

World's most colorful screen TV series sector in Turkey





Methodology,
definitions and
important notes

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- All data demonstrated in this report are gathered from publicly available sources and industry expert opinions.
- All data related to TV series such as number of aired episodes, series seasons, series names, broadcasters, production companies, etc. are as of June 30, 2014. All episodes of all TV series and all other related data from this date onwards are excluded from the analysis and therefore the report.
- Prime time broadcasting period has been considered as between 20:00-24:00 in this report due to the long TV viewership hours in Turkey compared to other countries.
- ATV, FOX TV, Kanal D, Star TV, Show TV and TRT-1 are identified, for this report, as top TV broadcasters in Turkey, since TV series take place frequently in such channels' weekly broadcasting schedules. This selection is independent from any other aspects such as ratings, genre, ad revenues, etc.
- Instead of calendar years, broadcasting seasons are defined as 2010/2011, 2011/2012, 2012/2013 and 2013/2014 in this report. Each broadcasting season starts on the 1st day of June of the year (e.g. 2013/2014 season starts on July 1, 2013 and ends on June 30, 2014).
- For the purpose of this report, phrase of "2010-2014" corresponds to the seasons between 2010 and 2013 which are 2010/2011, 2011/2012, 2012/2013 and 2013/2014.
- Included producers and productions reflects the 2010-2014 broadcasting season.
- Rating analysis are made regarding to TNS daily Top 100 total rating data. Productions out of Top 100 are excluded. For original, summary and re-run breakeven TNS data are used.

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Foreword



Foreword

Dr. Tekin Özertem

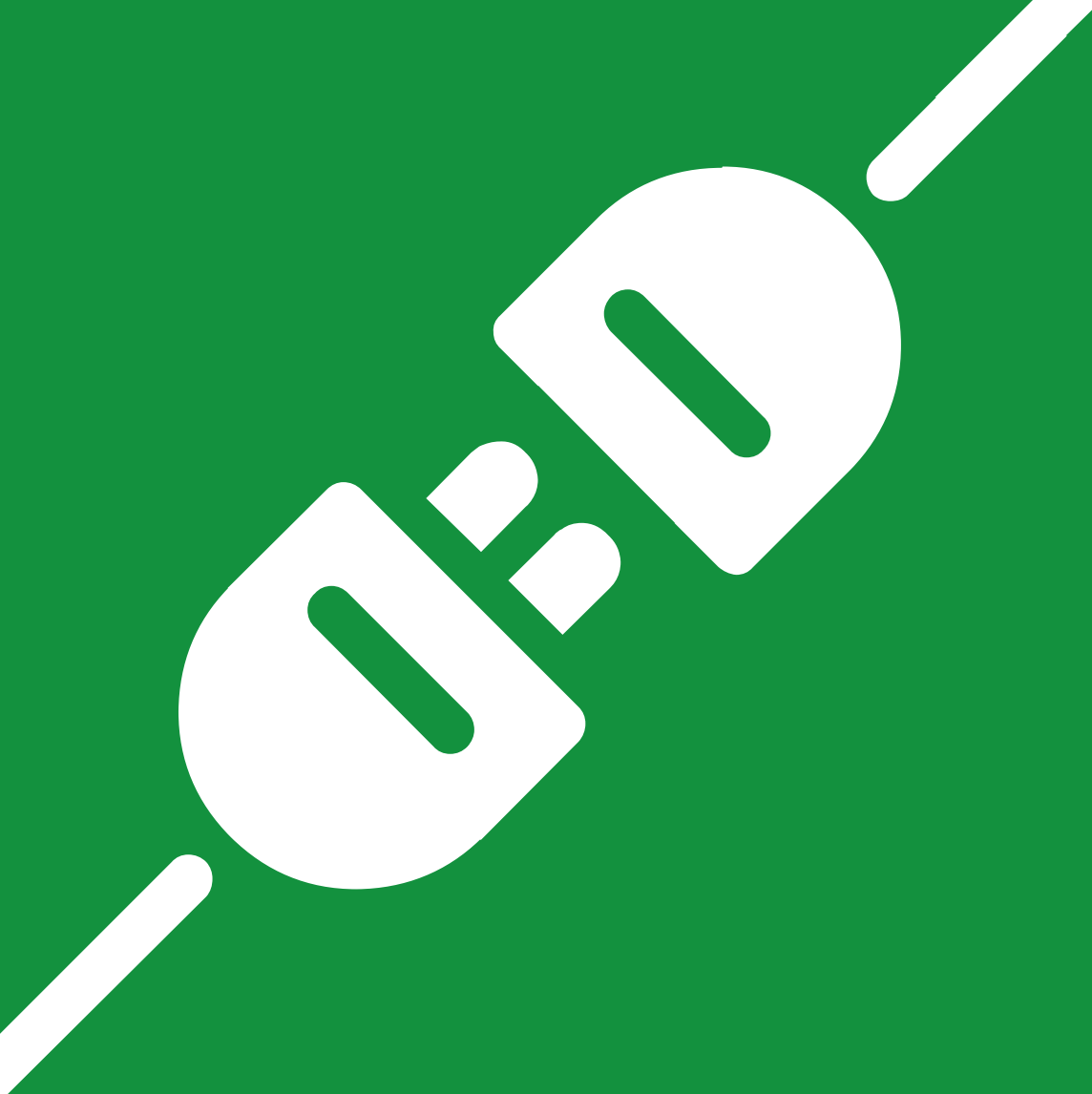
First ventures in the TV-show industry surfaced in the 1970's when the Turkish Radio and Television Institution's (TRT) need for technical equipment and staff for TV-shows arose. Production teams used to be formed in the case of a demand by institutions that previously worked in the film or advertising industries. In the 1980's, TRT started outsourcing productions to third parties which helped companies specialize in producing TV-shows. With the rapid expansion of private broadcasters after 1989, today's "TV-series Industry" has been emerged.

The past of the "Advertisement Sector" and advertisement investments, date back to pre-TRT "radio days" and constitute dynamic and motionless advertisements that were shown before movies in movie theaters. Although it may seem insignificant in today's environment, advertisement investment and proceedings of the past into this industry were indicators of the importance of the industry. I would like to further emphasize the significance of the advertisement revenue collected from the ads in magazines and newspapers.

Kick-off of transformation of the industry dates back to 1974, when TRT started broadcasting foreign TV series. The same year also witnessed production of successful Turkish TV series such as Değirmen, Sinekli Bakkal, Aşk-ı Memnu, Ömer Seyfettin Hikayeleri and Beş Hikaye, which also pointed out the successful progression of the sector.

Despite the c. 40-year history, it must not be overlooked that TV series production has become to appear like an industry very recently. Just like the Turkish film industry, the demand for Turkish TV series was considered to be limited to the domestic market for a long time. Producers deferred to realize the importance of expanding to international markets. Actually, TRT was the pioneer, who, at one point, failed to market Aşk-ı Memnu to international markets due to inexistence of relevant regulation, but succeeded later on with productions in different genres. TRT formed a department called Foreign Productions and Sales in pursuit of this mission.

I would like to thank Deloitte Turkey for conducting this study, and hope that this study will lead investors to start focusing on the relationship between the TV series industry and advertisement investments. I would like to emphasize once again that if Turkish TV series' competitive edge were to increase within the international market, our economy would prosper and Turkey's market recognition and popularity would increase.



Introduction

Introduction

This study is about TV series, which have become a large part of our daily lives. The habits of Turkish TV viewers; the economic, industrial and artistic developments of the TV series industry since the early 2000s and the increase in production, consumption and exports as a response to these developments are assessed by using analysis, examples, comparisons to other countries and the data from producers and the broadcasters.

Main objective in drafting this report is the need for qualified data and intelligence reckon with the rapid development of the industry. While conducting this study, a database of TV series has been built for the last four broadcasting seasons, on which analysis are performed, industry experts' comments were taken and benchmarks were sought from global examples.

Additionally, challenges of the industry have also been evaluated and suggestions for enhancing competitiveness in the international scale are made.



TV viewership

TV viewership

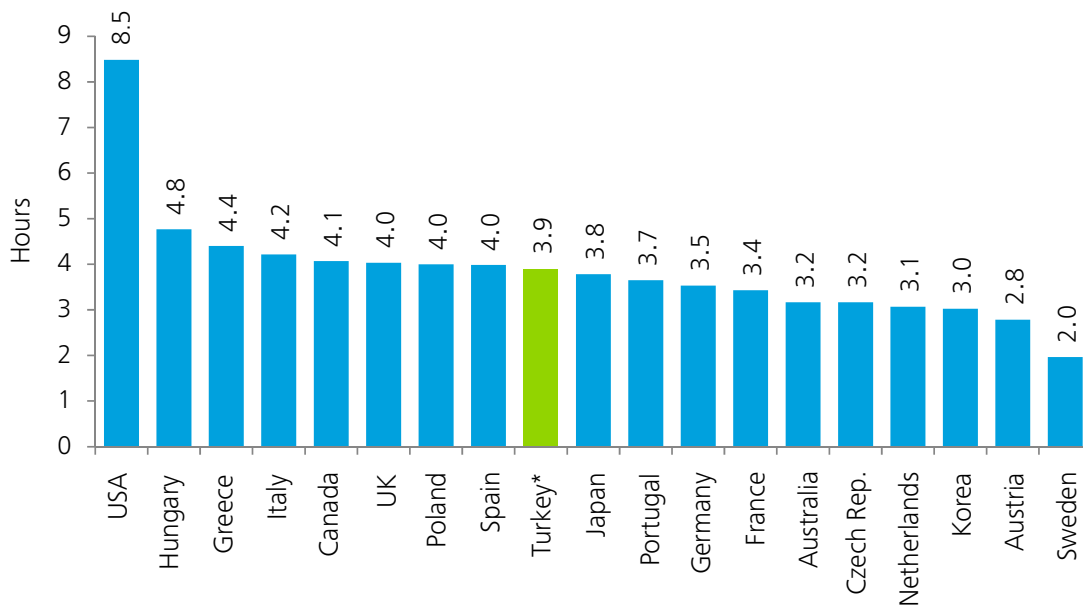
Although the first broadcasting trial was realized in 1952, the outreach of TV publication was still the 28% of the Turkish land, and the 55 % of the Turkish population as of 1974¹. Penetration increased in the late 70s and accelerated by the first colored TV showings in 1984; particularly by the establishment of the private broadcasters in the 90s. This process made TV an irreplaceable part of the daily lives of Turkish families.

Turkish broadcasting market seems quite diverse with 293 satellite channels, 139 cable channels and 219 terrestrial broadcasters² in line with (i) intense TV viewing habits of Turkish citizens, and corresponding (ii) dominant share of TV in advertising budgets of corporations.

