

Name: Cleon Wilson

Email: cleonwilson@mail.usf.edu

Thesis Advisor Name: Kerry Walsh

Thesis Reader Name:

Thesis Title: The impact of the rise of online video streaming on the financial health of media production and distribution companies within the television media industry in the United States.

Statement of Work

Netflix, Hulu, Amazon, CBS All Access and YouTube TV did not exist as streaming platforms 12 years ago. However, today they are some of the largest buyers of television content. At the same time traditional cable and premium cable channels are trying to compete and are creating an increasing number of new shows. This study will look at the impact of the rise of online video streaming on the financial health of production and distribution companies within the television media industry in the United States.

Rationale

It is tempting to simply say that the rise of online streaming has had a positive financial impact on television production and distribution companies, but the rise of online streaming has also led to some unintended consequences. The collapse of physical disc sales and rentals has created holes. Physical disc sales were once a reliable and very profitable source of revenue but now that industry is a shell of its former self. The negative impact of the rise of online streaming extends far beyond this, and it is for this reason that we must examine if the overall impact of online streaming has been a net positive or net negative on the production and distribution companies in the media industry.

Literature Review

Often articles embellish the positive benefits that advancements in technology will bring; however, what often is the case is that the change is gradual with varied impacts. The same can be said about the impact of streaming services on the television industry. As Wharton noted, Netflix and its rivals have fundamentally changed the way we watch television in the United States, but its other impacts have been more varied (2018). Wharton further noted that while many people have made the switch to only streaming their television content, even more households have no plans to stop subscribing to cable or satellite tv.

With an increasing number of American households having some sort of streaming subscription, traditional cable and satellite companies are finding new ways to compete. Hayward reported that a big reason behind the switch to streaming subscriptions is cost. Cable companies attempted to raise the prices of their licensed content to force streaming services to raise their prices, but this strategy has failed so far. Many cable channels are now trying to compete with original content. Denali Tietjen, a technology writer for Forbes magazine reported something similar “This year’s fall line-up reflects these strategic changes. Broadcast networks are adding more original hours, increasing their production costs, favoring in-house production, and introducing big stars, according to a UBS analysis of the upcoming primetime season” (2015).

This approach has had some success, as cable and streaming companies now often compete by simply trying to offer the next hit show exclusively on their platform. David Ng, a reporter for the LA Times asserted,

The TV production boom is being driven in large part by the abundance of content that studios are pumping out in an effort to satisfy consumers' changing viewing habits, which have

shifted toward binge-watching and viewing on multiple digital platforms. The breakneck production pace is now year-round as cable channels and streaming services look to keep their subscribers hooked with a steady flow of new shows and seasons (2018).

The pressure to compete with original content has led to increased employment in the television content production industry. Ng also reported that the number of live-action inspired TV series has risen over the last seven years. In the 2010-2011 season the number of television series produced was one 198 and in the 2016-2017 season the number of shows was produced was 426.

Not only has the sheer number of television shows being produced risen over the past decade but so has the quality of the shows being produced. The costs associated with producing television content has greatly increased in recent years thanks to the entry of more players in the original content space. As Maureen Ryan and Cynthia Littleton, writers for Variety explain

At a moment when the television industry is grappling with a massive increase in the number of shows being produced, the ripple effects of Peak TV are surfacing in virtually every line item in a typical TV series budget. Fueled by the rise of streaming heavyweights that don't play by the same financial rules as traditional TV players, costs are soaring for everything from location scouting to renting equipment to securing post-production facilities (2018).

These cost increases are coming at a time when some once stable sources of secondary revenue are underperforming. After years of declining sales, the home media market, which is made up primarily of physical disc sales, is showing no signs of improvement. Ricardo Lopez, a writer for Variety, reported that "Disc sales were down 14% last year, falling to \$4.7 billion, just one year after registering a decline of nearly 10%. The drop for physical rentals was even more pronounced. Brick-and-mortar rentals and kiosk rentals declined a combined 17%, falling to just over \$2 billion." (2018) While the decline in the home media market has largely been replaced by the increases in the streaming sector, streaming has much lower margins than physical disc sales.

Proposed Schedule of Work

Week 2 Fall: Meet with Thesis Advisor and Reader to discuss ideas and finalize a topic.

