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http://hdl.handle.net/11067/6210
https://doi.org/10.34628/z0z1-kz73

Metadados

Data de Publicação 2021

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Palavras Chave Reposição de programas de televisão - Aspectos económicos, Televisão – Programas – Audiências - Aspectos económicos

Tipo article

Revisão de Pares Não

Coleções [ULL-FCEE] LEE, n. 31 (2021)

Esta página foi gerada automaticamente em 2024-10-12T08:22:53Z com informação proveniente do Repositório

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THE VALUE OF TV RERUNS:
AN ECONOMIC APPROACH

O VALOR DE PROGRAMAS "REPETIDOS NA TV":
UMA ABORDAGEM ECONÓMICA

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DOI: https://doi.org/10.34628/z0z1-kz73
Data de submissão / Submission date: 10.10.2021
Data de aprovação / Acceptance date: 17.03.2022

* UECE (Research Unit on Complexity and Economics) is financially supported by FCT (Fundação para a Ciência e a Tecnologia), Portugal. This article is part of the Strategic Project: UIDB/05069/2020.

Resumo: As televisões em canal aberto selecionam os programas com o objetivo de maximizar o número de telespectadores e, assim, maximizar as receitas de publicidade. Parte significativa das programações televisivas incluiem repetições de programas (reprises), por serem menos onerosas, quando comparadas à produção de conteúdo original. Neste trabalho, discutimos porque existem repetições, apresentamos um conjunto de proposições e apresentamos os fatores microeconómicos que determinam o valor das reprises de programas na televisão. Argumentamos que o valor das repetições de programas televisivos está positivamente relacionado com o sucesso da primeira emissão, com o tempo decorrido desde a última exibição, com o número de espectadores no horário em que é transmitido o programa e com os níveis de audiência da estação televisiva. Por outro lado, o valor das repetições de programas em televisões de canal aberto, tende a diminuir com cada repetição adicional e com a idade do programa.

Palavras-chave: Reprises de programas de televisão; televisão aberta; valor; níveis de audiencia.

Códigos Jel: D01; D11; D21

Abstract : Free-to-air TV broadcasters select programs with the aim of maximizing the number of viewers and therefore, advertisement revenues. A significant part of TV schedules includes repetitions of programs (reruns), as they are less costly when compared to the production of original content. In this work, we discuss why reruns exist and we put forth a set of propositions and discuss the factors that should determine the value of TV reruns. We argue that the value of TV reruns is positively related to the success of the first release, the elapsed time since the last showing, the number of viewers at the time slot it is broadcast, and the audience quota share of the TV broadcaster. On the other hand, the value of TV reruns tends to decrease with each additional repetition, and with the age of the program.

Keywords: television reruns; free-to-air television; value; television audience.

JEL Code: D01; D11; D21

Introduction

Free-to-air TV broadcasters produce or buy rights to broadcast programs with attractive content and define schedules for broadcasting those programs, with the aim of maximizing the number of viewers. In this business, most revenues, if not all of them, come from advertising. Therefore, TV broadcasters are really in the business of selling advertisement impacts, which can be defined as the number of viewers times the number of minutes of advertising time.

However, TV broadcasters cannot increase advertisement minutes without imposing a negative externality to the audience, as people generally do not enjoy the advertising breaks in the middle of the program they are viewing. Excessive advertising observed in many countries has been under debate, and some regulation has been put in place to limit the number of minutes of advertising, per hour. The optimum number of advertisement minutes per hour depends on balancing the goal of providing programmes and the appropriate level of advertising used by producers to sell their goods and services. Anderson and Coate (2005) note that advertising revenues strongly influence the program schedule and profitability of broadcasts. Crawford (2015) claim that there is a two side television market, on one side consisting of providing contents to viewers that can pay for it (or not pay in the case of free TV) and, on the other side, providing audiences to advertisers and obtaining a revenue for the delivery of this service. Moreover, the way these two sides are related determine the prices, programming contents, quality, and welfare for the viewer. Bel and Domenech (2009) argue that there is a positive relationship between audience size and the price of advertising and a negative relationship between ad price and advertising time, which is regulated in a considerable number of countries. The problem of determining the optimum number of advertisement minutes per hour has been discussed in a number of studies (for example, Anderson and Coate, 2005; Crawford, 2015) and is beyond the scope of this study, so we take it as given, as a decision already taken by the TV broadcaster. After that decision, the value of one hour of broadcasting time tends to be directly proportional to the number of viewers they attract in that time slot, because advertising price per minute will reflect the size of the expected audience.

