

Trends in the VOD market in EU28

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Outlook – A structural shift on the audiovisual market?

Setting the scene

- ▶ This report takes a closer look at the evolution of the **subscription video on demand (SVOD)**, **transactional video on demand (TVOD)** and **advertising-financed/broadcaster video on demand (AVOD/BVOD)** markets in EU28 and their impact on the traditional audiovisual market on the segments in which they are competing for revenues and consumers' attention. The data covers the timeframe 2010-2020 and therefore includes UK data as pre-Brexit statistics.
- ▶ **SVOD** services are competing for consumer spend on entertainment subscriptions. Therefore, they compete with traditional pay TV services on the audiovisual market. The questions are then, how do they perform in the competition for consumer entertainment spend with their equivalent services on the traditional media sector, and what does the future hold for the relationship between SVOD and pay TV players? With the rapid penetration of SVOD into European households and ever-increasing widespread use by consumers, another question, and a more global one, is how will these services impact the audiovisual market as a whole?
- ▶ **TVOD** is the transposition of buying or renting content (film, TV content) into the digital landscape. Since the advent of VHS in the 1970s, then DVD and Blu-ray players, the audiovisual home entertainment was created. It was possible for consumers to watch theatrical films (and more rarely TV series) in the comfort of their homes, through a transaction (rent/retail) for physical video, in a window just following the theatrical release of films. Retailers and video clubs catered to this “new” home entertainment option. TVOD services in the early 2000s began to offer their own retail and rent services for films and TV services, and gradually took over consumer spend for transactional home entertainment. The questions are then, to which degree have TVOD services replaced the physical transactional market and what was their overall impact on the transactional home entertainment market?
- ▶ Finally, in the last years, **AVOD/BVOD** services have begun to find their audiences, offering ‘free’ access to consumers to content in exchange of their willingness to watch advertisements. These new services are competing for advertising budgets of advertisers and hold the promise to exploit user data for a better targeting and more individualised advertising, which is the cornerstone of online advertising. Therefore, they are starting to compete with traditional TV advertising players and could be the transition from a mass-advertising market towards a more individualised, targeted advertising market in the audiovisual sector. The market is still nascent but holds a lot of promise in an era in which consumers spend more time online and the entertainment sector undergoes a transition, from a mass entertainment market as it is the case with broadcast television towards a more individualised, user-controlled entertainment market. As the entertainment market transforms itself, so does the advertising market. What is then the impact of AVOD/BVOD services on the traditional TV advertising market? Is a shift of budgets already visible?

- ▶ Abbreviations:
 - ARPU: average revenue per user
 - AVOD: advertising-financed video on demand
 - BVOD: broadcaster video on demand
 - CAGR: compound annual growth rate
 - OTT: over the top
 - PVOD: premium video on demand
 - SVOD: subscription video on demand
 - TVOD: transactional video on demand

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- ▶ Opinions expressed in this publication are personal and do not necessarily represent the view of the European Audiovisual Observatory, its members or the Council of Europe.
- ▶ Sources for market data: European Audiovisual Observatory’s reports and Yearbook, Ampere Analysis, MAVISE, Warc, EBU/MIS company/public reports, news articles.
- ▶ Sources for VOD content data: JustWatch, Filmtoro, Chili, La Pantalla Digital, EUROVOD, AQOA, LUMIERE VOD.

1.
Main figures and evolution
in
the paid VOD market
in EU28

1 – Explosive growth over the past 10 years, driven by SVOD revenues

The growth of the VOD market in EU28 was mainly driven by SVOD revenues

- ▶ VOD revenues passed from EUR 388.8 million in 2010 to **EUR 11.6 billion in 2020** driven by a **surge of SVOD revenues**, from a mere EUR 12.1 million in 2010 to **EUR 9.7 billion in 2020** while TVOD revenues were multiplied by a factor of 5, from EUR 376.7 million in 2010 to EUR 1.9 billion in 2020.
- ▶ While the EU28 **SVOD market really took off with the entry of Netflix on the European market** and the launches of SVOD services by media players, the **TVOD market was expanded by the wide availability of global and national TVOD services** to EU consumers on their devices and the **digital release of theatrical films** on these services, **at the expense of the physical home entertainment market.**

Two **interplaying factors on the demand and offer side** determined and will continue to determine the **increase in SVOD revenues and subscribers**:

- ▶ **Demand: Rapid consumer adoption** and a **shift in content consumption preferences** from ownership of content towards access to content, any time, on any device and any where.
- ▶ **Supply: Numerous launches of international and national direct-to-consumer SVOD services in EU countries** by media players (commercial, pay and public TV, media conglomerates, telecom players, distributors) and new entrants, **with increased content investments** for their streaming services, ushering an era of “peak TV” and a large availability of premium content.

For **TVOD revenues**, the growth was helped by **a large selection of content available to rent or buy** and the **widespread availability of TVOD services on consumer devices**

- ▶ Retail revenues increased at a faster pace than rental revenues, helped by a shorter release window of theatrical films and a decline of consumer spending on DVDs and other physical home entertainment.

However, in 2019 **VOD revenues still represented a fraction of revenues** on the EU audiovisual market even if their growth is highlighting a **structural shift of the audiovisual market towards a future of on-demand direct-to-consumer business models**

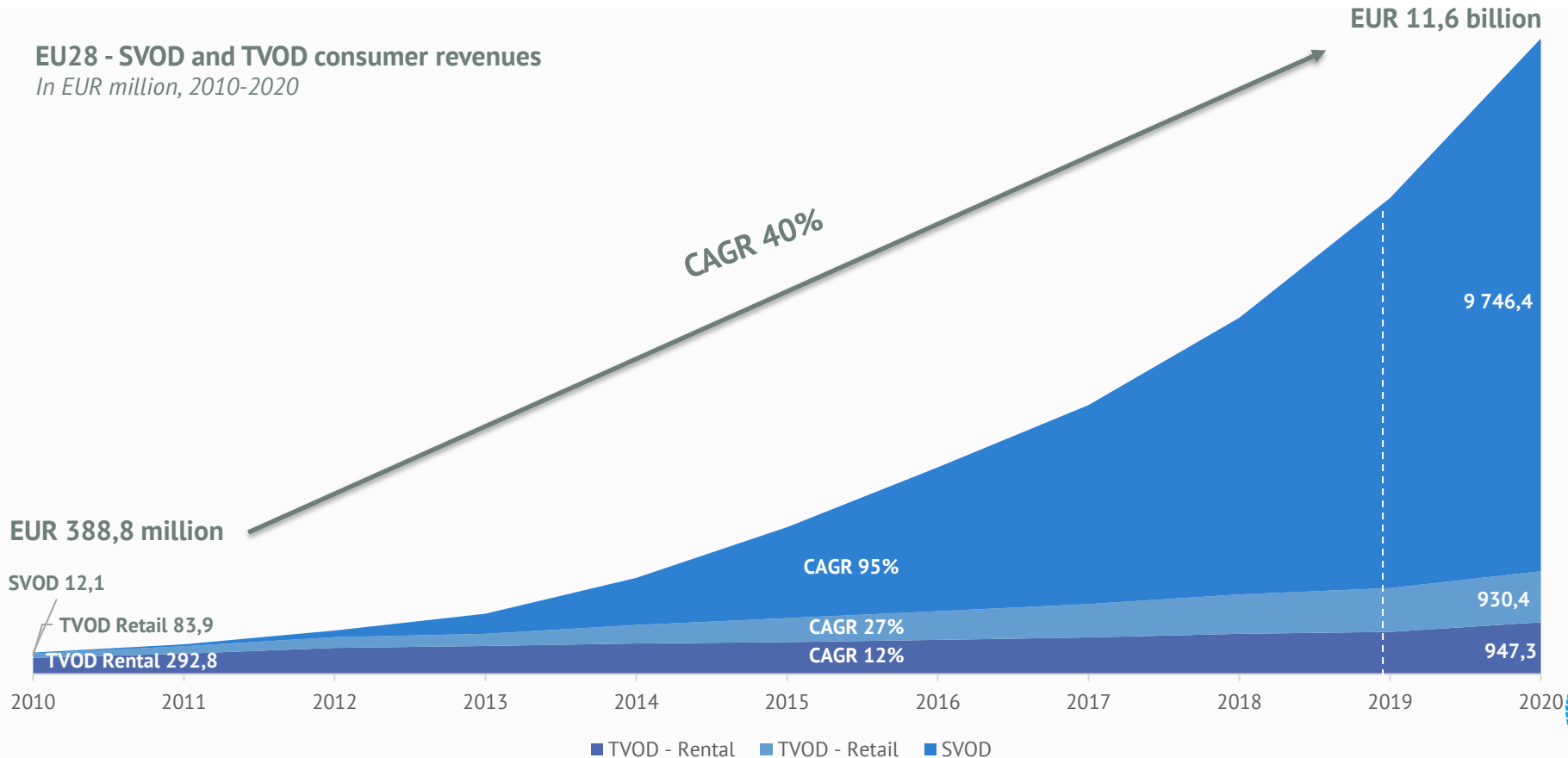
- ▶ **VOD revenues represented 7%** of overall market revenues of EUR 114 billion,
- ▶ but VOD revenues, and especially **SVOD revenues, are the growth drivers**, as other market segments are either stagnant or declining (except for box office revenues).

VOD revenues – from EUR 388.8 million in 2010 to EUR 11.6 billion in 2020

- ▶ **VOD consumer revenues** were **multiplied by a factor of 30** over a 10 year period in EU28, to an estimated **EUR 11,6 billion**.
- ▶ The compound annual growth rate (CAGR) of the VOD market was 40% over this period but with stark differences – SVOD's CAGR of 95% versus TVOD's retail of 27% and TVOD's rental of 12%.
- ▶ Since 2013, **SVOD has become the main revenue growth driver** on the VOD market and the past 2 years also the main growth driver of the EU28 audiovisual market.
- ▶ This growth is due **to many factors and changes on the demand and supply side**, enabled by over-the-top video distribution, increased broadband penetration and digitisation of content.

EU28 - SVOD and TVOD consumer revenues

In EUR million, 2010-2020



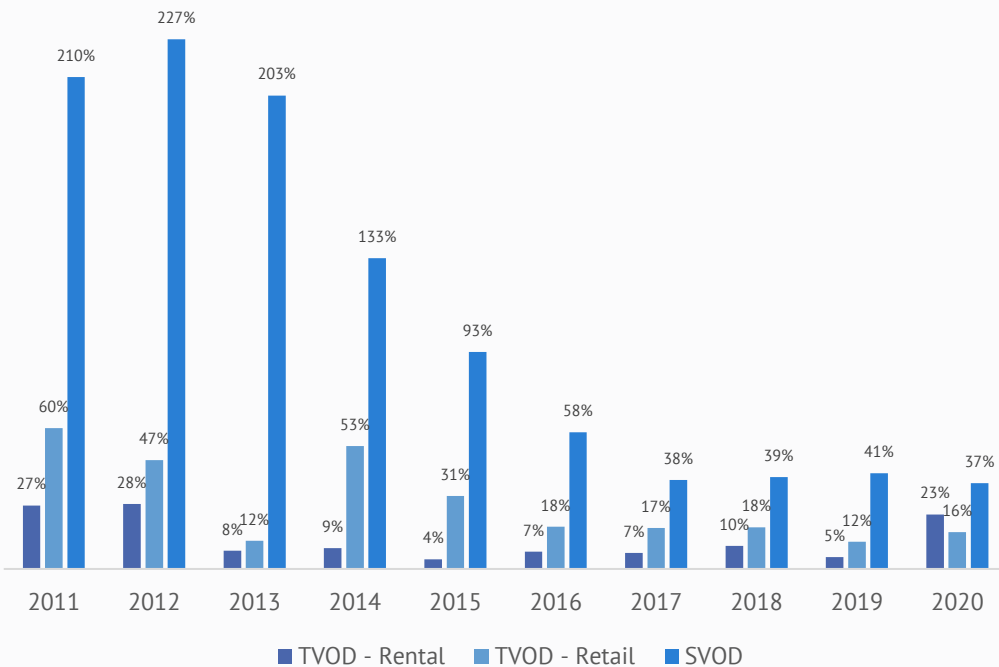
Source: Ampere Analysis

Growth – explosive growth of SVOD revenues changed the VOD market

- ▶ **SVOD revenues** accounted for only 3% of the EUR 300 million VOD revenues in 2010 but **soared to represent 84% of the EUR 11,6 billion generated in 2020.**
- ▶ TVOD rental, representing 75% of VOD revenues in 2010, decreased to only 8% in 2020 – **paying and not owning becomes less attractive.**
- ▶ **Retail revenues grew at a faster pace** and will surpass rental revenues in the two coming years but still be a fraction of SVOD revenues.
- ▶ This **evolution also reflects trends on other entertainment markets** (music, video games) – consumers increasingly prefer access to content than ownership of content and adopted quickly the habit to pay a flat fee to unlimited access to entertainment.

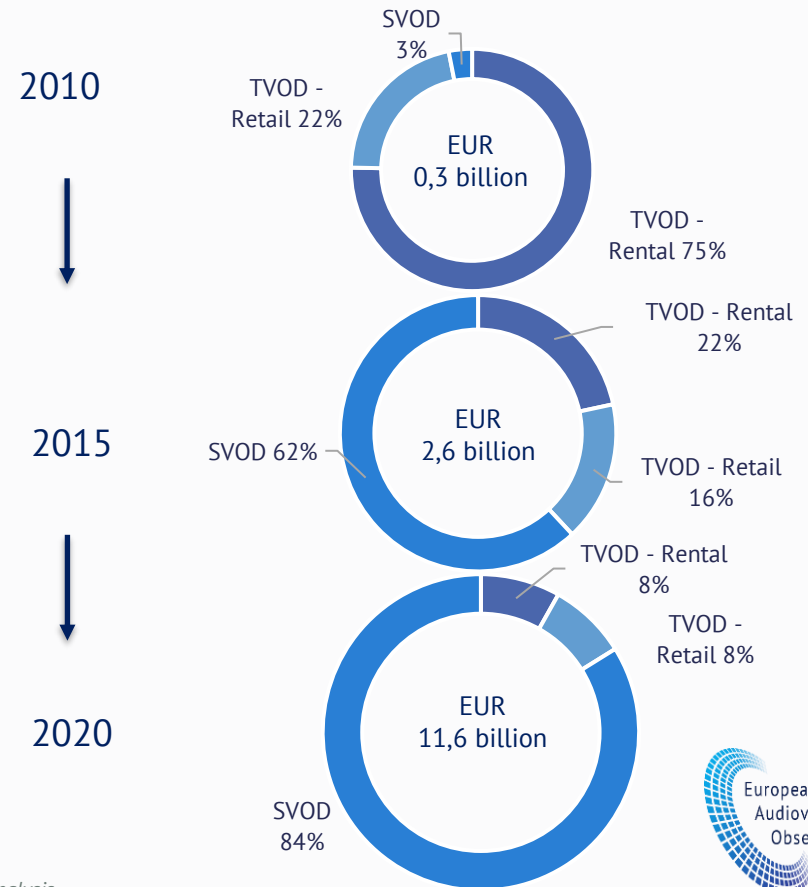
EU28 - Yearly growth rates of VOD revenues

In % of revenue growth by business model, 2011-2020



EU28 - Weight of revenues in VOD market by business model

In % of overall VOD revenues, 2010/2015/2020



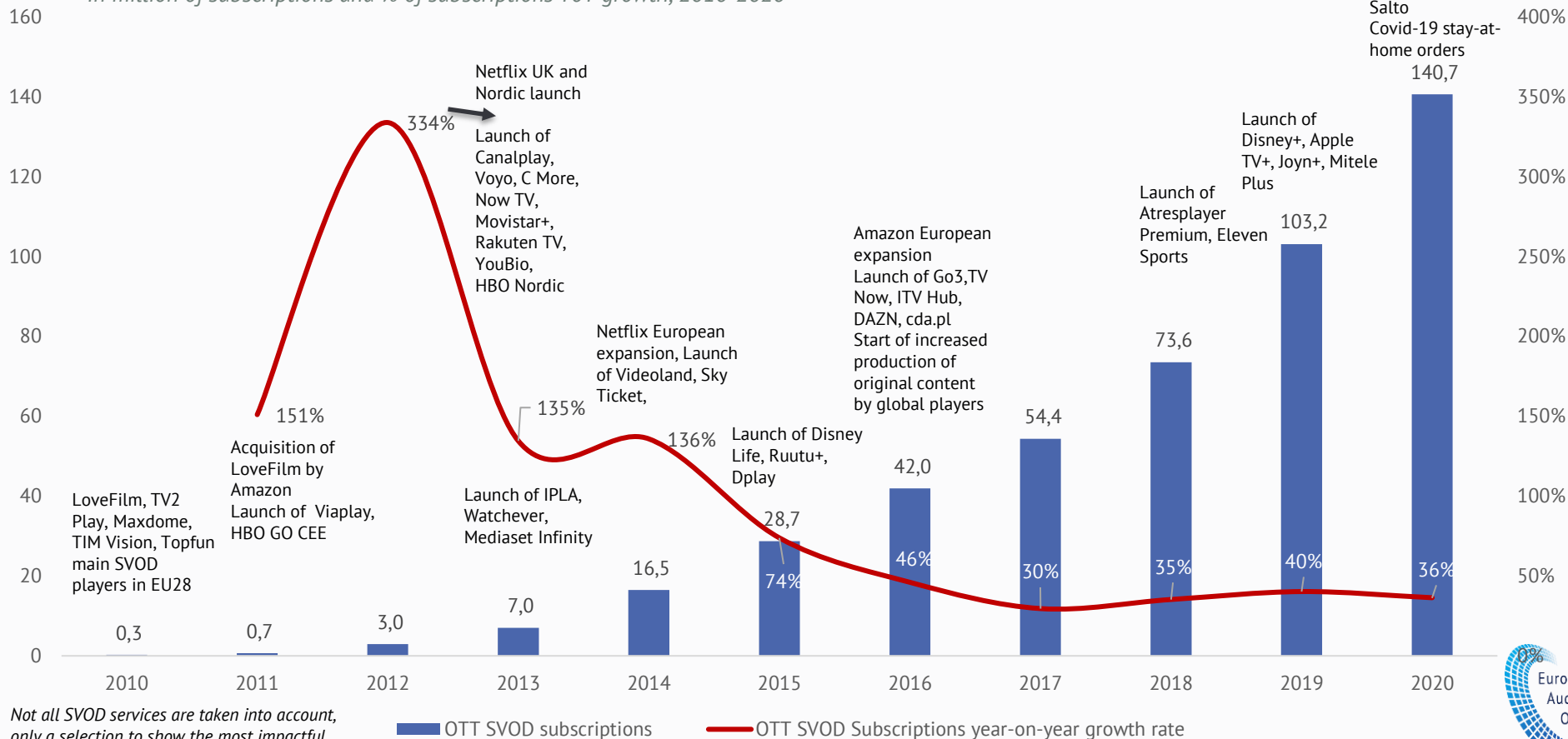
Source: Ampere Analysis

SVOD - Rapid consumer adoption through an increasing number of service launches

- SVOD services profited **from rapid consumer adoption** - the launch of Netflix and several other services in 2011 and 2012 started the uptake in subscriptions of EU consumers and their **shift in content consumption**.
- Launches of **direct-to-consumer streaming services** by pay TV, commercial TV, telecom and tech players the past 8 years furthermore increased this trend with **140 million subscriptions to SVOD services** at the end of 2020.
- As **SVOD is becoming mainstream** and other players are preparing launches of services, **the market will continue to grow over the next years**.

