Introduction: Hyperdistributing Who?

18 October 2004 is the day TV died. That evening, British satellite broadcaster SkyOne – part of NEWS Corps’ bSkyB satellite broadcasting service – ran the premiere episode of the re-visioned camp 70s classic, *Battlestar Galactica*. (That episode, “33,” is one of the best hours of drama ever written for television.) The production costs for *Battlestar Galactica* were underwritten by two broadcast partners: SkyOne in the UK, and the SciFi Channel in the USA. SciFi Channel programmers had decided to wait until January 2005 (a slow month for American television) to begin airing the series, so three months would elapse between the airing of “33” in the UK, and its airing in the US. Or so it was thought.

The average viewer of the SciFi network is young and decidedly geeky. They are masters of media; they can find ways to get things they shouldn’t have. Thus, a few hours after airing on SkyOne, “33” was available for Internet download. No news there.

This time, a brand new technology, “BitTorrent,” was being used to handle the downloads. Unlike older forms of internet downloading, where too many requests for the same data can clog up internet links and send servers crashing, BitTorrent distributes files more and more efficiently, as more people join the hunt for the data. Everyone looking for bits of a file – say, an episode of *Battlestar Galactica* – shares the pieces they’ve already located with anyone else who doesn’t already have that piece. Since the pieces are scattered randomly among all the users who want the data, there’s a lot of to-and-fro between the users; rather than being a request for one copy of one file on one server, it’s as though many hundreds of hands are
copying and exchanging playing cards. You may start out holding only the Ace of Hearts, but soon enough you’ll have a full deck.

This is a form of peer-to-peer file sharing known as “swarming”: all of the peers in a swarm share the portions of the data they’ve already received. And, as the Chinese proverb goes, “Many hands make light work.” BitTorrent transforms the creaky and unreliable technology of audiovisual distribution, making it fast and hyper-efficient. BitTorrent creates the conditions for something I’ve termed “hyperdistribution” – a distribution channel which is even more efficient than broadcasting.

That has certainly been the case with Battlestar Galactica. Long before Network TEN had begun to run the programme – before they had even announced that they would be airing the show - I had downloaded and watched all 13 episodes of the first series. The British aficionados of the series provided torrents for each episode within a few hours of each broadcast. Many fans in the US picked them up and watched them; so did many people in Australia.

While you might assume the SciFi Channel saw a significant drop-off in viewership as a result of this piracy, it appears to have had the reverse effect: the series is so good that the few tens of thousands of people who watched downloaded versions told their friends to tune in on 14 January, and see for themselves. From its premiere, Battlestar Galactica has been the most popular programme ever to air on the SciFi Channel, and its audiences have only grown throughout the first series. Piracy made it possible for “word-of-mouth” to spread about Battlestar Galactica.

Just two months ago, we saw something very similar happen, again with a beloved series, the BBC’s Doctor Who. After a hiatus of almost two decades, the BBC cast Christopher Eccelston in the role of the Doctor, and set the show to premiere on the 24th of March. A few weeks before the air date, an “unfinished” version of the first episode of the new series leaked onto the internet through the BBC’s production partner CBC. Hundreds of thousands of Doctor Who fans downloaded the episode, wanting a preview of this new version of the nearly-
immortal Doctor. The BBC were publicly outraged, but there’s a strong sense that this act of piracy, while not officially sanctioned, was unofficially encouraged by BBC. It certainly created a groundswell of interest in the series, allowing people to “try before they buy,” and probably increased programme viewership. (The episode drew 10.81 million viewers to BBC1, which is among the highest ratings Doctor Who has ever seen.)

Audiences are technically savvy these days; they can and will find a way to get any television programming they desire. They don’t want to pay for it, they don’t want it artificially crippled with any digital rights management technologies – they just want to watch it. Now. This is the way that half a century of television and a decade of the Web has conditioned them to behave. We can’t really complain that audiences are simply doing as they’ve been told. It is pointless to try to get them to change their behavior, because, in essence, you’re fighting against the nature of television programming itself, the behavioral narrative which grew out of our relationship to the technology. We all understand that this piracy is technically illegal, technically a violation of copyright; but we’re in a hell of a bind if we’re telling the audience to “sit down, shut up and do as you’re told” when it comes to television viewing. The audience won’t do as they’re told; they’ll do as they’ve been taught, and that is another story entirely.

Still, piracy presents us with an economic problem: how do producers get paid for the programmes they create when audiences disintermediate the distribution channels through which producers get paid for their programming? The economics of television production, as practiced for the last fifty years, are very straightforward: producer (or perhaps the producer’s distributor) sells the programme to a broadcaster. Broadcaster sells commercials to advertisers. Everyone gets what they want: the producer gets enough money to cover his costs, the broadcaster gets money to cover his costs, the advertiser gets some attention from the audience, and the audience gets the programme.