The ultimate goal is to maximize profits and so we have to take into account the cost of producing one hour of TV content. TVs broadcast many types of programs, such as news, sports, sitcoms and dramas. The cost of producing these programs, whether internally or externally is significant. One option is to repeat broadcasting of original programs, which entails significant lower costs. Most TV

schedules, if not all, include reruns, so we must recognize that this is a profitable decision, and preferable to the alternative of only broadcasting original content, all day. In this paper, we discuss why TV reruns exist, and the factors that affect the audience that reruns attract. Our discussion adds some light on what could be important to determine reruns valuation, i.e., how to set a price for each repetition.

This paper is structured as follows. First, we introduce the topic. In section two we present the most relevant literature about the TV reruns. In section three we present how reruns are valuated, based on the economic theory of the price's formation, and present some theoretically prepositions. Finally, in section four, we conclude.

1. Literature Review: Why TV reruns exist

Reruns represent an important part of TV contents. As argued by Gambaro (2009), this is particularly true because the utility of viewing repeated programmes does not substantially fall after the first release of a programme. In his study, he concluded that second and third reruns utility fall to 60% and 45%, respectively, after the first exhibition.

In a strong competitive environment, free TV channels must be creative and provide the best contents to keep their audience. However, as noted by Bel and Domenech (2009), higher quality programs require increased expenditures, which bring increasing financial pressure. Gilbert (2019) and Lotz (2017) add that reruns provide producers economic stability by repeating something that has been successful in the first presentation. New contents are expensive, so repetition creates an aftermarket opportunity.

The costs of producing a new program are significant, including those related to the performing and producing elements (talent, script, music, artists, interpreters and performers, producer) to the physical elements (sets, props, make-up, wardrobe, transportation, equipment, studio facilities) and to the technical personnel (director, stage personnel, engineering personnel, video recording operators, audio operators, and general labour). However, when a program is produced, it can be broadcasted repeatedly, with no physical limit, except for the available time slots. The cost of additional showings (reruns) is significantly less than the cost incurred for producing the show, which is equal to the cost imputed to the original showing, if it is broadcast only once. For externally produced content, TV broadcasters must pay a license to the owner of the content, for each repeated showing. For internally produced programs, they must pay copyright and other related rights, to artists, interpreters and performers that appear on the program. Reruns are a way to reduce costs, as Tannembaun (1985) notes.

Reruns are an important part of the content of TV channels not only in traditional free TV, but also in pay TV, as there is at least a residual consumption utility after the first program exhibition that motivates an additional demand for those programs. In fact, several authors claim that a second market exists

for reruns, i.e., a market for broadcast program repetition, particularly for films, sitcoms, dramas, etc. (Tannembaun 1985, Waterman and Grant 1991, Weispfenning, 2003, Gambaro 2004, 2009). Reruns are also a form to fill the TV programming schedule, outside the network primetime and benefits from the expansion of the cable TV, which creates outlets suitable for marathons of episode repeats (Gilbert 2019). Some authors add that reruns provide comfort to viewers by the familiarity and predictability and that they have a cultural function, and allows viewers to relax and simply occupy time (Lamude and Scudder 1990, Weispfenning 2003). Kompare (2005) argues that the significance of TV reruns is established by repetition. In some countries, reruns are often scheduled at the same time every day, or are programmed in long marathons, so their availability is as reliable as the content of the programs. This pushed content is a comfortable form of television that viewers watch because it is convenient and familiar, and even more significantly, because it is on.

2. Economics of TV reruns valuation

Many factors affect the valuation of an hour of television scheduled with reruns. Tannembaun (1985) observes that reruns are a way to reduce uncertainty, because they consist mainly of successful original programs. Therefore, reruns depend on the reaction of the audience in the first release. In this line of reasoning, Gambaro (2004) analyses the case of movies reruns in Italian TVs and concludes that the audience attracted depends on the how successful those movies were, in their theatrical releases. Moreover, the same tends to happen, when a TV program is repeated for the first time, after the original broadcast. The audience attracted in the first rerun is lower than the audience of the original program, but they are positively correlated. The more successful was the original program, the greater the audience of the first repetition of that content.

Proposition 1: The value of the first repetition of a program is positively related to the success of the original showing.

In some types of programs (live shows, such as the news, awards ceremonies and sporting events), the value of reruns drops dramatically, relatively to the original showing. This is because the interest of live shows is on its novelty. Major news come from different sources, and awards and sports results are reported in the media, as soon as the event ends. There are many "spoilers" to the novelty of those programs, and viewers loose interest in watching a repetition. Also, in some cases, the interest of the viewer decreases, when he knows what he is watching is not happening live, even if knows nothing about what has happened in the event. In other types of program, such as movies, sitcoms, dramas, soap operas and documentaries, the drop in value of a rerun is much smaller, as these contents age much slower. Firstly, they are not live shows. Secondly, it is relatively easier for a viewer to maintain the novelty, avoiding information about the content, before watching a rerun. Therefore, reruns are much more likely to be scheduled for these types of programs. They will attract more audience, so

their rerun value is greater.