EU28 - Subscriptions to OTT SVOD

In million of subscriptions and % of subscriptions YoY growth, 2010-2020



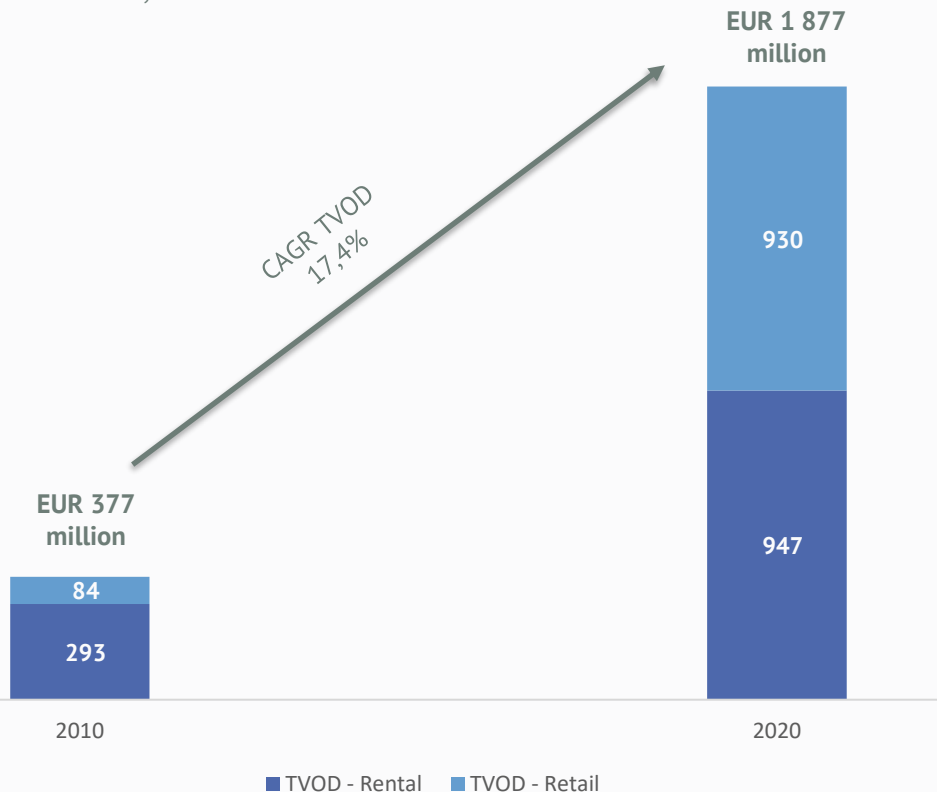
Source: Ampere Analysis

TVOD – A shift from rental towards retail by consumers

- Whereas TVOD revenues were mostly generated through rentals in 2010, over the past years **retail took an increased importance in transactional VOD spend**, as they generate a higher revenue per transaction.
- Reduced windows for theatrical films could further boost TVOD retails as could **Premium VOD**.
- The **TVOD market experienced an uplift in 2020 due to stay-at-home orders and digital releases of theatrical films** (due to closed cinemas) which increased TVOD consumption, be it for rental or retail.
- However, with the increase of SVOD usage and consumers' growing habit of paying a flat fee to have access to content, the TVOD market will be driven mostly by films and helped by earlier windows than other distribution channels.

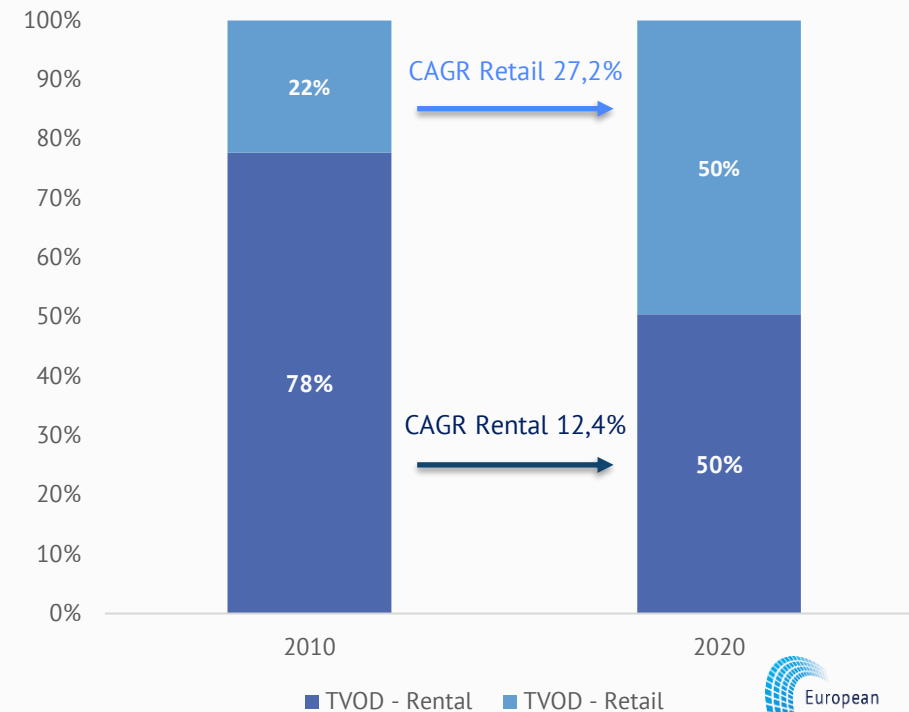
EU28 TVOD – Rental and retail revenues

In EUR million, 2010-2020



EU28 TVOD – Share of rental and retail revenues

In % of total TVOD revenues, 2010-2020

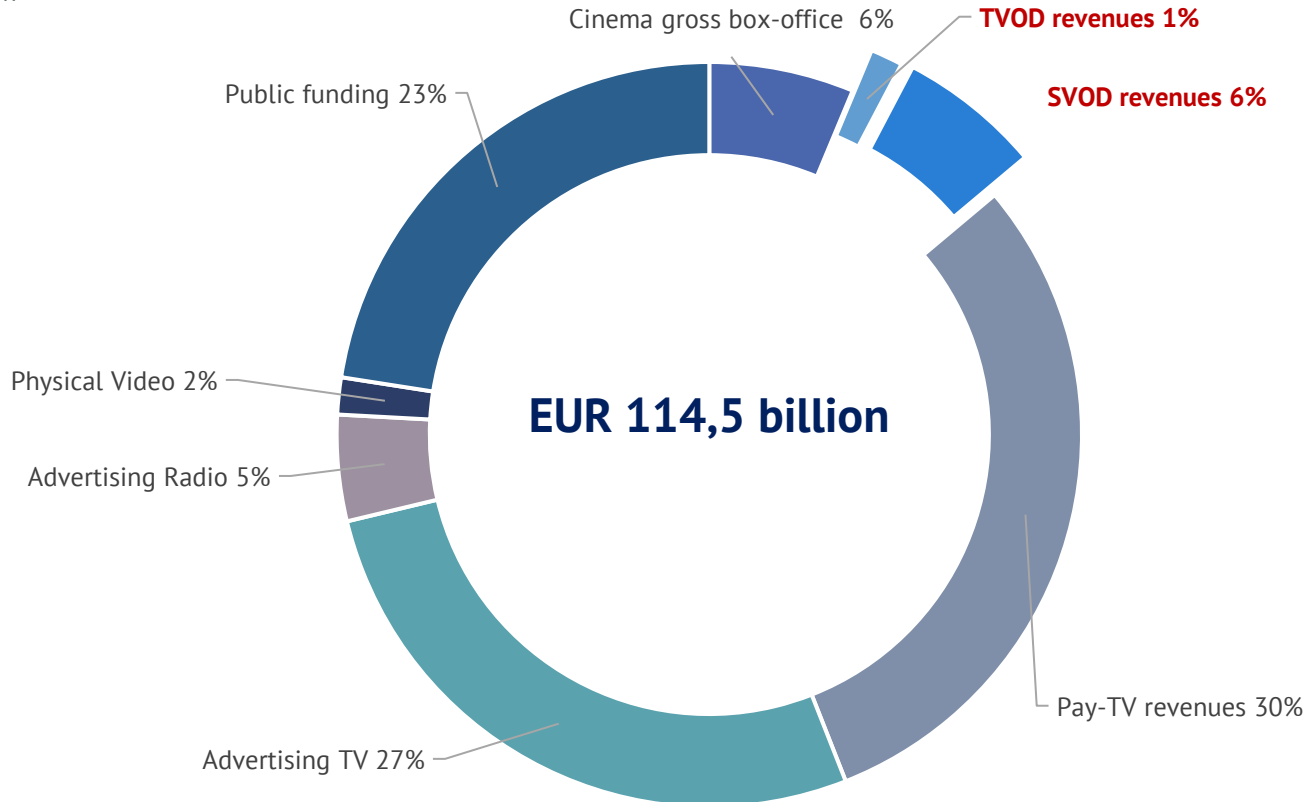


VOD is still a small part of revenues generated on the EU28 audiovisual market

- ▶ In 2019, **VOD only represented 7% of the 114,5 billion revenues** generated on the EU28 audiovisual market.
- ▶ However, **TVOD and SVOD revenues were by far the fastest growing revenue segments in 2019**, a trend that should also be the case in 2020 in light of the difficulties of other segments, notably cinema box office and TV advertising, during the Covid-19 crisis.
- ▶ Most other segments were either stagnant or declining.

EU28 - Audiovisual market revenues by segment in 2019

In EUR billion



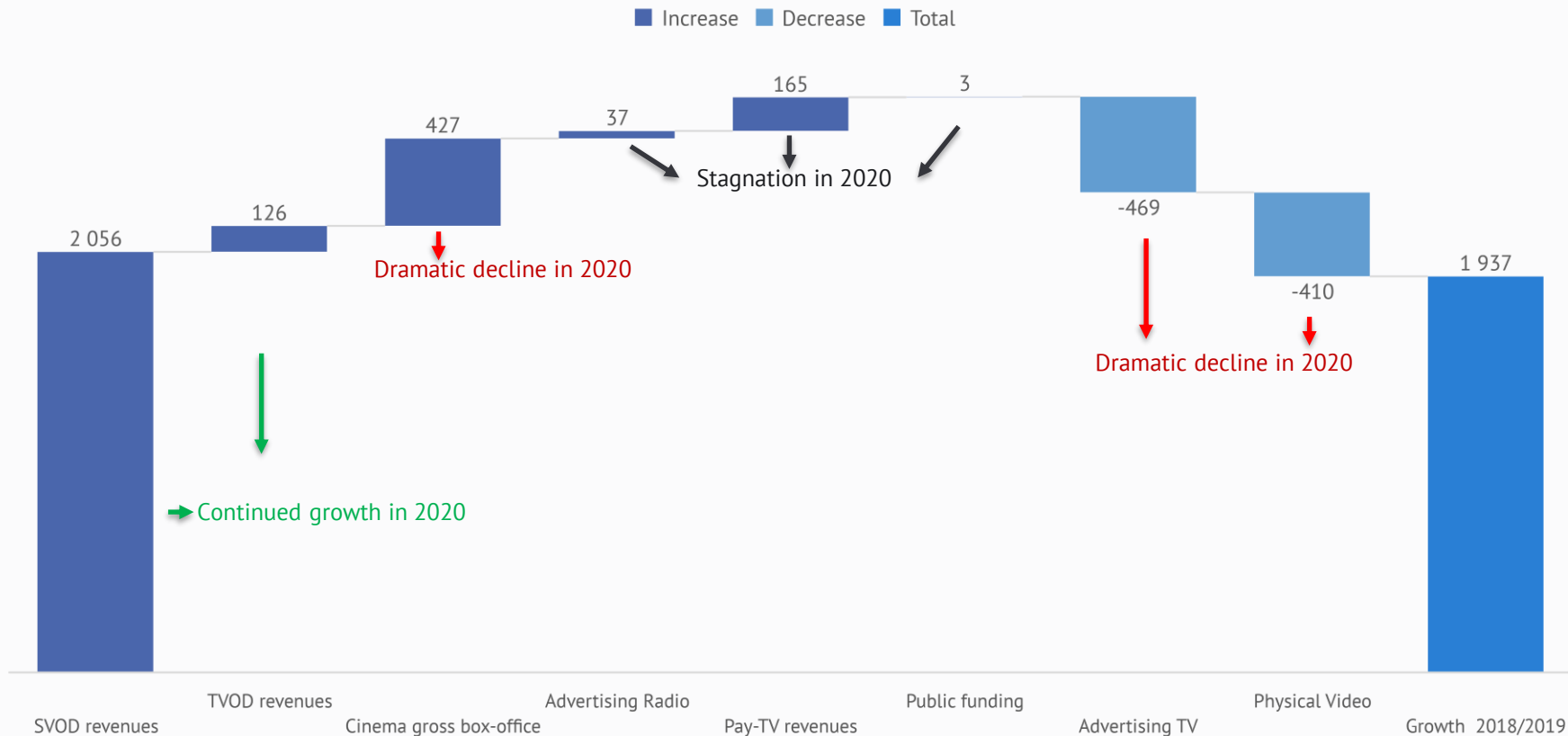
Source: OBS, Ampere Analysis, Warc, EBU/MIS, company/public reports

Without SVOD revenues, the EU audiovisual market would have decreased in 2019

- ▶ With stagnant and declining market segments, VOD revenues compensate the fall of revenues of other segments.
- ▶ This trend will be reinforced in 2020, as VOD services experienced increased subscriber take-ups or digital transactions while other segments will experience a sharp decline of their revenues (TV advertising, box office).
- ▶ Furthermore, this reflects a structural change on the audiovisual market, present before 2020, accelerated by the economic crisis and an increased focus of media players on direct-to-consumer streaming services.

EU28 - Audiovisual market - Increase and decrease in revenues 2018/2019 by market segment

In EUR million



Source: Ampere Analysis

2.
Focus
on the
EU28
SVOD market

A shift in the business rules of the audiovisual sector – A look at the past

How did the shift occur?

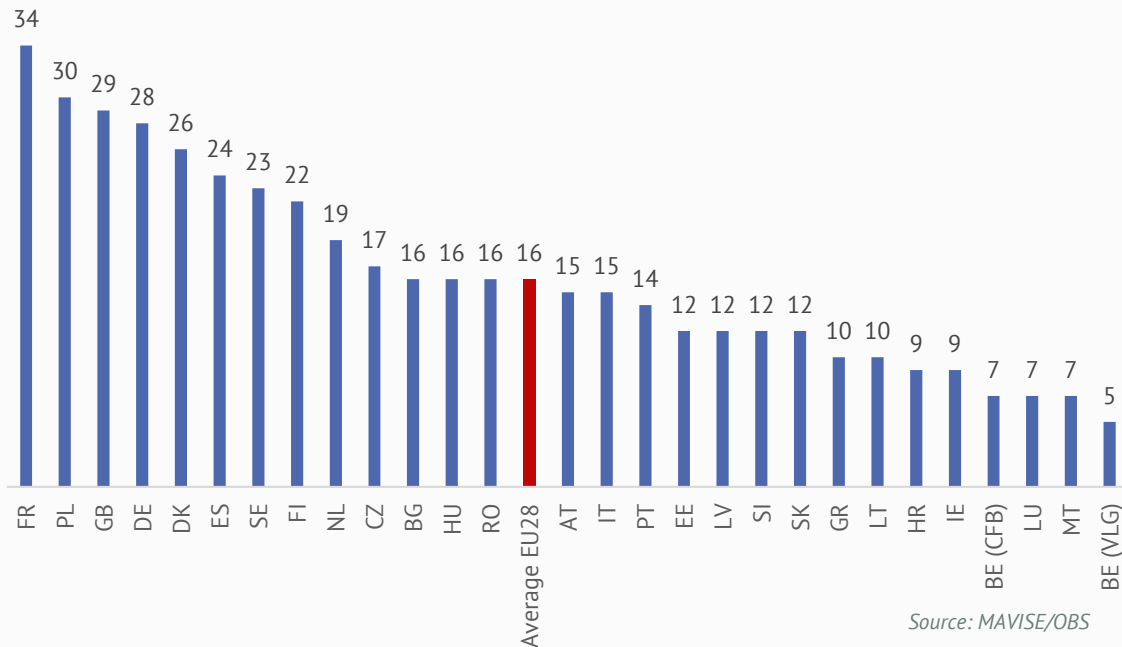
- ▶ The main disruption brought by “over-the-top” digital video content distribution is **to bypass/eliminate traditional distributors** of audiovisual content (pay TV, broadcast channels, telecom players) and establish a direct connection to viewers, thus allowing for a **direct-to-consumer business model (DTC) on the media sector**.
- ▶ OTT distribution also allowed **new entrants** into the European media sector and **grew the competition for audiences’ attention and entertainment budgets for national/local media players**.
- ▶ With the **entrance of new players**, most notably Netflix and Amazon, and **launches of new services by traditional media players** (e.g. TIM Vision, maxdome, CanalPlay Infinity), the almost inexistent European SVOD market started to grow at a fast pace around 2011/2012.
- ▶ **SVOD revenues and subscribers were negligible compared to traditional revenues** on the audiovisual market: pay TV revenues, TV advertising spend, box office, home entertainment revenues and public funding.
- ▶ SVOD services mostly **licensed content** (films, TV content) **already exploited in other windows** (theatrical, home entertainment, pay TV, free TV), **produced and owned by studios, production/distribution companies and broadcasters**.
- ▶ Most of these **established media players**, on the EU and international markets, **did not launch their own DTC services: not wanting to cannibalise their (higher) existing revenue streams than those on the nascent SVOD market**, they rather saw licensing to SVOD services as an **additional revenue source** than as a threat to their business model.
- ▶ However, the **value proposition of SVOD for consumers** quickly changed consumer expectations: being able to consume (premium) content **any time, any where and on any devices, with no interruptions** such as TV advertising or a week-long wait for the next episode of TV series, **at a much lower cost point than traditional pay TV**, with an easy-to-use **interface** and a good **user experience**, provoked a shift for subscribers in their perceived value of traditional media services and their offerings.
- ▶ In the past years, traditional media players rushed to adapt to this new era in content consumption and the changes brought by new entrants on the European, but also worldwide, audiovisual sector by launching their own direct-to-consumer streaming service. The question can be asked if this is too little, too late and if the mindset and competencies that helped them succeed in a landscape in which competition was national and audiences were ‘captive’ will prepare them for this new future.

