Chapter 7
Television Distribution in Flanders: Who Takes the Lead and Is Content Always King?

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7.1 Introduction

Media scholars have focused extensively on the consequences of the digitization, internationalization and convergence of legacy media (Küng 2013; Picha Edwardsson and Pargman 2014; Collins 2011; Barwise and Picard 2012). Scholars have observed increasing merger and acquisition activities (Evens and Donders 2016), a further commodification of media products [visible, for example, in the mounting relevance of formats (Esser 2013; Bielby and Harrington 2008)], and pressure on existing revenues in this regard. All of these changes have increased the pressure on the financing of original, quality domestic content (Raats et al. 2016; Picard et al. 2016). The increasing dominance of multi-layered platforms (Hoelck and Ballon 2015), especially, has been considered central to the disruption of existing legacy players' business models across the globe. Video on demand (VOD) services and platforms such as Netflix, Amazon, Google, YouTube and Facebook challenge existing media players with a business model that is driven by scale and network advantages (in other words, the value of the platform increases as the number of viewers or subscribers increases)—a user-driven approach boosted by investments in data collection, algorithms and strategies to keep users "glued" to the screens (Lobato 2019; Tandoc 2014). Moreover, these players are willing and able to invest significant sums of money on an international scale, regardless of the accumulation of debt. As a result, the existing production and distribution models of legacy players and their economic profitability are not the only things challenged by the new business model, as this platform strategy also puts pressure on original content production, and the contribution legacy players make to society in terms of cultural diversity, pluralism

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and providing quality local content (Evens and Donders 2016; Davis and Zboralska 2017). The advent of innovative platforms and shifting business models has not only instigated new forms of competition, but it has also forced media players to explore different forms of collaboration and co-option (Evens and Donders 2018).

Most of the academic literature at this point has discussed the challenges media players face on a more generic level by looking at the nature of disruptions and their consequences, focusing mostly on the effects of either large markets or the media market in general. In this chapter, we discuss disruptions and consequences for legacy media players by centering our attention on the different answers given by media managers regarding the strategic distribution of audiovisual content in small markets (for an elaboration on small markets, see Puppis 2009; Syvertsen et al. 2014; Lowe et al. 2011a, b). We thereby focus on three core strategies: scale, collaboration within domestic ecosystems and diversification of offerings and valorization.

Although the chapter presents evidence from Flanders, it also provides a broader view by discussing shifts on the level of small markets in Europe and by addressing the challenges and concerns in other small media markets. The questions addressed are firstly, what strategic options are put forward by media managers themselves in small markets? Secondly, how valuable are these (especially short-term) strategies and how have they thus far been rolled out in practice? Thirdly, to what extent does market context and "smallness" enable or impede these strategies? In this chapter, we investigate media companies' strategic responses to specific challenges from 2016 to 2019. Evidence derives from three sources: firstly, observations—as both authors were involved in studies commissioned either by governments or media managers in response to disruptive trends; secondly, interviews with the media managers of private media players in Flanders (e.g., broadcasters, independent producers and telecom/cable distributors); and thirdly, insights from recent research looking into the sustainability of content production and delivery in Flanders, commissioned by the minister of media and conducted in collaboration with the research institute Econopolis (from June to October 2018). Our analysis focuses mainly on television distribution, but has wider relevance due to clear parallels that can be drawn with strategic responses in other areas, such as news provision and the publishing industry.

In the next section, we briefly address ongoing shifts in television distribution and their implications for media sustainability. "Distribution" is mainly understood as the combination of means to deliver audiovisual content to audiences, be it in the form of digital or pay television services (e.g., cable and telecom distributors), or in the form of online delivery (e.g., broadcasters' online catch-up and VOD services and subscription-based portals such as Netflix). In the third section, the structural fragility of small television markets and what it means for television production and distribution, and how trends of platformization and digitization add to that fragility, are thoroughly discussed. The fourth part presents the case of Flanders as an example of a typical, yet unique, small European television ecosystem. Part five presents the different managerial strategies taken in Flanders concerning television distribution in response to these trends and how effective they are. The chapter ends with a number of conclusions and critical observations for further research.

