



# *Overview – The EU VOD market Facts & Figures*

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A presentation  
of the European Audiovisual Observatory



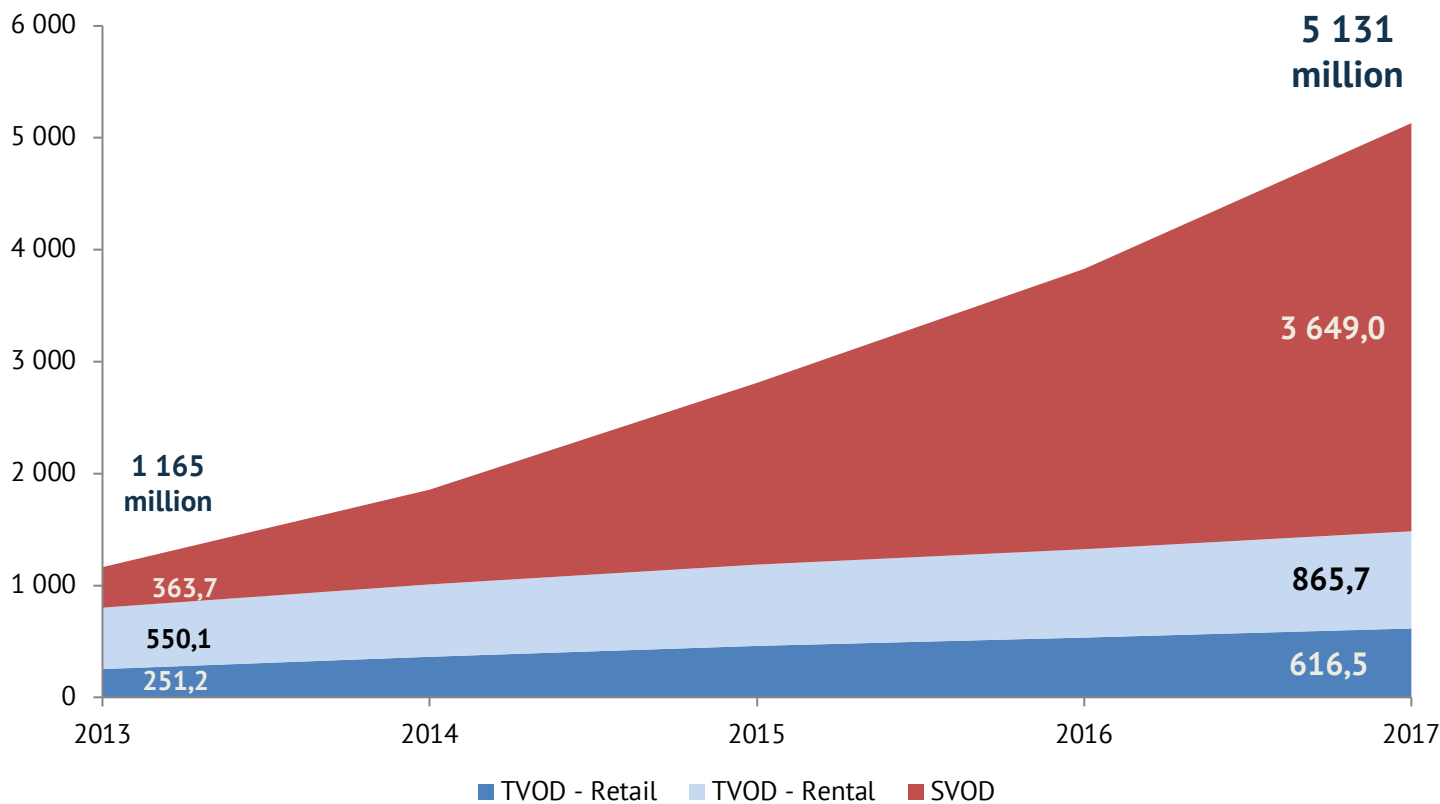
- ❑ **Overview - The EU VOD market in figures - explosive growth over 5 years**
- ❑ **Focus on SVOD - the fastest growing audiovisual market**
- ❑ **Films in VOD catalogues & Promotion of films on VOD services**

- ❑ Rapid market growth of paid VOD services
  - Launch of new services by traditional and new media players
  - Expansion of international players into the EU, alliances of EU players
  - Rapid consumer adoption & changing expectations/behaviour (ATAWAD)
  - ‘Over-the-Top’ distribution and use of multiple media devices become generalised with wide-spread broadband

➔ Abundance of content / Scarcity of consumer attention
- ❑ VOD market mainly driven by SVOD services as consumer prefer increasingly access to content over ownership
- ❑ TVOD market growing and retail (ownership) is overtaking rental in several markets but the rental market is still representing 58% of TVOD market
- ❑ However, VOD market still a small segment of the EU audiovisual market and dominated by a few