Explosion of supply - A large number of services available to EU consumers, global and local ones

- At the beginning of 2020, **460 SVOD catalogues were available in EU28 operated by 200 different SVOD services**. The different language catalogues of services operating on a pan-European or multi-country basis explain the difference between number of services and number of available catalogues. **Please visit MAVISE for more information on VOD services in Europe.**
- The available **SVOD catalogues content offer range from general entertainment services to niche services**, with a large majority offering film and TV fiction in their catalogues.
- When the number of countries in which a given service operates is observed, the **services present in more than 5 countries**, with the exception of the curated art house film service MUBI, **are operated by global tech and entertainment players** Netflix, Google, Amazon, the Walt Disney Company, Comcast's Sky, Discovery, AT&T's WarnerMedia, Apple, NBC Universal and AMC Networks.
- In all EU28 countries, local services**, ranging from entertainment to niche services, do also operate and compete for customers' media budgets. **These services are operated by national broadcasters, telecom players, distributors/producers or pure VOD players.**

EU28 - Number of SVOD services available by country

In number of SVOD services, 2020



Top SVOD services by country presence in EU28

In number of countries, 2020

SVOD services	Number of EU28 countries
Netflix	28
Amazon Prime Video	28
YouTube Premium	28
Apple TV+	26
MUBI	19
HBO	16
Disney+	13
Eurosport Player	12
Hayu	8
Acorn TV	7
Sky	5

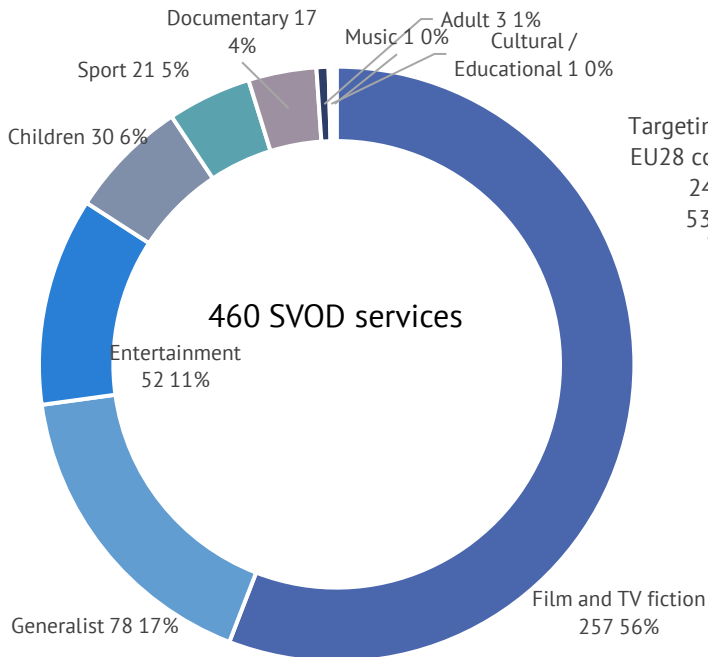
Source: MAVISE/OBS/press releases

SVOD services focused on general entertainment and starting to launch localised versions

- ▶ The vast (84%) majority of **the 460 SVOD catalogues available to EU28 consumers are offering films, TV fiction and general entertainment content** – this can be mainstream but also niche content. Children content, sport and documentaries services remain limited to a low number of services.
- ▶ OTT distribution allows these services to reach consumers in other member states, with **53% of the 460 services targeting another EU28 country of their market of establishment.**
- ▶ This is due to **country “hubs” of SVOD services**, mostly in the UK (113 established services), Ireland (53), the Netherlands (40), Spain (38), France (37), Germany (20) and Sweden (20) and the Czech Republic (16).
- ▶ And as SVOD services try to convince national audiences, their **user interface are getting also more localised** than at the beginning of the decade.
- ▶ **National players lead of course the localisation of their user interface** in their local languages but this has also been **followed by global players**, as they try to reach beyond younger generations and early adopters.

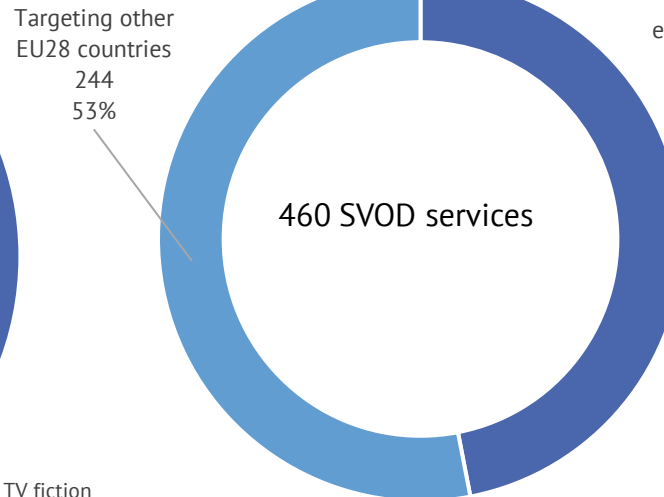
EU28 - Genre of SVOD services available

In number of services, 2020



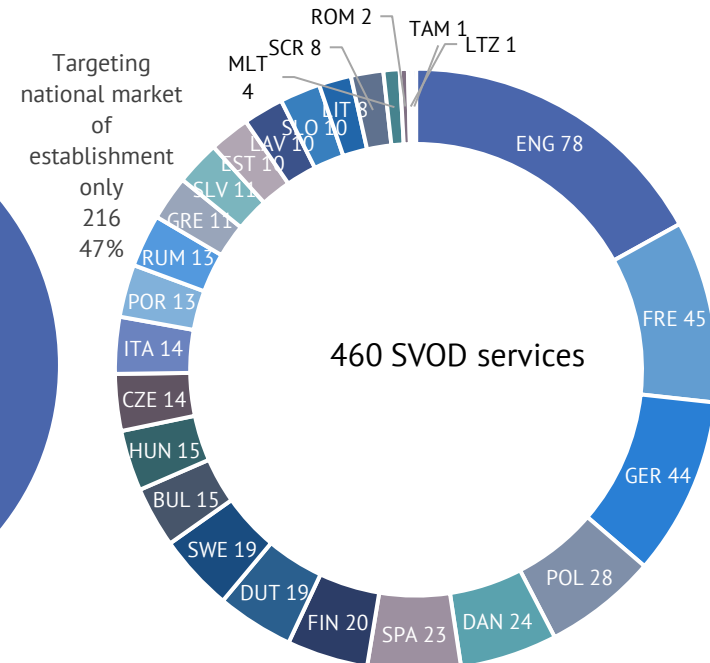
EU28 – Targeting other EU28 countries

In number of services, 2020



EU28 – Language* of SVOD services

In number of services, 2020

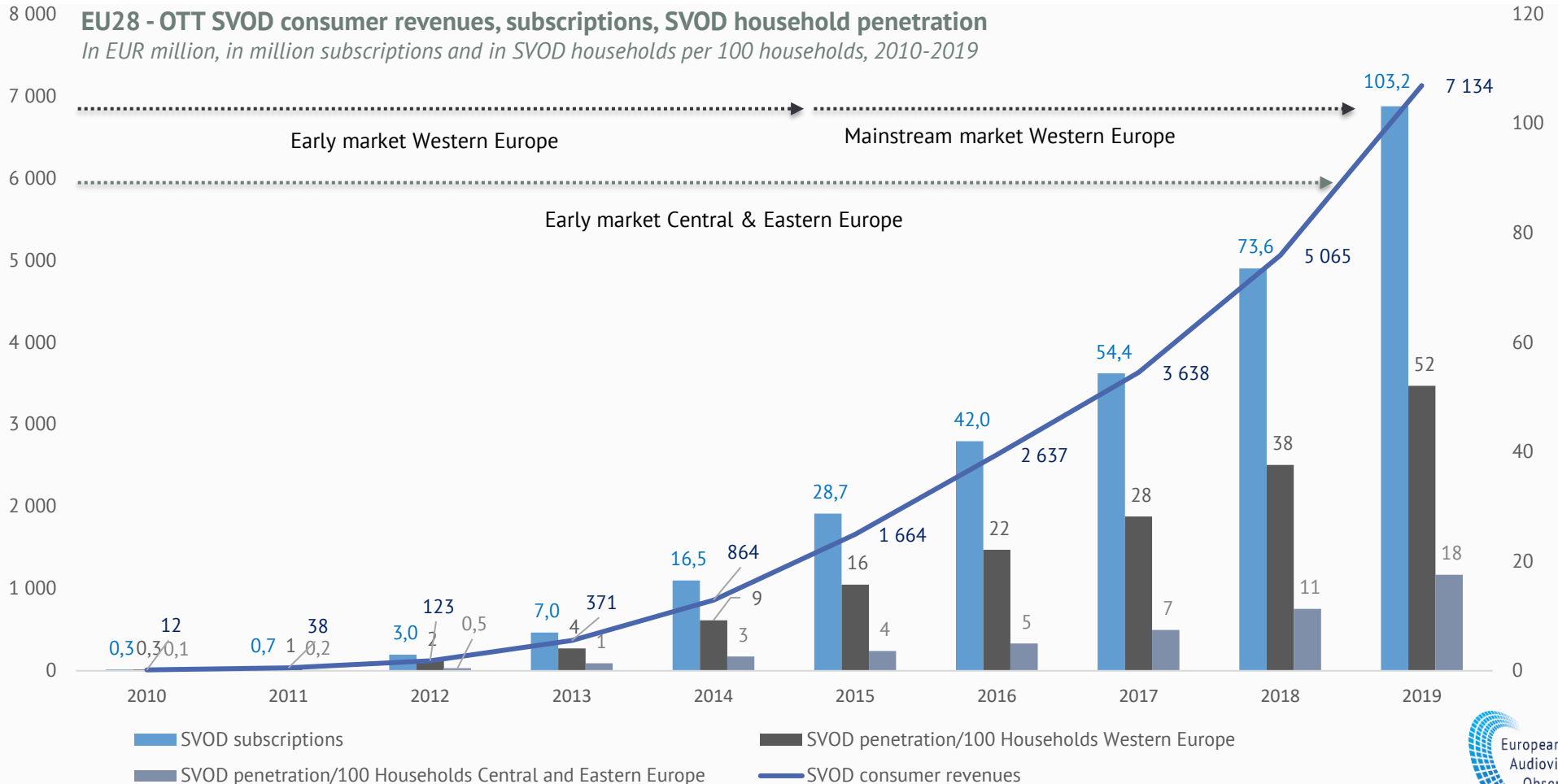


Source: MAVISE/OBS

*localised versions of interface

Explosion of demand for SVOD services

- The **rapid rise** in revenues and subscribers **was mainly driven by Western European markets** in which SVOD penetration rapidly increased, benefiting from higher broadband availability and higher consumer media budgets.
- With 103 million subscriptions and EUR 7,1 billion in revenues, the growth **emphasises rapidly changing consumer behaviours** and pushed traditional **media players to rely more intensively on direct-to-consumer streaming services** to be able to compete with tech players on this new media segment. The market became **mainstream in Western Europe in 2015** and is still an early market in CEE.



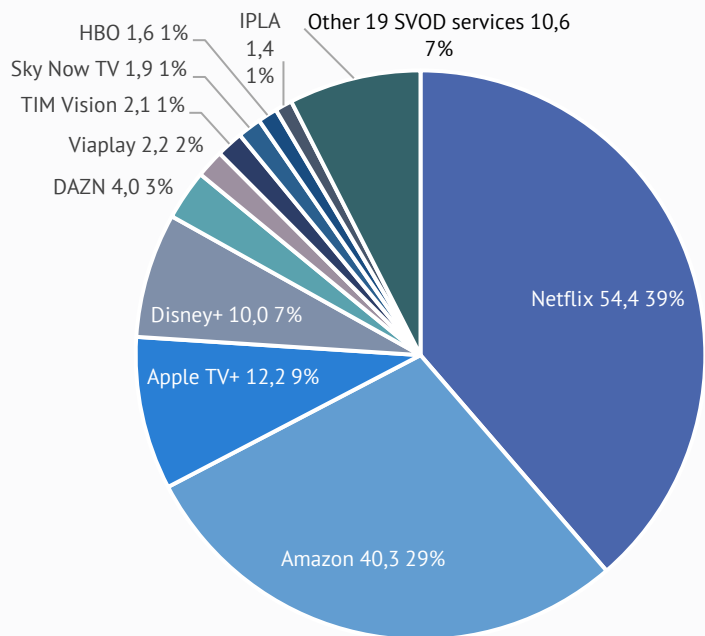
Source: Ampere Analysis

The demand is captured by a few global players

- ▶ As scale is important, and **only global pan-European players compete for subscribers in each national European market**, it is no surprise that global services dominate the EU28 SVOD market in subscriber numbers and revenues.
- ▶ However, **more developed European markets**, such as the Nordics, the UK, the Netherlands have also **strong national/local players**, often launched by local pay TV groups or broadcasters.
- ▶ New entrants Disney and Apple, whose SVOD service is still free of charge for Apple device holders, quickly added subscribers and in the case of Disney, SVOD revenues, and are planning increased investments into content the coming years.
- ▶ SVOD is **not a market with a “winner-takes-all” outcome** – several players will coexist and compete **but only a few will dominate**.
- ▶ The question of **how to achieve a road to profitability** for most players will be **a key determinant on further market consolidation**.

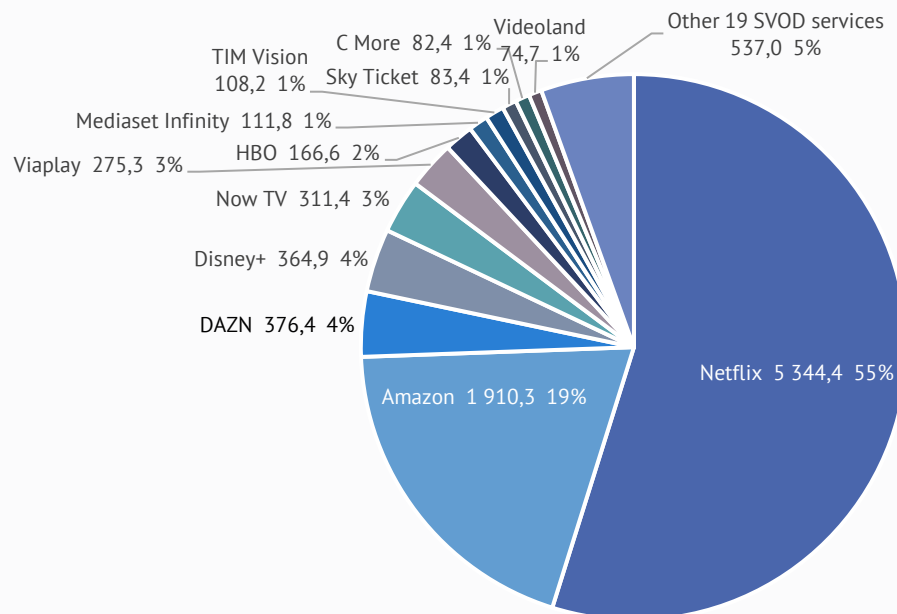
EU28 - SVOD subscribers by company

In million of subscribers, 2020



EU28 - SVOD revenues by company

In EUR million, 2020



Others: Mediaset Infinity, Joyn Plus, TV Now, Videoland, Dplay, TV2 Play, Voyo, C More, Sky Ticket, ITV Hub+, Streamz, Player.pl, Atresplayer Premium, cda.pl, Ruutu+, Mitele Plus, Rakuten TV, Go3, Eleven Sport