Proposition 2: The value of reruns is lower on programs where the interest is in the novelty, such as live shows, whose value drops significantly after the original showing.

The value of a program rerun is expected to be negatively correlated with the age of that program. Gambaro (2009) shows that there is a negative relation between the value of a program and the time difference between the first presentation and the following presentations. As the show grows older, it tends to decrease its appeal to viewers, but this effect is not likely to be relevant in the space of weeks, months or even a few years, for films, sitcoms, dramas, etc. However, it is a factor to be taken in consideration when we consider the timescale of decades. A rerun of a movie or series produced 40 years ago, will tend to attract less audience than a rerun of a movie or series only 10 years old.

Proposition 3: The value of a rerun tends to decrease with the age of the program.

We have stated above that a first rerun of a program normally attracts less audience than the original showing of that program, even if the time slot of the broadcast is the same. Additionally, the second rerun attracts even lesser audience, and with each additional showing, the audience tends to decrease. Many factors are relevant to understand why this happens.

Each time a viewer watches a program, the less is the utility that an additional repetition provides to him. The diminishing marginal utility associated with the repetition makes viewers more prone to zap and switch to a substitute TV channel. As the market structure is more prone to perfect competition, there exists a great supply of substitute programs offered by pay and free TV channels. Therefore, it is easy to replace the consumption of a program by another one. However, this effect should be mitigated if the time since the last watching is greater.

This decreasing marginal utility argument assumes that the same viewers carry out rerun consumption. We must consider the fact that the consumption of repetitions is made by different viewers, that did not watch any of the previous showings, and this mitigates the argument of decreasing marginal utility. Each additional rerun is a new opportunity for a potential interested viewer to see the show; so, the aggregated pool of potential viewers grows with the number of reruns. However, the pool of viewers who have not seen the program, and might be interested in seeing it, decreases with each showing, and so audiences are smaller, in each following repetition. Gambaro (2009) concludes that after the first exhibition of a movie, the value of the next repetition falls more than 50% and that this is related to diminishing marginal utility.

As an opposing effect, some viewers may take pleasure from the familiarity and predictability of the show and may choose to see it many times (see Weispfenning, 2003), but for most programs, this effect is not likely to compensate the decrease in viewers, in each additional rerun.

Proposition 4: The value of reruns decreases, in each additional repetition.

Proposition 5: The value of a rerun increases with the elapsed time since the last showing.

Additionally, it is also known that repetitions usually do not occur du-

ring primetime television, where the audience levels are maximum, but rather at times of lower demand, regardless of whether consumers are repeating the program's consumption or seeing it for the first time. Therefore, the time slot of the broadcast affects the number of potential viewers, and consequently, the number of attracted viewers, and is a factor to be taken in consideration.

Proposition 6: The value of a TV rerun increases with the number of usual viewers at the time slot it is broadcast.

An obvious factor is the quota share of the TV broadcaster. Again, the pool of potential viewers is greater when the TV has a great share of the market, and the same program repetition will attract more viewers in a network with a greater quota-share, all else being equal (Gambaro, 2004).

Proposition 7: The value of a TV rerun increases with the audience quota share of the TV broadcaster.

The value of time slots on television broadcast are not constant throughout the day. The period of greatest audience (primetime) is more valued than the rest of the day (daytime) and, in turn, the latter is more valued than the period of dawn, which has the lowest audience rates.

This causal relationship is based on the economic theory of price discrimination. The TV channel charges different advertising prices to different consumers of advertising space, depending on the period of the day, but within each period, the price charged is identical. It discriminates according to the scarcity of the time resource (which is different in each of these periods), practicing a relatively higher advertising price in primetime, where the number of television minutes is lower and where, simultaneously, the largest television audience and the largest number of contacts with the target audience, making it the most popular period for advertisers. It is precisely the scarcity of time, at the same time with higher levels of audience that allows practicing a higher price in primetime advertising.

Proposition 8 - The value of a TV rerun differs with the period of the day: price is higher in primetime, lower in daytime and much even lower in dawn.

3. Conclusions

Reruns are an important part of TV broadcasters' schedules. New productions are costly when compared to the costs of repetitions, which are often a better option for the times of the day when TV audiences are smaller.

We argue that when a program is successively repeated the utility of consumption decreases and this results in lower audiences, and therefore in a lower advertisement revenue, for each rerun. We discuss other several factors that affect the value of TV reruns, including the quota-share of the TV broadcaster, the time of the day of the broadcast, the type of program, the success of the original showing, and how old it is. All these factors should be considered in empirical applications, to estimate the value of specific reruns. For example, as the costs of the rerun should be related to the value it generates, this should determine the amount of the licenses to be paid to the owners of the programs, as well as the

cost of copyright and other related rights, to artists, interpreters and performers appearing on internally produced programs, for each rerun.

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