Widespread piracy of television programming has short-circuited this process, connecting the producer directly to the audience. As yet there are no viable
economic models connecting the television producer directly to the audience. Industry pundits talk about audiovisual downloads through some system like Apple’s iTunes Music Store, and perhaps we’ll see something like this in the near future, but this works against the simple fact that people do not expect to pay for television programmes. People will pay for movies, when they choose to pay for movies, but they won’t pay for television programming. Not if they can get it for free. The audience is not at all involved in the economic value chain of television production; that’s been the rule for a half-century. It’s reasonable to presume that any attempt to change the economic behavior of the audience is doomed to failure.

Cable and satellite broadcasting presents something of an argument against this assertion insofar as people do pay for these services. But in these cases the audience is really purchasing choice. (Los Angeles has at least 20 broadcasters, and, despite this, has a thriving cable and satellite broadcast market, because people want even more choice, and are willing to pay for it.) Hyperdistribution has extended this choice to anyone with a broadband connection – extended it well beyond any possible offering by any cable or satellite broadcaster. Can these industries possibly compete against the nearly infinite range of content offered on a broadband connection?

Now we have a paradox: the invention of an incredibly powerful mechanism for the global distribution of television programming brings with it a fundamental challenge to the business model which pays for the creation of the programmes themselves. This is not at all BitTorrent’s fault: the technology could have come along a decade ago, and if it had, we’d have stumbled across this paradox in the 1990s. This is a failure of the value chain to adapt to a changing technological landscape – a technological desynchronization between producer and audience. Once again, there’s no need to find fault: things have changed so much, and so quickly, I doubt that anyone could have kept up. But the future is now here, and everyone in the creative value chain from producer to audience must adapt to it.

This presentation outlines one economic model – actually more like a family of models – which connects television producers to their audiences through an
hyperdistribution strategy, one which doesn’t require any change in the audience’s economic behavior. This, I believe, is the surest path to success for any new economic model; without audience acceptance, any model will inevitably fail, and while this model is not guaranteed to be successful, it seems to face fewer roadblocks to acceptance than other models which have been proposed.

Before we explore a new model of audiovisual programme distribution, which harnesses the power of hyperdistribution – and tacitly acknowledges that piracy is good – let’s examine the existing economic model of television broadcasting in Australia. There are some important points that can be learned from this model which set us up well to understand what is to follow.

**Part One: The Sum of 7, NINE and Ten**

Australia sits at the far end of a long chain of television producers and distributors. As everyone in this audience knows, TV programmes air in Australia months or years after they air in the US or the UK. Because there are only three commercial networks in Australia (compare this against sixty in Canada, a country with only 150% of Australia’s population), there is a strict limit to the amount of programming which can be broadcast. Hence, there is a legally-enforced “economics of scarcity” in Australian television programming. As we say in America, Australian broadcasters have Australian advertisers “by the short and curlies.”

This broadcast oligopoly has created a predictable economic situation: NINE Network and Network TEN are *the two most profitable television networks in the world*, with Seven not all that far behind. I could go on about the confluence of political and economic forces which conspire to keep this oligopoly in place, but you’re all familiar with them – one of the reasons I enjoy Australia is because such confluences are so transparent. It’s not corruption, but, rather, an alignment of interests which serves politicians and businessmen alike. In this it’s the very definition of oligopoly.
The secret of any business is to buy low and sell high. In the case of the Australian commercial networks, this has become a high art form. Sitting as they do at the end of a long distribution chain, they purchase American programs – such as CSI, ER, and Battlestar Galactica – for a song, but charge high rates for their CPMs (advertising cost per thousand viewers) because of the artificial limitations of the market.

I’ve done some research – in conjunction with the very helpful students in the AFTRS Television programme (thanks, guys!) which demonstrate the kinds of profit that a network earns on a single broadcast of a single episode of the most popular TV programme in Australia at present, Desperate Housewives. I took as a starting point the episode broadcast on the 14th of March: although I only have accurate ratings numbers from Sydney and Melbourne, I used these to approximate ratings figures in the other capital cities, and calculated the total audience for the broadcast was approximately 880,000 households in the five capitals. Channel Seven charges an advertiser between $50,000 and $100,000 for a thirty-second advertisement – a high price because Desperate Housewives draws a demographic group sought after by advertisers: women between 25 and 49.

