Television and Radio Committee
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What Is 'TV' Anymore? The Business Must Incorporate Lessons of Its Rich History to Build Its Future

By Howard Homonoff

Over more than a decade, the television business has grappled with a tidal wave of challenges, from changing consumer choices to emerging digital giants. For all of those with a stake in that business, it is become almost a parlor game to address the existential question: What does the future of television look like?

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The easiest part to answer is the terminology. Despite lingering references to "premium video," "premium content," and "digital video," and to paraphrase famed politico James Carville, "It's TV, stupid!" Michael Wolff, before he dove into the waters of the Trump White House, wrote a book several years ago entitled *Television Is the New Television*, and it is apparent that both the consumer and business sides of the television equation seem to well understand what that term means for what they are watching, buying, and selling.

If we still call it "TV," that only starts, rather than ends, the analysis. It is easy, but it would be wrong, to follow the approach of sports analysts who look at today's standings as the guide for who will win the championship in the end. Clearly, the business of the future will not be the same as the one we have known and continue to enjoy today. Still, the rich tapestry of television's past does provide a solid framework for any speculation on what it might look like.

The business began in earnest in the aftermath of World War II, and its lifespan fits into three distinct eras. First came the Broadcast Era, which began in roughly 1948, with the launch of The *Texaco Star Theatre*, starring Milton Berle. Next came the Multichannel Era, which began in earnest with the launches of ESPN, USA Network, and CNN in 1979-1980. Since 2007, we have been living in the Streaming Era, linked to Netflix's expansion from DVD delivery to streaming video. While the first two eras encompassed roughly a generation each, the current one has seen massive changes in a far shorter window.

It is helpful to understand the progress of the different television eras through several lenses: What content predominated? What business model(s) supported it? How did television define its competition during the era? Within what kind of legal and regulatory structure did television operate?

The early part of the Broadcast Era is also sometimes referred to as the Golden Age of Television. Part of this can be explained by the hagiography bestowed upon the past (as in, "Make America Great Again"). However, this era actually defined what we understand television to be: 30-minute situation comedies (actually 22-24 minutes without commercials) represented by *I Love Lucy*; hour-long dramas; game shows (a prime-time staple until the quiz show scandals of the mid-1950s); early morning news and talk (the *Today* show launched in 1952); and even reality television with programs such as *Queen for a Day*. Amazingly enough, 70 years later, these remain the dominant content formats for broadcast television and also across cable and streaming platforms.

The Broadcast Era presented a simple business proposition: Consumers would pay nothing directly ("free TV") with revenue supplied from advertisers who could buy time from a few gatekeepers. At the beginning, the only way for consumers to watch television was on one of initially two broadcast networks, NBC and CBS, which became three with ABC (Fox did not become a network until the 1980s). There was only one device on which to watch television, a set consisting of a large cathode ray tube encased in a big wooden box, which spread from some 6,000 in 1946 to 12 million in 1951. The job of a network sales executive, it was said only half-jokingly, consisted of answering the phone, taking orders, and playing golf. As the philosopher Mel Brooks once observed: "It's good to be the King."

As for regulation, broadcasters had to hew to the government dictate to operate "in the public interest," including abiding by a fairness doctrine for covering news and restrictions on "indecent" programming (defined famously by the Supreme Court in the *FCC v. Pacifica Foundation*, also known as the "7 Dirty Words" case[1]). Yet with the laws of physics creating a natural barrier to entry for new broadcast competitors, the regulatory tradeoff did

little to undermine the gravy train of broadcast television and its oligopoly networks.

The nascent cable television business spent several decades almost exclusively retransmitting the signals of broadcast stations, in large part to areas whose geography of valleys, mountains, and rural areas made reception of broadcast signals difficult or impossible. The dawn of the Multichannel Era, running between roughly 1980 and 2007, offered television consumers an explosion of choices and reset the map for who got to play in the business. HBO was the first network to be delivered via satellite in 1975, but the consumer and business landscape really began to take shape in 1979, with the launch of national networks focused on sports, news, and general entertainment, such as ESPN, CNN, and USA. From their inception, these and other cable networks enjoyed a dual revenue stream of advertising (just like broadcast television) and a share of the monthly subscriber fees that consumers paid to their cable operators. That dual revenue stream has attained the status of the Holy Grail for media players well into the digital age.