Source: Ampere Analysis

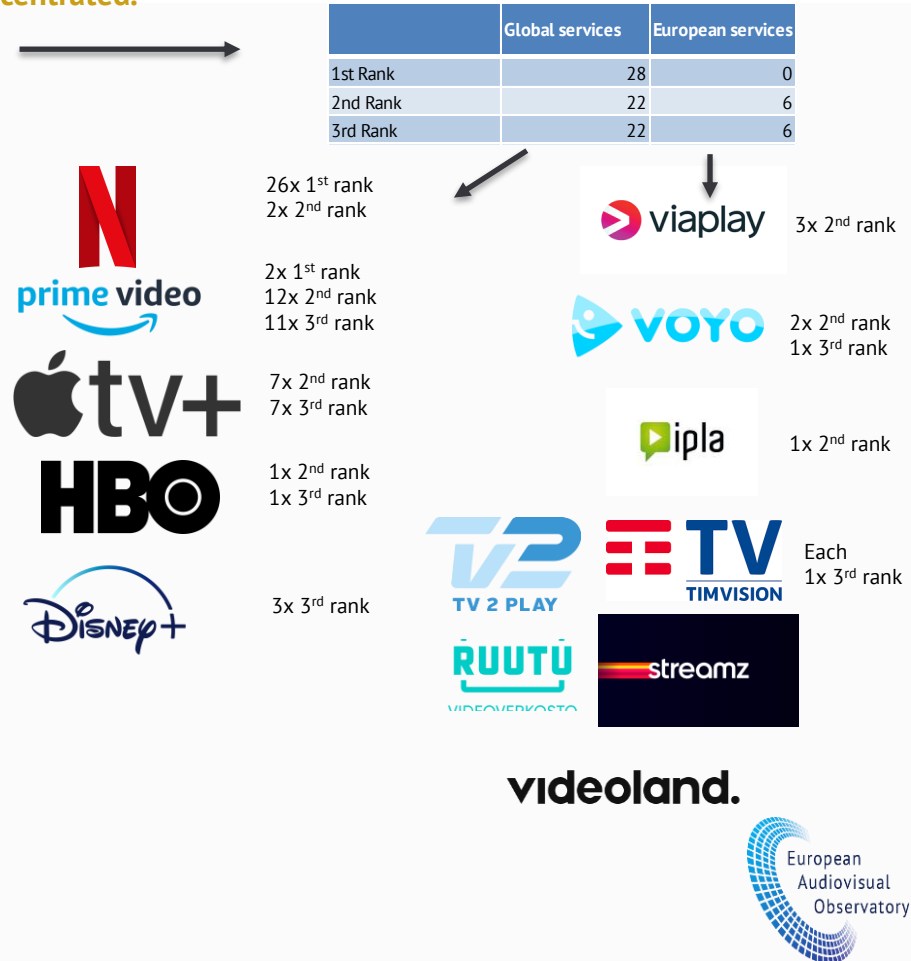
Global services lead but local players find their audience

- ▶ A quick analysis of the top 3 SVOD players in subscriber count per national market shows that in **18 EU markets, the top 3 places are taken by global players** with Netflix and Amazon trusting the first and second rank in almost all markets in which they operate.
- ▶ However, **in several countries, local players manage to compete with global players, offering local content** such as in the Nordics NENT Group's Viaplay (offering also access to live sports and which will expand in 10 additional countries by 2023), Cyfrowy Polsat's IPLA in Poland, Telenet/DPG Media's Streamz in Flemish-speaking Belgium, RTL's Videoland in the Netherland or CME's Voyo in CEE countries.
- ▶ **In more developed SVOD markets, the market concentration of the top 3 players is smaller suggesting a stronger competition of local players while in lesser developed market, the SVOD market is highly concentrated.**

Top 3 OTT SVOD services by subscriber market share by country in 2020

In % of total SVOD subscribers

Country	1st Rank	2nd Rank	3rd Rank	Total OTT SVOD subscribers, in thousands	Market share Top 3
Austria	Amazon - 40%	Netflix - 39%	Disney+ - 8%	2 378	87%
Belgium	Netflix - 52%	Amazon - 15%	Streamz - 14%	3 152	81%
Bulgaria	Netflix - 39%	Apple TV+ - 26%	Amazon - 24%	440	89%
Croatia	Netflix - 55%	Amazon - 37%	Voyo - 7%	209	99%
Cyprus	Netflix - 60%	Apple TV+ - 25%	Amazon - 15%	82	100%
Czech Republic	Netflix - 52%	Apple TV+ - 24%	Amazon - 22%	876	98%
Denmark	Netflix - 24%	Viaplay - 23%	TV2 Play - 18%	3 826	65%
Estonia	Netflix - 43%	Viaplay - 20%	Apple TV+ - 19%	122	82%
Finland	Netflix - 29%	Viaplay - 16%	Ruutu+ - 13%	2 536	58%
France	Netflix - 54%	Amazon - 26%	Apple TV+ - 12%	15 453	92%
Germany	Amazon - 44%	Netflix - 32%	Disney+ - 6%	33 333	82%
Greece	Netflix - 55%	Apple TV+ - 28%	Amazon - 17%	939	100%
Hungary	Netflix - 49%	Apple TV+ - 28%	Apple TV+ - 23%	690	100%
Ireland	Netflix - 54%	Amazon - 35%	Apple TV+ - 11%	978	100%
Italy	Netflix - 28%	Amazon - 18%	TIM Vision - 16%	13 136	62%
Latvia	Netflix - 35%	HBO - 27%	Amazon - 19%	162	81%
Lithuania	Netflix - 43%	Apple TV+ - 20%	Amazon - 19%	321	82%
Luxembourg	Netflix - 58%	Amazon - 29%	Apple TV+ - 12%	144	99%
Malta	Netflix - 51%	Amazon - 29%	Apple TV+ - 20%	59	100%
Netherlands	Netflix - 44%	Amazon - 15%	Videoland - 15%	6 250	74%
Poland	Netflix - 37%	IPLA - 29%	Amazon - 11%	4 685	77%
Portugal	Netflix - 47%	Apple TV+ - 21%	Amazon - 13%	1 473	81%
Romania	Netflix - 40%	Voyo - 38%	Amazon - 21%	1 160	99%
Slovak Republic	Netflix - 42%	Amazon - 24%	Apple TV+ - 24%	451	90%
Slovenia	Netflix - 38%	Voyo - 23%	Amazon - 22%	243	83%
Spain	Netflix - 44%	Amazon - 25%	Apple TV+ - 10%	10 824	79%
Sweden	Netflix - 34%	Viaplay - 19%	HBO Nordic - 10%	5 039	63%
UK	Netflix - 40%	Amazon - 36%	Disney+ - 10%	31 791	86%



Key characteristics of SVOD services – What determines success on the SVOD market?

Which factors determine success and what are the advantages?

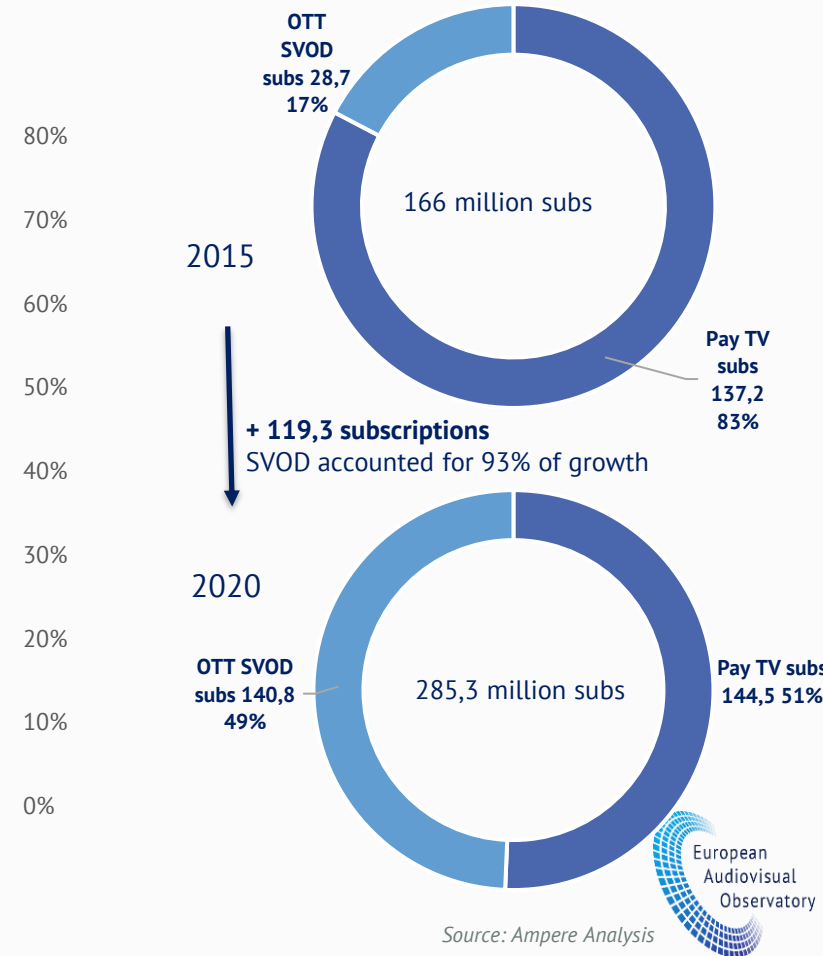
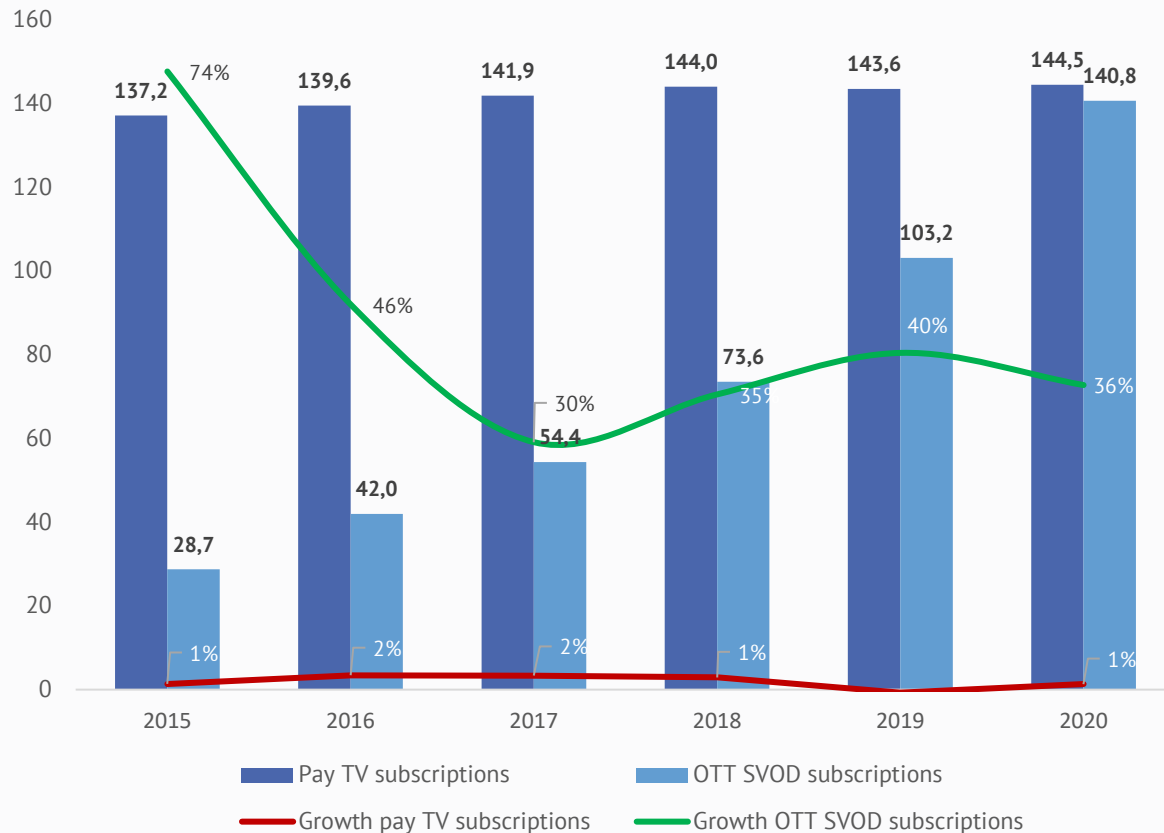
- ▶ **Scale:** Amortisation of costs (content production, acquisition, distribution, tech infrastructure, staff...) on a broader consumer base – Major competitive advantage for global players versus local/national European players.
- ▶ **Financial resources and resilience:** SVOD is still loss centre for media players but seen as an investment for their future survival. Need of robust financial resources to compete, a core business to subsidise the streaming business (Amazon with its Prime services, Apple with its phone business) or confidence of investors and debtors.
- ▶ **Premium, exclusive content versus curated niche content:** Competition on content to acquire and retain subscribers with big content investments (original and library) for mainstream services or focusing on niche content (e.g. local/national content, art house films, horror, lifestyle, reality TV, factual programming) and curation for smaller players. Trend for studios to retain their productions for their own services and release theatrical films day-to-date on streaming services.
- ▶ **Effective integration of additional skill sets, competencies:** Need of engineers, technical know-how, data analysis (analysis of subscribers' feedback, viewing trends, taste patterns,...) in-house to set up and operate an efficient direct-to-consumer service and to compete with tech players, whose core competencies were perfected in the digital age.
- ▶ **Demand:** Service stacking - how many services are customers willing to subscribe to in a world of limited entertainment budgets, large choice of free content and inflation of number of subscription services wrestling for consumer budgets? Customer behaviour will determine number of services which ultimately can survive (in Europe, for SVOD households, it is an estimated ceiling of 2 to 5 services, from general entertainment to local to niche services).
- ▶ **Aggregation and bundling of services:** For smaller services, in view of limited consumer demand and ceiling of services households will subscribe to, the need could soon arise of aggregation and bundling of services to entice and retain subscribers, for streaming services but also pay TV players.

Are SVOD services catching up with pay TV services in the EU28?

- While pay TV subscriptions grew at a low rate over the past 5 years, **93% of the 119,3 million subscriptions additions came from SVOD service.**
- Aggregation strategies by pay TV services:** Most pay TV players (IPTV, cable) distribute SVOD services on their platforms to offer their subscribers access to a large choice of content and SVOD services have entered distribution agreements in most EU countries.
- Cord-cutting is not (yet?) happening on a pan-European level,** pay TV and SVOD services coexist.
- SVOD services will surpass pay TV players in subscribers in 2021, becoming the main subscription-based entertainment source for a large share of EU28 citizens with room to grow ahead.

EU28 - Subscriptions to pay TV and OTT SVOD

In millions of subscriptions and % yearly growth rate, 2015-2020

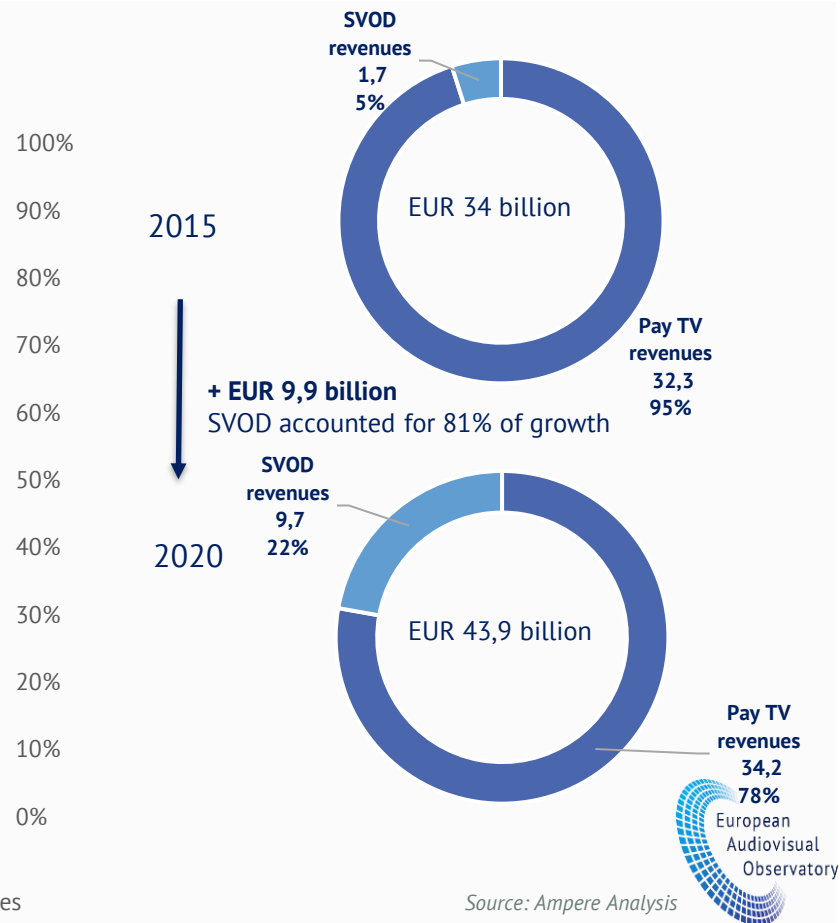
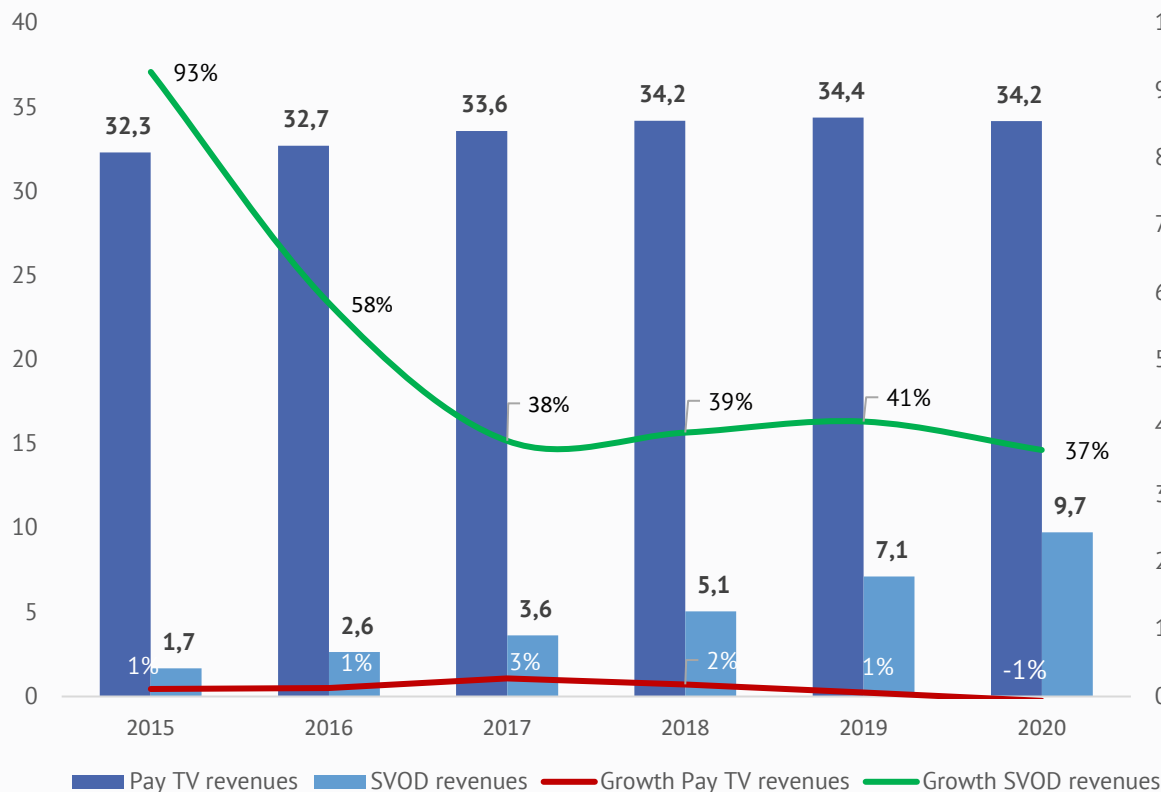


From only 5% of subscription revenues in 2015, SVOD accounts already for 22% in 2020

- ▶ **SVOD services represented also 81% of the growth of EUR 9,9 billion in subscription revenues** over the 5 year period, which passed from EUR 34 billion to EUR 43,9 billion in 2020.
- ▶ For the first time in the 5 year period, pay TV revenues decreased in 2020.
- ▶ The **competition on price between SVOD services and pay TV services** had led several players to offer access to their premium pay TV channels at a lesser price or enter a premiumisation phase.
- ▶ **Live sports remain the main differentiator** between premium pay TV channels and SVOD services as the competition on premium content, films and TV content, has increased.