Turkish people spend around 3.9 hours / day watching TV on average



Average Daily TV Viewing (2011)



Source: OECD , Turkey: 2012 RTÜK Data

¹ RTÜK (Radio and Television Supreme Council)

² As some broadcasters are satellite, cable and terrestrial broadcasters at the same time, total number of broadcasting channels is not equal to the sum of these three categories.

TV advertising has a significantly higher share among media spending in Turkey compared to Western countries

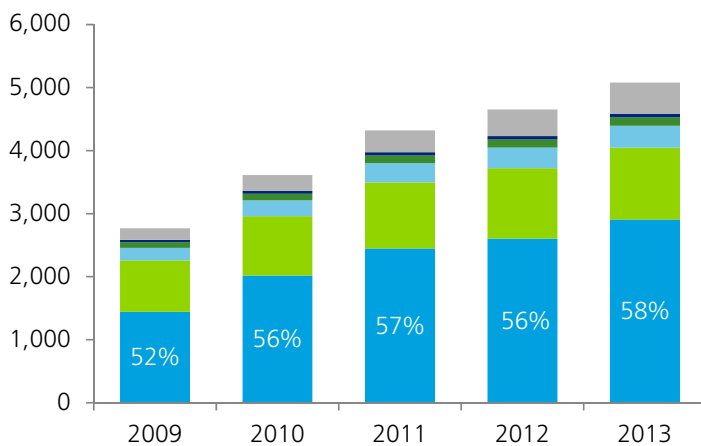
Media investments and rating system in Turkey

Although there has been approximately 10% decline from 4.4 hours measured in 2008 to 3.9 hours of daily TV viewing on average in 2012, Turkey still ranks above OECD average of approximately 3.5 hours per day. Decline is mainly thought to be due to an increasing online video consumption trend, along with rising internet penetration³.

Increasing internet and electronic device penetration also allowed people to view, TV series, news programs and entertainment shows etc. via PCs and mobile devices, in addition to TVs.

TV still preserves its over 50% share in total media spending in Turkey even though global averages are around 40%, and European average is 25%. Long viewing hours and the TV's efficiency in reaching broad segments of the population are two major factors that encourage corporations to allocate a significant portion of their advertising budgets to television. Even some websites are promoting themselves in TV channels to reach a large portion of customers that they cannot reach by utilizing online media.

Turkey - Media Investments by Channels (TL mn)



2009-2013 CAGR

Digital	28.4%
Movies	10.1%
Radio	10.8%
Outdoor	15.1%
Print	8.6%
TV	19.2%

Source: Turkish Association of Advertising Agencies

³ According to Comscore data, in the same period, online video streaming per viewer more than doubled, from below 10 hours per month to above 20 hours per month.

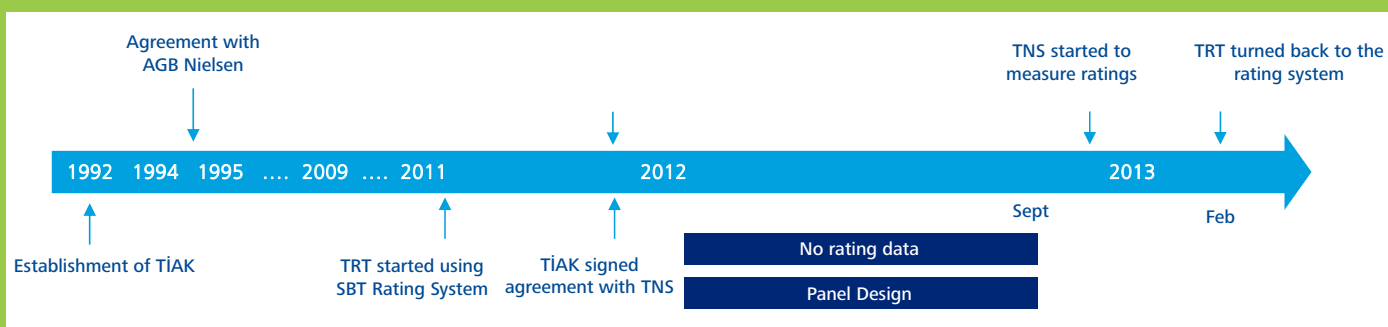
RTÜK's Ad Broadcasting Guidelines for Broadcasters

- Maximum duration for "inner-program ad slots" is 6 minutes.
- There has to be at least 20 minutes between two separate "inner-program ad slots" within a program.
- Maximum ad duration is 6 minutes for "pre-program and program break ad slots".
- There has to be at least 10 minutes between "inner-program framed/bannered ads" that are placed in a program separately and independently.
- It is forbidden to open new ad slots other than "inner-program ad slots" and "pre-program and program break ad slots". Also it is forbidden to open BBR/Advertorial/separator ad slots.
- Virtual ads and virtual logos can appear in every 5 minutes for 8 seconds.
- Total ad broadcasting duration cannot surpass 20% of the total daily broadcasting duration of a channel.
- Telemarketing broadcasting durations cannot surpass 5% of total daily broadcasting duration of a channel.
- Ads such as "live advertorials" and "special informative spots" can be aired once in an hour for 60 seconds during off-prime-time.
- Ads such as "live advertorials" and "special informative spots" can be aired between 19:00-23:30 for 60 seconds on the condition that being included to the relevant ad slot.
- Pre-program ads cannot be aired in case the relevant program duration is shorter than 12 minutes.
- All ad slots have to be opened and ended with screen credits that clearly indicate the ad slots.
- There has to be a minimum 5 minutes of ad slot between the program's last ad slot and the next program's pre-program ad slot.
- For sports competition broadcasts, virtual ads and bottom banners can appear in every 2.5 minutes (maximum frequency) for a maximum duration of 8 seconds.

Source: RTÜK

Rating Systems History

- The rating system in Turkey had often been severely criticized. For instance, between mid-1990s- 2012, ratings system was managed by AGB Nielsen, on which all media investments in TV relied upon; and state-run Turkish Radio and Television Corporation (TRT) refused to be a part of the prevailing rating system between 2009-2012.
- History of rating systems in Turkey.

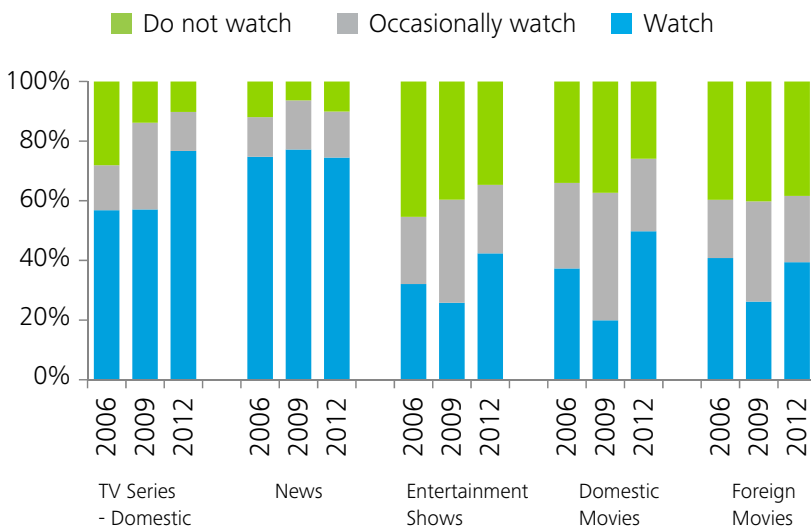


- In December 2011, TV Viewings Research Company (TIAK), which was responsible for the rating system, cancelled the contract with AGB Nielsen and signed a new contract with another rating agency TNS, which had already won the tender held in 2009 but had been waiting for legal approvals. Between December 2011 and September 2012 there was not any official system that measured or kept the rating since TNS had to design a new panel. As AGB Nielsen and TNS had different methods in sampling sizes and structures, the old rating data could not be compared to the new rating data. TRT was not a part of the rating system until February 2013.
- TNS rating panel consists of approximately 3,000 households and aims to measure TV viewing behavior of individuals over the age of 5 years in settlements containing 20,000 people.

Source: Expert Interviews, Deloitte Analysis

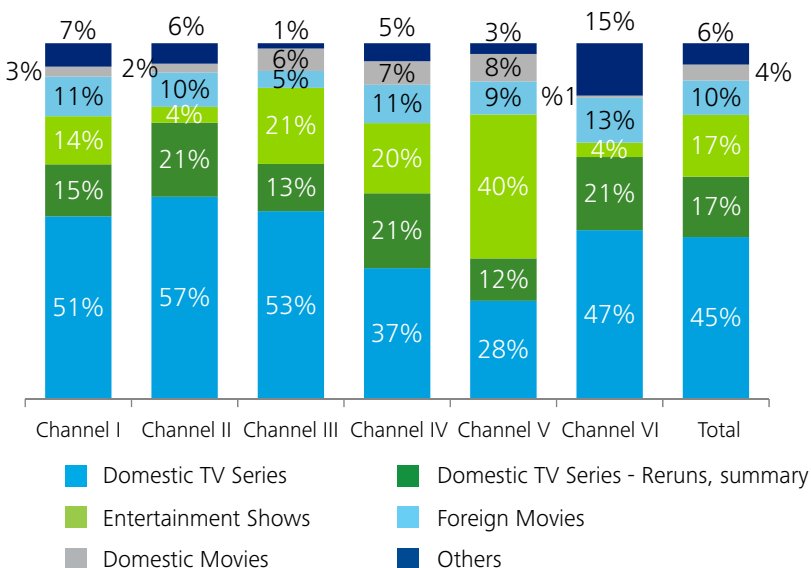
We love TV series...

Turkish Viewing Behavior, by genres



Source: RTÜK (among TV viewers).

Top 6 Broadcasters- Prime Time Program Distributions – 2013-2014 Season



Source: Deloitte Analysis, generated by the analysis of 2013-2014 broadcast season ratings and by the length of their stay on air. Prime time has been considered between 20:00-24:00. (including ads).