After watching the show and counting ads, I counted 18 30-second advertisements, and 20 15-second ads; so, at a minimum, each episode of Desperate Housewives broadcast, earns Channel Seven at least $1,000,000 in ad revenues. The cost of the programme paid to the distributor by Channel 7? No more than $80,000. Before operating expenses, Channel Seven is realizing at least a twelve hundred percent profit on every broadcast. This is undoubtedly at the high end of the scale, both in the cost of the programme, and prices paid by advertisers, but gives you an idea of why the Australian commercial television broadcasters are the most profitable in the world.

Oligopolies can only sustain their existence in the absence of substantially effective competition. When you’re dealing with real-world materials that are in naturally short supply – whether wasabi, diamonds, or oil – a cartel can maintain and enforce
its oligopoly. But when you’re working with media, which exist today as digital ephemera, bits that can be copied and reproduced endlessly at nearly zero cost, oligopolies are susceptible to a form of “digital arbitrage,” which can hollow-out their empires in an afternoon. The vast disparity between the prices paid to the distributors of television programmes and the prices they command in the Australian broadcast marketplace can only be maintained if there is a monopoly on the distribution mechanism. In so far as there are and will continue to be only three commercial broadcasters, the monopoly can be maintained. But, as we have already explored, there are now hyperdistribution techniques which are far more efficient than broadcast networks for programme distribution.

Now, some of you may be thinking that this is all so much future talk, that maybe, someday, Australians will be downloading television programmes from the Internet. That someday has already come and gone. Per capita, Australians are the most profligate downloaders of television programming in the entire world, and have been for at least the last year. The sea change has already taken place – undoubtedly sped along by the monopoly position of the commercial broadcasters, who, in many cases, act as barriers rather than conduits for television programmes. If a commercial broadcaster doesn’t show a programme, or delays it for years, that’s no longer of concern to Australian audiences: they’ll just download it from the Internet.

This trend is only going to accelerate with the uptake of broadband throughout Australia, progressively hollowing-out the commercial broadcasters until they have returned to their roots: television as a live medium. The only types of programming unsuitable for hyperdistribution are those which are broadcast live: news, event and interactive programming, and sport. Since these are all widely popular in Australia, it’s not as though the commercial broadcasters will collapse. But their business models will change, because their cash cows are fleeing the paddock.

Part Two: The Economics of Hyperdistribution: What if We Give it Away?
The pervasive culture of TV downloading leaves the producers of pre-produced television programmes high and dry, receiving nothing of value for their work. But is this really true? The absolute, basic motivation of a TV producer is not money – though money is needed for production – but to gain and hold an audience’s attention. TV producers want their programming to be watched as widely as possible – by everyone. That’s what they care about, and that’s all they care about, because, with viewers, everything else takes care of itself: audiences equal money.

This assertion seems so basic, so fundamentally essential to the economics of television, that it’s very hard to understand why anyone (other than a broadcaster being cut out of the value chain) would get upset about piracy of television programming. The model as practiced at present can’t effectively leverage the economic benefits of hyperdistribution, but that model was created before hyperdistribution was technically possible. The age of hyperdistribution demands the development of new economic models which can harness piracy, for profit. So, let’s move directly to a discussion of one such model.

Consider *Battlestar Galactica*. A few weeks before the series premiered on Ten, I sat down to watch the 13 episodes of the first series, all of which I’d found on BitTorrent. Somewhere around the second or third episode I became briefly aware of the “bug,” the smallish, semi-transparent station ID which has become the constant on-screen companion to all television broadcasts. You’re familiar with them, I’m sure: Channel 7 has even introduced an animated bug in recent weeks. In my case, I was looking at the bug for SkyOne, the British satellite broadcaster, which nested comfortably in the upper left-hand corner of the screen. I noted the bug, then proceeded to ignore it. But it never went away. In episode after episode, the bug remained, a tattoo commemorating the trip from broadcaster to audience.

Somewhere around episode seven, it hit me like a ton of bricks: I was looking at the most valuable and most underutilized piece of real estate in the world. The bug carried the station ID – which is fine if I’m in the UK. But here in Australia SkyOne has no meaning at all. So that message, which should be full of meaning – full of “payload” – has been utterly misspent. It’s as if they took the finest piece of
land in Sydney Harbour, say where the Opera House resides, and decided to use it as depot for broken trains. (Oh, wait…) That screen real estate has real value, because it commands the audience’s attention, constantly if subconsciously.

What if, instead of carrying the broadcaster’s station ID, the bug contained an advertiser’s payload? I decided I wanted to see what that might look like, so I’ve taken an episode of Desperate Housewives and run a little test, using the logo of one of the best known of Australia’s retailers, Myer. I placed the advertiser’s bug in the lower left-hand corner, opposite Channel 7’s station ID. This is probably sufficient for a well-known retailer like Myer: it’s simply enough to remind the public that they exist – and that there’s undoubtedly a sale on.

