'scale up from being a largely UK-based company with international reach to becoming more of an international company' (in Campbell, 2007). Today, All3Media incorporates 20 companies across six territories (Garvie, interview 2011; Kanter, 2011: 5).

Shine was founded by Elisabeth Murdoch in 2001. After several UK acquisitions it began international expansion in 2007 with Reveille, a fashionable format company at the time that notably adapted TV hits *Ugly Betty* and *The Office* for US audiences. Two years later it had start-ups in Germany, France and Australia, before obtaining Metronome Film and Television, the largest production group of the Nordic region with 15 companies across the region. In 2011 Shine established itself in Spain, bringing the group to 26 operating units across 10 markets (Mahon, interview 2010).

By the end of the decade, even those super-indies without a large international footprint had developed a significant presence in the USA. Shed Media, RDF Media, Tinopolis, and DCD Media, opted for a US-focused strategy, opening up production facilities in America on the back of successful formats such as RDF's *Wife Swap*, and Shed's *Supernanny*, *World's Strictest Parents* and *Who Do You Think You Are?* (Wood, 2010b).

TO THE BIRTH OF GLOBAL SUPER-GROUPS

Over the past decade, the international production model has been adopted by a growing variety of TV companies. In particular, broadcasters have realized that controlling some of the intellectual property they air has become a strategic necessity.

FremantleMedia became the content production division of RTL Group following the merger of Pearson Television and CLT-UFA in 2000. In effect, Pearson had sold its TV division to CLT-UFA but, still being a media company (it also owned the *Financial Times*), the RTL Group could not trade under the Pearson name. Thus, it renamed its content division after one of the businesses Pearson had bought in the 1990s.

ProSiebenSat.1 (another pan-European broadcaster based in Germany) followed suit in 2010, creating Red Arrow Entertainment in order to expand international production capabilities and produce content with international appeal. The group owns two companies that focus on formats, Munich-based Redseven Entertainment and Snowman Productions, headquartered in Stockholm with offices in Denmark and Norway. It acquired majority stakes in production houses in Belgium (Sultan Shushi, now also in the Netherlands), the USA (Fuse Entertainment, Kinetic), Britain (Mob Film, CPL Productions and Endor Productions), and Israel (Armoza Formats). Red Arrow has also signed several collaborative partnerships, most notably with Dick the Rijk, the creator of *Deal or No Deal*, and Omri Marcus in Israel.

In the UK, the two leading terrestrial broadcasters have also developed their own networks. BBC Worldwide, the corporation's commercial arm, built a network of seven production units, starting with Los Angeles in 2004, where it produces *Dancing with the Stars* for ABC. (The programme has since established itself as America's premier entertainment show.) This was followed by local production units in Australia, Canada, India, France, Argentina and Germany (Garvie, interview 2010). Some of these units are joint ventures with local companies but the operations in LA, Paris and Mumbai are fully owned by BBC Worldwide (Paice, interview 2012).

ITV Studios, (formerly ITV Productions) has progressively built on its Granada legacy (see above), adding production facilities in 2010 in Spain and France to the existing ones in Germany, Australia and the USA (East and West Coast). It also acquired two companies in the late 2000s, 12 Yard Productions in London and Stockholm-based Silverback. The ITV Studios brand is now used everywhere (e.g. Silverback has become ITV Studios Nordic), with the exception of Granada Media Australia.

Under Adam Crozier, ITV chief executive, ITV Studios has become a strategic priority and has developed into an £83 million business that produces more than 3,500 hours of content a year in the UK alone (Kanter, 2012: 22).

Some of the firms with the largest footprints remain independent. Although Endemol has continued to expand under different ownership over the last ten years, one of the most active companies of recent times is Zodiak Media Group. It was brought together by an Italian publishing firm, De Agostini, which had taken over Italy's largest independent producer, Magnolia, followed by Marathon in France and then Stockholm-based Zodiak Television. By the time of its purchase in 2008, Zodiak was present across the Nordic region, had four companies in the UK and production units in Belgium, Poland, Russia, and India. The group spanned 30 companies when it scooped one of the UK-based super-indies, RDF, in spring 2010. This considerably reinforced its presence in the UK and gave it access to the US market. Zodiak is headed by David Frank, RDF's former chief executive, and today consists of 45 operating units spread across 17 territories (Jenkinson, 2011; Stuart, 2012).