Turkish viewing behaviour

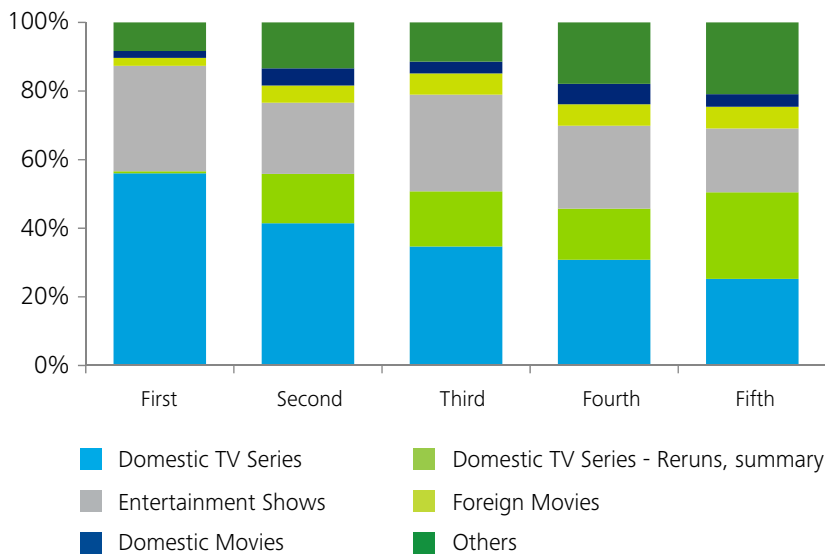
Based on the research conducted by RTÜK, domestic TV series viewership is on a continuously rising trend, mainly due to increasing and diversifying series portfolio of TV channels.

Practically, this is a chicken or the egg causality dilemma; it is partially demand driven partially supply driven. For the last 3-4 years, local TV series have been dominant in program types, it is a trend followed by almost all top broadcasters, who do not want to lose ground to rival broadcasters. On the other hand, as stated in RTÜK's research, entertainment show viewing is also on an increasing trend along with broadcasters' new program introductions. Some industry experts claim that more and more reality shows will be aired due to their low cost structure compared to TV series.

Assessing leading six channels' schedules for the 2013-2014 season in the TNS data, first-runs, re-runs and recaps of domestic TV series constitute approximately 60%-65% of prime-time schedules.

A TV series lasts for around 150-180 minutes on average including ads (and episode recaps), which is considerably higher compared to Western standards.

Distribution of the Top 5 Programs- 2013-2014 Season

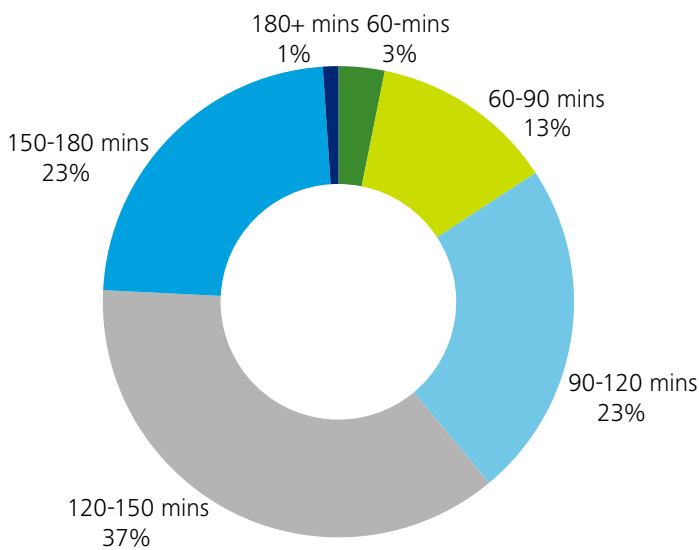


Similarly, the five most rated shows are analyzed by using the daily rating log data of TNS, and one can see that TV series are the most preferred program type. Even re-runs or recaps of TV series are also placed in top 5 and accordingly TV series constitute around 50%-55% of top 5 programs.

Source: Deloitte analysis, has been prepared by using TNS data, top five programs of the leading six channels programs are evaluated. (based on units, not on-air time.)



Average Breakdown of the TV Series First On-Air Times per Episodes in 6 Leading Broadcasters- 2013-2014-Season



Source: Deloitte Analysis, time analysis are performed taking 95 TV series, whose new episodes have been broadcasted within 2013/2014 season. Ad times are included.

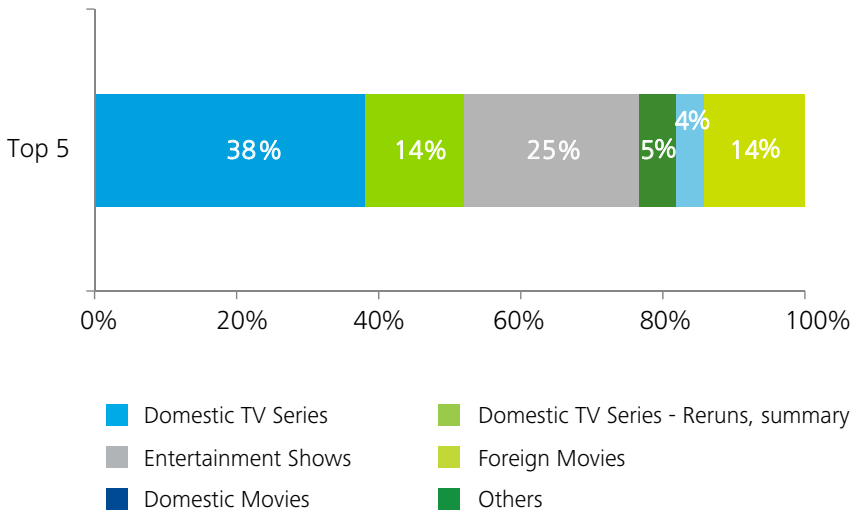
TV series have a significant share in prime time programs; a TV series lasts for around 150-180 minutes on average (including recaps and ads). Broadcasters face fierce competition in attracting viewers; in order to beat competition, they opt for famous actors / actresses, script writers, leading production companies, which escalate TV series’ production costs. However, number of ad slots, frequencies and durations are limited by RTÜK; accordingly broadcasters encourage producers to lengthen TV series’ durations. Almost all production companies and actors / actresses complain about this issue, but given the demand situation in the market, a change in the short term is not envisaged.

Broadcasters also have a different solution to rising production costs; re-runs constitute a great significance for broadcasters in their weekly broadcast stream.

Re-runs which are sourced by the brand value of TV series and power of viewers generate revenue for both broadcasters and production companies without requiring an additional production cost⁴. Since production companies act as if they were parties to whom broadcasters outsource series production, with some exceptions, broadcasters do not pay to the production companies for the re-runs. Additionally, as copyrights of productions are generally owned by broadcasters, even after TV series are cancelled, broadcasters may air old episodes without incurring any additional cost.

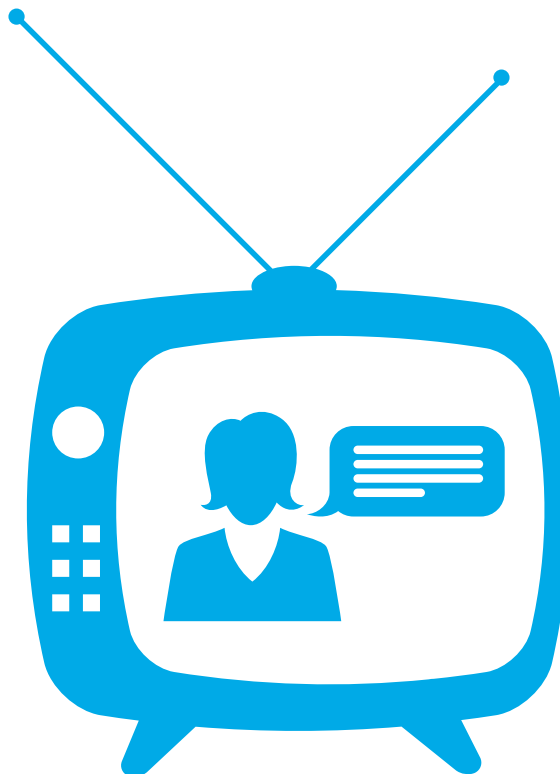
⁴ While in some cases, there may be some clauses about limiting number of airings of episodes, generally no additional fee is paid to production companies for re-runs.

Top 5 Program Breakdown – 2013/2014 Season



Although re-runs and recaps may be perceived as repetition of previous episodes, they may still attract higher ratings, especially reputable TV series, and at the same time enable broadcasters improve bottom-line. For instance, according to the TNS ratings data, 14% of the top 5 programs was consisted from re-runs and re-caps in the 2013/2014 season.

Source: Deloitte Analysis, top 5 programs in leading six broadcasters, on a unit basis





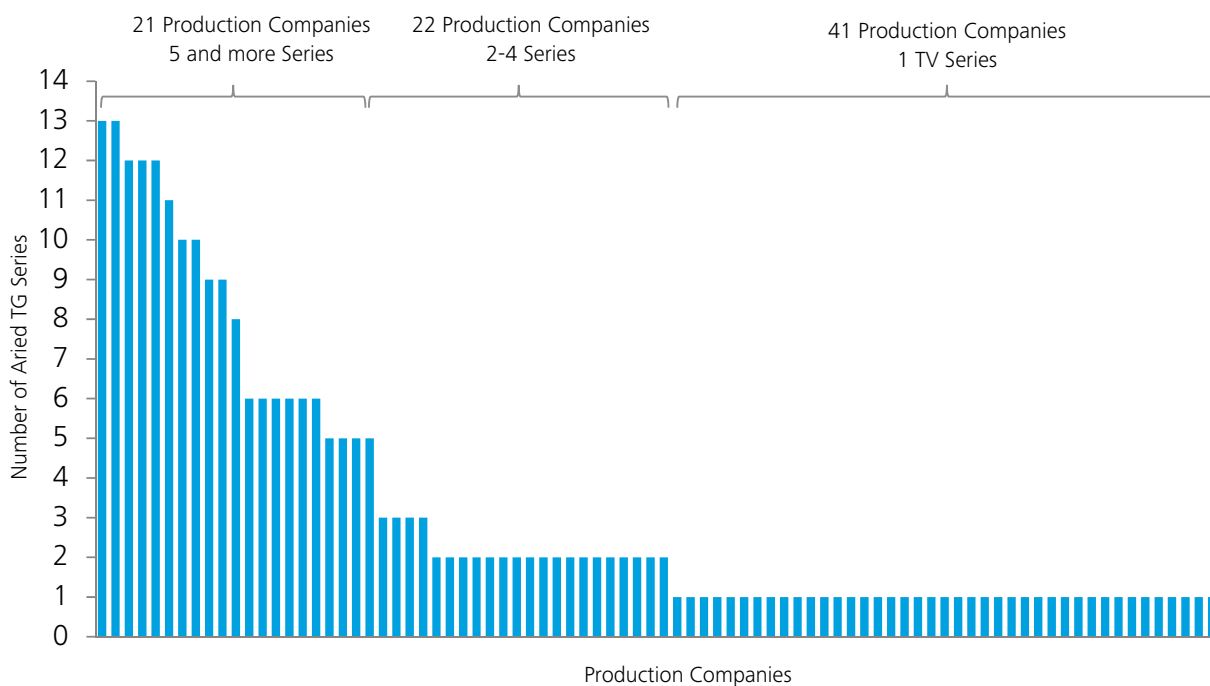
TV series production

TV series production

There were about 85 production companies that broadcasted at least one TV series on leading TV channels between 2010-2014 broadcasting seasons; the market is quite fragmented since about 50% of these companies were able to broadcast only one TV series in the period.