While I thought I was being truly innovative in my thinking, I was wholly wrong. Last Friday evening I sat and watched footy on NINE Network, when, to my astonishment, I found that one of the commercial broadcasters had already adopted this technique. When the game went into an instant replay, the icon of an Australian liquor distiller Bundaberg Rum did a little dance in the upper left-hand corner of the screen. This means that the technique is already in use, and advertisers understand its value. That’s a very important point: advertisers are ready for this.

The earliest models of both commercial radio and television developed around the idea of programme sponsorship: one sponsor per programme. Over the 1950s (in the case of television) this model evolved toward the 30-second advertisement, which interrupted the broadcast. For the last half-century that has proven to be an enduringly successful economic model, but that model is now under threat from Personal Video Recorders (PVRs), which allow a viewer to fast-forward through all advertisements, often taking them in 30-second leaps, so the audience never sees so much as a single image from an ad. PVRs, playing into the television-taught behaviors of immediacy and convenience, have proven immensely popular, and are not going away; instead, they will become an integral and expected feature of the television viewing experience. This means 30-second ads are not a part of television’s future. They’re too easy to edit out of the viewing experience.
The idea of an advertising payload attached unobtrusively to the television programme has a certain appeal; it can be ignored, but it’s always present. The audience can’t edit it out of the programme without destroying the content of the programme. Audiences will learn to accept them – so long as the advertisements aren’t too busy, distracting, or otherwise obnoxious. (Consequently, there will be a lot of work going on in the next decade to determine just how obnoxious such an ad can be before the audience objects to it.)

As the advertisement-as-interruption disappears, we will see a series of advertisements – perhaps running five minutes apiece – embedded into the programme itself. This is easy to achieve technically, and will be palatable to most major advertisers. Since this evolution seems inevitable, another question comes immediately to the fore: what’s the role of the broadcaster in this new economic value chain? Today the broadcaster aggregates audiences, aggregates advertisers, puts commercials into the programme breaks, and makes a lot of money doing this. But – and here is the central point I’m making today – wouldn’t it be economically more efficient for the advertiser to work directly with the programme’s producer to distribute television programming directly to the audience, using hyperdistribution?

Let me run some numbers for you, based on another set of back-of-the-envelope calculations: If we presume that the advertiser is going to pay at least as much as the broadcaster for broadband distribution rights for a programme, there’s a large fixed cost for the purchase of those rights. Further, there’s another fixed cost to maintain the internet servers which “seed” the programme’s hyperdistribution – the internet equivalent of broadcast transmitter operation costs. Add in a small amount for the post-production costs incurred to affix the advertiser’s payload to the programme, and we’re done. Those are the entirety of the costs. I was generous was my figures, and came up with a total of approximately $90,000. That’s the fixed cost, per episode of Desperate Housewives hyperdistributed in Australia.
The advertiser is looking to lower costs in advertising; if those advertisers are paying between $50,000 and $100,000 for thirty seconds of advertising, just one or two advertisements would cover their costs. Given that most programmes aren’t as popular as *Desperate Housewives*, they’d cost less to purchase, further lowering costs. It’s a numbers game; so long as a small percentage of the viewing audience watches a hyperdistributed television programme, it is cheaper for advertisers to work with producers, and handle the distribution themselves. Furthermore, if the program is widely popular, it is far, far cheaper to do so. In other words, the higher your ratings, the cheaper the advertising. That’s precisely the reverse of broadcast television, and one big reason that advertisers will find this model so appealing.

Although no formal surveys have been conducted, it’s reasonable to assert that at least four percent of Australians are already using broadband hyperdistribution to get some percentage of their TV programmes. Based on my own research, I have found television downloading to be widespread among Australian men 18 to 25 years old, precisely the demographic most coveted by advertisers. In other words, the prime audience is already there, already waiting and already willing to receive. All that remains is to put the components of this new value chain into operation.

There are two principle components of this value chain: the producer and the advertiser. An advertising agency is likely acting as an intermediary between these two, connecting producers to advertisers, working out the demographic appeal of particular programmes, and selling ad payload into those programmes; this is a role they already fulfill – although at present they work with the broadcast networks rather than the producers. There is no role for a broadcaster in this value chain; the audience has abandoned the broadcaster in favor of a direct relationship with the programme provider. That said, the broadcasters are uniquely qualified to transform themselves into highly specialized advertising agencies, connecting advertisers to producers; this is something they already excel at.