EU28 - Revenues of pay TV and OTT SVOD

In EUR billion and % yearly growth rate, 2015-2020



Source: Ampere Analysis

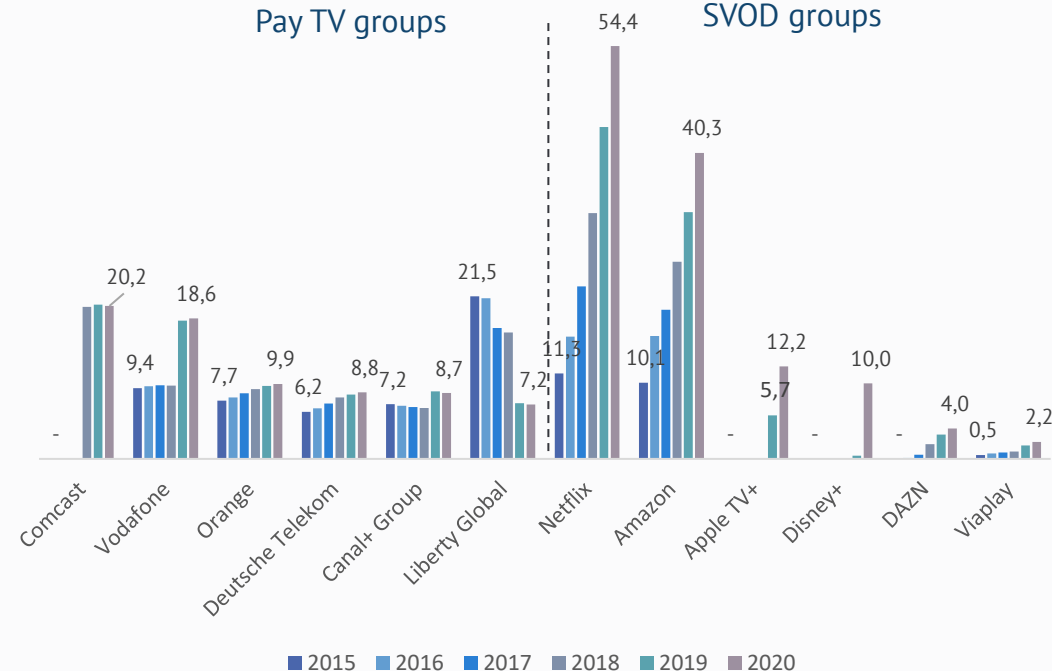
Leading SVOD services have fast surpassed leading pay TV players in subscriber numbers

- ▶ **The leading SVOD services quickly caught up with the leading pay TV groups in the number of subscribers**, and Netflix and Amazon are in 2020 the leading pay subscription groups in EU28.
- ▶ Subscriber growth for the leading pay TV groups was mostly achieved through acquisitions and offering additional services/bundles to other services (triple play, broadband/internet/mobile subscriptions).
- ▶ When it comes to ARPU, the important shift on the audiovisual market provoked by SVOD is highlighted: **A subscriber to SVOD brings in on average 3 times less revenue in Western Europe and 2 times less revenue in Central and Eastern Europe.**
- ▶ For **premium pay TV channels, the lower ARPU is a challenge** in light of the increase in investments needed to compete on content.
- ▶ **Broadband access offered by pay TV players** (and live sports) still differentiate them from SVOD services and is **key in a world in which consumers increase their OTT video consumption**, through SVOD, AVOD and video-sharing services.
- ▶ However, **with a decrease in linear viewing time, their TV subscriber base may erode** while their broadband subscribers base remains stable or increases.

EU28 – Top 6 pay TV and SVOD groups by subscribers

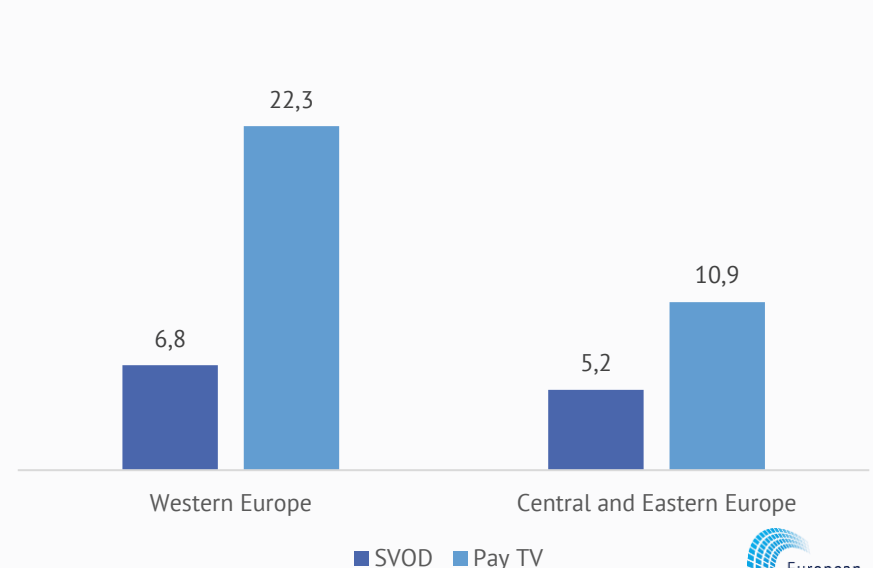
In million subscribers, 2015-2020

Pay TV groups SVOD groups



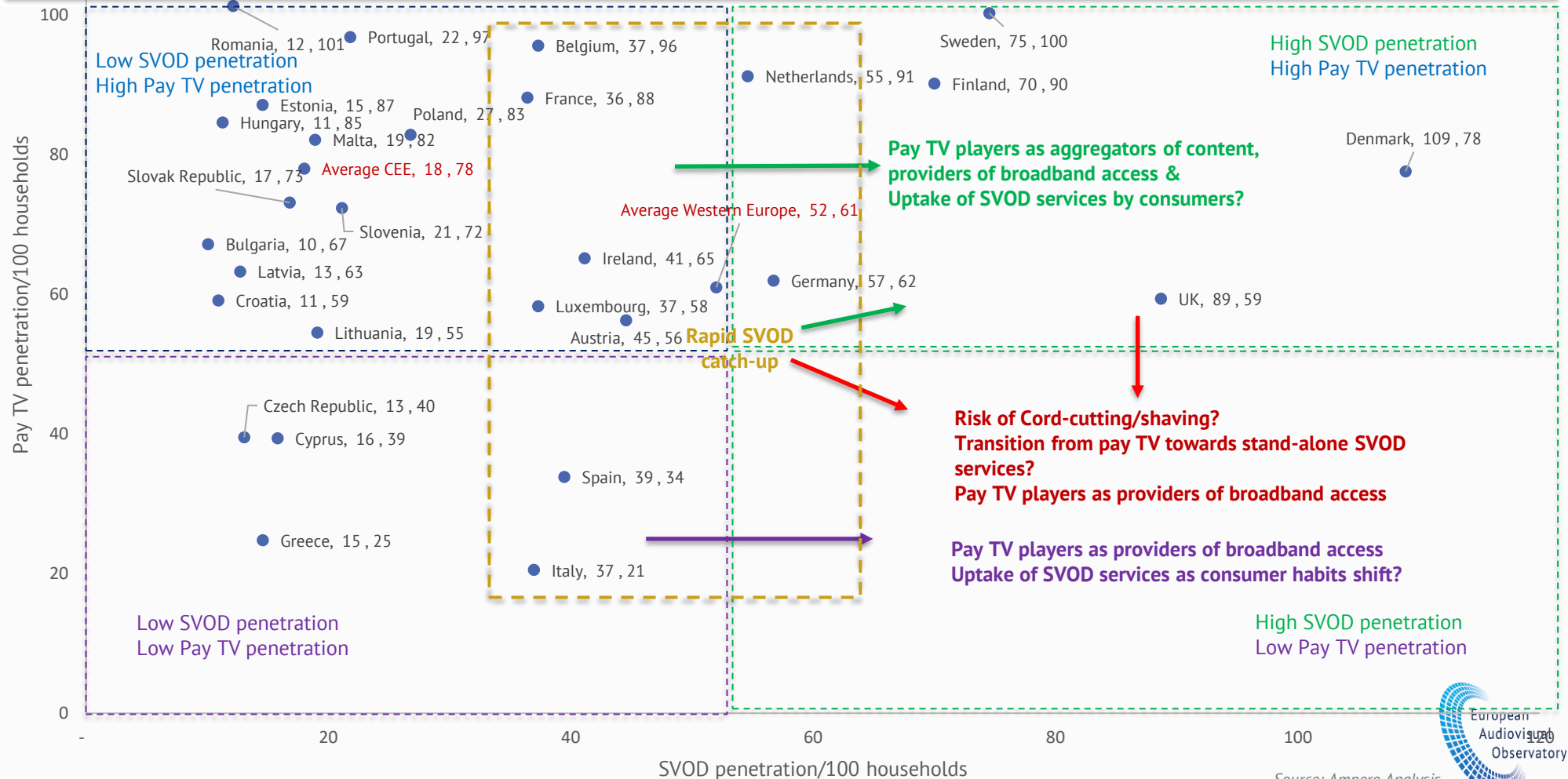
EU28 - Average revenue per customer pay TV and SVOD

In EUR per customer, 2020



Pay TV and SVOD penetration by country 2019 – SVOD as a growth opportunity in several countries?

- SVOD services **are not (yet?) inducing cord-cutting** in EU28. Rather in most markets they **coexist with pay TV players**, which in the most “developed” SVOD markets have adopted a **strategy of aggregation**, offering access to SVOD services on their platform.
- In CEE, SVOD services do not have a real price advantage over pay TV and their penetration remains low.
- 7 countries West European are set to become countries with high SVOD penetration in the next 2 years, as they become **mainstream in consumers’ perception**.



Source: Ampere Analysis

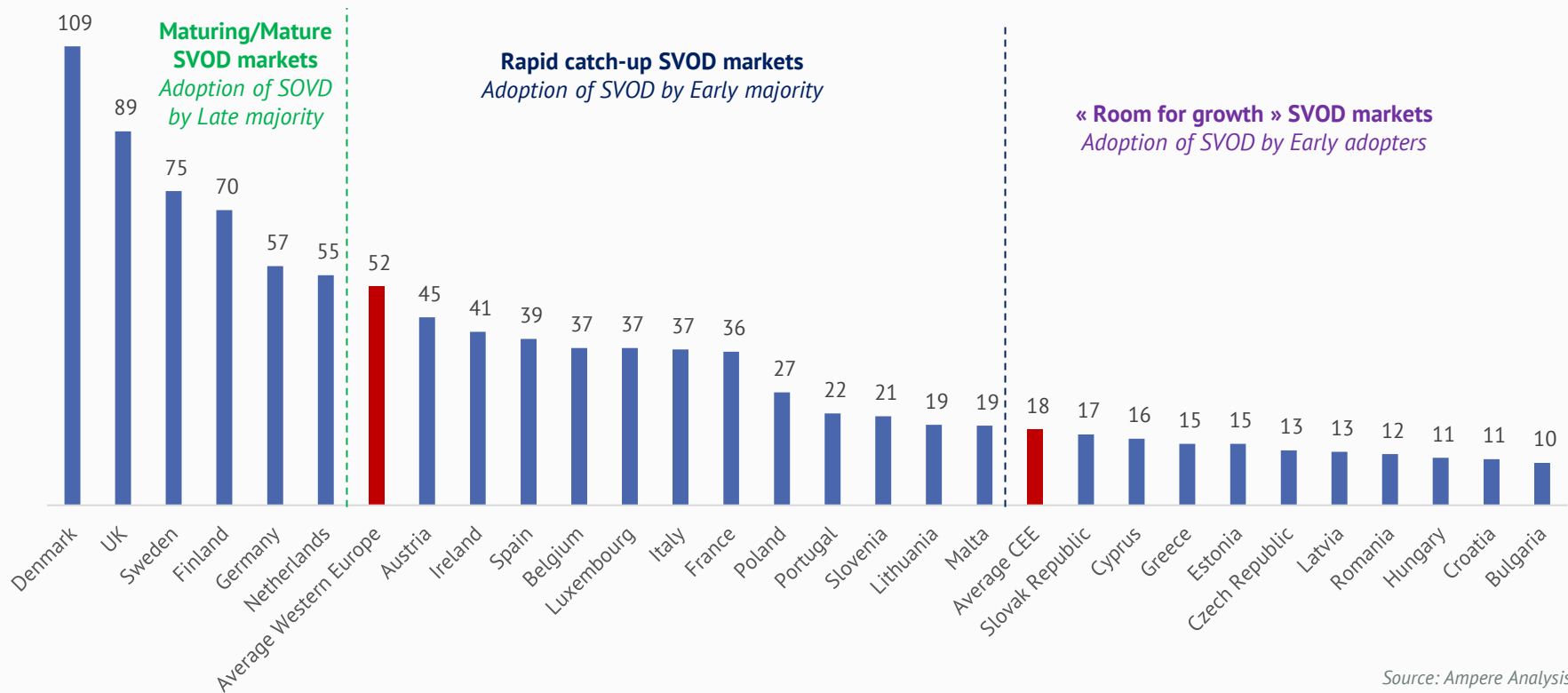


Has the SVOD market reached maturity in EU28?

- ▶ **6 countries qualify as maturing/mature SVOD markets**, in which SVOD has been adopted by more than 50% of households. These markets are qualified by households subscribing often to more than 1 SVOD service, strong local services in addition to global services and SVOD services beginning to be adopted by the so-called late majority.
- ▶ **12 countries are in a phase in which SVOD services are becoming mainstream in the media consumption of audiences** and SVOD services are rapidly adding subscribers. However, uptake is just beginning and a phase of sustained growth is still to come.
- ▶ **10 countries, mostly in CEE, are characterised by high pay TV penetration and comparable prices to SVOD services.** Here the price advantage of SVOD services compared to pay TV is weak. A lower than EU28 broadband penetration is also a characteristic of these market. SVOD services face still a challenge to enter the mainstream in these countries.

EU28 - OTT SVOD service penetration by 100 households by country

In number of OTT SVOD households per 100 households, 2019



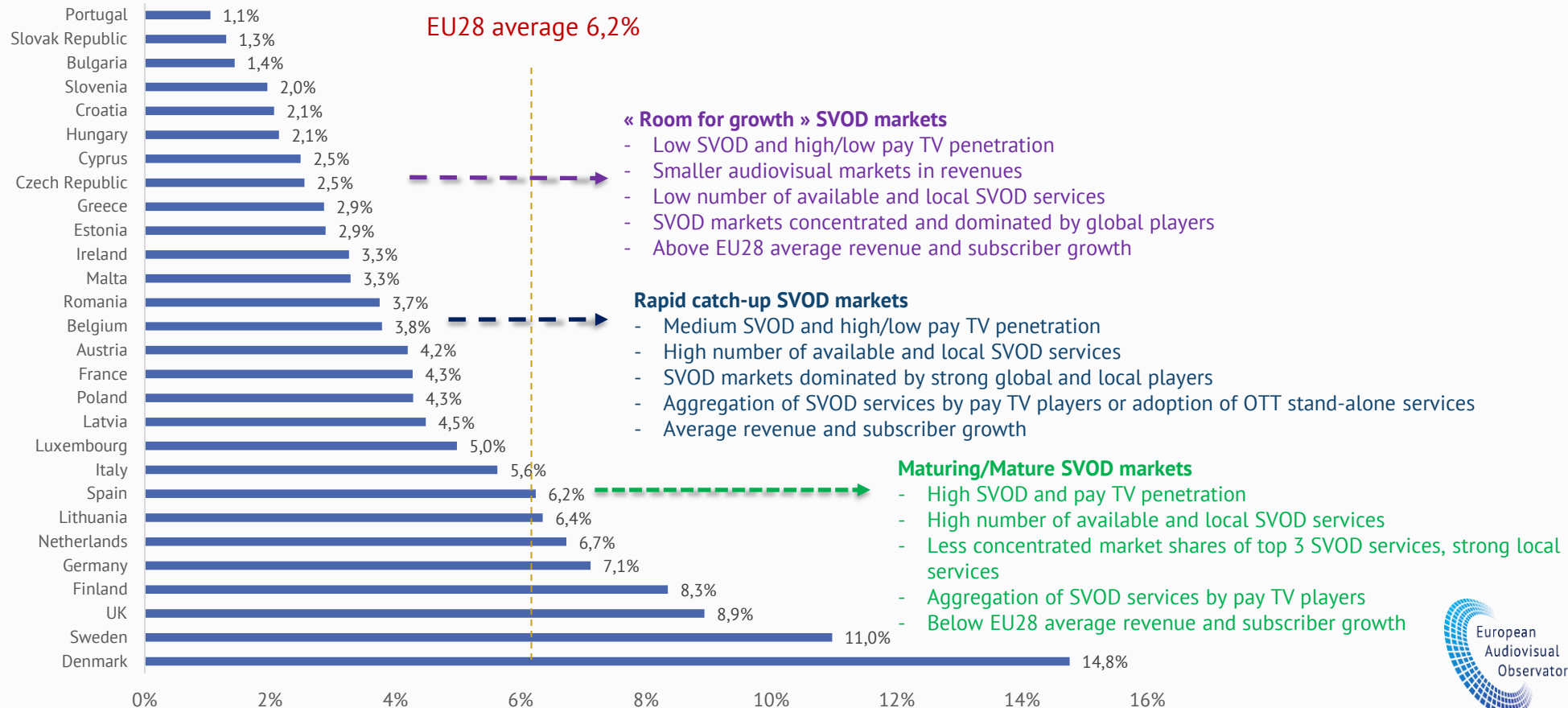
Source: Ampere Analysis

Different weight of SVOD revenues in overall audiovisual market revenues throughout EU28

- In countries in which **SVOD has a high household penetration, the weight of SVOD revenues in the total revenues of audiovisual markets is more important**, especially in the Nordics and UK, the most developed countries in EU28 in SVOD adoption.
- But in most markets, SVOD revenues are still a small part of audiovisual market revenues**, especially in markets where pay TV prices are low and pay TV penetration widespread, broadband penetration below EU28 average and the number of available SVOD services smaller as in most EU markets.
- A broad categorisation can be made for countries: maturing SVOD markets, rapid catch-up markets and “Room for growth” markets.