7.2 Television Distribution: From Cable to Over-the-Top Delivery

Television distribution was a fairly simple thing in the past, where analog transmission occurred via terrestrial technology or cable only. The transition to digital has affected these technologies, as well as their underlying economic infrastructures. The evolution from analog to digital terrestrial television (DTT) was far from a smooth process and was heavily subsidized by all EU Member States, bound to deliver on goals set at the European level (Brown and Picard 2005). Notably, in Southern and Eastern Europe, the timetable of the digital transition has proved to be highly challenging. In other countries such as the Netherlands and Belgium, the density of cable made DTT less of a priority (Evens 2013). Cable itself also changed: Whereas analog cable was largely a matter for local communes and considered a public utility, digitization also came with the privatization of many cable networks (Brown and Picard 2005). This in turn resulted in consolidation, a trend that has impacted different European markets in various ways (Evens 2014). Highly cabled countries such as Belgium and the Netherlands have evolved into cable monopolies in which, currently, American multinational Liberty Global plays an important role (Evens 2013). In other countries such as Spain, numerous regionally active cable operators still exist. This means that cable at the European level is still a highly fragmented market. However, digitization not only affected existing technologies, but it also enabled the rise of the satellite (rather early on) and new forms of television distribution, notably Internet Protocol Television (IPTV). This was embraced by the preexisting telecommunications incumbents and became a very popular distribution model in some of the Baltic states. Moreover, over-the-top (OTT) television distribution can nowadays be added to the list of distribution models. Over-the-top does not require the use of a physical network for content distribution, even though over-the-top players are bound to make use of the network of Internet Service Providers (Evens and Donders 2018; Thompson and Chen 2009).

In the pre-OTT world, both analog and digital television distribution were part of fairly neat value chains. Consumers paid a company in charge of distributing television signals for access to these signals and in many cases for access to premium content such as sports, film and drama. In combination with telephony or Internet subscription, so-called bundles or packages were born. This resulted in a fairly stable market environment where broadcasters reached consumers via intermediary companies. All of the involved actors had clearly defined roles in the value chain, and the consumer was the seemingly natural end point of the value chain (Evens 2013, 2014).

Together, the decline of linear television (even if still popular, certainly with older segments of the population) and the birth of over-the-top television have put pressure on this well-established system. While most companies active in the audiovisual market would argue that they embrace the anytime, anywhere, anyhow consumer logic, it is specifically this logic that has destabilized their industry enormously.

Broadcasters are challenged for obvious reasons. They have more difficulties in attracting viewers and securing advertising and yet, in the case of public broadcasters, insist on their relevance in the digital age. Traditional distributors of television signals (analog and digital), often divisions of more wealthy cable and telecommunications enterprises, face major challenges: the need to make massive investments in network capacity, meet the demands of broadcasters to compensate them for the transmission of their signal—even as linear television declines, and they struggle to keep consumers locked in via all kinds of packages (Evens and Donders 2018; Haucup and Heimeshoff 2014). Over-the-top players seem to be winners in this story, although they also face uncertainty. Netflix, for example, sees itself confronted with Disney and Apple going rogue. The acquisition of Time Warner by AT&T might also put pressure on the success of Netflix. Yet, it is relatively uncertain how these changes will affect European markets. In these markets, several broadcasters in Norway, France and the UK are experimenting with their own over-the-top offers, but so far without much success. Practices such as zero-rating, meaning that infrastructure players do not charge for data streaming or downloading of content, add to the uncertainty of where the market will take companies next. While for some Netflix seems to be invincible, the practice of cable operators of zero-rating their own premium bundles might provide an incentive for consumers to opt for that content instead of the services of Netflix or other market entrants, as the subscription prices are more attractive.

The everyday reality of the audiovisual industry is thus one of uncertainty. There is an ongoing war for control over the newly emerging value networks, without a clear indication of who is coming out on top. Evens and Donders (2018) have argued that content, connectivity, consumer data and capital are the ingredients for platform power. Nevertheless, how companies can be successful in mastering these elements has not yet fully crystallized. Distribution is, in such a volatile context, not something of the past, but an essential step to connect with viewers. A battle for control over user interfaces, i.e., the places where content is aggregated and distributed to consumers, is raging between rightsholders, Pay TV operators, telecommunications companies, broadcasters, OTT players and also relatively new entrants such as social media companies.