This is clearly a viable economic model: the producer gets paid at least as much for their programming as they would have received from a broadcaster, and probably more; the advertiser gets a cheaper ad buy; and the audience continues to receive
free television programmes. This is a win-win-win scenario, unless you’re a broadcaster. But, as I pointed out earlier, the disparity between the purchase and sale prices for television programming have left them wide open to this kind of arbitrage. Their monopoly position has made them rich, complacent – and vulnerable.

If we consider the case of the US, where most of this programming is produced, do the economics of this model scale? This question needs to be asked, because it’s difficult to imagine that a US-based television producer would accept a hyperdistribution model in Australia if it wouldn’t work equally well at home. American broadcasters shoulder more of the production cost of a television series – but their audiences are also fifteen times larger. “High-end” television programmes – say something like CSI, which costs about five million dollars an episode – will reach advertising cost-equivalence with broadcasting when between five and ten percent of the population views the programme. That’s a figure which is in line with CSI’s US ratings, so hyperdistribution of CSI would already be economically viable in the US, provided that many viewers downloaded the programme. For a “low-end” programme, say a news magazine show or an inexpensively produced drama (Battlestar Galactica probably falls into this category), just one to three percent of the population would result in advertising cost-equivalence. So the model could work in America as well. And if you can make it there, you can make it anywhere.

Interestingly, this model could also breathe new life into Australian television drama. Right now, Australian TV dramas such as McLeod’s Daughters and Blue Heelers are made at a loss, but are kept propped up by local content requirements – requirements which will probably be dropped by the government as hyperdistribution takes off. Yet these programmes command large audiences. Producers could strike sponsorship and distribution deals with advertisers, which would likely return more of their production costs. Disintermediating the broadcasting networks means that more money flows directly to the producers.
Although broadband uptake is ramping up rapidly throughout Australia, many regional towns have very limited broadband access, and many other families can’t afford the fifty dollars a month for a broadband link suitable for television hyperdistribution. (BigPond’s low-end $30/month plan has such a low data cap that it’s basically unusable for hyperdistribution, unless they provide it within their internal network as a service, which is something I’d recommend they look into, though it will be competing against Telstra’s recently announced IPTV offering.)

Although broadband is still the exception in Australian households, at least 70% of those households now have at least one DVD player. DVD has rapidly supplanted VHS as the distribution medium of choice for audiovisual content, and sales of DVDs have passed one billion dollars a year in Australia alone. So, for the rest of Australia, who don’t yet have broadband, and who might never want to futz with all these new technologies – could an advertiser just send them a DVD in the mail?

This may sound ridiculous on the face of it, but can we make the math work? Can we get to cost-equivalence for DVD distribution of television programmes? Once again let’s run the numbers: if you really compress a TV signal, you can fit about 3 hours of video programming onto a standard dual-layer DVD. Because the ad breaks have been removed from the programmes, that 3 hours is actually the equivalent of four hours of television programming – which is a fair helping of prime-time television. If I wanted to send this directly to five million of the seven million Australian households, it would cost no more than four million dollars. (This presumes it costs thirty-five cents to produce the DVD, and another twenty five cents to deliver it via the post, plus the purchase of copyright for the programming on the DVD.) Four million dollars is the cost of between forty and eighty advertisements on Desperate Housewives. Given that the disc carries around 180 minutes of programming, that’s one ad every two or three minutes – which seems wholly workable. It’s going to cost an advertiser about the same as ad buys in a television broadcast, but consider: this is no longer television by appointment. That DVD can be watched anytime, by anyone, anywhere there’s a DVD player. These DVDs will have “handoff rates” close to those of magazines. They’ll have long shelf lives. This model would probably be very successful.
If it seems ridiculous to consider sending a DVD to the majority of households in Australia, I have to tell you a story from my own experience in the United States. During the late 1990s, AOL grew from a tiny company to a giant which would later swallow TimeWarner. A few times a year I’d receive an AOL mailing: in the mid-90s, these mailings would have a floppy disk in them, preloaded with the AOL software. By the late 1990s, those mailings would be CDs of AOL software. And these weren’t targeted mailings – these were mass mailings, reaching most of the hundred million US households, at least twice a year. It got so bad that friends of mine made objects d’art from AOL floppies – and plenty of folks used their CDs as coasters.

Retailers mail circulars to their customers, or put them into newspapers; why not put a week’s television programmes into the weekend edition of the *Herald* or the Sunday *Telegraph*? (The *Herald* distributes the Tropfest DVD every year – this is no different.) These novel partnerships would bring the distribution costs way down, and have the added side-effect of raising newspaper readership. (With media cross-ownership laws about to be changed, we can expect to see some of these win-win cross-media partnerships.) There are a number of ways to make the economics of television distribution by DVD work. I believe that the first producer/advertisers to do so will open a door to a new form of distribution – television by mail, and television by newspaper.