Share of SVOD revenues of total audiovisual market revenues by country

In % of total audiovisual market revenues, 2019



A shift in the business rules of the audiovisual sector?

What are the changes provoked by SVOD on the media sector?

- ▶ **Escalation and internalisation of competition:** Competition of established media players (in Europe and elsewhere) with new entrants, mostly from the tech sector, with their core businesses subsidising their media investments into SVOD. Local European players compete with global players on their national markets.
- ▶ **Abundance of content:** Increase in premium content investments (TV shows, films, TV content), importance of exclusive/original content and increase of production costs. Retention of content by studios for their own streaming services.
- ▶ **The fight for subscribers:** Increased competition for consumers media budget, attention and need to retain subscribers/reduce churn by offering distinctive, exclusive content. Consumers are no longer captive in a world with limited content supply but are in a market in which various forms of entertainment are vying for their attention and entertainment budget.
- ▶ **Reorganisation of traditional media players' corporate structure:** Reorganisation by the biggest media conglomerates (Disney, WarnerMedia, NBC, ViacomCBS, Discovery, ITV, and others) to place their streaming services at the center of their future business strategies and no longer their old core businesses (broadcast TV, theatrical exploitation, licensing of content).
- ▶ **Increased importance of tech know-how and data exploitation:** Need for traditional players to acquire in-house tech staff, build-up tech infrastructure and analyse consumer data to compete with tech-first players.
- ▶ **Traditional media groups** are starting to **place their focus on their direct-to-consumer services** and build their **future strategies in light of the changes in consumer behaviour and increased competition from new entrants** on their national market.
- ▶ On a pan-European level, a **handful of global services dominate the SVOD landscape** but in the **several countries, strong local players compete with these services.**
- ▶ **SVOD is not**, like other online markets, **a market with a “winner-takes-all” outcome.**

The impact of SVOD on the audiovisual and pay TV market in EU28

- ▶ **The SVOD market is still in fluctuation**, with rapid changes in market conditions and in consumer behaviour, and is still far from an equilibrium. Only that the **status quo on the audiovisual market is changing is certain**.
- ▶ **A structural shift**, still ongoing and just at the beginning, **towards direct-to-consumer subscription services** will further alter market and competition conditions on the audiovisual market in EU28 and requires to acquire new competencies and a change in the mindset for incumbent media companies and their executives.
- ▶ For now, **pay TV and SVOD players coexist and have entered mutual beneficial distribution agreements**: for SVOD services this gives them higher penetration into consumers households and TV screens, for pay TV players their strategy is towards aggregation of services to offer their subscribers access to a large choice of content.
- ▶ **Several SVOD and tech players are also pursuing an aggregation strategy**, notably Amazon with its Amazon Channel service, Roku and Apple. With an increased adoption of media streaming devices (Google's Chromecast, Amazon's Fire TV, Roku) and widespread penetration of Smart TVs and available streaming applications in EU28 households, a **risk for pay TV players exists to lose their TV subscribers base and be relegated to only provide broadband access as these new entrants become increasingly gatekeepers**.
- ▶ **Local European players can coexist with global players in this new market setting by differentiating their offer**, take advantage of their local market knowledge and ties to the production industry and through establishing alliances and cooperation with other players. All important EU SVOD services are operated by traditional media players which are seeing their core businesses in transition and try to adapt.
- ▶ However, the **SVOD market is still evolving and growing**, while traditional market segments (TV advertising, public TV, pay TV) are stagnant or declining.
- ▶ **Consolidation of the audiovisual market appears to be a probable outcome** as not all players can survive in a capital-intensive – and still money losing – business, and viewers are migrating their content consumption online.

A change in the Structure-Conduct-Performance paradigm in the entertainment sector

Structure

- **From national competition to international:** increase in the number of SVOD players
- Global players compete with local, national and niche players, “Glocalization”
- **Increased vertical integration** (from production to distribution of content)
- **Capital intensive market, high entry costs** due to tech infrastructure, content investments acquisition/production, marketing and subscribers acquisition costs
- **Product differentiation:** exclusive content, large content libraries versus niche content, curation
- **Increase in the diversity of content production** – global content/local content, mainstream/niche,

Conduct

- Business goals: **secure profitable future subscriber base**/reduce churn
- **Uniform pricing strategies** – competition on costs for users, high price elasticity
- **High differentiation in content**, branding, user experience and interface
- **High marketing expenses** to acquire subscribers
- **High R&D expenses/investments** for global players, need for smaller players to offer a comparable product
- **Mergers and acquisition to gain scale** (e.g. Disney/21st Century Fox, Comcast/Sky, AT&T/WarnerMedia, Viacom/CBS)
- **Alliances or bundling of services** to compete (e.g. Salto, Britbox, Joyn) and produce premium content
- **Aggregation** of several SVOD services on pay TV or online platforms (Amazon Channels)

Performance

- **SVOD still a loss centre** – for most, no profit yet on SVOD business
- Foreseeable **high growth** in the coming years in subscribers and revenues
- **High technological improvements** for the distribution of content in direct-to-consumer business and quality of user experience and interface
- **Increase in the quality of content** (measured by content investments)
- **Not a “winner-takes-all” market** but risk of **market consolidation/dominance of a few**
- **Need of differentiation for smaller players** on niche audiences through niche content?

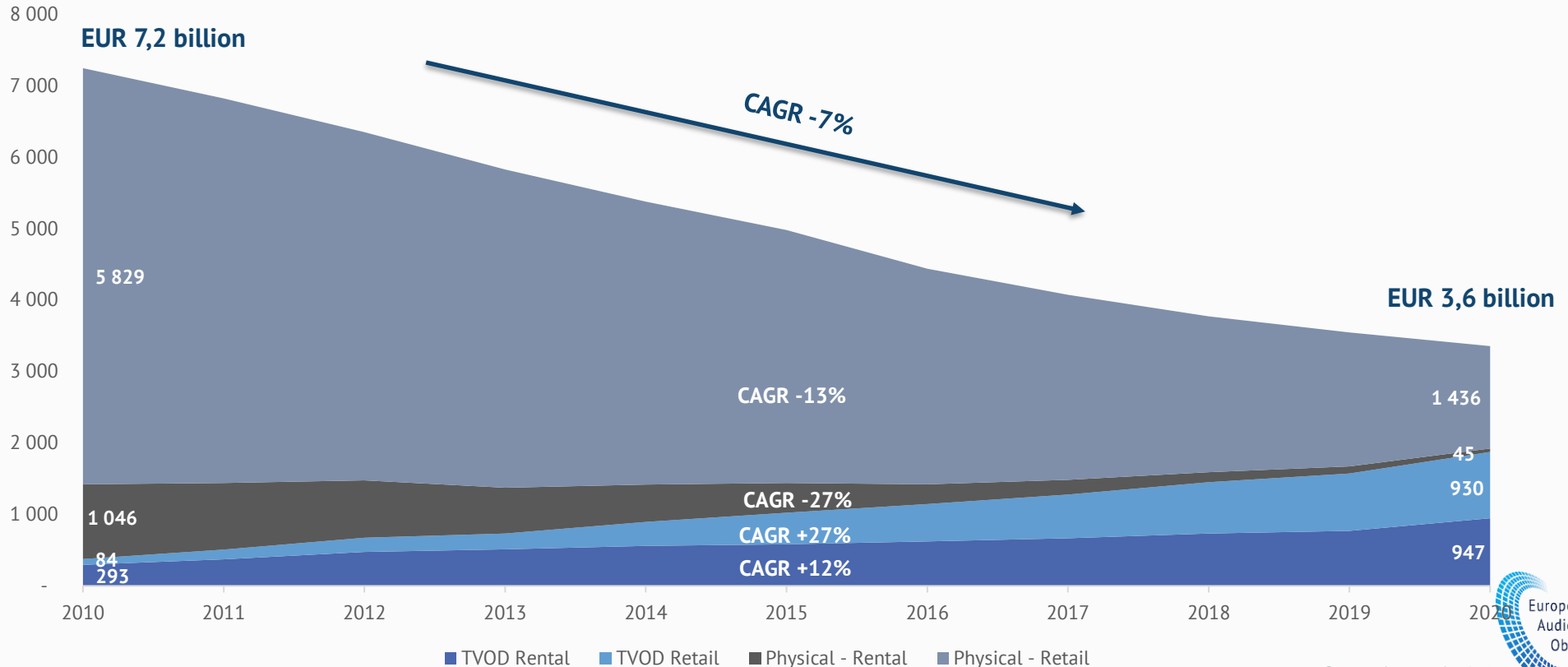
**3.
Snapshot
of the
EU28
TVOD market**

Transactional home entertainment revenues – A dramatic decrease over 10 years

- ▶ The **home entertainment market**, physical and digital, **decreased by 50% from 2010 to 2020**, from EUR 7,2 billion to EUR 3,6 billion, due to a rapid decrease in revenues of the physical market, with an almost disappearance of physical rental (EUR -1 billion) and EUR -4,5 billion on the physical retail market.
- ▶ **The increase of EUR 1,5 billion in digital transactional revenues was driven by a strong increase in retail revenues** and a steady increase in rental revenues, mostly from the retail and rental of recent theatrical films.
- ▶ However, the **increase in digital revenues did not make up the losses in physical revenues**, halving an **important revenue source for studios, producers and distributors** over a 10 year period

EU28 – Transactional market, physical and digital

In EUR million, 2010-2020



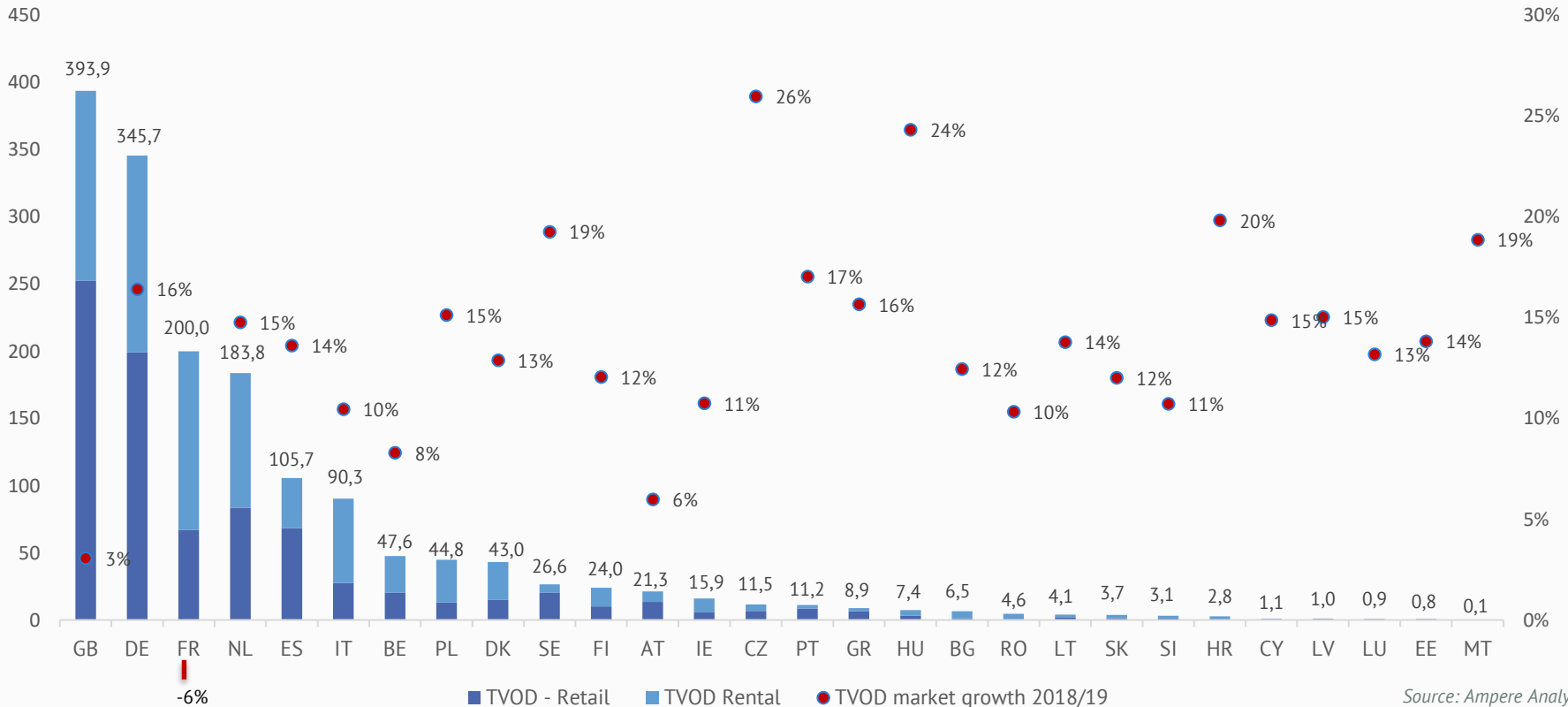
Source: Ampere Analysis

Different market levels and growth rates throughout EU28

- While in smaller countries, TVOD revenues grew by over 20% in 2019, in some bigger countries like the UK (+3%) and France (-6%), TVOD revenues are levelling or decreasing.
- Premium VOD, the early retail/rental of theatrical films, could add a further boost to TVOD revenues but will mainly be used by studios for low- to mid-level budget films and not 'blockbusters'.
- Premium VOD has still to prove that it is viable for studios and may have adverse effects on cinema exhibitors revenues.
- The physical market generated in 2019 still more revenues in 10 countries, notably in major markets like Germany, UK, France and Italy.
- And when it comes to digital retail and rental, in 14 countries retail generated more revenues (notably in the UK, Germany, Spain, Sweden) while in 14 countries consumers spend more on digital rentals (notably France, the Netherlands, Italy, Belgium).