Finally, Paris-based Banijay Entertainment was also formed in recent years and is now in eight territories. Key acquisitions include Nordisk in Scandinavia – in itself a sizeable international group of companies - and Bunnim/Murray Productions, the LA-based company that produced *The Real World* in 1992. In the UK, however, progress has stalled following a disagreement with Zig Zag Productions.

The Hollywood Studios Join In

Over the last few years, international production has become one of the TV industry's dominant trends. First, countless formerly independent TV production companies in key territories are now part of the super-groups; second, these groups control a growing share of the scripted and unscripted entertainment bought by broadcasters worldwide; and third, the model is being adopted by the aristocracy of the cultural industries: the Hollywood studios.

Until recently, the studios' ethos has been to produce content with universal appeal and so the take up of the trend towards international TV production occurred later than for European firms. The benefits of local adaptation were also less obvious, at first sight at least, for scripted entertainment - the studios's staple genre - than light entertainment or reality programming.

However, in the mid-2000s the studios had begun to notice their TV series were getting less airtime in Europe.[1] The EU Directive Television Without Frontiers had restricted to a maximum of 50 per cent the

[1] Jonathan Webdale, 'Working Title returns to UK television', *C21 Formats Lab Weekly*, 26 July 2005.

amount of non-European content a channel could broadcast.[2] In addition, in Europe as elsewhere, the overwhelming majority of popular TV programmes are locally produced. These factors prompted the Hollywood studios to move into 'local' TV production – as their executives refer to international production – with a mission to produce local versions of scripted series, and to develop local shows that could travel internationally when possible.

Sony Pictures Entertainment was the first Hollywood studio to commit to multi-territory film production, having established local production units in Asia, Germany and the UK by the end of the 1990s (Hazelton, 2001). The studio's TV division, Columbia TriStar International Television (CTIT) took a similar route and was producing local content in the same territories, plus Brazil. By the mid-1990s CTIT was producing about 80 shows locally, including game shows such as *The Pyramid Game* and *The Dating Game* (ibid.). Today, Sony Pictures Television (as its new title) has 17 production companies (either jointly or solely owned) in 14 territories (Abrahams, interview 2011; Carugati, 2012).

Others were to follow. NBC Universal International Television Production was created post-2005. With Headquarters in London the unit has since added one

Australian and two British production companies, launched a joint venture with a previously-acquired film company (Working Title Television) and set up a new production unit (Chocolate Media).

Warner Bros was to set up its own international production arm in 2009, based in London and headed by a former Endemol executive, Ronald Goes. His first purchase was Shed Media, one of the leading super-indies, for £100 million, in 2010. He followed this up with the acquisition of a majority stake in BlazHoffski, a Benelux format producer. The unit is part of Warner Bros. International Television division, whose president, Jeffrey Schlesinger, has ambitious plans:

> We set up this division to get into local production. Our goal is to buy or build production companies in the top ten markets of the world just as Endemol and FremantleMedia have done, and be a local producer that will develop local ideas and produce them. We will also plan to take our shows that are formatable, like *The Bachelor*, and produce local versions of them (in *World Screen*, May 2011: 22).

The fourth global media conglomerate to invest in international TV production was News Corp, which acquired Shine for an estimated £415 million in April 2011.

Thus the march of the international TV production model has been inexorable, spreading from peripheral territories to Hollywood in the

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[2] The Audiovisual Media Services Directive, which replaced Television Without Frontiers in March 2010, includes the same provision. See http://ec.europa.eu/avpolicy/reg/avms-/index_en.htm.

space of a few decades (Table 1). Today, in addition to British independents with offices in the USA and groups in an early development stage, there are about 14 companies with international TV production capabilities operating around the world (Table 2). Despite differences among them in terms of scope, ethos, and type of ownership (independent v integrated producer-broadcaster), they can be referred to as the *international TV production super-groups*. The following section examines the reasons that prompted TV firms to internationalize their production capacity, and analyse the benefits associated with the strategy.