What I’ve described so far sounds promising. But let’s face it, there are going to be strong arguments against the widespread adoption of the hyperdistribution models I’ve just described – it’s just that most of these arguments won’t be based in economics. The first of these arguments will undoubtedly be inertia: everyone is making money, so no one will want to change. Producers will continue to sell their programs to broadcasters, and broadcasters will continue to sell ads to advertisers. It has ever been thus, it will ever be thus. While this argument is appealing, it assumes that the present, and worse, the future, looks anything like the past. It ignores the fact that because of hyperdistribution, the audience is already in control of distribution. The producer has lost control over where, when and by
whom productions are viewed. The producer has a better chance to reach an audience than ever before, but has no control over how productions reach that audience. If control over distribution could be maintained, if the oligarchy of commercial television broadcasting could consolidate its hold on programme distribution, none of this would need to change. But it has already begun to change, particularly here in Australia; the horse has already fled the barn.

The audience is asserting their control over television programming; this is actually a good thing, because the moments for television viewing are expanding in direct proportion to the exercise of this new power. Until very recently, television was an experience which was confined to the lounge room, shackled to a big, heavy box. But now we can watch full-length television programmes on our mobile phones (a new capability of the latest generation of mobiles), or on the Sony PlayStation Portable (PSP), a high-resolution, widescreen, portable game and media machine, the new “must have” items for the younger set. Audiences are growing fond of the idea of on-demand TV, available wherever they are, whenever they want to watch it. Television viewing has become a multitasking activity; you might watch a short programme – something like the 11-minute “Adult Swim” episodes pioneered on the Cartoon Network, or the 3-minute “mobisodes” being rolled out by various wireless carriers. You can dip in, watch something, then go on to something else. Television viewing is no longer wholly consuming; but it is also becoming more pervasive. Freed from the tyranny of the box, people will be watching more TV, and more different kinds of TV, than ever before.

Now for the economic objections. Television producers have rapidly become addicted to the revenues they earn selling DVDs of their most popular television series. NEWS Corporation earned unexpected record profits in 2003 based on the sales of DVD sets of Buffy the Vampire Slayer and The X-Files. Producers will be understandably reluctant to hyperdistribute their works digitally, fearing that they’ll undercut DVD sales. And this is undoubtedly true, to some degree. But people have been taping their favorite series for years, and that doesn’t seem to undercut DVD sales. People buy a DVD because it’s packaged in a neat box, with special features, commentary tracks, and the kind of paraphernalia that a fan wants
to invest themselves in. Owning a DVD is about more than simply owning the programme; it’s a badge of membership in a community of fans. The core audience for a DVD of a television series will still buy it even when it is available through other means. And while DVD sales may slow in the age of hyperdistribution, well, that’s lamentable, but it’s also unavoidable. Hyperdistribution isn’t going away. DVD may have been no more than a brief, happy moment in the distribution of television, after TV went digital, but before those bits found their way onto the Internet. No one can reasonably expect those revenues will last forever.

Another, more important economic question arises: if broadcast television is abandoned as the distribution outlet for television programmes, how will audiences know what to watch? It’s believed that without the endless promotion that accompanies any television broadcast, the audience will simply evaporate. That’s true insofar as the audience won’t know what television programmes to watch if they aren’t advertised. But given that the audience is already being presented with a nearly infinite number of choices, that’s a problem which producers will be facing whether or not they remain with the broadcasters. Even if a producer resists going into hyperdistribution, there are already many programmes in hyperdistribution, and this number is rapidly increasing as Google, Yahoo! and others enter this field. Avoiding the paradox of hyperdistribution is not an option.

The only long-term solution to this problem lies in actively encouraging fan communities – social networks which spread the word about the show. That’s certainly been a successful strategy for Battlestar Galactica: the SciFi Channel has been providing episode “podcasts” on their website – audio commentary by series creator and executive producer Gordon Moore. Fans can download these podcasts and play them in conjunction with the programme. (Interestingly, the podcasts are recorded as if the commercials have been removed from the broadcast – making them suitable as DVD commentary tracks, but also ideal for the edited versions that viewers have been downloading.) Fans want to be involved, they want to be enthusiastic. Fans want to make converts, encouraging their own circles of friends to watch the show. Podcasts are the perfect spoils for such folks.
Let me give you a personal example: my friends in Australia have formed a small
Chicken* isn’t yet available in Australia – and may never be. A few months ago I
read about *Robot Chicken* in a *New York Times* article, which I forwarded around;
another friend downloaded the first episode using BitTorrent. That episode was
funny enough to keep us hungry for more. So now, nine episodes into the series,
we’re all up-to-date on *Robot Chicken*, half a world away from its broadcast territory.
I’ve told my friends. They’ve told their friends. And on and on and on. It doesn’t
require a broadcaster; it doesn’t require advertising dollars. All it takes is a solid
programme and hyperdistribution. The rest takes care of itself.