Many producers of various sizes which have not been fully institutionalized are competing for the limited number of broadcasters and the limited schedules of broadcasters, which are the main obstacles to the sustainable development of production companies.

Production Companies According to Number of Broadcasted TV Series during 2010-2014 Broadcasting Seasons



Source: Deloitte Analysis

Based on the rating data, the TV broadcasting market has an oligopolistic structure; production companies sell their productions to a few broadcasting channels. Due to the strong correlation between the ratings and the advertisement revenues, broadcasters assess new propositions meticulously before making a decision.

Production companies' previous track record and reputation are the main criteria for broadcasters in evaluating projects. Well-known producers can get approval for a project in a very short period of time with brief documentation. On the other hand, less reputable/new producers may have great hurdles in getting an approval for a project, which makes the decision making process relatively longer.

Broadcasting contracts are signed generally for 13 episodes⁵, but in most of the cases broadcasters have the right to cancel projects at any time. Initial performance of new series is closely tracked; the rating score of the first 5-6 episodes indicate whether or not the project will succeed. If a series demonstrate unsatisfactory performance, generally the production ends up being cancelled unless it's a project that is strongly trusted by the broadcaster.

Even after 6th episode threshold is passed, a second threshold is 13th episode; rating performance per episode remains important until the 13th episode. Upon any unsatisfactory performance broadcasters can cancel the current project and invest in another one at any time. Broadcasters refrain from risking the fall of rating scores followed by the potential fall in advertisement revenues caused by an unsuccessful series that is aired on prime time slot.

Broadcasters may support projects by changing their schedule and airing their teasers frequently. However, most of the time a change in schedule gives warning signals for a project. If weekly broadcast time of a series changes, the underlying reason is often the poor rating performance. However this change can be intentional for placing the series into a more convenient time slot in order to reduce the rating cannibalization risk of the shows that are aired in opponent TV channels.

Generally a satisfying project has around 35-40 episodes per season if launched at the beginning of the season and 20-25 episodes if launched within the season.

Because of the scale, institutionalization and sustainability issues production companies face; which are results of the problems mentioned above; production firms have trouble accessing necessary financial resources. Combined with the low equity, production companies are dependent on broadcasters' fees, which results in a sub-contractor positioning of production companies. A change in the ecosystem; e.g. similar to the system in developed countries, where producers take initiative and negotiate terms with the broadcasting companies with a shooting a pilot episode or first 5 to 10 episodes in advance, is not expected due to (i) the current market structure (ii) the scale of the producers (iii) access to financial resources.

⁵ Main incentive behind shooting 13 episodes stems from again longer duration of TV series; a 13-episode project is eligible for exports since it is sufficient to cover a season in overseas countries, it is equivalent to 26-episode when broadcasted abroad.

Success Factors

The main factors that lead to successful TV series are as follows:

- 1- Famous cast is an anchor to get approval from broadcasters, and then attract audience's attention at the initial episodes.
- 2- Scenario is a key factor; after the initial stages, generally its importance surpasses casting and becomes the most important factor for success.
- 3- Broadcaster support is a must for success; e.g. promoting the series with trailers, ads, etc., scheduling in a more proper time (or an unrivalled time slot or on the contrary in the same time slot with a strong opponent), etc.
- 4- Production company's financial strength and reputation allow the company to make contracts with reputable actors and attract strong scenarios hence increase the chances of producing a successful series.

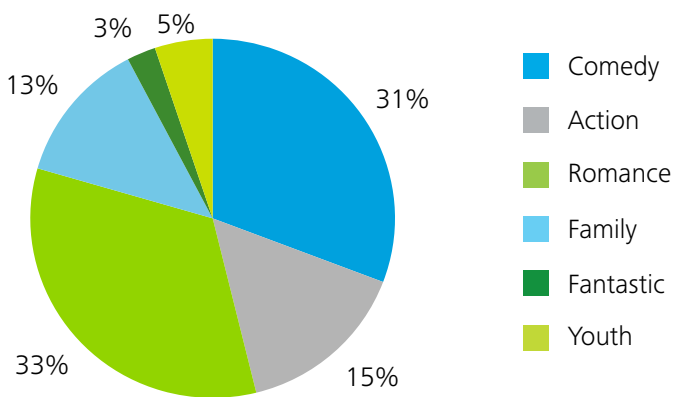
One of the main differences between Turkish and US markets is the concept of "pilot episode" which had been tried but had to be abandoned in Turkey since it failed to reflect the feedbacks and opinions of the audiences.

In the US, pilot episodes are considered as prototypes of the series and distributed to TV networks before actually starting to shoot following episodes; they are funded by producers and are cancelled before getting aired in case the reactions from the audiences and the broadcasters are not satisfactory. Turkish production companies prefer not to shoot pilot episodes as they have smaller scale and limited financial resources or limited access to financial resources compared to US production companies.

Additionally, whilst ratings are perceived to be the main criteria that measure the success of a TV series for advertisers and broadcasters in Turkey; US TV series are evaluated by utilizing more scientific methods. For instance, focus group studies are performed in order to understand the audience's reactions to the scenario, acting performances and production quality of pilots. These studies are considered alongside the ratings while deciding to air the series or not.

Focus group studies may also be carried out throughout the season of a series and the feedback can be used to ameliorate the series i.e. modify the scenario, make changes in the cast and make future decisions parallel to the expectations of the audiences.

Genres



Source: Deloitte Analysis, valid for the TV Series aired as of June 30, 2014. Most dominant genre is taken into consideration.

Genres in the market

Turkish audiences love TV series with romantic elements and features the most. This is parallel to global trends; broadcasters and producers' main target is female viewers in TV series, and a touch of romance is a positive factor that attracts the female audiences' attention. Thus even in hardcore action and crime series, romanticism is a part of the sub-plot.

In addition, Turkish TV series often fit into multiple genres; in an attempt to evoke multiple emotions hence attract a large audience. The graph below illustrates the most popular genres among series in 2013-14 broadcasting season; however most series present elements from multiple genres.

Recently, adaptations of well-known Turkish novels and biographies of historical figures have been a rising trend. Instead of coming up with productions with original scenarios and risking the success and rating of the series, well-known events, novels and stories, are adapted as an attempt to secure success. Some successful examples of these adaptations are *Yaprak Dökümü*, *Huzur Sokağı*, *Çalikuşu*, *Fatih-Harbiye*, *Muhteşem Yüzyıl*. On the other hand, adapting the format/scenario of successful foreign TV series has been a rising trend. Examples include *Desperate Housewives-Umutsuz Ev Kadınları*, *The O.C-Medcezir*, *Revenge-İntikam*, *Monk-Galip Derviş*, and *Gossip Girl-Küçük Sırlar*. However, there had been many unsuccessful examples of adapted series that did not last long due to intense rating competition in spite of large budgets.

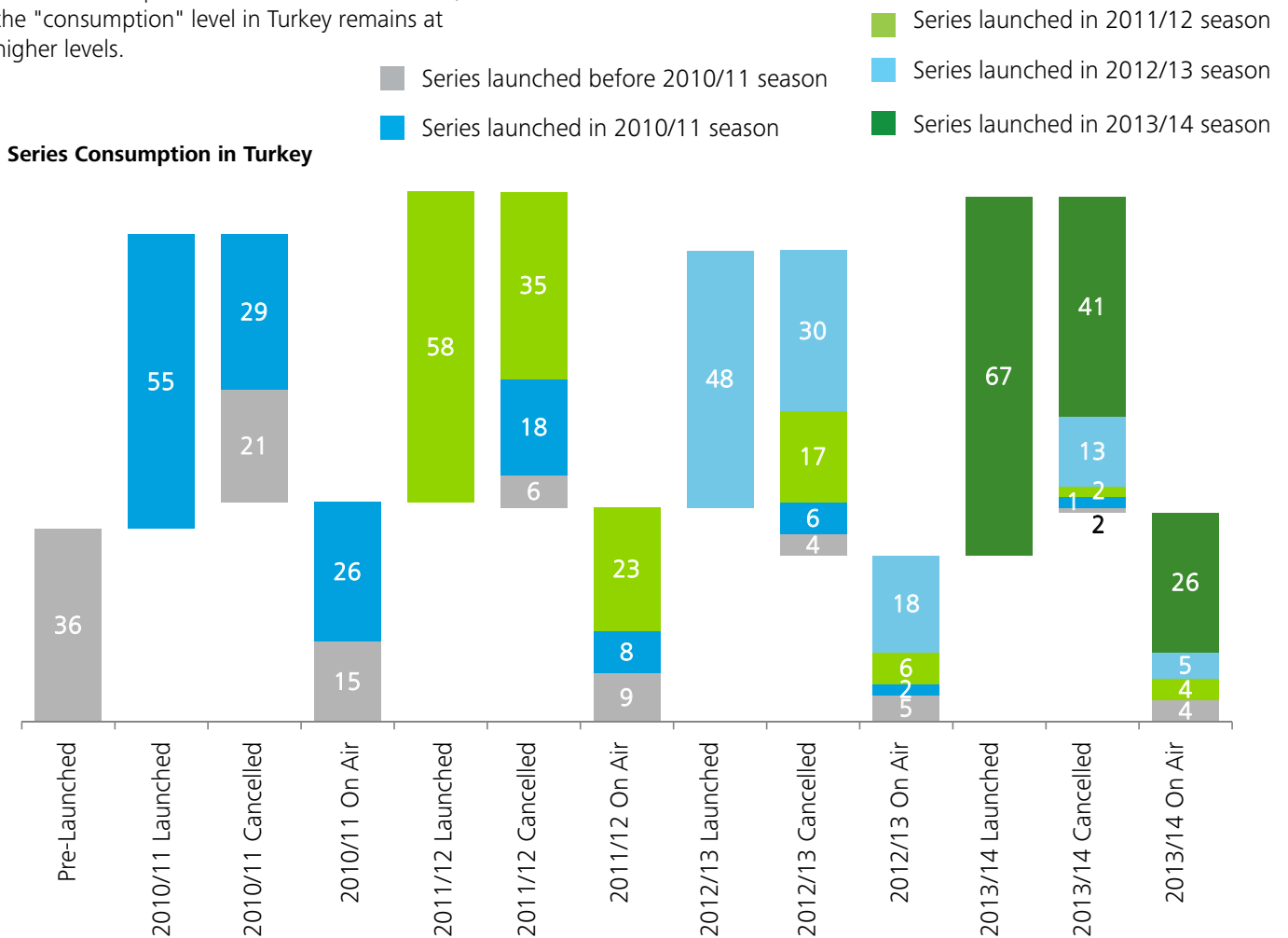
TV Series consumption

There is fierce "consumption" in the TV series market; 50-70 TV series are launched per season in top broadcasters, and more than half are cancelled in the same season, mainly due to low ratings. The American TV series industry has a similar trend.