### Consumer revenues OTT SVOD & TVOD

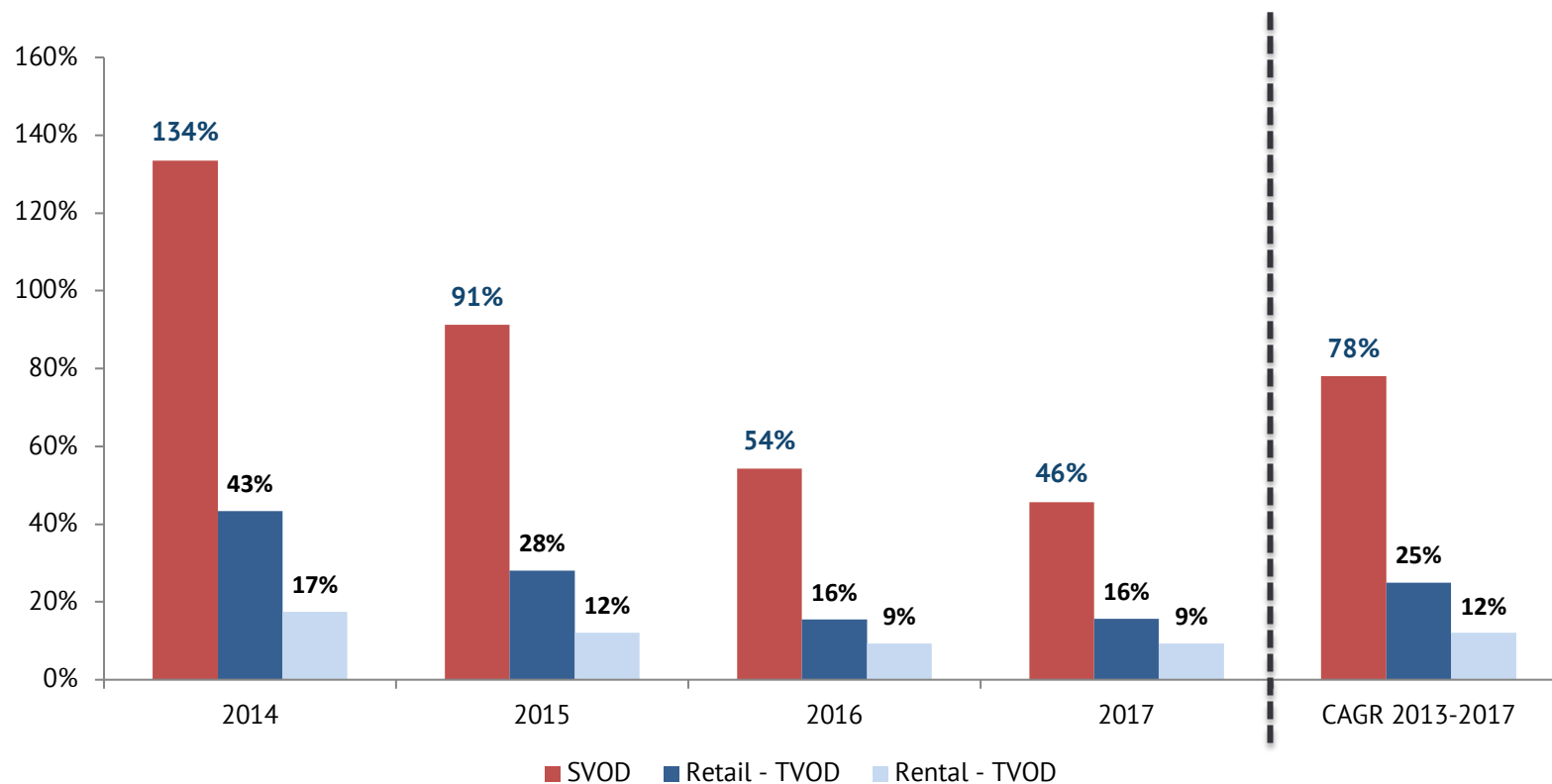
in EUR million



Source: Ampere Analysis

### Growth of revenues OTT SVOD & TVOD

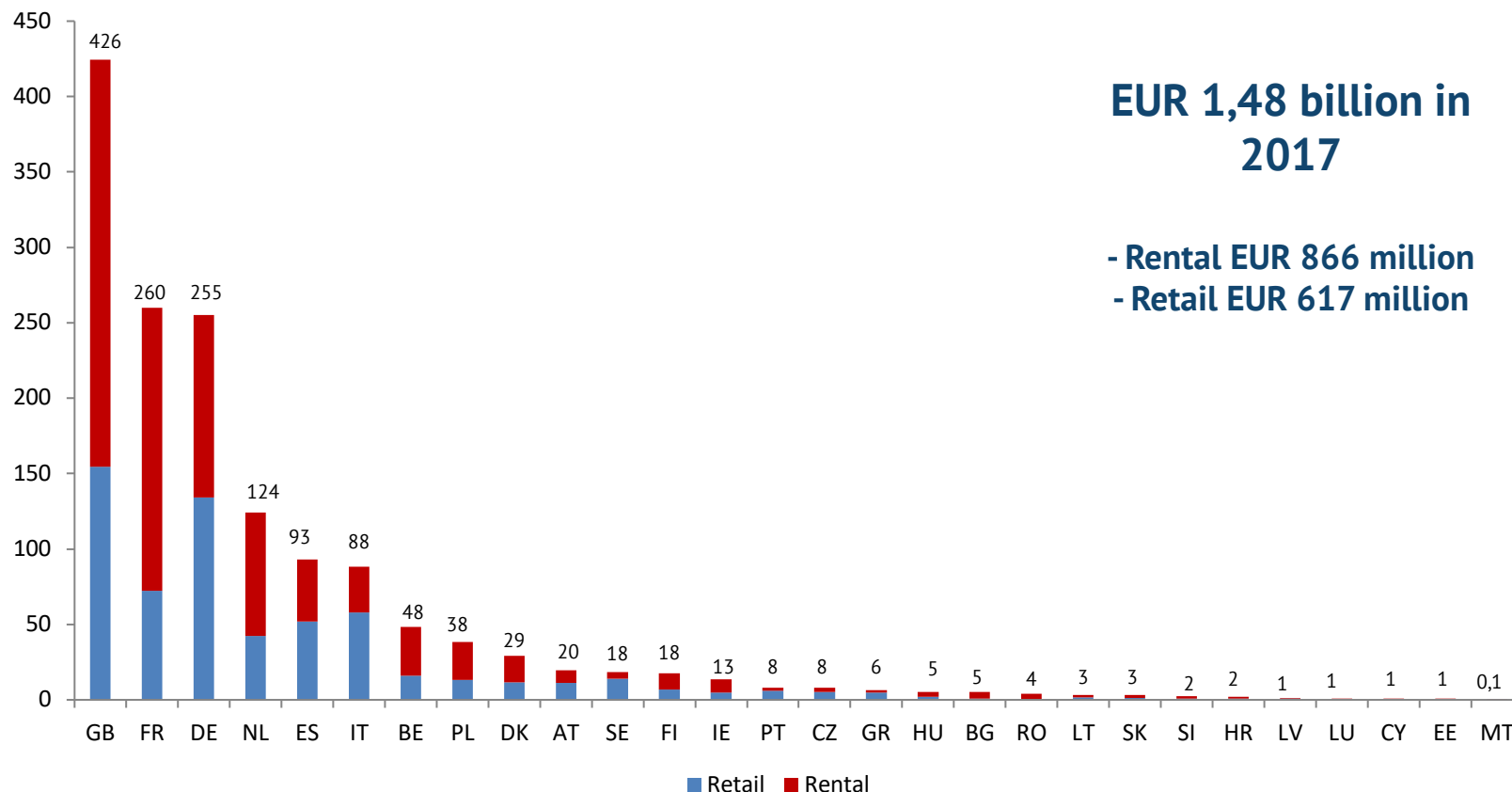
in %



Source: Ampere Analysis