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For consumers, there was never any question but that "TV" now included cable. In fact, cable insiders joked that "cable marketing" was an oxymoron—just roll a truck down a street and watch people chase it. Cable delivery was followed by direct broadcast satellite from DIRECTV and Dish, and finally by the telecommunications giants AT&T and Verizon, all rapidly gaining new subscribers through the 1980s, 1990s, and even the early 2000s as multichannel video subscribers reached nearly 90% of the entire television household universe in the U.S.

Channel offerings grew exponentially throughout most of this period, and although Bruce Springsteen famously sang that there were "57 Channels (And Nothin' On)," cable brought consumers a plethora of original and library programming. Content still primarily meant what it meant in the Golden Age: sitcoms, dramas, news/talk, and sports (actually so many sports), but there was a greater selection available to suit more niche tastes. Guess what? People kept watching all of it!

The regulatory picture became a much more complicated in the Multichannel Era. The legal framework of broadcast television evolved from almost an entirely federal structure to one with some elements of local, state, and federal oversight. Cable, however, began as a disruptive and challenged upstart, battling demands of local officials seeking tribute in the form of franchise fees (a/k/a taxes) for the right to dig up city streets or string more wires on telephone poles.

The federal government came to cable's rescue with the 1984 Cable Act, overriding local authority power to dictate content carried on cable systems, putting caps on franchise fees, and streamlining the franchise renewal process. However, quite quickly this turned, due to rising pricing and often questionable service to consumers. By 1992, cable operators became saddled with a new overlay of federal oversight on their quality of service, rates, and programming relationships. Broadcasters (increasingly concerned with their lack of control in the market) obtained new retransmission consent rights, which forced cable to pay for the carriage of broadcaster signals, and satellite providers gained access to the most valuable cable programming. Through all of this, the viewer simply wanted more and more television, although at always elusive lower prices.

The World Wide Web became available as early as 1991 and its popularity was well established by the late 1990s, but limited broadband availability made video a still-limited part of the equation. Then, the Streaming Era kicked off with a flourish in 2007, with Netflix streaming video on demand, following Google's purchase of YouTube barely a year earlier. Television has never been the same.

Perhaps the most dramatic change in the Streaming Era landscape has been the proliferation and diversification of business participants. We have a flood of new content producers, beyond the traditional studios, in the industry; a host of new distribution platforms from YouTube to Netflix, Amazon, and Hulu; a growing number of independent outlets for over-the-top (OTT) services, including both subscription video-on-demand (SVOD) and advertising-supported video-on-demand (AVOD); and an intricate web of technology and data analytics companies bringing digital data precision to monitoring viewers and delivering video advertising. On top of that we can add a group of original equipment manufacturers (OEMs) of new devices for viewing content, such as phones and tablets from Apple and Samsung, and connected devices from Roku, Apple, Amazon, and Google.

Somewhat ironically, despite the massive disruption in business models, the format of television content may have changed the least. Hulu is now home of the Emmy winner for Best Dramatic Series, *The Handmaid's Tale*. Amazon Prime's *Transparent* is an Emmy and Golden Globe winner for Best Actor and Best Comedy Series. Netflix is the home of the best standup comedy, a genre that has been around since vaudeville. Sports and news remain staples of broadcast television, as well as every live subscription streaming platform. By 2017, of the 100 most highly rated programs on television, 60 were live sports events (and 44 were related to the National Football League). One of the "new kids" on the block in the OTT world, Fubo TV, has banked its model heavily on the investment in top tier sports programming.