7.3 Why Small Media Markets Should Care About Pressure on Broadcasting

7.3.1 The Structural Fragility of Small Television Markets

There are several factors following the dynamics described above that affect small media markets. Firstly, small media markets are characterized by a limited number of players. In most of these markets, the public service broadcasters still play the most important role in terms of content production (Raats et al. 2018). Independent producers are dependent on a smaller number of "commissioners" to secure deals, which puts significant pressure on them. Secondly, these markets are characterized by less available funding. Public broadcasters have less funding than media companies in large markets, and their advertising revenues are considerably lower compared to those in larger markets. Advertising revenue, income from video on demand and subscription payments are lower given the limited size of the domestic market. As a consequence, in terms of production, overall budgets are lower and the budget per production is generally less. For Flanders, Econopolis (2017) calculated that purchasing a foreign drama is eleven times cheaper than investing in a domestic TV drama.[1] At the same time, the production budgets of foreign series are up to nine times the size of the budgets of the Flemish series. So, for most broadcasters, especially in small television markets, investing in foreign dramas is more attractive (Picard 2011). Media markets in small countries are therefore often characterized by higher levels of purchased content (Lowe et al. 2011b). From a distribution point of view, the development of online services to recoup investments is precarious given the significant investment, marketing costs and the limited scale. In contrast to the French-speaking Wallonian part of Belgium, where audiences clearly have an appetite for television content produced in the French market or the preferences of Irish audiences for UK content, Flemish audiences rarely turn to programming from the Netherlands (and vice versa). This limits the potential both of cross-border circulation of Flemish content in the Netherlands and for developing budgetary scale through co-productions, for example (Dhoest 2004).

Given the limited domestic audience, distributors usually lack the scale to compete for head-on with low fare subscriptions and usually take little interest in original production themselves, as the footprint of their subscriptions (and thus available resources) is lacking. Furthermore, issues concerning market size limit, theoretically, the export potential and thus recoupment through international distribution. Additionally, cultural specificity and language form an important barrier for content export. The popularity of Scandi-noir is based in part on the fact that series in the Nordic countries can secure higher budgets due to the Scandinavian geocultural market, which results from a traditionally higher cultural proximity between these countries, which has as an outcome a higher chance of a Swedish series, for example, to be picked up by Norwegian and Danish viewers (Jensen et al. 2016). However, small countries sharing a language with a large neighboring market (e.g., the French-speaking part of Belgium and France and Ireland and the UK) show great dependence on those larger markets. In this case, local broadcasters must compete with the public and private offerings of the neighboring country (examples include the BBC's popularity in Ireland and TF1 and RTL's popularity in Wallonia) and are by nature characterized by a limited production and distribution capacity. From a distribution point of view, there is also substantial potential when these structural barriers can be bypassed. One of the most promising developments over the past

[1] In Flanders, TV dramas are mostly produced by independent producers and broadcasters are thus given a limited license period, which limits the number of reruns and cost-efficiency for broadcasters.

year in the French-speaking part of Belgium was the launch of a joint public broadcaster and government fund (Fonds RTBF-FWB) which set out to only produce a 100% domestic Belgian 10-h drama series with particular reference to Belgian culture and identity. The subsidies ensured the financial support for the series to be produced and was—given language proximity—picked up immediately in France and later on by streaming services such as Netflix, as was the case with the Belgian public broadcaster RTBF's hits *Ennemi Public* (*Public Enemy*) and *La Trêve* (*The Break*). The fact that no French co-producer was involved (which usually pushes French-speaking Belgian producers into the role of minority co-producers) meant that all profits flow back to the Wallonia region. The result is a significant uptake in the export of Wallonian drama and a significant recovery of costs due to local production, yet with international distribution at the core of its strategy.

A number of important lessons can be gleaned about small markets: They lack scale to develop volume, which impedes levels of domestic programming; it is difficult to develop new large-scale distribution VOD services in these markets; they show a particular dependence on public funding (Milla et al. 2017; Raats et al. 2018), either directly from subsidies or from investments made by the public service broadcaster; and finally, they show the likely continued importance of broadcasters for the production of domestic content. It is precisely these players that seem to be confronted the hardest by the consequences of digitization and media convergence (cf. Berg 2011).

7.3.2 When Small Television Markets Are Hit, They Are Hit Hard

In the past decade, a combination of shifts has significantly affected the distribution of television content in Europe. Nonlinear viewing and ad-skipping have increasingly put pressure on the viewer ratings and advertising income of broadcasters, forcing them to expand existing activities online and develop 360° distribution strategies (Doyle 2016; Lobato 2019; Lotz 2007). Ironically, the most expensive genre (drama) also shows the highest rate of ad-skipping.