## TVOD revenues 2017, retail and rental by country

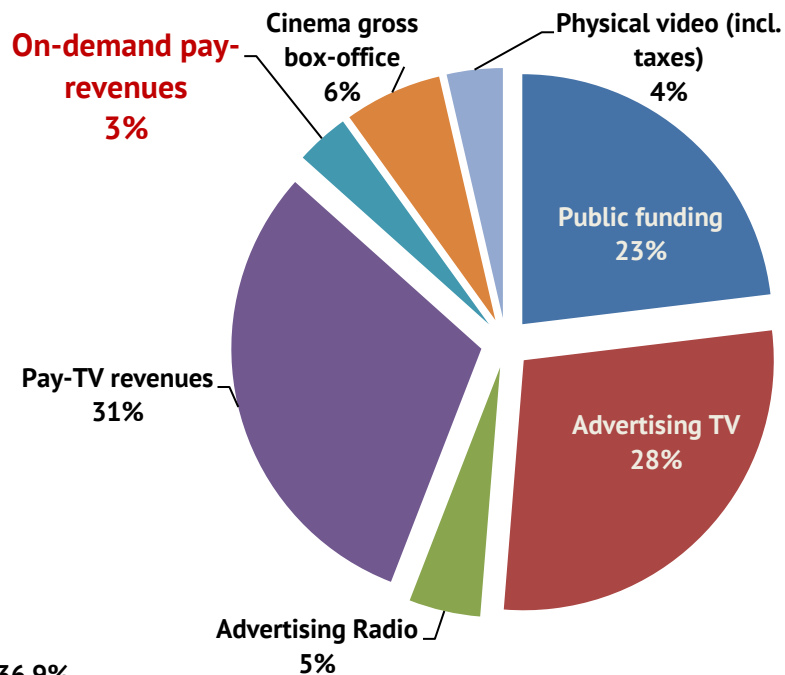
in EUR million



Rental is still the largest part of the TVOD market in 16 EU countries but retail is growing faster and already more popular in several markets – notably in DE, ES, IT, SE, PT and CZ.