Table 1: March of the international TV production model, 1980s-2010s

Timeline	**Adopters**	**Characteristic players**
1980s	Pioneers	*Grundy*
1990s	First global TV production houses	*Endemol; Pearson TV*
2000s	UK-based super-indies and some integrated producer-broadcasters	*Indies: All3Media; RDF Media; Shed Media; Shine* *Broadcasters: BBC Worldwide; ITV Studios; ProSiebenSat.1; RTL*
2010s	Hollywood studios	*Sony Pictures Entertainment; NBC Universal; Warner Bros.*

Table 2: International TV production super-groups, 2012

Company	**Owner/type of company**	**Headquarters**	**Number of production companies/key brands**	**International footprint (nb of territories)**	**Leading proprietary intl. formats/-programmes**
All3Media	Independent	London	20/idtv; Lion television; MME Moviement; Studio Lambert; Zoo Production	6	*The Fairy Jobmother*; *Undercover Boss*; *Skins*; *Cash Cab*; *Midsomer Murders*
Banijay	Independent	Paris	13/Air Productions; Bunim/Murray; Brainpool; Nordisk	8	*71 Degrees North; The Missionaries; My Big Fat Parents*
BBC Worldwide	BBC/-integrated	London	/	7	*Dancing with the Stars*; *Doctor Who*; *The Great Bake Off*; *Torchwood*; *Top Gear*
Endemol	Independent	Amsterdam	80	31	*Big Brother*; *Deal or No Deal*; *The Money Drop*; *Wipeout*

Company	**Owner/type of company**	**Headquarters**	**Number of production companies/key brands**	**International footprint (nb of territories)**	**Leading proprietary intl. formats/programmes**
Eyeworks	Independent	Amsterdam	/	17	*Test The Nation*; *Who Wants To Marry My Son?*
Fremantle-Media	RTL/-integrated	London	25/Fremantle; Grundy; UFA	22	*Idols*; *Hole in the Wall*; *Neighbours*; *Take Me Out*
ITV Studios	ITV/integrated	London	3/12 Yard; Silverback	7	*Come Dine with Me*; *Dancing on Ice*; *Four Weddings; I'm a Celebrity… Get Me Out of Here*
NBC Universal Intl. TV Production	NBC Universal/ integrated	London	5/Carnival Films; Monkey Kingdom	3 (Australia; UK; USA)	*Agatha Christie's Poirot*; *Downton Abbey*; *Minute To Win It*; *The Real Housewives Of…*
Red Arrow Entertainment	ProSiebenSat. 1/ integrated	Munich	6/Armoza; CPL Productions; Endor Productions; Fuse Entertainment; Kinetic; Mob Film	9	*My Man Can*; *Still Standing; We Believe in You; You Deserve It*
Shine Group	News Corp/-integrated	London	26	10	*The Biggest Loser; MasterChef*; *Merlin*; *One Born Every Minute*
Strix	Modern Times Group/-integrated	Stockholm	/	4	*Class Of ...; The Farm*; *The Bar*
Sony Television Production Intl.	Sony Pictures Television	London	17/2waytraffic	14	*Who Wants to Be a Millionaire?*; *Dragon's Den; Everybody Loves Raymond; The Dr. Oz Show*
Warner Bros. Intl. TV Distribution	Time Warner/-integrated	London	2/Shed Media; BlazHoffski	4 (Belgium; Netherlands; UK; USA)	*Brat Camp*; *Supernanny*; *The World's Strictest Parents*; *Who Do You Think You Are?*
Zodiak Media Group	independent	London	45/ Magnolia; Marathon; RDF; Zodiak TV	17	*Being Human; Don't Forget the Lyrics; Fort Boyard; The Inbetweeners; Secret Millionaire; Wallander; Wife Swap*

TV PRODUCTION IN THE AGE OF DEEP GLOBALIZATION

The overarching factor behind internationalization is globalization. ‘Globalization, Lampel and Shamsie write, poses a fundamental challenge to what constitutes competitive advantage in the cultural industries’ (Lampel and Shamsie, 2003: 278). For a production company, competitive advantage equates access to the international programming market and the ability to develop, exploit and control intellectual property (IP) across borders. The international programming market is born out of the thousands of terrestrial, cable and satellite channels that broadcast today worldwide. In Europe alone, the number of TV channels comfortably is currently approaching 9,000, and programming spends reached £3.3 billion in 2009.[3]

In the past, as noted above, European broadcasters purchased almost exclusively finished programmes, either films or TV series from Hollywood or documentaries from European counterparts. The format revolution that occurred in the late 1990s deepened media globalization (Bazalgette, 2005; Chalaby, 2011). In addition to completed programmes, intangible elements such as concepts for TV shows, branding elements and production guidelines began to cross borders. This intensified the international exchanges and transfrontier connections in the TV industry, increasing the interpenetration and interconnectedness of national broadcasting systems.