Aside from ad-skipping and delayed viewing, over-the-top players have entered the European market and have presented manifold challenges for traditional players. Firstly, media use has shifted toward video on demand (VOD), mainly subscription-based services (SVOD), provided by national distributors, broadcasters and telecoms or by international over-the-top streaming services such as Netflix, Hulu and Amazon, whose quality offerings for a monthly subscription compete directly with the offerings of traditional broadcasters. Not only do these new players compete for subscriptions and viewing time, but their entire business model, based on innovative forms of content consumption including binge-viewing and algorithm-based personalization of offerings, has significantly challenged traditional broadcasters' production and distribution strategies. Scale advantages allow these new players to compete with relatively cheap subscription fees. The recent addition and direct competitor of Netflix and Amazon Prime and Disney+, expected to be launched at the end of 2019, has already announced its monthly subscription fee of $6.99 (Spangler 2019). For broadcasters, this has proven to be highly challenging as they are limited to existing programming schedules, channels and brands, and a significant increase in their on-demand catalogs is not expected to secure sufficient returns on investment. Broadcasters have stretched their services to online, allowing different forms of catch-up, VOD and live-streaming services and allowing short form or web-only content to attract viewers. For larger markets, such as Poland and Germany, these services might be a relevant source of revenue due to the scale of the market, yet in smaller markets such as Flanders, the return on investment generally remains limited at this point, due to the relatively low number of viewers (interview Medialaan, June 2017; interview SBS, June 2017).

Secondly, scale advantages also allow these players to invest significant sums of money in original content and acquisition of licensed content. Legacy broadcasters and domestic telecom incumbents directly compete with OTT players like Amazon and HBO Go for rights acquisition of high-end content. Broadcasters, traditionally sharing rights only with independent producers or no players at all, are now forced to share exclusivity with players like Netflix, Pay TV operators or telecom companies. Moreover, domestic offerings directly compete with high-quality original content from Netflix, Amazon and others. For content producers, the advent of these non-domestic and domestic distribution services theoretically provides an additional outlet for expanding budgets, and valorizing return on investment (Raats and Jensen forthcoming). Yet, in practice, various media professionals and policymakers fear an increasing fragmentation of financing and a return that does not compensate for losses incurred due to direct competition with platforms.

Thirdly, platforms like Google and Facebook are also competing with domestic players for advertisement revenue. A recent study found that more than half of all online advertisement in Europe flows to Google and Facebook, revenue that is not re-invested in the production and distribution of original European content (such as quality journalism, local fiction or children's television) (Fontaine et al. 2018).

The fragmentation of the European market, being characterized by significant differences between large and small Member States and diversity of cultural preferences and languages, has resulted—notwithstanding exceptions such as the UK—in a clear focus by European players on domestic markets only within territorial boundaries. The focus on domestic audiences has in turn hampered European-wide releases of television content and reinforced the existing fragmentation in audiovisual markets within the VOD offerings in European markets (Bignell and Fickers 2008; Fontaine et al. 2018).

7.4 Flanders: A Fragile, yet Vibrant Market

The Flemish market can be considered an example of a small media market. Aside from the public broadcaster VRT, two private broadcasters (Medialaan and SBS) operate in the market, each of which is comprised of a generalist channel and thematic smaller channels. Cable distributor Telenet and telecom incumbent Proximus both offer digital television and a number of Pay TV services (transactional VOD as well as subscription-based services) to their audiences. The independent production industry is scattered across more than 60 companies, which have seen an increasing consolidation over the past decade, characterized by increasing foreign ownership. In 2019, for example, one of the largest production companies, "De Mensen," was taken over by the TF1-owned French "Newen" (De Tijd 2019). Flanders demonstrates the limits of a small television market (Raats et al. 2016; Puppis 2009): limited audiences and thus limited potential for return on investment, limitations on export due to language and lack of scale and a limited number of players. Yet, the Flemish television market is a highly vibrant market characterized by a significant proportion of domestically produced television content due to its enormous popularity. This is clearly illustrated in an example from 2012, when private broadcaster SBS's ownership changed from ProsiebenSat.1 to a consortium including one of the most successful Flemish production companies, Woestijnvis. The takeover resulted in an increased volume of domestic original production and thus increased competition in an already fragile market. Pressure on existing financing of television production and limited return on investment should thus be considered side by side with an already highly competitive market where competition seems to be driven by the media companies' credo that maximizing local content is the best strategy for outperforming competitors (see several interviews with independent producers, broadcasters and cable/telecom distributors).