And so we come to the final objection, which is both economic and sociological: it’s
too hard for the average viewer to download hyperdistributed television
programmes. It is true that, as of this writing, the technologies used to locate and
retrieve hyperdistributed programmes aren’t really designed with the average
computer user in mind; they require some setup, and their interfaces are less than
friendly. But even these crude interfaces have been enough to jump start Australia
into first place globally in television programme downloading. The situation is a lot
like digital music, before the advent of iTunes; when Apple married digital music to
an impeccable user interface, they touched off a revolution which gave them 70%
market share in online music purchases, and an even higher market share in digital
music players. But back in 2000, in the months before iTunes, people were making
the same objections about downloaded music they make today about
hyperdistributed television programmes.

It’s as simple as this: we’re in an interregnum, that brief period of time before some
clever hacker or some clever company solves this problem definitively. And when
that happens, when the rest of us can download television programmes quickly and
easily, it’ll seem like a bomb went off – broadband use will soar, people will desert
the broadcast networks, and the only producers to survive this transition will be
those who harnessed the strength a new value chain, where piracy truly is good.
There’s no doubt that the broadcast networks will do what they can to slow the transition to this model, because they’ll lose billions of dollars. But here’s another paradox: they more they try to slow it down, the more they’ll drive their audiences to hyperdistribution. For the broadcast networks it’s a lose-lose situation; all they can do is transition as quickly as possible to a live-interactive broadcasting model, and work to transform themselves into advertising agencies connecting producers and advertisers. Their future looks nothing like their recent past.

Part Three: The New Laws of Television

So, how do we jump start this? Which producer and which advertiser are willing to risk their livelihood on an unproven economic proposition? Who wants to be the tall poppy? It’ll likely be a fledgling producer with a hot property and nothing to lose, paired with an advertiser who thrives on being there first – perhaps BMW, perhaps Nike, perhaps a brand we’ve never heard of. But once the model proves successful, there’ll be a groundswell, an earthquake, as the economics behind television production realign to accommodate hyperdistribution. And that time can’t be more than a few years away.

Meanwhile, coming up from behind, beneath, and all around, the two giants of the Internet, Google and Yahoo, are laying the groundwork for hyperdistribution networks of their own. Already, you can upload your own content to Google Video, and very soon they’ll make that video available to everyone else. Broadcasting is facing a threat that’s not economic – it’s attention-based. Those giant networks are providing a media experience which is personal and immediate, something a broadcaster can never offer. They’ll change the face of television as well – but that’s a talk for another day.

The new laws for television production and distribution emerge from an understanding that the audience is in control of distribution, and that this is not a situation to be feared, but to be embraced wholeheartedly.
Rule One: Create Globally, Distribute Globally

An television producer can now reach the same global audience as any of the big studios in the United States or the UK. Distribution is no longer the barrier it once was; you don’t have to get yourselves “over the hump” and into global distribution. All programmes are now, at least potentially, globally hyperdistributed. This means that your content probably shouldn’t be too localized. While we do need to preserve the tradition of “Australian stories in Australian voices,” this is quite properly the role of the national broadcasters, who have funding and mandates to ensure that there is a continuing production of regionally appropriate content. For everything else, plan your productions with an eye to the more than four hundred million English speakers in the US, UK, Canada, New Zealand, and Australia. If you can produce regional content that does well internationally, good on you. But don’t plan on it. Work with universal themes, and universal stories – that’ll give your productions legs to travel the world.

Because you have no choice but to release your productions to the world, you will need to develop a strategy to work with advertisers from across all the territories across the English-speaking world. That’s certainly more work – and a burden which was previously shouldered by the distributor – but it’s also an enormous opportunity. When you forge economic links to advertisers in the United States and the UK, you’re accessing a market twenty times larger than you’ll find in Australia. If you have a solid production, you’ll be well rewarded for your efforts.

Rule Two: Shorter is Better. Funnier is Better.