According to the analysis of Screenrant (2012), 65% of the series that have been aired between 2009-12 on ABC, Fox, CBS, and NBC were cancelled within their first season. Nonetheless, considering the size and the development of the American market, the "consumption" level in Turkey remains at higher levels.

Each season around 50-70 new series are launched, more than half are cancelled before the end of the same season.

26 of the 39 series on TV at the end of the 2013-14 broadcasting season have been launched in 2013-14 broadcasting season. Only 4 of these series on TV were launched prior to 2010.

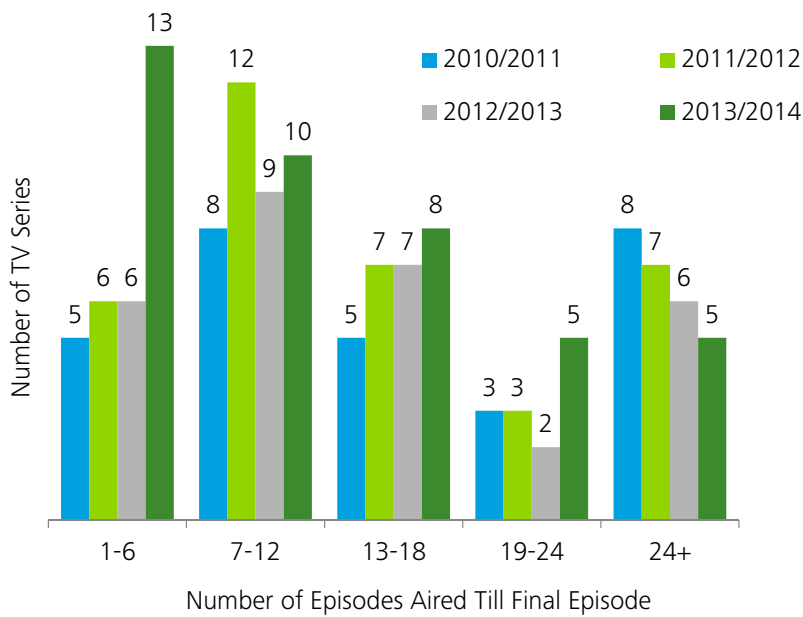


Source: Deloitte Analysis, it was assumed that broadcasting season begins in July 1st, and ends in June 30th

Due to fierce competition, many TV series are cancelled within the season they were launched in.

At the beginning of the base year of this study i.e. 2010-11, there were 36 series on TV that had been launched in previous seasons. 55 new series were launched in the 2010-11 season due to increasing demand; however 29 of the 55 (53%) series were cancelled during the same season. In 2011-12, 59 series were cancelled, 35 of which were launched that season. In 2012-13, 57 series were cancelled. Of the 59 series that were cancelled in 2013-14, 41 were cancelled before the end of their first season.

Same season cancellations



Same season cancellation has become a very usual case in the industry. Most of the TV series that have been cancelled in the same season are cancelled between their 7th and 12th episodes. In the last four seasons, among the same season cancellations, 22% happened within the first 6 episodes, 29% within 7th-12th episodes, 20% within 13th-18th episodes and remaining 28% after 18th episode. Another recent trend is the consistent surge in cancellations in the initial episodes due to increasing competition.

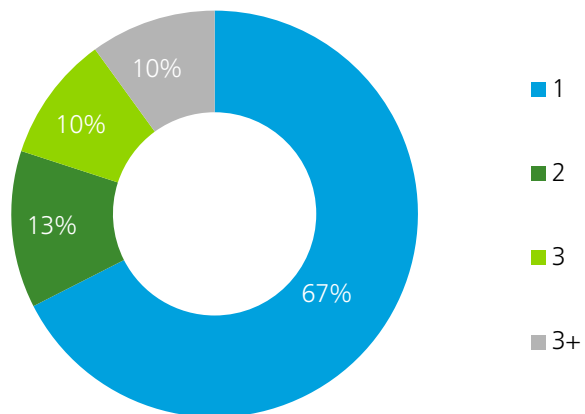
Source: Deloitte Analysis

Sustainability

As of June 30, 2014, 27 out of 39 TV (67%) series on TV are in their first season, 5 (10%) in second, 4 (10%) in third and remaining 4 (10%) are in their fourth or in a further season. Considering series that are in their 3rd or further seasons as mature TV productions, there is a lack of maturity in the industry.

As of June 30, 2014, 26 out of 39 (67%) TV series that are on air are in their first season.

Sustainability of Turkish TV Series-Number of Broadcasted Season

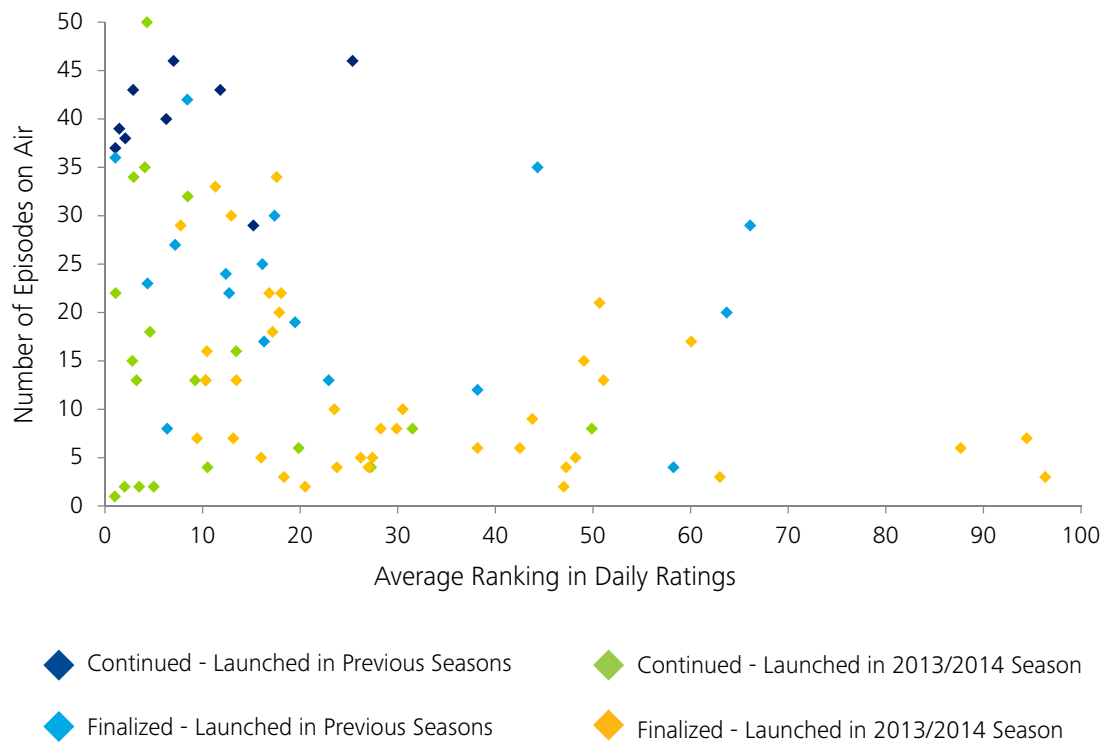


Source: Deloitte Analysis, Includes only on air TV series in the top 6 TV Broadcasts. The end of each TV broadcasting season is considered as the end of June of each year.

Rating performance and continuity of TV series

According to rating analysis of TV series that were aired on TV in 2013/2014 season, it seems that generally, with some exceptions, TV series that cannot find a ranking in top 10 programs (daily) are cancelled.

Rating Performance and Continuity of TV Series



Source: Deloitte Analysis, series which have less than 50 episodes aired in the 2013/2014 season are included

Top 10 TV Series by Number of Episodes Aired (Among weekly broadcasted TV series)

TV Series Name	Production Company	TV Channel	Total Number of Aired Episodes (as of the end of 2013/2014 Season)
1 Arka Sokaklar	Erler Film	KANAL D	336
2 Kurtlar Vadisi Pusu	Pana Film	ATV	229
3 Çocuklar Duymasın – Yeni	MinT Yapım	FOX TV	156
4 Seksenler	MinT Yapım	TRT-1	111
5 Pis Yedili	Tükenmez Kalem	Show TV	101
6 Yalan Dünya	D-Yapım	KANAL D	86
7 Zengin Kız Fakir Oğlan	MinT Yapım	TRT-1	86
8 Karadayı	Ay Yapım	ATV	75
9 Beni Böyle Sev	BSK Yapım	TRT – 1	63
10 Güneşi Beklerken	D-Yapım	Kanal D	50