Ever since broadcasters have understood the benefits of airing local versions of global concepts, the format trade has gone from strength to strength. The number of formats produced worldwide, as the number of companies involved in the trade, has swelled from a handful to hundreds. In 2008, it was estimated that ‘as much as 20 per cent of the peak time schedules […] of leading broadcast networks in major European territories is accounted for by local versions of formats’ (Oliver and Ohlbaum, 2009: 12). The format business is a thriving trade that was recently valued at €3.1 billion per year by FRAPA, the international format industry association dedicated to their protection (FRAPA, 2009: 17).

Fostering the cross-border flows of ideas and concepts, the format revolution has thus created a *globalized market for intellectual property* that presents opportunities and challenges for content creators and producers. As formats travel further and faster than ever, production companies must develop the capabilities to exploit and control their IP across borders. As a piece of IP can attract interest from around the globe, the international is no longer a foreign territory (the export model) but now lies at the heart of the business model of any leading production company. Within the context of a globalized IP market, production companies derive many benefits from internationalization.

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[3] The European Audiovisual Observatory’s MAVISE database counted 8,918 TV channels in May 2012. See http://mavise.obs.coe.int/.

The Benefits of Scale

International expansion pushes up scale, which itself brings with several advantages. First, scale is necessary to generate interest from investors. For years, UK-based production companies had tried wooing the City but without much success. For instance, RDF - listed on the LSE's Alternative Investment Market from 2005 with a valuation of up to £100 million - did not have enough liquidity 'to interest analysts' and become a 'regularly traded stock' (Curtis, 2010: 23; see also Dennis, 2005). David Frank, Zodiak Media Group's chief executive, estimates that a production group needs to reach £1billion annual turnover and (in the UK) join the FTSE 250 in order to make it 'worth analysts spending time to understand our overall strategy' (in Curtis, 2010: 23). A company with international capacity becomes even more attractive to the City by increasing the predictability of cashflow. Concentration in a single market leaves the company overexposed to currency fluctuation and the ebb and flow of the local advertising market, whereas international companies can collaterize earnings across multiple territories.

Size is also crucial in distribution, which is inherently a 'scale business' (Graham, interview 2010). A large production company will not only be able to put together a diversified catalogue spanning all key genres but will be able to add third party properties to its books. As with supermarkets, choice is necessary in order to sustain interest from customers. A large distributor can also get involved in deficit financing[4] and can negotiate better terms with large broadcasters (ibid; Dey, interview 2010).

Scale brings two further benefits in terms of development. Large companies can create development funds to push formats internationally. For instance, once *Pointless* had become an established game show on BBC2, Endemol funded the pilot for France Télévisions using the old BBC set (Rosser, 2011). International scale also brings with it greater flexibility in format development. Some paper formats, never taken up in their country of origin, have gone on to do well in other markets. FremantleMedia has turned *Take Me Out* into a global success: created by its French subsidiary and initially rejected by local broadcasters, the format found success in Asia. Some formats even return to territories where they had once failed following good ratings elsewhere. Quite famously, ABC had originally overlooked Endemol's *Deal Or No Deal* after it piloted poorly for the US network, but were later impressed by European ratings. The show then became a huge hit in the UK and on the basis of the tapes of this particular version, it was relaunched in the USA and turned into an enduring success for NBC (Hincks, interview 2010).

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[4] When a broadcaster only partly finances a project – hence the deficit – a distributor can decide to provide some funding in exchange of rights.

Intellectual Property (IP) Generation, Exploitation and Protection.

By industry consensus, television is a hit-driven business involving a high level of unpredictability (Picard 2005: 66). A great international format, aside from defining a career, can change the fortunes of a company. Endemol grew on the back of *Big Brother*, as did RDF with *Wife Swap*, Shed with *Supernanny* and FremantleMedia with *Idols*. BBC Worldwide developed its international production network on the back of *Dancing with the Stars*. But hits are few and far between and great ideas formidably scarce. Size alone cannot guarantee super-groups the 'next big thing': they need to make themselves bigger than the sum of their parts.