The television moment is becoming more pervasive, as television spreads into mobiles and laptops and game machines. This is creating an enormous demand for programming well-suited to these devices and the situations where they’re commonly used. This is the archetypal example of someone waiting for a bus or train, or having a few spare minutes at lunch. This audience doesn’t have the time to watch a 22-minute or 44-minute programme; they have a few minutes to spare, and want to be taken out of the moment. This market generally favors comedy –
such as Cartoon Network’s “Adult Swim” episodes, which run for 11 minutes, or even shorter pieces, such as “Happy Tree Friends.” It seems that the shorter and funnier the piece, the further it is likely to travel. That said, this doesn’t mean that television is about to devolve into slapstick. *Robot Chicken*, for example, is often highly intelligent, with jokes that work on several levels simultaneously, including satire, reversal and slapstick.

If you do have a desire to create drama, consider how to deliver it in small doses that leave the viewer wanting more. This tends to favor melodrama over drama, and undoubtedly we’ll be seeing an explosion of short-form soap operas. If you have a grand design for an epic, consider how to deliver it in little, self-contained nuggets of entertainment. Study the audience, and don’t try to force your own dramatic ideas on an audience which doesn’t have the time or attention to invest in them.

**Rule Three: It Won’t Happen Overnight**

Although we are already into the era of the hyperdistribution of television programming, don’t expect the broadcasters and their lucrative models of television distribution to disappear overnight. The bulk of this transformation in distribution will happen slowly, over the next five years. That’s actually a good thing, because it gives you time to experiment, to find out what does and does not work, and it gives you time to hone your skills. This is a new world for television, and a level playing field for producers. With the barriers to distribution gone as the audience takes control, you have as good a chance as Brillstein-Grey or Southern Star to create a series of hit programmes. But how do you keep those hits coming? At every step along the way, with every production you create, look to building a brand identity. In a world where there are no more broadcasters, where the audiences are getting their programming by any means necessary, brand identity will be the one way that audiences will separate the good from the bad. Having just one well-branded hit may be all you need to set you on your way to a very successful and lucrative career in television production.
Rule Four: Do It Or Die

If you ignore the coming era of hyperdistribution, we can write you off right now. You’re in the same boat as a producer of radio plays in the 1950s; the most successful of those individuals established careers in television, but many ended up bitter and unemployed. Change must be embraced, because it can’t be fought against. The clock can’t be turned back, BitTorrent can’t be un-invented. We have to deal with the world as it is, not as we’d like it to be. In the new, “flat world,” where any programme produced anywhere in the world is immediately available everywhere in the world, the only sustainable edge comes from entrepreneurship and innovation. Yet television – particularly in Australia – has become a self-contained world, inside a plastic bubble, breathing its own air, which, after half a century, has gone noticeably stale. It’s ready to be shaken up.

A nation as inventive as Australia has a curious lack of entrepreneurs – except in one area: film and television production. The film industry is so small that nearly all of its players are de facto entrepreneurs. You understand risk, and you’re hungry for rewards. That’s not true in Hollywood, which is conservative, and throws its weight around by creating big and expensive productions no one else can equal. But the future belongs to the fast, cheap and out-of-control. Cheap productions will more easily find the advertising partners they need for hyperdistribution; expensive productions will find themselves competing against so many cheap productions that they’ll find it progressively harder to justify their costs in the face of ever-smaller ratings. The dinosaurs are about to give way to the mammals. Australians know how to make cheap television: this entire country is a crucible which has forged the most cost-effective television production in the English-speaking world. That’s an enormous resource, and bodes well for the future.

For now, I want to close with a story I read in a book about the beginning of Michael Eisner’s era at Disney. He had his right-hand man down in the vaults, surveying the crown jewels. Every few minutes he’d call Eisner and say, “I just found another hundred million dollars.” Eisner’s genius lay in putting together a
team which could transform Disney’s economic model from one born in the 1930s, to one fit for the 1980s. That’s the challenge for every television producer working today: now that piracy is good, there are new fortunes to be made.

Mark Pesce
16 April – 1 May 2005
Sydney
Small-scale piracy sometimes offers surprising benefits for IP rights holders. The severity of piracy is duly illustrated by the show’s season four finale, which, within 12 hours of its original broadcast in June 2014, was illegally downloaded 1.5 million times, amounting to 2 petabytes transferred in just half a day. Countless companies (like Good Old Games) have found that the best solution to piracy is to offer a cheaper, better, DRM-free product that makes piracy less palatable. This is, however, a lesson many entertainment executives seem unwilling to learn. The researchers are clear to note their findings have their limits, and that they’re not openly advocating for companies to fully embrace piracy. Pirating digital content is illegal. Full stop. Yet people continually steal eBooks and movies and television shows and treat it like it’s no big deal. There’s a couple of reasons it happens: Torrenting is easy and the chance of getting caught is low. And saving money is fun, especially when the economy isn’t at its strongest. But an eBook is a luxury, not a right.