Source: Deloitte Analysis, as of June 30, 2014

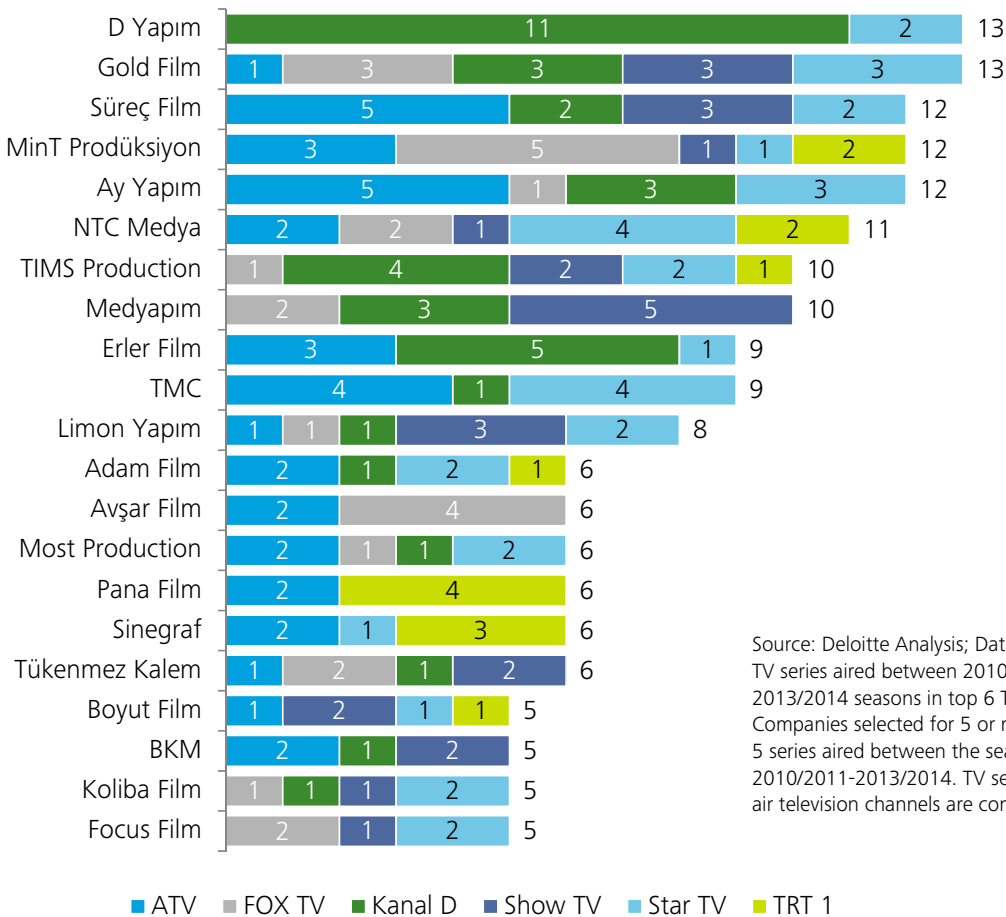


Among 85 production firms, only 21 have aired 4+ TV series in the last 4 seasons.

Yapım şirketi bazında yayınlanan dizi sayısı

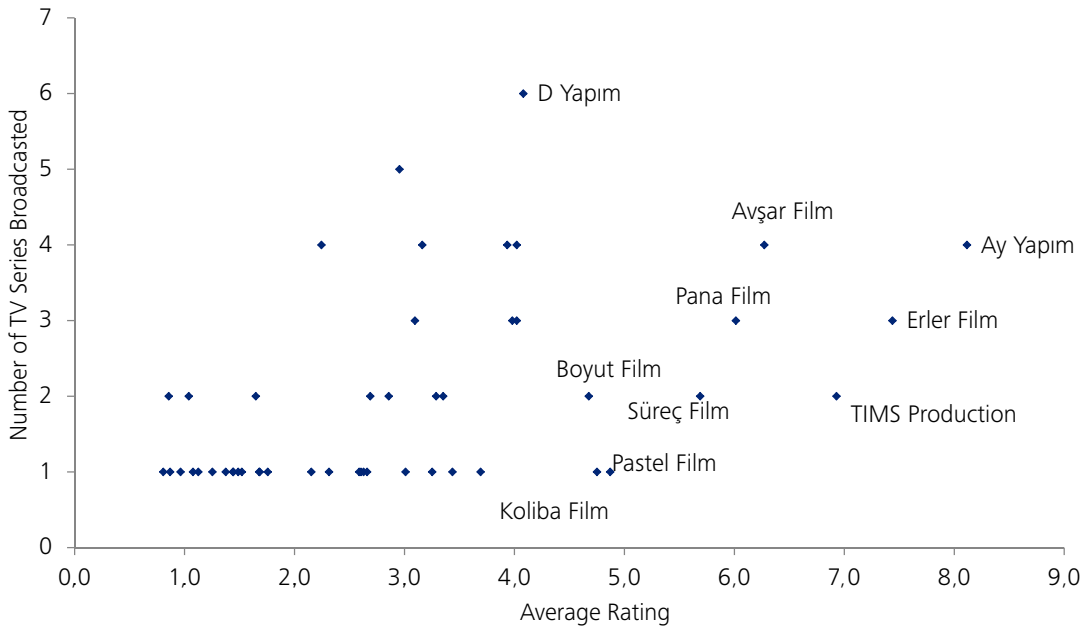
D Yapım, Gold Film, Ay Yapım, MinT and Süreç Film are the leading production companies in terms of number of series aired between the seasons of 2010/2011-2013/2014. There are 65 more production companies that aired less than 5 series, which were not presented on the graph. Most of the production companies choose to work with various TV channels (generally more than three) in order to diversify the risk of deferred payments and gain visibility through various broadcasters instead of a single one.

Number of TV Series Produced per Broadcaster by Production Companies

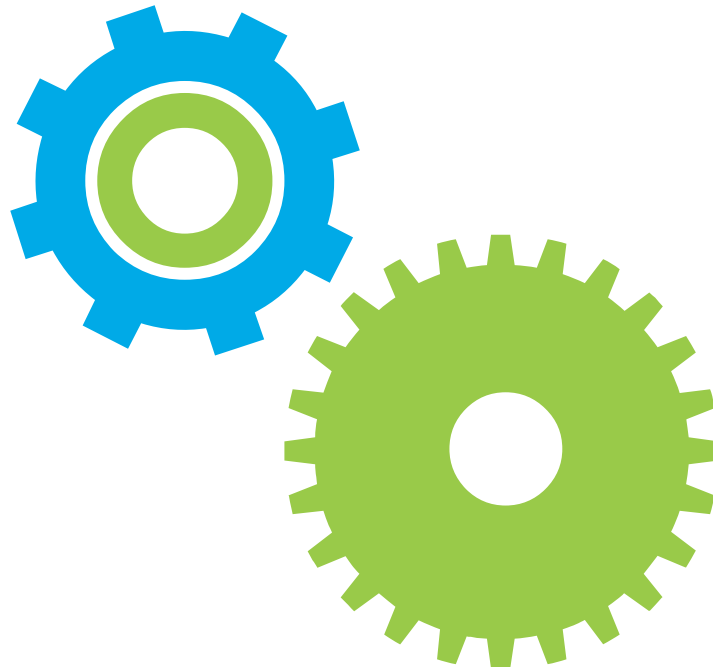


Source: Deloitte Analysis; Data Only includes TV series aired between 2010/2011 and 2013/2014 seasons in top 6 TV broadcasters. Companies selected for 5 or more than 5 series aired between the seasons of 2010/2011-2013/2014. TV series' latest on air television channels are considered.

Rating Performance of Production Companies (2013-2014 Season)



Source: Deloitte Analysis; Data of six major channels are formed by the analysis of TNS data based on 2013/2014 season. Only the original episodes of the TV series were included in the analysis, re-runs and summaries were excluded. Calculations were made by dividing the cumulative ratings of aired TV series episodes to cumulative number of episodes per production company. Only first 10 production companies' names are labeled.



Top Production Firms and TV Series by Revenues

According to Forbes Turkey's research, in terms of revenues; Ay Yapım, Avşar Film and Tim's Production have been the top three production firms, and Muhteşem Yüzyıl, Kurtlar Vadisi Pusu and Karadayı were the top three TV series. Total turnover and profit of top 10 production companies were TL 450 million and TL 45 million respectively.

Top 10 Production Companies by Revenue (2013-2014 Season)

#	Production Company	Producer Name	Revenue (TL mn)	Profit (TL mn)	Series on Air (2013-2014 Season)
1	Ay Yapım	Kerem Çatay	77.0	7.4	Karadayı, Kara Para Aşk, Kurt Seyit ve Şura, Medcezir
2	Tims Production	Timur Savcı	51.8	5.1	Muhteşem Yüzyıl, Çalığışu
3	Avşar Film	Şükrü Avşar	51.0	4.8	Bugünün Saraylısı, Karagül, Lale Devri, Not Defteri
4	MinT Yapım	Biröl Güven	50.0	5.0	Seksenler, Doksanlar, Çocuklar Duymasın, Zengin Kız Fakir Oğlan
5	D Yapım	Aydın Doğan	47.7	4.3	Güneşi Beklerken, Kayıp, Paşa Gönüm, Yalan Dünya
6	Pana Film	Necati Şaşmaz	43.1	4.1	Kurtlar Vadisi Pusu, Ben Onu Çok Sevdim
7	Gold Film	Faruk Turgut	38.8	3.7	Dila Hanım, Benim Hala Umudum Var, A.Ş.K
8	Focus Film	Nilgün Sağyaşar	35.7	6.2	Deniz Yıldızı, Unutma Beni, Beni Affet, Adını Kalbime Yazdım, Aşkın Bedeli
9	Erlər Film	Türker İnanoğlu	30.0	2.9	Arka Sokaklar, Güzel Çirkin, Küçük Ağa
10	TMC Film	Erol Avcı	25.5	2.5	Aramızda Kalsın, Tatar Ramazan, Yasak

Source: Forbes Turkey

Top 10 TV Series by Revenue (2013-2014 Season)

#	TV Series Name	Production Company	TV Channel	Revenue (TL mn)
1	Muhteşem Yüzyıl	Tim's Productions	STAR TV	36.7
2	Kurtlar Vadisi Pusu	Pana Film	ATV	34.9
3	Karadayı	Ay Yapım	ATV	33.2
4	Karagül	Avşar Yapım	FOX TV	27.1
5	Medcezir	Ay Yapım	STAR TV	25.9
6	Fatih Harbiye	Koliba Film	SHOW TV	19.6
7	Çocuklar Duymasın	Mint Produksiyon	FOX TV	18.5
8	Güneşi Beklerken	D Yapım	KANAL D	18.2
9	Benim Hala Umudum Var	Gold Film	FOX TV	18.2
10	Arka Sokaklar	Erlər Film	KANAL D	17.6