First, all groups ensure that ideas, information and expertise flow across creative teams, what Alex Mahon, Shine's group president, calls 'connecting creativity' (Mahon, interview 2010). Ideas can flow in different fashions but groups avoid excessive centralization and a few have recently dispensed with the role of global creative officer, including Endemol and Zodiak. It is now understood that a global hit cannot be manufactured in a social vacuum (i.e. for an imaginary global market) but always has a local origin and – at first – a local destination. Tim Hincks, Endemol UK's chief executive, explains: 'ideas are incredibly local, even individual' and thus 'you can't really run Endemol's ideas from the centre, you can't really run a creative organization centrally' (Hincks, interview 2010).

Hence the challenge is *to make the local global* – identifying local formats that have the potential to go around the world – and then *make the global local* by assessing the degree of adaptation a format needs in a specific market. Most super-groups structure the creative flow of ideas according to these imperatives. Small cross-border teams identify the best ideas and allocate funds once they decide to champion them. All groups also ensure that conversations take place among local teams so they can learn from each other, share ideas and contrast different approaches. For instance, Endemol's British and American creative teams regularly meet for brainstorming sessions. Alex Mahon prizes Shine's 'international culture' and the group has a dedicated team to ensure an on-going dialog among its creatives. The team head, Ben Hall, is attempting to forge a diversified 'creative pallet' that is cosmopolitan in character, distinguishing ideas that are merely parochial from those that may gain international resonance (Hall, interview 2010).

Making IP travel along the local-global-local route is the way super-groups transform local shows into super-formats. It is how Endemol turned *Das Hairdresser* into *The Salon* and *Now or Neverland* into *Fear Factor*, how Shine transformed *Masterchef* and BBC Worldwide *Dancing With the Stars*. The latter was not selling abroad: who else but the Brits would be interested in ballroom dancing? But an American version helped to convince broadcasters that the show could be made locally relevant. It has since become the world's most successful reality TV format. Approximately 40 international versions are currently produced, and 176 seasons have aired so far around the world (Jarvis, interview 2010; Whittock 2011). In June 2011 BBC Worldwide organized a summit in London for 16 production teams in order to share expertise about the show and to 'create a global narrative around [the] format' (ibid.).

The process of consolidation in the production industry and the formation of super-groups make the strategy of in-house IP generation doubly important. Since all the production groups are equally intent on hanging on to their IP, the market for formats has dried up and it has become virtually impossible to acquire interesting properties at a reasonable price. This makes IP generation – and more fundamentally creativity – essential to the commercial well-being of these groups and places it at the very core of their business model.

It thus raises the issue as to whether the control of creative resources – as opposed to mere access – is still necessary for companies to gain a competitive edge. A view has developed, validated by the commercial strategies of Hollywood studios and game publishers, that 'access to talent' has become more advantageous than 'control of talent' (Lampel and Shamsie, 2006: 279; see also Lampel and Shamsie, 2003). Likewise, it would not make financial sense for production companies to retain well-known presenters and directors on long-term contracts. However, the scarcity of hit ideas and limited availability of IP means that control over *some* creative talent (such as programme makers) and resources remain a competitive advantage. Kees Abrahams, president of international production at Sony Pictures Television, is emphatic: 'the biggest risk for every company in our business is to lose their key talents, but the biggest opportunity is to attract the right talent' (Abrahams, interview 2011).

The scarcity of hits also dictates that the maximum value must be extracted from any piece of IP. The primary reason that prompted the pioneers to develop their international production capabilities was to boost revenue from their formats. Under the old model, format licensing, the IP owner received only a licence fee from the show's local producer, usually falling somewhere between 7 and 8 per cent of total production costs per episode (EBU 2005: 33). With the exception of a few global brands for which production costs can be exorbitant, daytime quiz shows and factual entertainment programmes that require no studio can be produced very cheaply. Indeed, low production costs sometimes constitute the unique selling point of these formats. Thus their licence fee would barely cover distribution costs, and a format company would be unable to rely on this income alone.[5]

Production groups have internationalized because there is more value in format production than licensing. Gary Carter, Fremantle-Media's chief operating officer, explains it clearly:

[5] The closure of Distraction Formats in 2009, a pioneering Montreal-based formats distribution company founded in 1997 by Michel Rodrigue, provides a case in point.

> 'there is very little point if you want to be big to just be in the intellectual property business; you have to be in the production business. And as soon as you got into the production business, intellectual property [and] formats become important because they allow you to expand into a territory to gain production' (Carter, interview 2008).