Even more important for understanding the increasing pressure on the financing of television content is the increased popularity of nonlinear and time-shifted viewing. In Flanders, a subscription for digital television comes not only with the option to watch different linear channels, but also to record multiple programs at the same time on the set-top box. This allows viewers to record multiple programs at once, or rewatch content and skip ads and is considered an acquired right by the customer (interview with television distributor, July 2018). Research from Econopolis and the Free University of Brussels indicated that 17.5% of viewing in general is now time-shifted, going up to 32.7% for the age group of 18–54 for commercial broadcasters, the primary target group for advertisers. The high levels of time-shifted viewing are comparable with the proportions of time-shifted viewing in Switzerland (16.7%), but are significantly higher than other European markets—for instance, the Netherlands (9.4%), Sweden (7.5%), Germany (2.8%) and Spain (2.2%) (Econopolis 2018: 9).

The popularity of locally produced Flemish content also explains the slower uptake of domestic subscription services from cable and telecom providers, and of foreign subscription-based services such as Amazon and Netflix. Despite having no official insights into the number of subscriptions on Netflix, recent audience research from Digimeter showed that 21% of the Flemish population has Netflix, and within the age groups of 16- to 24-year-olds and 25- to 34-year-olds, respectively, 55% and 59% had access to Netflix (Digimeter 2019).

Partly mitigating the pressure on domestic production are the various policy support mechanisms for the television industry. In addition to media fund financing, which supports television drama, documentary and animation series, a tax shelter measure has proven to be incredibly important to sustain and develop television production volume (a recent study estimated more than €80 million in indirect government support flows back annually into audiovisual production in this way) (Econopolis 2018). Additionally, domestic distributors of television signals must contribute an annual fee based on their number of subscriptions to the domestic original production. Since 2019, under the new Audiovisual Media Services Directive provisions, the government has also obliged players not based in Flanders but targeting the Flemish market (like Netflix) to contribute a percentage of their turnover in Flanders to audiovisual production (Donders et al. 2018a, b, c).

7.5 How Media Managers Act Upon This: A Case Study of Flanders

7.5.1 A (One-Sided) Ecosystem Approach

A strategic goal that is often repeated in Flanders is the need to collaborate more. Over the past five years, private media players' rhetoric has repeatedly emphasized the idea of collaboration in order to protect the domestic "media ecosystem." Small media markets such as Flanders were quite stable in the face of foreign takeovers and market entrants during the 1990s and 2000s, but much has changed with the introduction of social network platforms, over-the-top streaming players and aggregators. In our interviews with Flemish media players (private broadcasters, distributors and producers), three concerns were repeatedly voiced with regard to these new market entrants. Firstly, players like Facebook and Google have become competitors in the advertising market. Advertising spending that used to go to domestic players now migrates to platforms operating outside the nation's borders. The business models of the new players rely much more on acquiring user data, which enables targeted advertising on a large scale. Finally, players like Netflix and Google operate on a scale that grants them the opportunity for significant investment in platforms, standards and services and to enjoy brand marketing on a global scale. In essence, the logic for these proposed collaborations for local production is the same: By doing things together, Flemish media players can build the scale required to compete with larger market entrants. The "smallness" of the Flemish market is put forward by the interviewees as the key to legitimizing domestic collaborations. For example, they consistently use the terms "ecosystem" and "sustainability" and refer to the importance of "Flemish quality content" as opposed to mainly US-originated content, to highlight the importance of balance between international and domestic offerings. The need for collaboration among "Flemish" domestic players is emphasized especially in the rhetoric of a "shared fate" and having a common adversary in the form of on-demand streaming services such as Netflix or video-sharing platforms such as Google. Policymakers themselves have adopted and propagated discourse on partnerships and pushed collaboration in several domains, not least by proclaiming partnerships and "market strengthening" as key roles for the public broadcaster VRT (Raats and Donders 2017).

However, it is problematic that thus far, this partnership rhetoric has not resulted in many actual partnerships, and the rhetoric of collaboration has proven especially painful since interests within the ecosystem itself have been opposed to one another. The push for collaboration in various domains has often led to some sort of standstill (Donders et al. 2018c). Collaboration proved especially difficult in discussions on finding a solution for the increase in time-shifted viewing, where the opinions and interests of distributors, who wanted to offer delayed viewing to their clients, were diametrically opposed to the views of broadcasters, who called for some sort of limit to ad-skipping. In three parliamentary hearings (in 2016, 2017 and 2018), often held on occasions when new data on ad-skipping or increased advertisement revenue loss were presented by researchers (see Econopolis 2017, 2018), the broadcasters SBS and Medialaan urged a "common solution." The Minister of Media Sven Gatz, for his part, has on various occasions acknowledged the need to find a common solution and urged broadcasters to collaborate with distributors to find a way forward. A first attempt resulted in an "ultimatum" according to which the minister of media would intervene if the players did not come to a solution themselves. A second attempt resulted in the media cabinet launching a backdoor consultation in which the different stakeholders could propose their own views. However, in the meantime a common solution seems even further away as Medialaan recently launched its new streaming service "VTM GO" (see below), directly aimed at competing with Telenet (the owner of broadcaster SBS), which launched its own Pay TV service only a few weeks prior to the launch of "VTM GO."