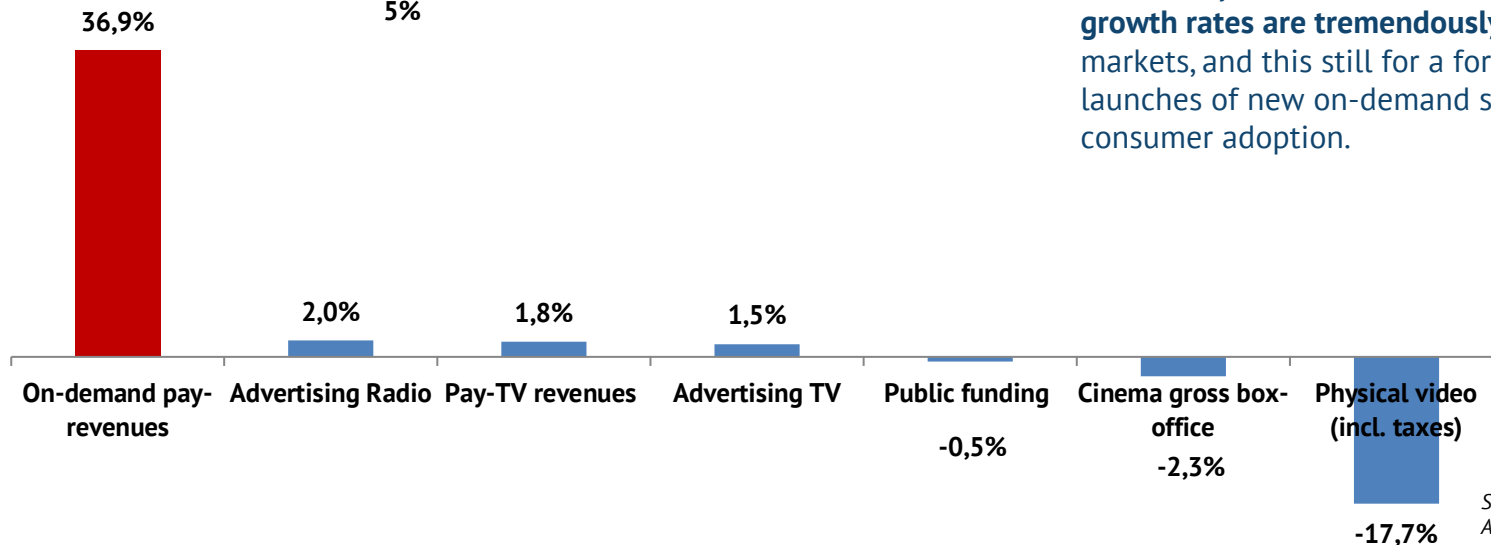
However, this does not compensate the losses on the physical video market, from EUR 7,4 billion in 2011 to EUR 4 billion in 2016 or -45,7% in 5 years.

Source: Ampere Analysis



Representing in 2016 only **3% of the EUR 111,4 billion audiovisual market in the EU**, on-demand pay services are still relatively small compared to other markets.

BUT the dynamic is on their side as **year-to-year growth rates are tremendously superior** to the other AV markets, and this still for a foreseeable future with the launches of new on-demand services and increased consumer adoption.



Source: IHS, Warc, EBU/MIS, OBS, Ampere Analysis

## **2. Focus on SVOD - the fastest growing audiovisual market**

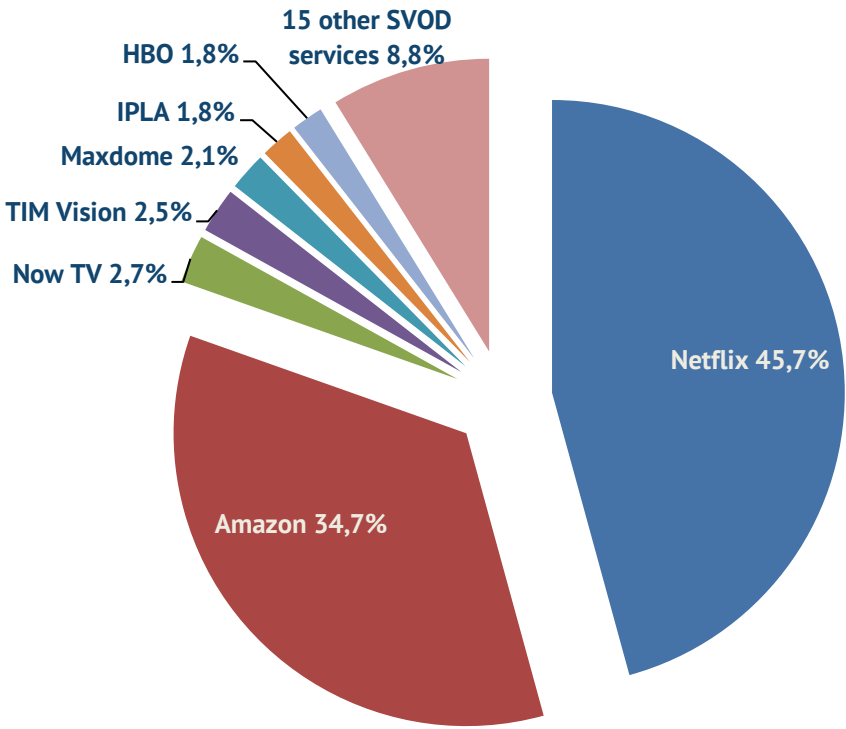


- ❑ SVOD has become an established part of the EU audiovisual ecosystem with rapid growth in consumer revenues and subscribers
- ❑ This is launching a race towards '**direct-to-consumer**' **business models** for media players, who have to adapt to consumer expectations
- ❑ In the EU at the end of 2017: 183 different SVOD services were available (representing 280 linguistic versions) (OBS - MAVISE stats)
- ❑ However, the sector is **dominated by 2 players**, Netflix and Amazon, which together account for **80% of SVOD subscriptions / 75% of revenues**
- ❑ Increased investments in **original content** and in **content acquisition** by international players makes competition increasingly harder for smaller national players – **Size matters / Alliances of EU players**
- ❑ In the EU, the US phenomenon of '**cord-cutting**' begins to be visible in several countries; however, traditional pay TV and SVOD services are still rather coexisting than in direct competition (for how long?)