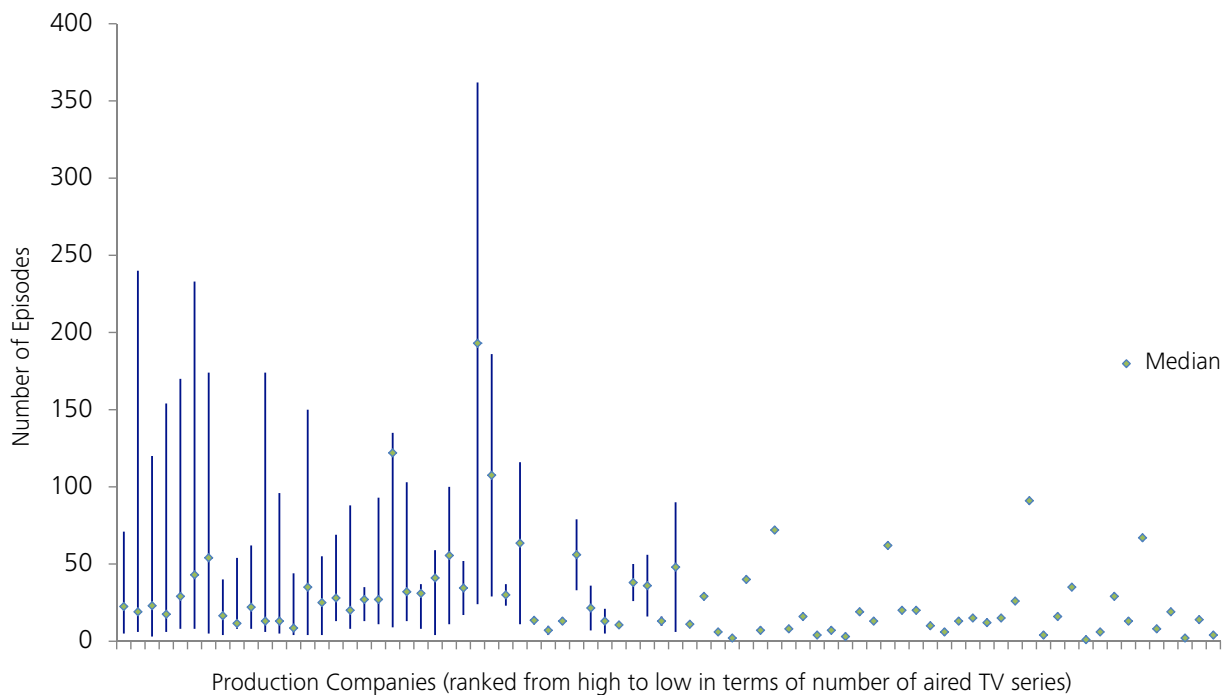
Source: Forbes Turkey

Average Number of Episodes per TV Series and per Production Companies

Although, there have been many successful TV series according to the number of episodes aired and production companies that have produced successful shows in the industry, there have also been tens of productions that have been finalized in the initial episodes.

Even successful production companies launch series that do not even last for 10 episodes due to fierce rating competition. Therefore there is not a feasible correlation between the number of productions firm air and the average duration of the series.

Production Company Performances in Terms of Median Aired Episodes per TV Series



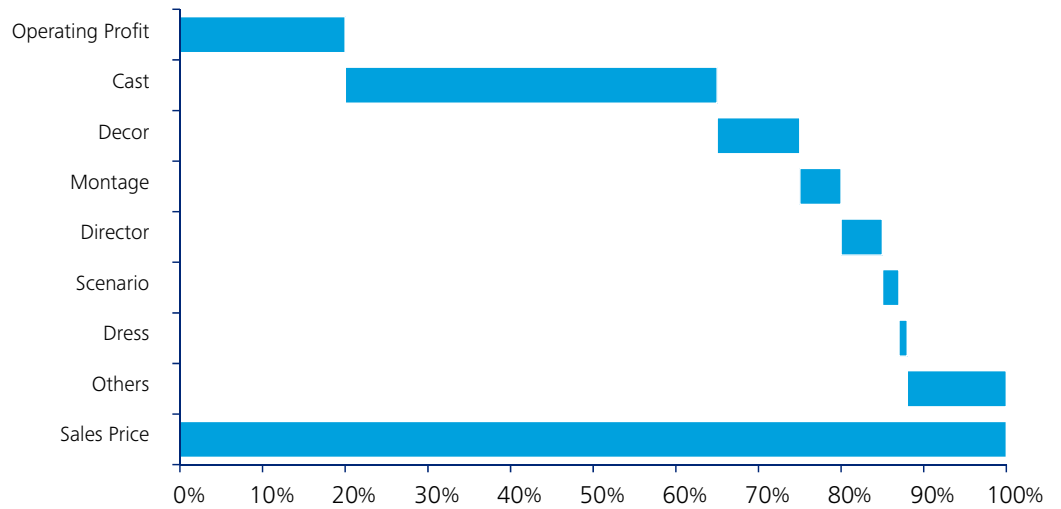
Source: Deloitte Analysis, Only completed series are taken into consideration between 2010/2011 and 2013/2014 season. May include daily aired TV series.

Production costs

An episode of Turkish TV series' cost to broadcaster firms differ based on the production firms' bargaining power, competitive dynamics, cast, script, etc. Industry experts prefer to give a range of USD200K to USD600K-USD700K per episode, rather than providing an average overall figure. Total production costs have risen in the recent years due to the increase in casting costs and are expected to slightly decrease in medium term.

During our interviews, it is seen that casting costs make up the largest portion of overall production cost; productions with large budgets that employ popular casts may have a casting cost of up to 45 % of total cost. Popular cast is thought to offset the burden of high costs by receiving high rating scores and leading to important sponsorship revenues.

Turkish TV Series Costs Breakdown Approximation



Source: Expert Interviews, there may be significant variations in cost breakdown among TV series; specified values are gathered through experts' opinions for leading TV series

Low cost productions generally have unpopular casts. Making up a large portion of the cost of production, popular cast is one of the main factors that determine the rating scores of a series.

Interviews with the representatives of the sector highlight the fact that not having modern studios as of the ones abroad is an important factor that drives up the cost of production. Especially when a series is cancelled after shooting a few episodes, *mise en scène* spending becomes sunk costs. While this affects the finance of producers negatively, it also points out to the necessity to institutionalize the sector.

Financing TV Series: Turkey vs Abroad

In the US, production companies have various additional revenue streams on top of the income received from TV channels. Generally, production studios gain their revenues by selling their production to production institutions, which are equivalent to about 60%-75% of the cost of production, they gain the rest of the revenues which make up the 25%-40% of costs by subsidies, selling productions abroad, product placement and streaming deals to networks such as Amazon, Netflix, etc. For productions which are called "blockbusters", the percentages of the revenue streams can be quite different.

Firstly, in many countries governments provide subsidies and incentives to production companies for shooting television programs and films. In the US, differing among states, there is up to 30%-40% incentives, typically tax credits or cash grants. According to a study performed in 2012, tax credits provided to film industry in the US reached to USD1.4 bn a year⁷. Although there are complaints such as not having any comprehensive study on whether these incentives have a positive impact on the economy and being praised only successful cases; states are introducing new incentives for the film industry. For instance; *Under the Dome*⁸, shot in North Carolina, is believed to receive USD400k (approximately 13% of the production cost) per episode as tax credit and cash grants from the federal government⁹.

In the US, networks that have wide coverage such as Netflix, Amazon Prime, Hulu, etc. are important revenue sources for production companies. Referring to the example provided above, for the TV series *Under the Dome*⁸, Amazon Prime pays USD750k per episode to let their members stream the episodes just after four days after they are broadcasted on TV⁹.

By entering these agreements even before the episodes are on air, production companies or broadcasters become eligible for external financing from either financial institutions or private investors.

⁷ <http://www.bloomberg.com/news/2014-04-30/california-report-criticizes-film-subsidies-affirms-need.html>

⁸ *Under the Dome* is an American science-fiction drama television series based on the novel of the same name by Stephen King.

⁹ <http://www.vulture.com/2013/06/under-the-dome-tv-revenue-when-ads-fail.html>



In Turkey, most of television series producers' revenue comes from the broadcasters and international sales revenue for the successful ones. Domestic revenues vary between USD200k to USD700k, while international revenues have a range between USD0.5k to USD200k, per episode, depending on the success and performance of the project. It is worth to underline that, depending on the contract terms; international revenues are shared between broadcasters and production companies.

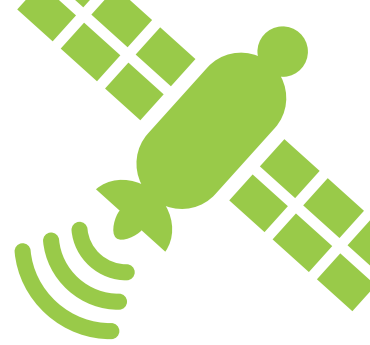
Since TV series producers are like the subcontractors of broadcasters and productions are prone to be cancelled immediately, financial institutions are reluctant to provide producers with loans, especially for new productions.

While the Turkish Ministry of Culture and Tourism provides cinema sector with support schemes under certain criteria, there is not direct subsidies/support schemes provided to TV series sector by the government.

In Turkey, unlike the case in the US, networks like TTNET and TVYO, who stream television shows by paying for the copyrights, are in infant stage, accordingly production companies cannot create material revenue streams from these channels. However, there are a lot of websites streaming TV shows illegally; it is stated that there were around 3-4k links that are put offline after warnings¹⁰.

Recently, sponsorship revenues are increasing in parallel to the growing interest in television series; corporations intending to reach consumers sponsors series in areas such as mise en scène, logistics etc.



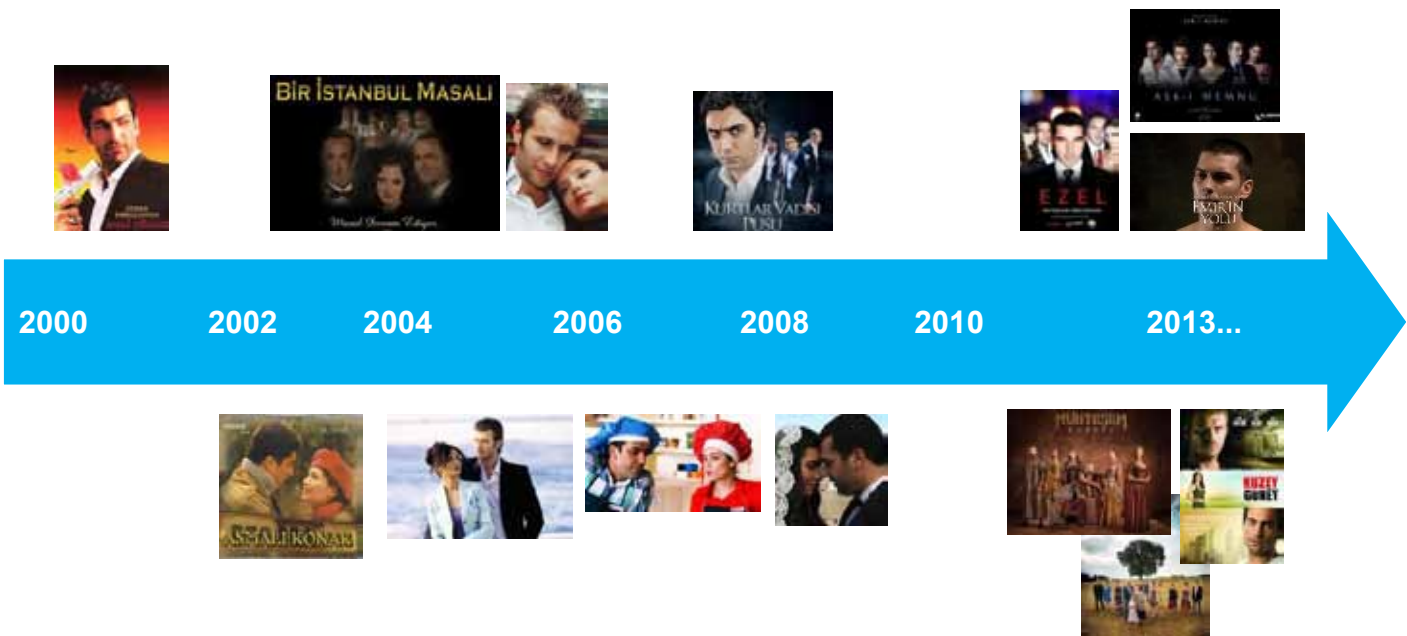


International revenues

In the last decade, Turkish TV series have improved significantly in terms of production quality and art. According to industry representatives, through the improvements in cinematography, script writing and acting, Turkish series elevated to a status in which they can compete with cinema films. The price of exporting series increased correspondingly. While a single episode of Turkish series was sold to foreign broadcasters for USD500 on average five years ago, currently this price level rose to USD0.5k-USD200k per episode due to their enhanced production quality, increasing reputation and uptrend in the market.