Week 6 Fall: Submit a final Prospectus and Literature Review

Week 10 Fall: Finish Data Collection Tool and Identify willing participants. Obtain Training

Week 13 Fall: Submit first draft of Introduction and Methodology

Week 15 Fall: Obtain all quantitative data necessary for Thesis

Week 1 Spring: Submit First Draft of Analysis and Findings

Week 4 Spring: Submit First Draft of Thesis

Week 8 Spring: Submit Improved Thesis for Grading

Week 11 Spring: Submit Third Draft of Thesis

Week 15 Spring: Submit finished Thesis for Grading

Preliminary Bibliography

"Atlanta Is Experiencing A Film and TV Production Boom." *NPR.org*. Web. Aug 29, 2018

<<https://www.npr.org/2018/02/23/588374743/atlanta-is-experiencing-a-film-and-tv-production-boom>>.

Doyle, Gillian. "Television Production, Funding Models and Exploitation of Content." *La Revista Icono 14, Vol 14, Iss 2 (2016).2* (2016) Web.

Hayward, John. "Internet Streaming of TV shows Shakes Cable TV, Satellite Industries." *Human Events* 68.28 (2012): 12. Web.

"How Video Streaming is Changing the Entertainment Industry." *Digital Brew*. -07-28T20:20:48+00:00 2015. Web. Aug 29, 2018 <<https://www.digitalbrew.com/video-streaming-changing-entertainment-industry/>>.

Lai, K. -L, and H. -M Chou. "Open Innovation: An Analysis of the Business Model of Digital Cable Television".*Proceedings of the 2017 IEEE International Conference on Applied System Innovation: Applied System Innovation for Modern Technology, ICASI 2017*. SCOPUS. Web. 28 August 2018.

Lopez, Ricardo. *Disc Sales Decline Deepens in Annual Home Entertainment Spending Report.*, 2018. Web. Sep 24, 2018.

Ng, David. "Peak TV brings production jobs back to Los Angeles, with a boost from streaming series." *latimes.com*. Web. Aug 29, 2018

<http://www.latimes.com/business/hollywood/la-fi-ct-tv-production-boom-20180112-story.html>>.

Ryan, Maureen, and Cynthia Littleton. "TV Series Budgets Hit the Breaking Point as Costs Skyrocket in Peak TV Era." *Variety* (2017) Web.

Tedesco, Richard. "Back to the Future: Internet TV." *Broadcasting & Cable* 130.5 (2000): 24. Web.

"Television Networks on the Brink as Online Eats into Revenue Pie." *The Sydney Morning Herald* (Sydney, Australia) (2012) Web.

Tietjen, Denali. "Content Wars: How Television Networks Are Fighting the Netflix Threat." *Forbes*. Web. Sep 24, 2018

<https://www.forbes.com/sites/denalitietjen/2015/06/09/content-wars-how-television-networks-are-fighting-the-netflix-threat/>>.

Waterman, David, Ryland Sherman, and Sung Wook Ji. "The Economics of Online Television: Industry Development, Aggregation, and "TV Everywhere"." *Telecommunications Policy* 37 (2013): 725-36. Web.

Wharton, Stephanie. "The Impact of Streaming Video Is Huge (and Easy to Overestimate) - eMarketer Trends, Forecasts & Statistics." *eMarketer*. Feb 23, 2018. Web. Sep 4, 2018
<https://www.emarketer.com/content/as-millennials-evade-live-tv-ads-are-likelier-to-reach-boomers>>.

BUSINESS HONORS PROGRAM - PROSPECTUS APPROVAL

Please type or print the information requested on this form.

Student's information

Name: Cleon Wilson USF ID: U85191968
E-mail address: cleonwilson@mail.usf.edu

Title of thesis: The impact of the rise of online video streaming on the financial health of production and distribution companies within...
Semester in which work is to be started: Fall 2018
Semester in which work is to be completed: Spring 2019
When do you plan to graduate? Fall 2019

(Month & Year)

Is this thesis being submitted for satisfaction of both the Honors College and Business Honors Program?

Yes No

Thesis advisor's name: Kerry Walsh
Department: Marketing
Phone: 787-685-4110
Mail: kw@usf.edu

Thesis reader's name: _____
Department: _____
Phone: _____
Mail: _____

- "I understand that by registering for Honors Thesis that I am registering for a 3 hour course, which is equal to 9 hours of effort each week."

C. Wilson
Student's signature

- Prospectus approved by: Kerry Walsh 9/26/18
Thesis advisor's name Date

Director, Business Honors Program Date

- Date prospectus submitted: _____

The public presentation of your thesis will occur prior to the final day of the semester in which the thesis is completed.