The "common adversary" approach taken by domestic players did prove successful in securing more financial support for Flemish television productions and raised the budget of the Flemish media fund to its level before cutbacks were imposed in Flanders in 2018. It also motivated the government to oblige domestic television distributors to invest in domestic production. Interestingly, in recent years these distributors have positioned themselves more clearly as supporters of local content (which led to an increase in license and co-production deals) to differentiate themselves from Netflix.

7.5.2 Increasing Scale, or the Continuing Struggle for a Joint VOD Portal

One strategic goal of these initiatives was to grow in scale in order to develop new distribution services. One of the ideas resulting from the "shared fate" and "common adversary" rhetoric was the idea to launch a Flemish Netflix: by collaborating, overcoming barriers of scale, sharing investment, development and marketing costs, and pooling limited volumes of content into one large service. This idea is neither new, nor restricted to the Flemish market. In Denmark, discussions are taking place regarding the launch of a VOD service proverbially called "Danflix." Moreover, in the UK, France and the Netherlands, similar services have already been set up.[2] What the already existing similar streaming services have in common is that they have all been developed in large media markets where investment and marketing costs are likely to be more easily recouped due to a larger number of subscriptions. The portals have also highlighted the importance of significant catalog volume, as well as the importance of having exclusive content in the form of previews, first-look deals or real "originals."

In Flanders, ideas for a joint Flemish VOD streaming service for television content date back to 2010, when plans by VRT for a Flemish online platform resulted in a policy push to include private players as well (Van den Bulck and Donders 2014). Different interests and opposing business models caused these plans to stall, only to be picked up in a second attempt in the form of "Rumble" (later "Stievie"). It was presented as a monthly subscription-based service combining content from the public broadcasters as well as the two private broadcasters. Again, a lack of subscriptions necessitated a different strategy, whereby Stievie was provided in both free (advertisement) and subscription-based forms. The difficult history of developing joint distribution services in Flanders shows the limited potential of a domestic so-called Flemish Netflix today, because of a combination of factors: (i) the difficult position of the public service broadcaster, which, as part of the fulfilling of its public remit, must reach as many Flemish viewers as possible, irrespective of the type of service (linear, mobile, online, etc.) with its programming; (ii) the lack of scale and potential number of subscribers, which puts heavy pressure on catalog, licenses and marketing costs (cf. Green 2018); and (iii) the different interests of the players involved, which is especially difficult due to private broadcaster SBS being owned by a distributor, as both do not always have the same interests (a local Netflix could prove harmful for the business model of television distributors' VOD streaming and linear streaming offerings).

[2]Namely "Salto" (France), "Nederland Ziet" (Netherlands) and "Britbox" (UK).

7.5.3 *Increased Valorization: The Many Attempts to Compensate for TV Advertisement*

It is clear that a one-size-fits-all approach to compensate for the decrease in an advertisement on linear television is not sufficient. Instead, and in line with various other small television markets in Europe, media managers in Flanders have focused on a combination of strategies to increase revenue through distribution.

One way of doing this is by expanding the available slots for television advertisement. This has partly motivated Medialaan's decision to acquire thematic channels "Vitaya" and "Acht" (now "Caz") and motivated SBS's decision to launch "Zes" alongside its other two channels. The strategy allows broadcasters to program more advertisement and thus partly compensates for the loss of Gross Rating Points (GRP) due to delayed viewing (interview with broadcaster, June 2018). Advertisements that are skipped are thus not valorized. But these can now be valorized through the programming of more slots, hence the need for increased broadcast volume. As a consequence, the number of broadcast hours of the two main commercial broadcasters increased by 39% between 2008 and 2018 (age category 18–54) (Econopolis 2018: 33). Note that the increase in output does not necessarily mean an increase in Flemish content. On the contrary, the content is often part of a package deal acquisition which does not have a place in the regular programming of the generalist commercial channels, mostly due to the concentration of local content (interview with broadcaster, June 2018). SBS's channel Zes, for example, was explicitly launched in the market with the tagline "USA. All Day." Aside from advertisement inventory, audiences are also increasingly guided toward the online portals of these channels. As illustrated by a Flemish broadcaster:

> The viewing of short form videos from *The Voice* has tripled over the last five years. From 300,000 clips to 900,000 per episode… We have 150,000 additional registered viewers of *The Voice* on our online platform, a lot of whom are new viewers that we did not reach before (Flemish broadcaster, June 2016).