Turkish series' enhanced quality can compete with movies.

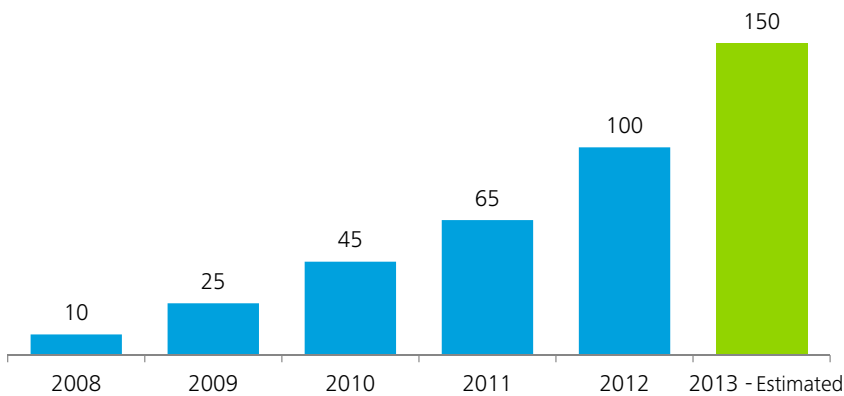
Evolution of Turkish TV Series



Due to shared cultural values and proximity of Balkans and Arab World, these geographies have become major export destination.

Turkish TV series promote Turkey 's popularity all over the World, not limited to only Middle East, Central Asia and Eastern Europe; Turkish TV series appeal to wide range of audience, which is not only limited to a group with the same cultural background. It is estimated that the Turkish TV series reach to 400 million viewers in 75 countries.

Turkish TV series exports (USD mn)



Source: Calinos Holding, Hurriyet, Dünya.com, Prime Ministry Public Diplomacy Coordinatorship

Turkish series incorporate values and traditions of Islamic World alongside Western lifestyle

US TV series are considerably superior to Turkish series in the global market in terms of their production budgets, casts, cinematography and mise en scène. However, alongside the Western lifestyles presented, the cultural background that that audiences in the Middle East, North Africa and Eastern Europe can associate themselves with allows Turkish series to compete with American series in these regions.

According to the comments from people who watch Turkish series in various countries, Turkish TV series attract audiences as they amalgamate various cultures by incorporating values and traditions of Islamic World with western lifestyles. The vision of “a modern life without rejecting customs” that the Turkish series present, has a strong influence in attracting especially women audience in these countries.

Turkish TV series industry is also a successful example for neighboring countries with its transformation of focusing local productions. 10-15 year ago, Turkish broadcasters were mainly focused on foreign TV series both in their day time and prime time schedules. After developing a self-sustainable ecosystem of “broadcasting, advertising and production”; local TV series have emerged themselves without any prohibitions for foreign productions. On the other hand, other countries like Azerbaijan, Kazakhstan, China, Egypt and Macedonia, have forbidden the broadcasting of foreign TV series in their national broadcasting channels. Prohibition of broadcasting foreign TV series has negatively impacted the Turkish TV series producers.

Turkish TV Series Collateral Impacts

The impact of Turkish series sector should not be evaluated solely by its export revenues but by its role in representing Turkish culture and enhancing tourism and trade. According to the research that global travel search machine, Skyscanner, carried out, there is a positive correlation between the flight searches and the foreign TV series on TV. Especially when the series are shot at touristic attractions, the relationship between the two becomes stronger. Compared to 2011, flight search to Turkey in 2012 and 2013 rose nearly twice. Since 2012, flight search increased by more than 100% from Kuwait, Qatar, Jordan, Yemen and Lebanon to Turkey and by more than 200% from Bahrain and Saudi Arabia.

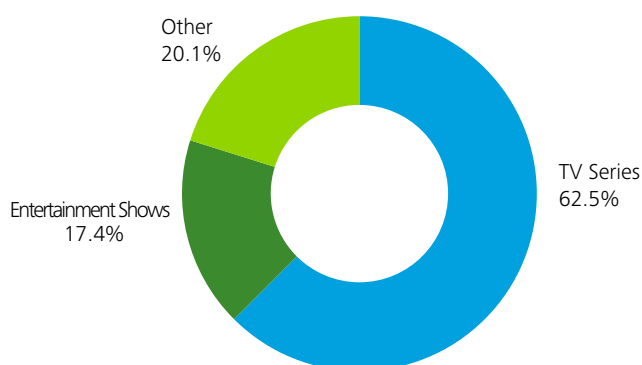
In addition to its contribution to tourism, Turkish series can be identified as window opening to Turkey to its adopted values, traditions and lifestyle, thereby raising visibility of Turkey in international platform. Turkish TV series highly influence a wide range of people among distinct regions and especially at places where close historical, linguistic, religious ties had been established.

Even though there are political and cultural motivations behind these prohibitions, the need for boosting the local TV productions and producers is among main factors.

Nevertheless, it is still believed that Turkish TV series have influenced cultural, economic and political lives in these regions in many aspects. Despite the limitations in some countries, Turkish TV series industry will continue to grow internationally as long as it is able to attract large audiences with different socioeconomic backgrounds by presenting diverse emotions, experiences and cultures.

A major rival to TV series are programs such as quiz, game and talent shows that are evaluated in the entertainment shows category which are trending upwards due to their cost-efficient and high rating potential caused by their interactive nature.

Prime Time – 2013/2014 Season



Source: Deloitte Analysis

Trends and future

Due to increasing viewership and competition in the sector, Turkish TV series industry has been experiencing substantial amelioration in cinematography and artistic value in recent years. These improvements led to increases in ratings which generated higher advertising revenues for broadcasters. However, the increasing demand for high-quality producers and productions and precisely for well-known casts has caused an upward pressure on the production costs. As a result, broadcasters search for more cost efficient alternatives that would receive the rating scores that series do. Therefore, reality / entertainment shows became good alternatives; however the introduction of new show formats have been an important deficiency globally and in Turkey. Yet, entertainment shows make up around 10%-20% of the prime time broadcasting schedules; a rise in this share is expected.

Re-runs and recaps constitute a great significance for broadcasters in their revenue streams.

Primary solution to rising costs of TV series was to broadcast long recaps and re-runs of TV series; and these re-runs emerged to be significant sources of revenue. There are examples of some TV series which break even as a result of the contribution of the recap and rerun revenues; otherwise their costs exceed their revenues. Excluding some exceptional cases, the copyrights of the series are owned by the broadcasting channels hence they can broadcast the rerun of the series even after the series are cancelled.

Due to financial concerns, duration of TV series is not expected to be curtailed in near future.

A hot debate topic of the sector is the longer duration of Turkish TV series compared to those of developed countries and the sustainability of the long duration trend. Employees of the sector find the duration of series very long and they underline the difficulty of the long working hours per week for the crew and the cast. Considering the current financial position of the industry, series are unlikely to be curtailed, despite the critiques within the industry. Moreover, low level of unity of producers, actors and crew, etc. in the sector prevents collaboration and acting/deciding simultaneously.

It is expected that the TV series exports will continue with an increasing trend.

TV series exports are expected to continue with an increasing trend in the future following the success achieved in recent years. As the actors become more famous per episode, the production quality increases, scenarios ameliorate and above all, the brand image of Turkish TV series improve, Turkish TV series are expected to attract more and more of viewers abroad. The next step for the industry is to have a target audience worldwide without being limited solely to near geography and to sustain its success alongside expanding the global outreach.

On the other hand, fierce competition in the global arena causes trends to change at a very fast pace. Thus, Turkish producers should constantly improve the casting, scenarios and cinematography in order to sustain and increase their achievements.

Need for institutionalization is increasing while the industry continues to expand.

Major factors hampering sustainability of the industry in the long term seem to be intense competition between production companies for the limited on-air time of broadcasters, along with production companies' non-institutionalized structure.

Not having modern studios as of the ones abroad causes producers to invest in mise en scène for each and every different production. When a series is cancelled after shooting a few episodes, due to fierce competition, investments on mise en scène become sunk costs.

If the sector expands at the same pace, the need for complex studios/plateaus similar to those of developed countries will increase.

On the other hand, the lack of institutionalization makes it harder for producer companies to access financial resources.



Conclusion

Conclusion

TV series which constitute 60%-65% of the prime time broadcasting schedule are expected to be as important as they are now in the future for the broadcasters. The long hours of TV viewership in the country, leadership of the TV in media investments and the interest of domestic and foreign audiences to the series create this expectation.

Considering Turkish TV series outreach of 400 million viewers in 75 different countries, Turkish productions serve as Turkey's cultural, touristic and trade representative alongside the export revenues they generate.

There is fierce competition within the sector since there are many producer companies with different sizes that compete for the limited broadcasting schedules of the limited number of TV channels, which causes more than half of the series to be cancelled within the broadcasting season they were aired at. The fragmented structure of the industry and the early stages of institutionalization of the industry are the main factors that impede sustainability of the production companies.

In order to sustain and improve the successful trends in exporting Turkish TV series, institutionalization which some firms have started should be widely spread within the industry; investments on studio and plateaus that are similar to those in foreign countries should be made so that different production companies can use them together and reduce costs. Lastly, pirate showings of series on online platforms should be abolished and the government should support producers by implementing subsidies. All these suggested improvements are crucial for the success and sustainability of the industry.

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