# 2 - Focus on OTT SVOD - Revenues & Subscribers in 2017 by services

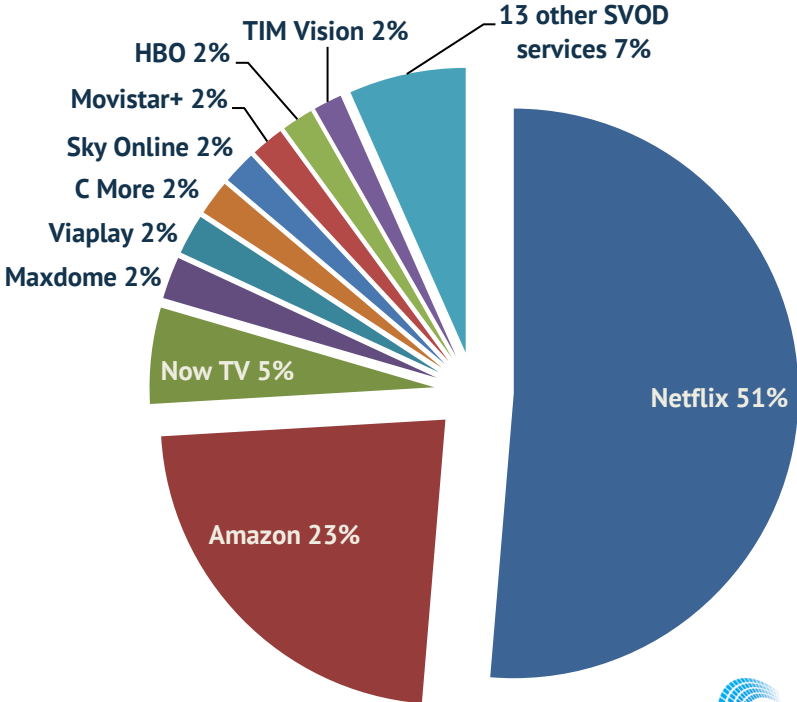
## SUBSCRIBERS

- **53,9 million** SVOD subscribers in 2017
- Netflix and Amazon represent 80% of EU SVOD subs



## CONSUMER REVENUES

- **EUR 3 649 million** in 2017
- Netflix and Amazon represent 74% of EU SVOD revenues



Source: Ampere Analysis

## 2 – Focus on SVOD – Comparison with pay TV in 2017 - revenues in EUR million, subs in million

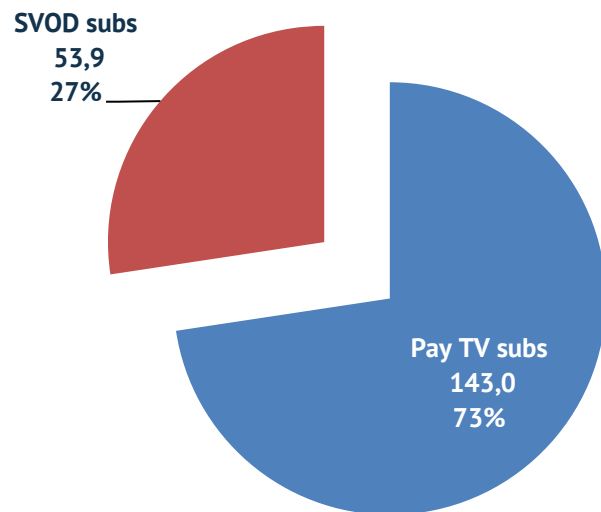
### SUBSCRIBERS

**196,9 million** pay subscriptions in 2017 in the EU

Different dynamics:

→ SVOD subscribers YtY growth **+36,3%** vs pay TV **+1,3%**

**SVOD represents 88% of subscribers growth for pay services 2016/2017**



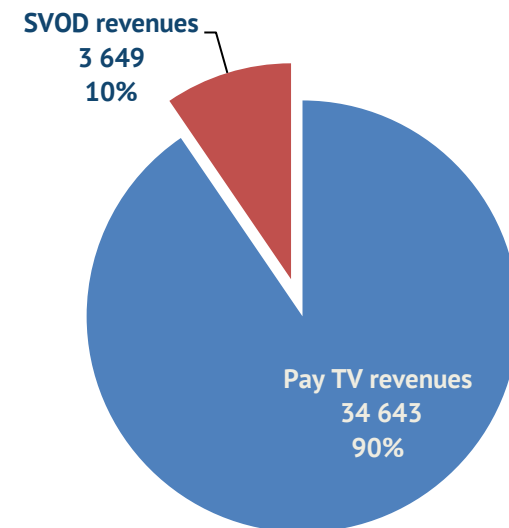
### CONSUMER REVENUES

**EUR 38 291,8 million** pay service revenues in 2017 in the EU

Different dynamics:

→ SVOD revenues YtY growth **+45,7%** vs pay TV **+3.1%**

**SVOD represents 52% of the growth in subscription revenues 2016/2017**



### Advantage SVOD?

**Sports, live events and exclusive premium content** still favor pay TV **BUT** price and scale of larger SVOD players might challenge traditional pay TV services in the near future:

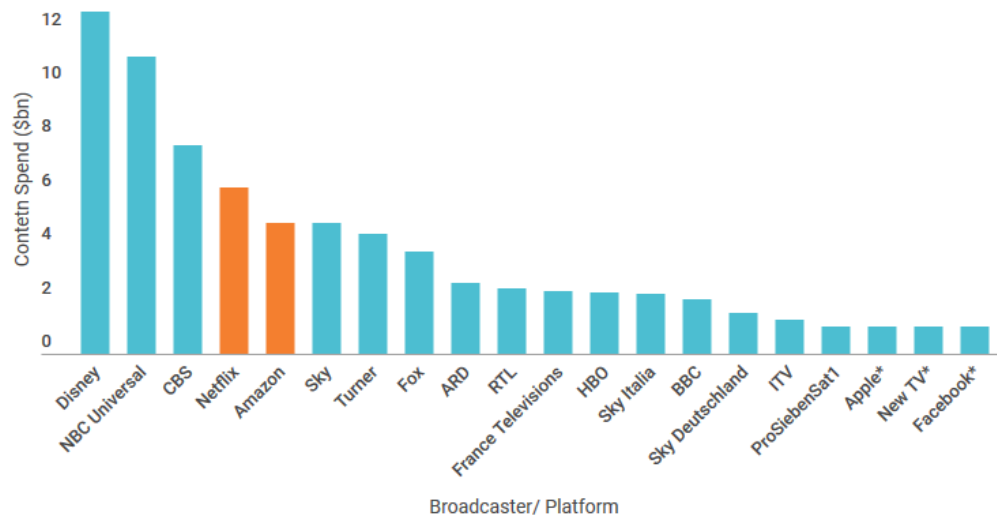
- Launch of direct-to-consumer services as hedge
- Integration of major SVOD services on pay TV platforms
- Loss of pay TV subscribers in DK (-4,9%), IT, GR, LU, SE and NL in 2017

## 2 – Focus on SVOD – Evolution - Content spend by major players

### ARPU

- SVOD and direct-to-consumer business have much lower revenues per user
- The challenge will be for traditional services to **continue to finance content** while earning less per subscriber in new business models
- The need for size and presence in several markets **OR** to distribute original content wider  
➔ Collaborations, coproductions and alliances

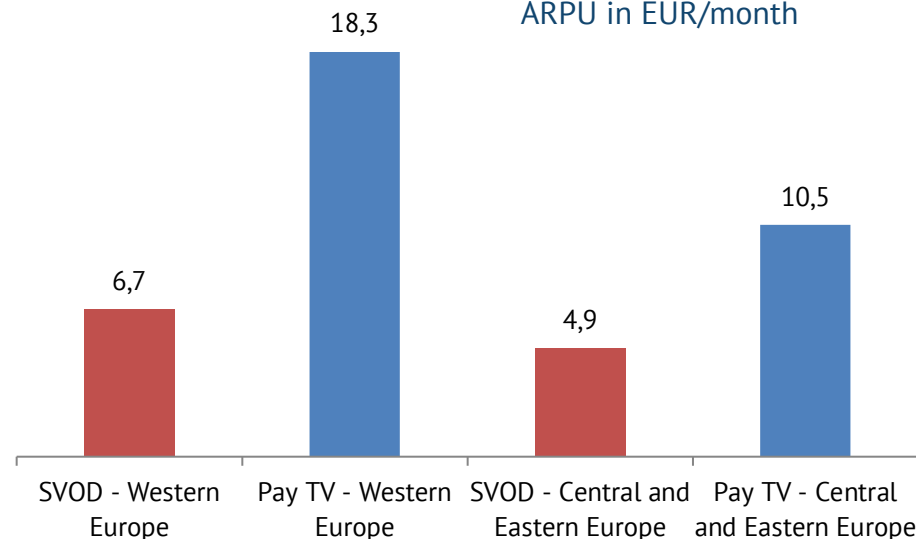
Spend on content (\$bn) for major broadcasters and platforms in 2017



Source: Ampere Analytics, as of June 2018

\*These are all speculative spend amounts based on press disclosures

### ARPU in EUR/month

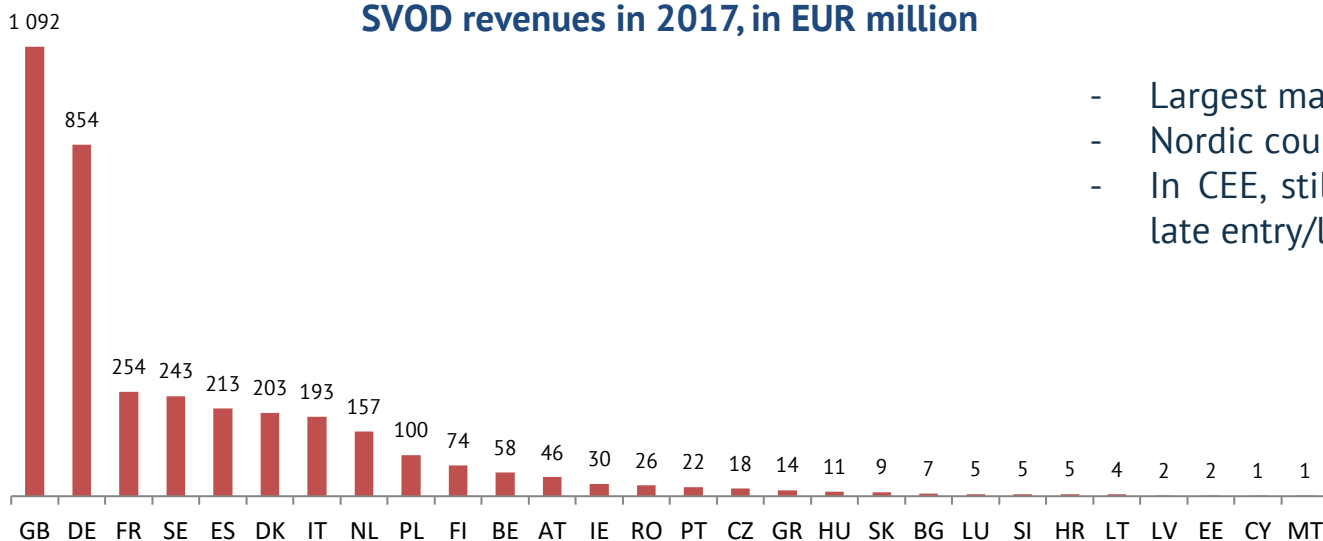


### CONTENT SPEND

- Netflix spent USD 6,2 billion and Amazon USD 4,9 billion in 2017 on original and acquired content
- This compares to USD 4,8 billion for Sky, USD 2,2 billion for Sky Italia and USD 1,5 for Sky Germany
- With new mega deals for content creators in the 100s of million dollars and the rising costs of premium content, traditional players will be challenged