In addition to the distribution fee, the revenues that can flow into the group include a share of profits, which can be as high as 40 percent of the show's total budget in certain territories (ibid.). Alternatively, producers can receive a production fee and, depending on the strength of the format and the outcome of negotiations, a ratings bonus and, where applicable, a share of the voting income.

Thus, international production enables companies to capture the value of a format by retaining a longer stay in its *value chain*. This advantage alone justifies the risk and overheads involved in the running of an international production network.

Furthermore, international producers are more likely to retain more control over more IP rights. During negotiations, broadcasters inevitably try to hold on to as many rights as possible, including a share of distribution (terrestrial, cable and satellite, video on demand, international, etc.) and ancillary rights (Chalaby 2010). The latter are connected to online, mobile and iPad applications, games (all platforms), CDs, DVDs, magazines and books, down to clothing lines (e.g. *Dancing with the Stars*), kitchen accessories (e.g. *MasterChef*) and live events.[6] When a format is produced under licence, broadcasters are likely to obtain control over these rights, and therefore it is they who will exploit these rights locally. Although the outcome of negotiations always depends on the clout of the respective parties and strength of the formats, a likely result is that the IP owner will be forced to accept a *net* participation in the exploitation of these rights. Since the buyer is entitled to deduct all expenses before passing on its share of the profits to the IP owner, there is often not much left for the latter (EBU 2005: 36-8).

International producers have various responses to demands for rights. Like any other company they can invest in a pilot, enabling them to negotiate from a stronger position than with a paper format. They can also first produce the show in a country where their rights position is solid, such as the UK, before selling the show in territories such as the USA, where broadcasters are in a strong position, either because of their commercial clout or due to legislation. International producers can also claim that the rights of a particular show are unavailable because held by a foreign subsidiary who wishes to retain them all. They can then insist on producing or co-producing the show. Not only will their share of

[6] Live events have become particularly lucrative among these brand extensions and the rapidly growing list includes The American Idol Experience, Dancing with the Stars The Tour, the X Factor Live Tour, MasterChef Live, the Top Gear Live Show, Grand Design Live, and The Price is Right Live.

profits be considerably higher (even though they may have to share some of the proceeds with the broadcaster) but they can protect their brand by overseeing the commercial exploitation of these rights. Super-groups have divisions (e.g. Endemol Worldwide Distribution, Fremantle Enterprises, Zodiak Rights) whose role is to realize the full value of assets by ensuring that all revenue streams are exploited.

International production capabilities are also valuable for quality control purposes. A format keeps its value only when buyers are certain that it can be a ratings winner. One single poor adaptation can instill doubts in buyers' minds and irremediably damage an erstwhile valuable franchise. Today, the transfer of expertise between seller and buyer is well established and the overall format package includes computer graphics, branding and the production bible that contains all necessary information about run-throughs, budgets, scripts, set designs, casting procedures, host profile, the selection of contestants, and every other possible aspect associated with the show's production. Consultant producers will also fly in and advise the local teams at various stages of the production process (EBU 2005; Moran 2006). Nonetheless, an IP owner takes a risk each time it selects a local producer. The latter may lack experience in the genre, be unfamiliar with certain aspects of the format, or be more concerned about its profit margins than the franchise itself.

Production companies mitigate this risk by designating partners in key territories with whom they collaborate regularly. Ken Starkey and colleagues call this sort of arrangement 'latent organizations … that bind together configurations of key actors in ongoing relationships that become active/manifest as and when new projects demand' and that are based on 'knowledge and trust' among partners (Starkey et al., 2000: 299, 303). But this risk is reduced further by keeping a format within the group. The teams know each other well and can remain in touch throughout the production process, enabling a smoother transfer of expertise, leading to a good quality execution. Commercially sensitive information is more willingly shared and, if at first the show does not perform as well as expected, issues can be explored without risk of litigation.

A network of production companies can also prevent the over-exploitation of a format. In the early 2000s, two British shows, *Who Wants to be a Millionaire?* and *The Weakest Link*, burnt out quickly because the IP owners, Celador and the BBC respectively, had relinquished too much control to the American network which overused them. In the case of *The Weakest Link* it taught the BBC a valuable lesson about IP control, and it is partly what spurred BBC Worldwide to turn itself into a global format producer (Jarvis, interview 2010).