EU28 – TVOD total retail and rental consumer revenues and growth by country and business model in 2019

In EUR million and % of change in total TVOD revenues 2018/19

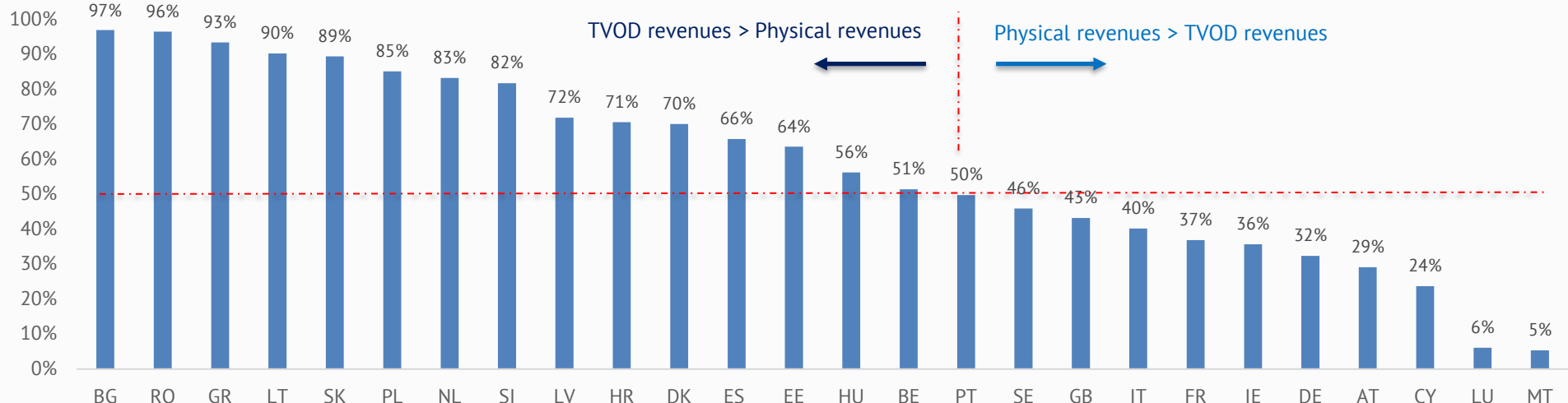


Source: Ampere Analysis

And different importance of physical and TVOD revenues & TVOD retail and rental revenues

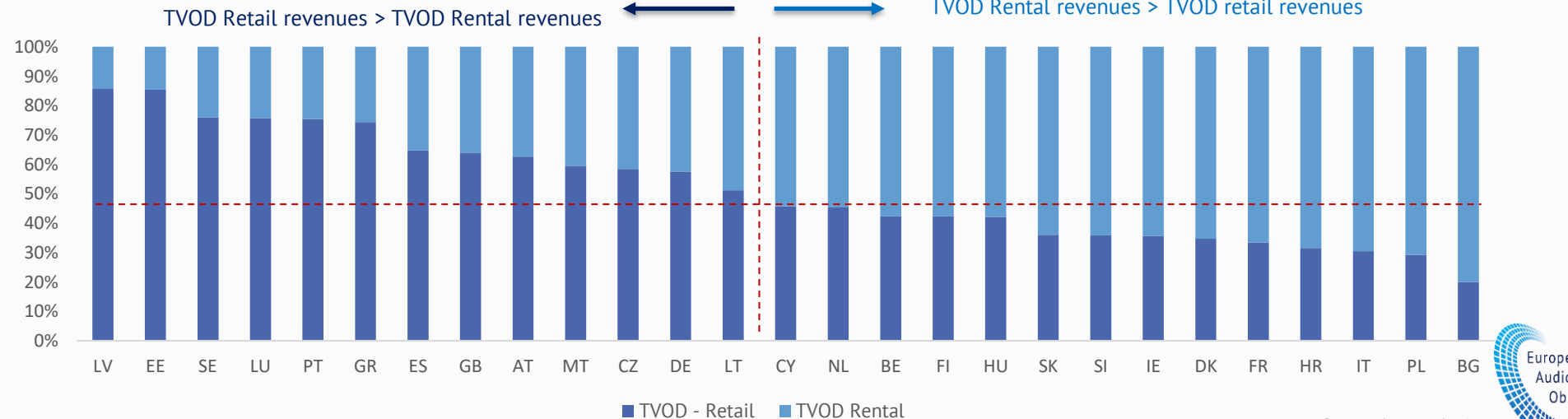
EU28 - Share of TVOD revenues in overall home entertainment revenues (TVOD + physical video)

In % of total transactional revenues, 2019



EU28 - Split of TVOD retail and rental revenues by country

In % of total TVOD revenues, 2019

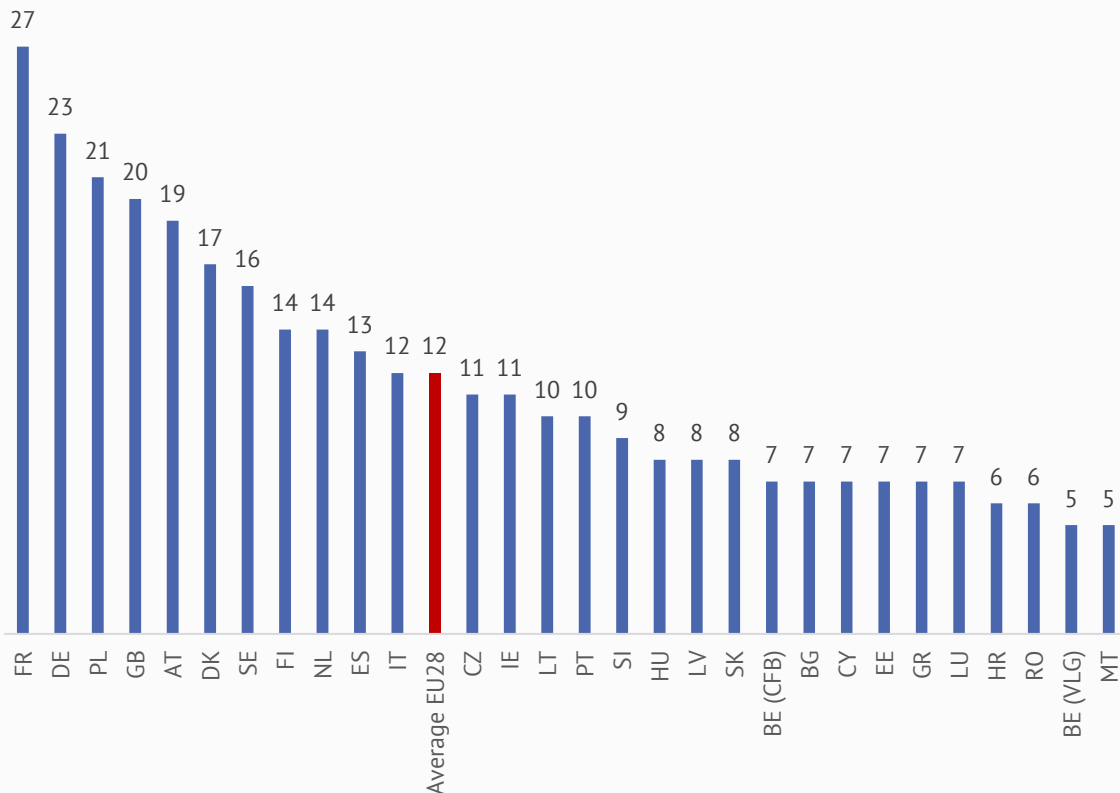


A high number of TVOD services vying for consumers' entertainment spend

- In EU28, over **335 TVOD catalogues were available to consumers, representing 140 TVOD services** as several global services are operating in more than 1 country. **EU28 services, with some exceptions, operate their service on their national or regional market.**
- This is notably the case of **TVOD services of tech players** which offer the rental or retail of films and TV shows in their **App stores** (Google, Apple, Microsoft, Playstation) or of **specialised niche players**, which concentrate on the curation of content (like FilmDoo does with international films).
- However, over the years **several TVOD services have closed** as consumers transition to SVOD services and minimum guarantees paid to producers/studios by TVOD services represent a risk to smaller (and even bigger) TVOD services.
- Strategies on this market are either to go large (offer a large quantity of films) or go niche with curation.**

EU28 - Number of TVOD services available by country

In number of TVOD services, 2020



Top TVOD services by country presence in EU28

In number of countries, 2020

TVOD services	Number of EU28 countries
FilmDoo	28
Rakuten TV	28
Apple iTunes	26
Google Play	25
MUBI	19
YouTube Movies	18
Microsoft Movies & TV	12
Playstation Store	12
Chili	5
Pantaflix	4
Amazon TVOD	4
Viaplay TVOD	3
SF Anytime	3
Blockbuster	3
Wanim	3
Liberty Global UPC/Virgin	3

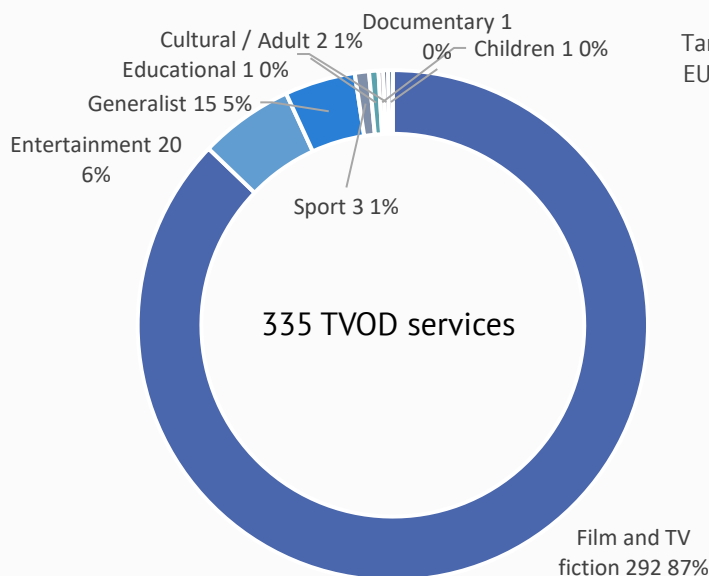
Source: MAVISE/OBS

Films and TV fiction are the main genre of TVOD services

- ▶ As TVOD services' main selling point are recent theatrical films, without surprise **87% of the 335 services' main content genre in their catalogues are films and TV fiction.**
- ▶ As it was the case with SVOD, the **majority of TVOD services are established in another EU28 market** then the one in which they offer their catalogue **due to the establishment of pan-European/multi-country TVOD services in 3 EU28 countries.**
- ▶ These **3 major hubs for TVOD services** are: Ireland (82 services - Google, Apple, Microsoft), the UK (73 services - FilmDoo, MUBI, Sony's Playstation, NENT's Viaplay) and Spain (33 services - Rakuten).
- ▶ **National services**, available mostly on their national market, **are operated by broadcasters, telecom players and producers/distributors in most cases.**
- ▶ **Most TVOD services are offering a localised version of their user interface:** consumers in each EU28 country has several localised TVOD services to choose from, as local and global services have adapted their user interface.
- ▶ **Please visit MAVISE for more information on VOD services in Europe**

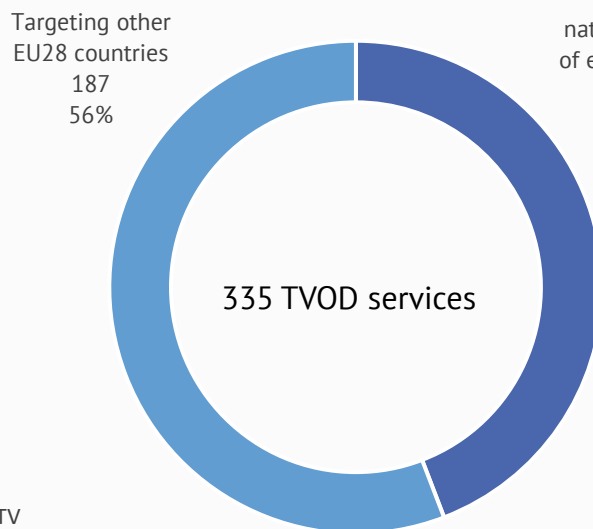
EU28 - Genre of TVOD services available

In number of services, 2020



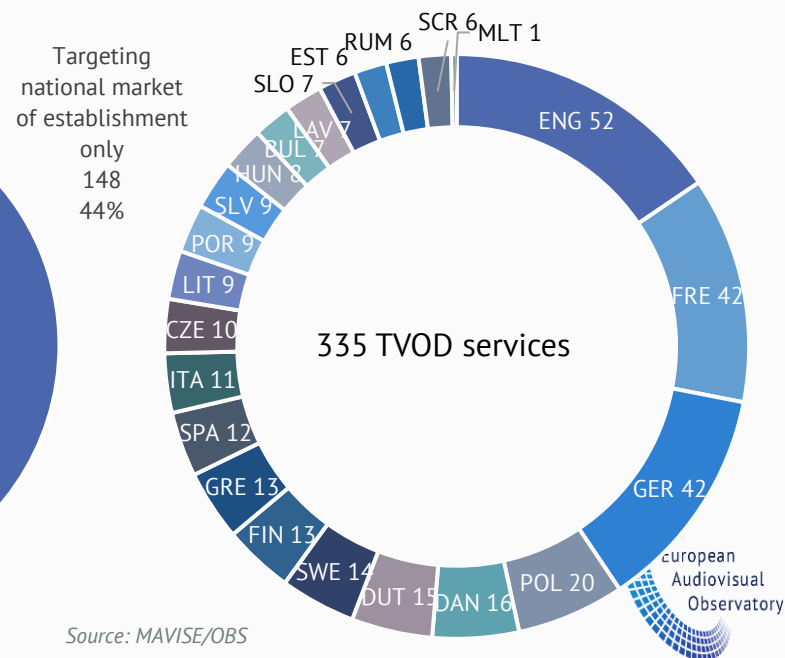
EU28 - Targeting other EU28 countries

In number of services, 2020



EU28 - Language of TVOD services

In number of services, 2020



Source: MAVISE/OBS



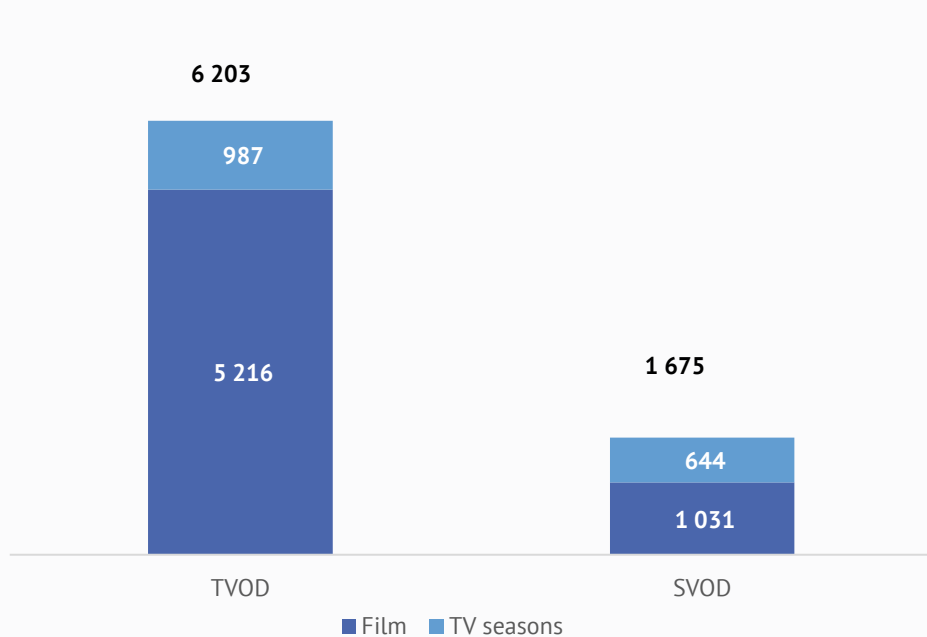
4.
Content offer of
VOD services
in EU27 in 2020
–
Film and TV content

Size of VOD catalogues – More films than TV seasons on average, more unique film titles on TVOD and TV shows on SVOD

- ▶ As the figures show, on average **TVOD services offer 5 times more films than SVOD services**. TVOD services' main selling points are films, with recent films being the main focus.
- ▶ As TVOD services do not need to acquire licences for the exploitation of films as do SVOD services, and producers/studios search to further monetise their works, the larger offer on average than SVOD services comes to no surprise.
- ▶ On average, TVOD services offer also more TV shows than SVOD services.
- ▶ For all types of services, the **film offer was larger than the TV seasons offer**, on average.
- ▶ When it comes to the amount of unique content available, the **difference in specialisation shows between TVOD and SVOD services: TVOD services in whole had a larger number of unique film titles, SVOD of unique TV seasons**.

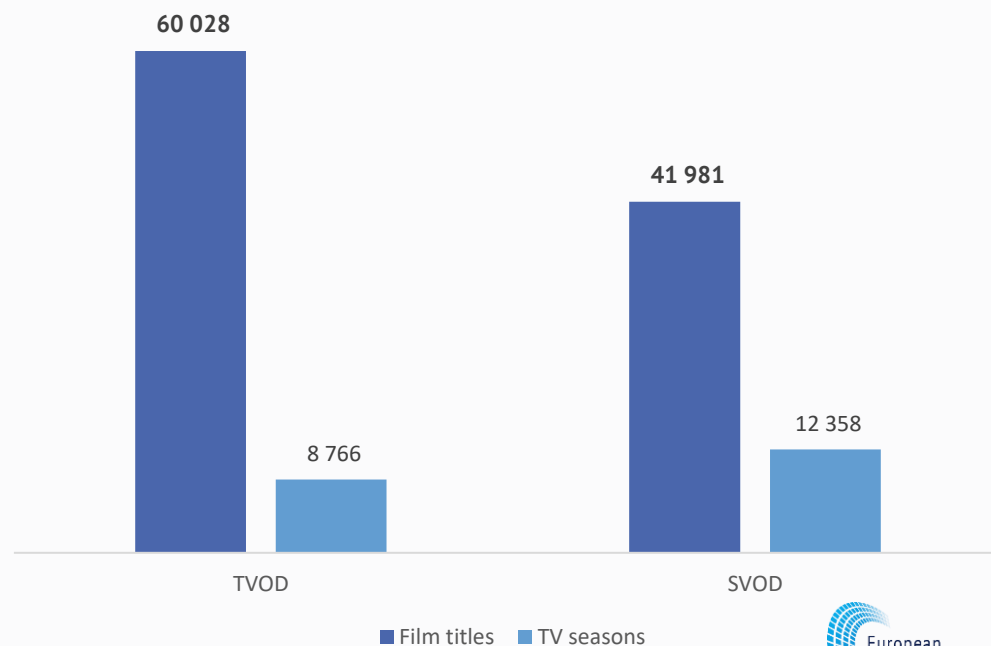
Size of TVOD and SVOD catalogues (film and TV seasons)