## 2 – Focus on SVOD – Benchmark - the SVOD market by country in 2017

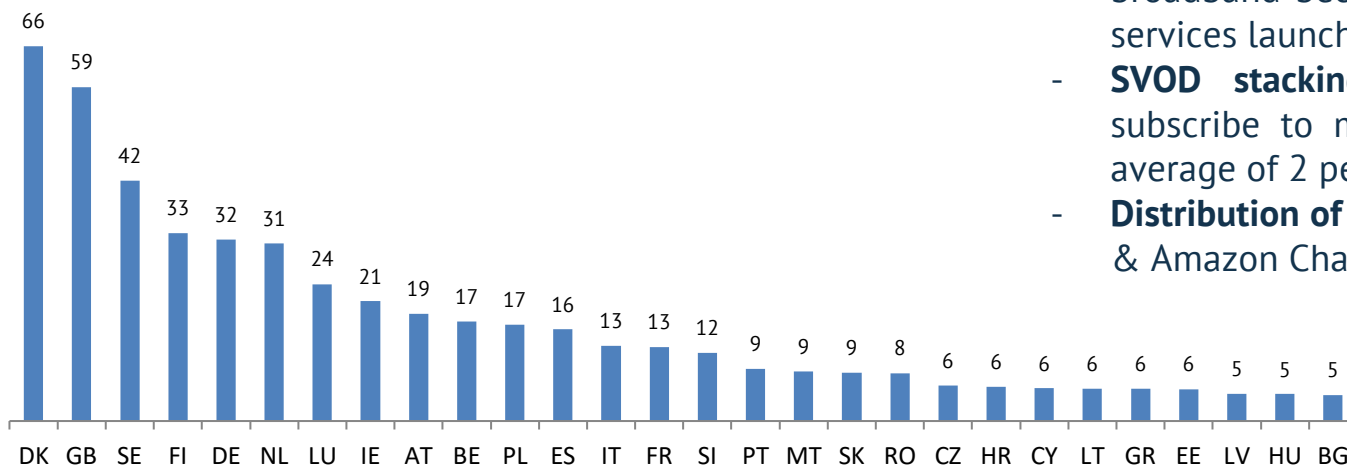
SVOD revenues in 2017, in EUR million



### Revenues

- Largest markets generate the most revenues
- Nordic countries early adopters and quick growth
- In CEE, still modest revenues and penetration – late entry/localisation of services?

Penetration of SVOD - RGUs per 100 households

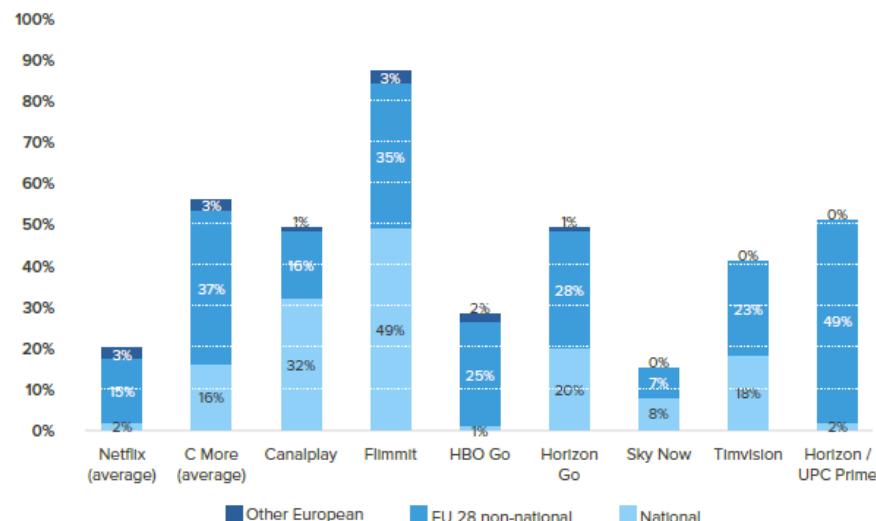


### Penetration

- Room for further growth in all markets as broadband becomes commodity + new and niche services launches
- **SVOD stacking** – SVOD consumers start to subscribe to more than 1 SVOD service, global average of 2 per HH
- **Distribution of SVOD services** on pay TV platforms & Amazon Channel could grow this trend

### **3. Films in VOD catalogues and Promotion of films on VOD services**

→ Share of national, EU 28 non-national and other European films in SVOD catalogues (November-December 2017)