Furthermore, global production capabilities are the best line of defense against IP theft. Once a format has been proven successful the chances are that copycat shows will appear, but taking competitors to court remains a costly and unpredictable business. In the unscripted genres, the absence of a script and characters make formats difficult to protect, despite progress and encouraging signs (FRAPA 2011). Research shows that only one court case out of two is successful (Singh 2010). In addition, court cases take a very long time to settle and a case that is won well after the sell-by-date of a show is of no value. Thus the best line of defense is commercial, and an international production network enables a company to be 'first to market' by rolling out formats very quickly across borders and thereby preempting the appearance of copies (e.g. Mahon, interview 2010). In addition, broadcasters think twice before burning bridges with companies like Sony or Fremantle by ripping off their formats, knowing that the latter will hand over their next blockbuster to the competition (Abrahams, interview 2011).

From Format to Global Franchise: Managing an Expanded Value Chain.

A franchise can be defined as *an ensemble of stories and characters that are developed across territories, media platforms, consumer products and generations* (over time).[7]The first franchises were developed by the Hollywood studios, and the Walt Disney Company has undoubtedly become the master of the trade (e.g. *Cars*, *High School Musical*, *Pirates of the Caribbean*). Today, super-groups strive to transform their best-performing formats into global franchises.

Who Wants to Be a Millionaire? was the first TV show to follow this route. From the onset, Paul Smith intended to create a global brand with trademarked attributes and very tightly defined production rules and licensing agreements (Smith, interview 2009). Since its launch *Millionaire* has been adapted in more than 100 territories and the merchandising has been expanded to 140 product lines, at one stage representing 40 per cent of the format revenue. The television show was simply considered to be a shop window for all the merchandising behind it (Spencer, interview 2008; see also Chalaby 2011). Other global franchises created by international TV producers include *Big Brother*, *Dancing With the Stars*, *Got Talent*, *Idols*, *Masterchef*, *Survivor* and *The X Factor*.

Such franchises are invaluable IP assets with a value chain that travels along two axes. The first is geographical (or horizontal), as these properties cross borders, and the second is vertical, as they can be monetized across a variety of platforms and products, including video games and live events. As seen in the previous section, an international production network facilitates the exploitation of IP assets and thus offers a company more control of both axes of the value chain. Today, a company without such a network but with an exceptionally strong format would need the assistance of a super-group to turn it into a global franchise. Syco Television for instance, has enlisted the help of

[7] Based on Walt Disney's definition of franchises as "stories and characters that can be leveraged across many of our businesses, on many technological platforms, in many territories, and over long periods of time." (The Walt Disney Company 2009: 6).

FremantleMedia for the international and vertical exploitation of its two key properties, *Got Talent* and *The X Factor*.

CONCLUSION: TV PRODUCTION IN THE AGE OF DEEP GLOBALIZATION

The international production model was pioneered by firms from countries located at the periphery of the global TV trade, and for a long time it was confined to a genre that is considered minor and unworthy: game shows. The model ceased to be marginal when it was adopted by the British super-indies and some broadcasters at the turn of the century, and it has obtained its *lettres de noblesse* in recent years as it has been embraced by the conglomerates that control Hollywood studios.

The turning point in the model's history has been the deepening of media globalization brought about by the format revolution. This revolution has opened up a market for intellectual property and intangibles such as programming concepts and branding elements. This market is global in scope in the sense that a format can end up anywhere in the world and will also contend with the world's best formats when a broadcaster opens up a slot to competition. This new market has expanded geographical and vertical value chain of a piece of IP, and thus the companies that have adapted their business strategy to the new reality are those that dominate the industry today.

The emergence of global TV production super-groups raises the issue of industry concentration and its cultural impact. Whilst the emergence of a globalized IP market has presented a few firms with a unique opportunity, it can be argued that the cost of expanding and maintaining an international production network has raised the barriers of entry to the industry. According to Thomas Dey, a corporate banker who specializes in the TV production sector, 'the end game is the global consolidation of the production sector into five $1bn businesses – which will ultimately be owned by the studios' (in Wood, 2010a: 25).

However, as an IP industry, creativity and intangibles remain more important than industrial processes and capabilities. For all their might, the super-groups have not found the magic formula for the perpetual generation of hits, leaving room for talented individuals and small companies to make an impact. Currently, some UK-based super-indies are experiencing a flight of talented individuals who have chosen to return to their 'programme-making roots' (Neilan, 2011: 32), demonstrating that the industry's future remains difficult to predict.

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(Company names and job titles at time of interview)

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