In our earlier interviews from 2016, user data was seen as giving more control. Media managers often referred to the importance of reaching younger audiences and the fact that large platforms like Google and Facebook had an enormous advantage in terms of scale in developing ways of measuring audience preferences, commercializing audience data and building platforms that integrated existing services. However, whereas until 2017 Web sites mainly served as an additional promotional tool, now more and more online-only content is being produced, especially around commercial hits such as *The Voice*, *Love Island* and *My Restaurant Rules*. Medialaan explicitly invested in promoting its "app," because not only is direct views of advertisements important (in the form of pre-, mid- or end-rolls), but also is the collection of user data. In 2019, Medialaan launched its VTM GO app that not only provides the possibility of rewatching or live-streaming television content, but also includes a back catalog of old Medialaan programs, films and international drama through a partnership with the UK service "Walter Presents."

Another means to intensify ad revenue is the introduction of targeted advertisement on linear television. As ad revenues are said to be much higher when explicitly targeting audience preferences and demographics, media managers expect a lot from this new form of advertisement. Experiments in 2017 received some public concern related to privacy, but in their defense, media managers have highlighted the importance of sustaining domestic content production. Whether these ads will be more interesting for audiences because they promote more “relevant” products that are less likely to be skipped is yet to be seen (an often-heard prediction by media managers). However, the strategy might at least partly compensate for current losses. Additionally, media managers emphasize that not all advertisers want to participate in targeted campaigns, since many players still prefer large, nation-wide campaigns (interview with distributor, July 2018).

7.5.4 Valorization Through International Content Distribution

In addition to increased valorization through online services taken up by legacy players in order to remain sustainable, we also find increased valorization through expanding exports. This strategy is mainly driven by Flemish independent production companies, which in recent years have become much more active in selling television content overseas. One way of doing this is by increasing production budgets by involving foreign broadcasters or distributors as investors in content production, in the form of co-production or a presale deal (in which financing is provided in the form of a minimum guarantee, as an advance for sales in specific territories). Recent examples of Flemish TV dramas, such as *Hotel Beau Sejour* (2016) (co-production with ARTE and sold to Netflix), *Tabula Rasa* (2017) (co-production with ZDFe and ZDFNeo and sold to Netflix) and *Over Water* (2018) (co-production with ZDFe), have shown that increased budget and production quality can result in broader international sales and wider acclaim (Raats 2018). The increased potential of return on investment has also made broadcasters, especially the public broadcaster, more interested in attracting co-financing and co-production on the international market. In that regard, interestingly, Netflix, although perceived as an adversary on many levels, has seemingly become part of the solution, in the form of return on investment. In 2019, the strategy resulted in the first Flemish “Netflix original” (*Undercover*), in which Netflix co-invested with VRT and the Dutch public broadcaster and local distributor (Raats and Jensen forthcoming).

On the other hand, however, there are some risks. Firstly, investments made by these players are, especially given the size of the territories they are obtaining a license for, quite limited at this point, as are the direct investments in production financing (interview with independent producers, January 2019; interview with broadcaster, May 2017). Secondly, it may be difficult for domestic players to maintain brand distinctiveness, which could be especially problematic for public broadcasters. Thirdly, it increases the volume of domestic content in the catalogs of portals that were hitherto associated with international content. This reduces the current competitive advantage of domestic distributors and broadcasters vis-à-vis these international portals. And finally, it increases pressure on private broadcasters to invest bigger sums in more "risky" high-end content that does not always appeal to the tastes of domestic audiences. In the past two years, this resulted in VRT securing bigger-budget quality drama deals with producers and especially broadcaster Medialaan losing out on interesting content deals due to lack of funds (interview with broadcaster, June 2016).