Unlike the decades-long predictability of business models in the Broadcast and Multichannel Eras, the Streaming Era has brought almost constant experimentation. Relying upon advertising, media companies launched their own "dot coms," seeking to drive traffic and dollars to their own sites. Soon thereafter came multichannel content networks (MCNs), such as Maker Studios, Awesomeness TV, and Machinima, providing massive content niches on YouTube from producers outside traditional Hollywood. Broadcasters and cable networks have followed suit, launching services like TV Everywhere, which provides online and mobile access to enhance the value of existing multichannel subscriptions. Netflix, Amazon Prime, and Hulu have led the way with SVOD. Skinny subscription bundles of live programming have sprung up everywhere, from AT&T's DirecTV Now, to Dish's Sling, to Sony PlayStation Vue, to Xbox. Consumers are even watching thousands of hours of programming on a panoply of oddly named advertiser-supported platforms like Xumo, Tubi, and Pluto. This is hardly the Broadcast Era of a few powerful gatekeepers, and there is little predictability anywhere.

So . . . where are we going from here?

Seven decades of data tell us clearly that people still love television. Remarkably, even faced with an almost limitless choice of how to spend his or her media time, the average American still watches over four hours of live television per day. From a cultural perspective, programming continues its powerful hold, with many hundreds of new series launched across all platforms each year, the best of which have come to be known as "Peak TV." The business has maintained its cultural status and relevance to a greater degree than the motion picture industry, which apart from the comic book universe, has developed few, if any, breakthrough releases in recent years. Regardless, there is no slowdown in creative desire among writers, actors, and directors, or in the hunger for compelling content from the public and advertisers.

Alas, for those who longed for the days of media fiefdoms, the future does not look quite so rosy. Although I would not predict that the traditional television business will suffer as dramatically, or for as long, as the music business has in its transition to the digital world, we will never again approach an environment with a so few gatekeeper producers, distributors or advertisers. The public may love television, but it does not love the confusing choice about how to get it and for how much it will have to pay. With the availability of more tailored content choices and the interest and access to massive "on-demand" libraries, including free advertiser-on-demand, I expect retrenchment in the number of 24/7 cable networks, even among established companies controlling groups of networks, such as A&E, Discovery, Viacom, and Warner Media (formerly Time Warner). Given the enormous preponderance of live sports events among the most-watched programming, the broadcast networks are likely to weather the scramble for viewers. Yet there will never again be the kind of "one size fits all" that existed in television's early days.

Facebook, Apple, Amazon, Netflix and Google (collectively, FAANG) are already powerful video players, and Netflix is outspending all of them on content by literally billions of dollars per year. Even with that however, none of these players has yet demonstrated the ability to dominate the creative side of the business, and each of these digital giants has suffered some hiccups in creative enterprises. Especially if (or once) Netflix's growth trajectory slows, I suspect that the television futures of these giants will depend upon the extent of their ability to partner creatively in production, distribution, and monetization with media companies that today may be their "frenemies."

As for the always unpredictable legal framework, clues to its future lie within the recent opinion of U.S. District Judge Richard Leon in the AT&T-Time Warner merger case. Judge Leon noted the far-reaching disruption going on in the business, girding his finding approving the merger with the recognition of a very different digitally focused media world. With respect to the obvious indicia of how different this world has already become, he said: "It doesn't take a weatherman to know which way the wind blows." This view will likely work its way into the policymaking apparatus of the Federal Communications Commission, the Department of Justice, and Congress, with a warning to all players borrowed from today's financial prospectuses: "Past performance is no guarantee of future results."

Endnote

1. *F.C.C. v. Pacifica Foundation*, 438 U.S. 726 (1978).

Howard Homonoff is a Senior Vice President at MediaLink, a strategic advisory firm at the intersection of media, marketing, technology, and finance. He is a recognized expert at creating growth strategies for traditional and digital media companies and advising on strategic partnerships among media companies, brands, agencies, and tech firms. Howard is also a weekly contributor to Forbes.com on media and entertainment; Adjunct Professor of Media Economics at The New School's graduate program for media management; and Senior Fellow at Columbia Business School's Institute on Tele-Information (CITI). Prior to his work as a strategic advisor, Howard served as General Counsel for NBC Cable Networks and Vice President and General Manager of CNBC Strategic Ventures, where he was responsible for P&L management of NBCU's early stage business units, including streaming media, broadcast syndication, and interactive television and video, and helped launch CNBC World. He also served previously as Counsel to the U.S. House of Representatives Subcommittee on Telecommunications and Finance. Howard is a graduate of Cornell University and New York University School of Law.