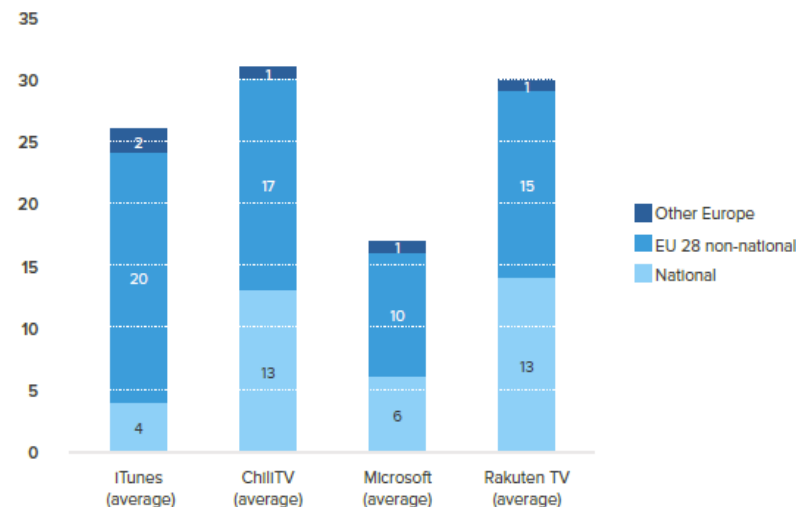
Source: European Audiovisual Observatory

### SVOD – 37 catalogues

- On average, **20% of EU films** in SVOD catalogues with big differences:
  - Netflix on average 17% of EU films and Sky Now TV 15%
  - Flimmit 84% of EU films, C More 53% and TIMvision 41%
- **National films** represent on average 2% in Netflix' catalogues, 18% for TIMvision and 49% for Flimmit

Netflix → **Impact of national film production:** The highest share of national films is found in the 5 biggest film producing countries

→ Share of EU films in the catalogues of pan-European TVOD services (November-December 2017)

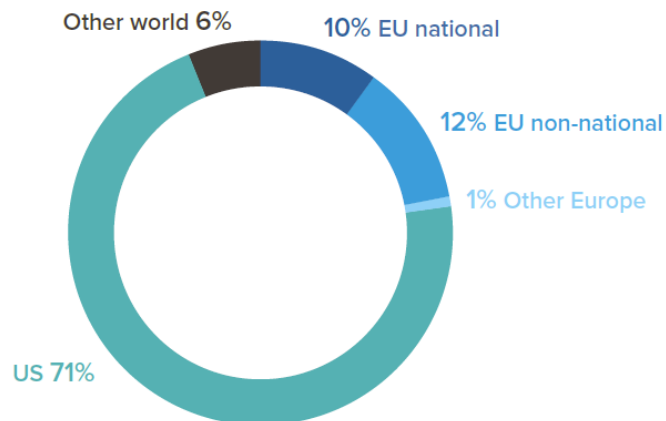


Source: European Audiovisual Observatory

### TVOD – 47 catalogues

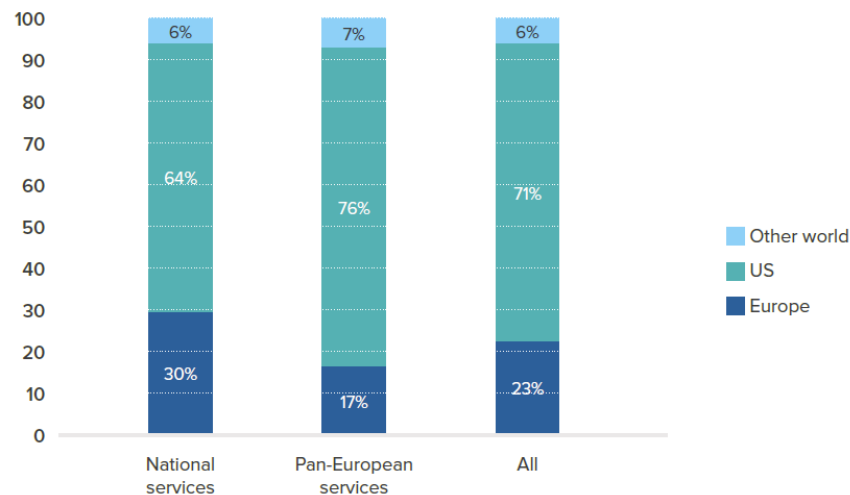
- Between **17% and 30% of EU films** in catalogues
  - Rakuten and ChiliTV shared almost same proportions of EU films and weight of national films among EU films (45% and 48%) → **Adapt catalogues to national markets**
  - iTunes and Microsoft, 24% and 16% of EU films, weight of national films among EU films respectively 16% and 37% → Circulation of the same EU titles for iTunes, adaption to national markets for Microsoft
- Strong **variation of catalogue size** for a same service between country catalogues
- US titles circulated better among catalogues of a same service

### → Breakdown of promotional spots by origin of content (2017)



Source: European Audiovisual Observatory for the European Commission

### → Origin of films promoted by national and pan-European TVOD services (2017)



Source: European Audiovisual Observatory for the European Commission

- 39 TVOD services in 5 EU countries (BE, FR, DE, NL, GB)
- October 2017 → 260 different films promoted on average
- **68% were recent films** produced in 2016/2017 and they represented 90% of promotional spots
- **10 most promoted films** accounted on average for **32% of all available spots** (27% in BE to 41% in GB)

- **23% of promotional spots for EU films** (34% in FR to 13% in GB) / 71% for US films
- **Majority of EU promotional spots for national films in FR, GB and DE and for EU non-national in BE and NL**
- Significant **differences between national players who promote more EU films** (30%) than pan-European service (17%).
- BUT also iTunes allocated 30% of promotional spots to EU films whereas Xbox Live only 4%



**More information:**  
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