It is clear that generating some increased return on investment is only limited to specific genres (mainly television drama) and has not reduced the pressure on various other forms of domestic television content that are still expensive to produce and yet whose costs are very difficult to recoup (e.g., reality TV, live entertainment, etc.). Flemish producers and broadcasters have therefore increased their efforts (albeit modestly) to develop program formats, primarily to boost creativity within their local market, but also to increase the potential for international returns on investment. The Flemish production company Shelter, for example, fully owned by DPG Media, managed to develop hit after hit in terms of international acclaim (*Benidorm Bastards*, *What If?*, *Did You Get the Message?*) that also resulted in worldwide remake deals (interview with broadcaster, May 2017). Other Flemish production companies opened offices in the Netherlands or have pooled resources on international television markets.

7.6 Discussion and Conclusions

This chapter provided a case study of current strategic responses from media managers in small markets to changing production and distribution patterns. With particular attention to the future of domestic broadcasting, we focused on the one hand on the combination of production and distribution of content, as shifts in both are continuously interrelated, and on the other hand on discussions about future distribution in Flanders, which are always presented with a focus on "domestic Flemish production." Firstly, we acknowledged how these strategies are clearly affected by (i) shifting user behavior, (ii) internationalization and market concentration trends and (iii) the penetration of new global platforms into small domestic markets. Our research clearly confirmed existing literature that mainly focuses on large markets. However, Flanders differs from large markets with regard to the spectacular increase in delayed viewing, which has put significant pressure on the ad revenue of commercial broadcasters, and can be considered an even more pressing problem than the competition with new VOD streaming services. The situation has become more precarious since Telenet acquired a broadcaster, which has offered more leeway for SBS, yet has put even more pressure on the largest commercial (and still Flemish-owned) company, Medialaan. In 2019, Medialaan announced the full integration of its newspaper division and broadcasting company in an attempt to exploit user data and valorize revenue on a number of services, under the heading "DPG Media" (De Morgen 2019).

In addition to increased consolidation of brands and companies, we have discussed a combination of strategic responses: a focus on collaboration and a common adversary in policy and industry discourse; strategies to develop joint VOD services; increasing valorization of revenue through increased ad inventory on linear television; increasing investments in online services; international export (remakes and license deals); investments in targeted or "addressable" advertisement; and increased collaboration between domestic media players. Clearly, a combination of strategies is preferred to compensate for the loss in advertising revenue seen by linear broadcasters.

Interestingly, many of the strategies are based on the advantages of scale and thus difficult to operationalize in a small market. A service that pools resources and aims to compete with relatively cheap and ever-growing catalogs of international offerings, such as the aforementioned "Flemish Netflix," is at present not very likely to stand a chance, at least as long as delayed viewing is allowed. In a similar vein, the strategies of broadcasters to increase investment in domestic content, in order to differentiate themselves from foreign players, puts even more pressure on domestic markets, as the scale is lacking to valorize the high costs of these programs. While domestic volume still attracts significant audiences, the problem is that the programs are mainly meant for traditional broadcasting viewing and yet are unlikely to keep viewers glued to traditional broadcasting, especially younger generations. What is more, the continuous rat race of programming more local content might encourage more delayed viewing as broadcasters compete with one another in the same programming slots. More Flemish content also implies higher costs (compared to foreign acquisitions) and thus increases pressure on existing business models. As a response, the pressure on governments to ensure sustainability is rising even more. However, support policies in the form of fiscal advantages and subsidies only partially remedy the current difficulties of content production in small markets. They do not provide a fundamentally new model of arranging investment and revenue in audiovisual ecosystems. And governments in small markets have themselves proven to be inconsistent on the matter. In Flanders, the government has attempted to sustain production by several measures (including a Netflix tax, investment obligations for distributors, and a Flemish media fund). But, at the same time, they insufficiently anticipated the likely impact of concentration in the market and have significantly cut back on public broadcasting budgets.

Thus, we find that the different strategies are mostly driven by short-term considerations to increase valorization rather than lay the groundwork for long-term sustainability. The fact that to date no agreement between distributors and broadcasters has been reached is a testament to the problematic situation. Similarly, although launching more channels might generate more return in the short run, it also increases the fragmentation of existing broadcasting channels and contributes to a faster uptake in nonlinear viewing.

It is clear that the current trends are likely to result in significant consolidation in the next decade. Levels of domestic content production are likely to decrease at some point, as private broadcasters will not be able to maintain high spending levels on original programming. It is reasonable to predict that players like Netflix will step in and, in the next decade, significantly invest in content deals and Flemish (co-)productions, as will legacy distributors. However, it is unlikely that current levels of production will be sustained without the backbone of traditional broadcasters. [3]

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