In average number of content, May 2020



Number of unique content titles by business model

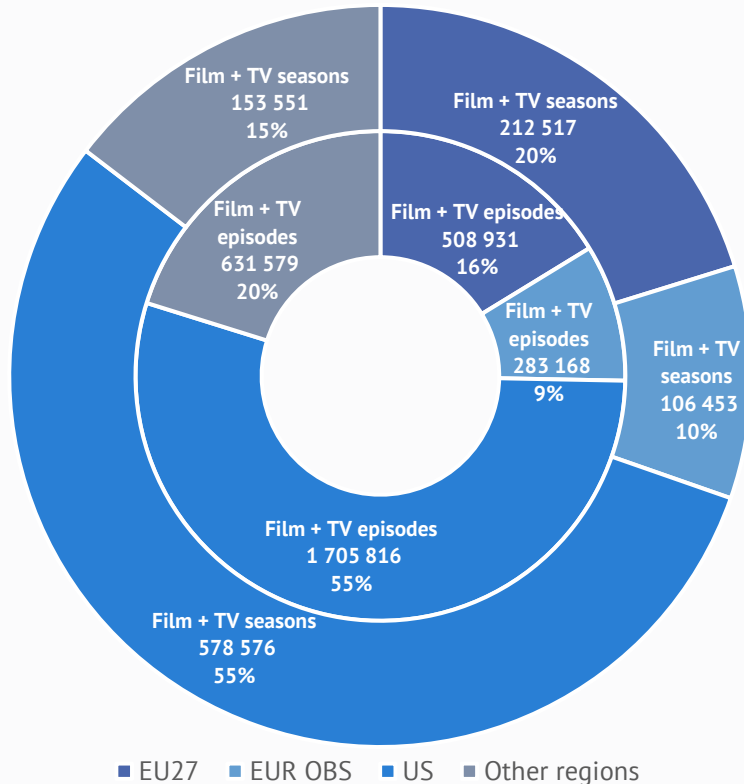
In total numbers, May 2020



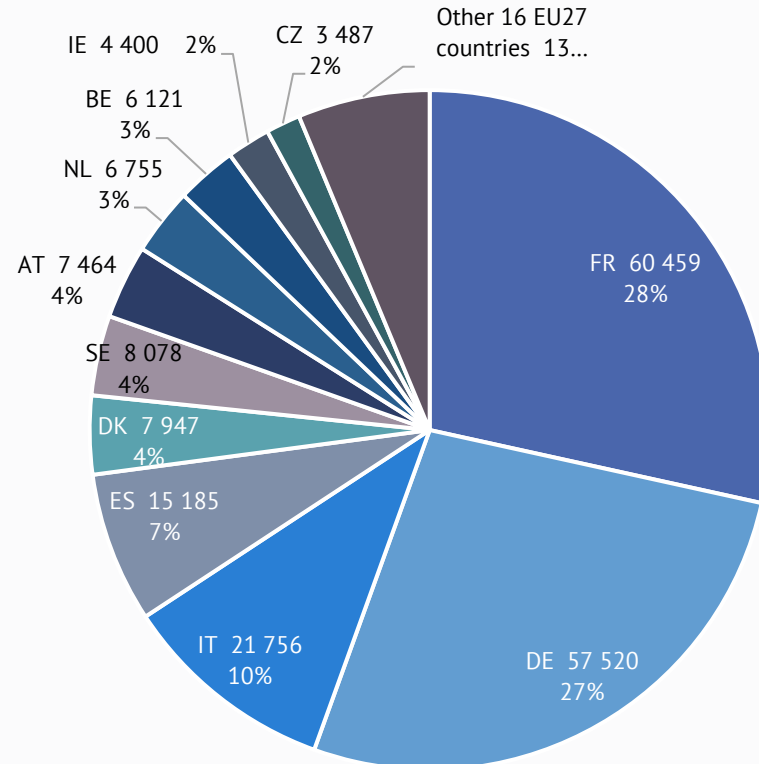
Region of origin of films and TV shows: Mostly US, followed by European content

- ▶ Overall on VOD services (TVOD and SVOD together), when films and TV seasons are considered, **EU27 content represented 20%** and **Other European content** (EUR OBS), in which region UK content is classified after exiting the EU, **accounted for 10%**.
- ▶ When **film and TV episodes** are considered, **the share of EU27 content falls to 16%**, due to shorter seasons of EU27 TV shows.
- ▶ **European content could therefore represent 30%**, representing the second largest region of origin after the US with 55%.
- ▶ The main countries of origin for EU27 content were France, with 28% of all EU27 content, followed by Germany (27%), Italy (10%), Spain (7%), Denmark and Sweden (4% each).

Origin of film and TV seasons or episodes found on VOD
In total numbers and % of total by region of origin



Origin of EU27 film and TV seasons found on VOD
In total numbers and % by country of origin of EU27 total



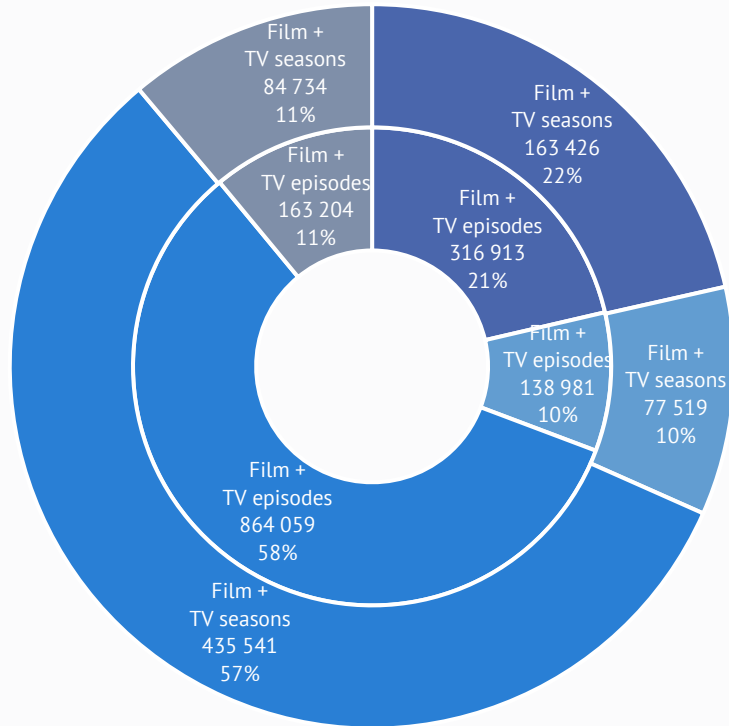
Source: JustWatch, Filmtoro, La Pantalla Digital, EUROVOD catalogue data

A higher share of EU27 content on TVOD, of international content on SVOD

- ▶ **By business model, EU27 content (film and TV seasons) represented 22% on TVOD compared to the share of 17% on SVOD**, this share fell to 21% on TVOD and 12% on SVOD when TV episodes are counted.
- ▶ **Other European content, for TVOD and SVOD, represented 10%, increasing the share of European content to 32% on TVOD and 27% on SVOD.**
- ▶ **On SVOD, the share of other international regions was more than double the one on TVOD: 24% versus 11%, showing the increased reliance of SVOD services on content originated around the world** and the ability of global services to make this content travel.
- ▶ The difference between the share of EU27 when TV seasons are considered and the share when TV episodes are considered, shows heavily on SVOD: the shorter EU27 TV seasons in episodes largely impacts the share of EU27 content.

Origin of film and TV seasons or episodes found on TVOD

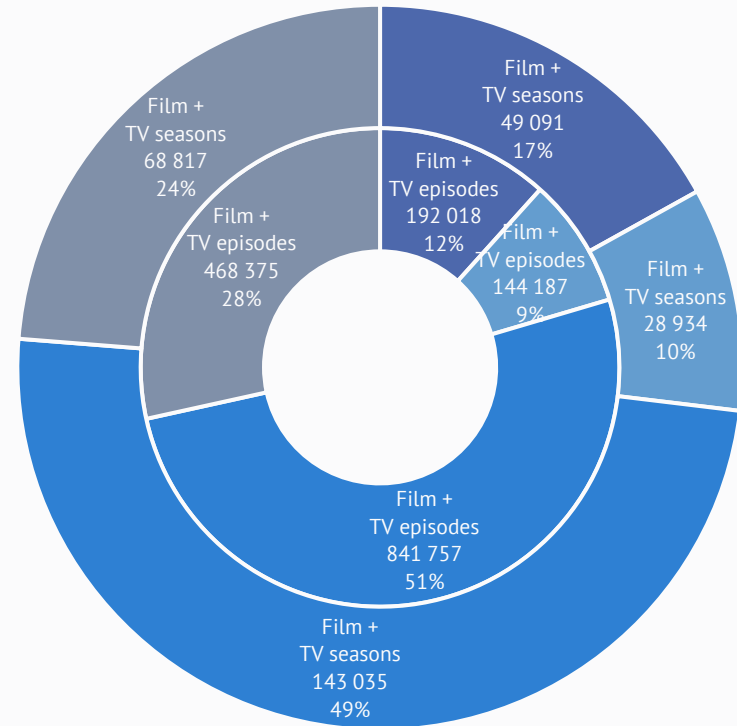
In % of total by region of origin, May 2020



■ EU27 ■ EUR OBS ■ US ■ Other intl.

Origin of film and TV seasons or episodes found on SVOD

In % of total by region of origin, May 2020



■ EU27 ■ EUR OBS ■ US ■ Other intl.

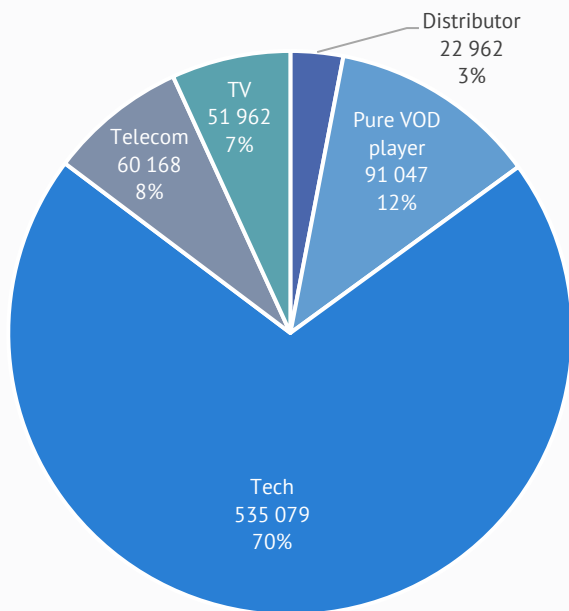
Source: JustWatch, Filmtoro, La Pantalla Digital, EUROVOD catalogue data

Tech and pure VOD players have the largest amount of content in their catalogues

- ▶ When **the core business model of VOD service owners** is taken into account, **tech players on TVOD and SVOD** (Apple, Google, Microsoft, Amazon) and **pure VOD players** (Netflix) who operated on pan-European level **have the largest amount of catalogues and average number of content in these catalogues.**
- ▶ **Over 70% of all films and TV seasons available on TVOD were in catalogues of tech players,** and **66% in catalogues of tech and pure VOD players on SVOD.**
- ▶ These global services have a lower share of EU27 content than EU27 services; however, having more films and TV seasons through their higher number of catalogues and average number of content, they offer also an absolute higher number than EU27 services.

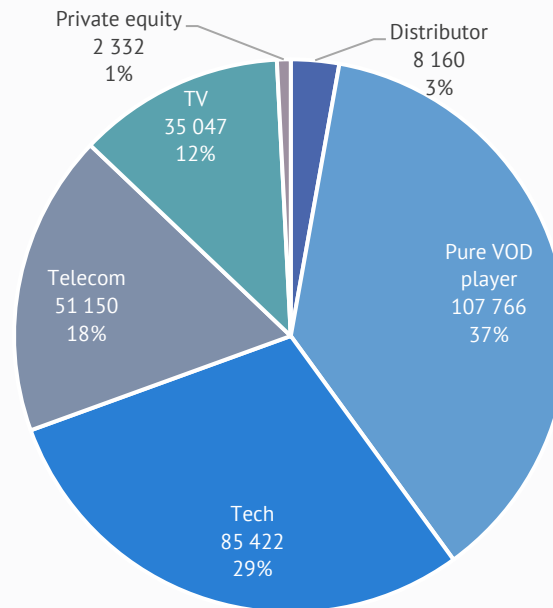
TVOD – Films and TV seasons in catalogues

In absolute numbers by core business of service owner, May 2020



SVOD – Films and TV seasons in catalogues

In absolute numbers by core business of service owner, May 2020



Core business	Number of TVOD catalogues	Average number of film and TV seasons per catalogue
Distributor	15	2 038
Pure VOD player	44	2 690
Tech	94	8 475
Telecom	19	5 574
TV	13	7 637

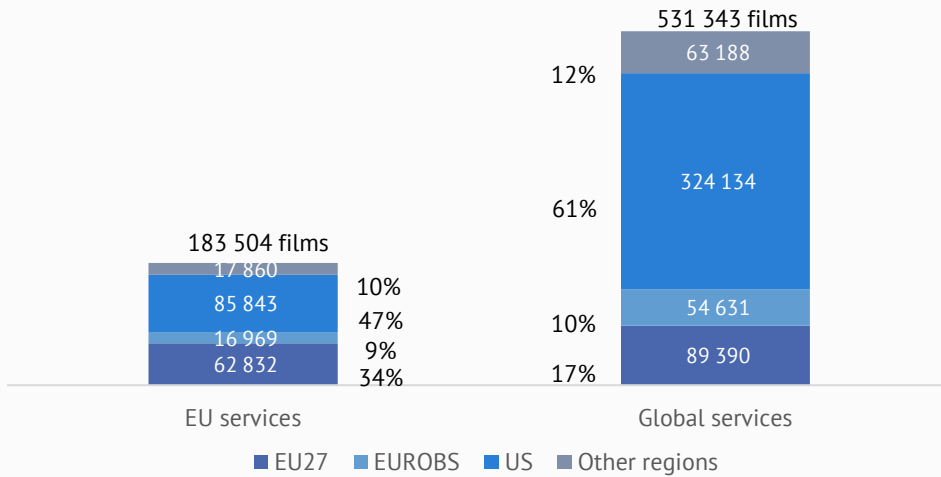
Source: JustWatch, Filmtoro, La Pantalla Digital, EUROVOD catalogue data

Core business	Number of SVOD catalogues	Average number of film and TV seasons per catalogue
Distributor	27	461
Pure VOD player	90	2 394
Tech	100	1 708
Telecom	56	1 811
TV	65	1 074
Private equity	7	602

A lower share of EU27 content for global services than EU services but a higher amount of EU27 films and TV seasons

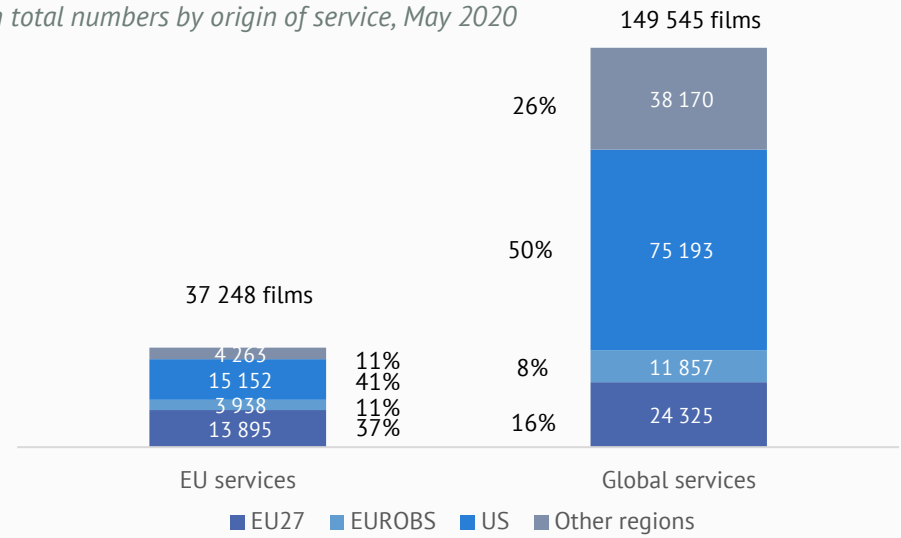
TVOD – Number of films by origin of service owner

In total numbers by origin of service, May 2020



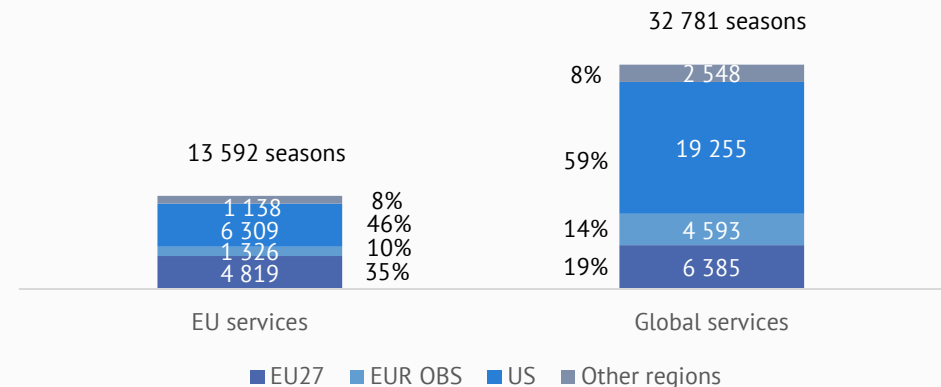
SVOD – Number of films by origin of service owner

In total numbers by origin of service, May 2020



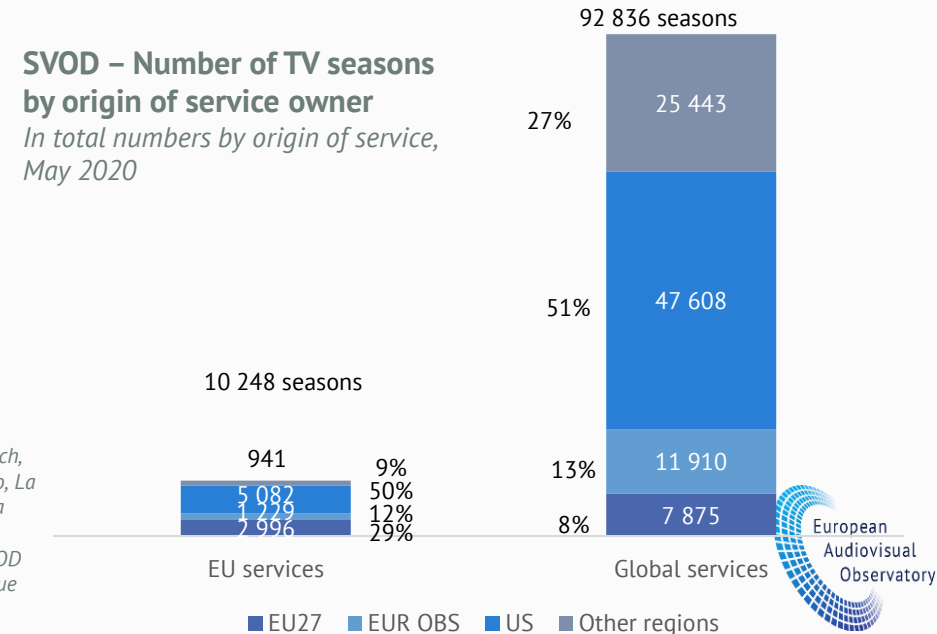
TVOD – Number of TV seasons by origin of service owner

In total numbers by origin of service, May 2020



SVOD – Number of TV seasons by origin of service owner

In total numbers by origin of service, May 2020



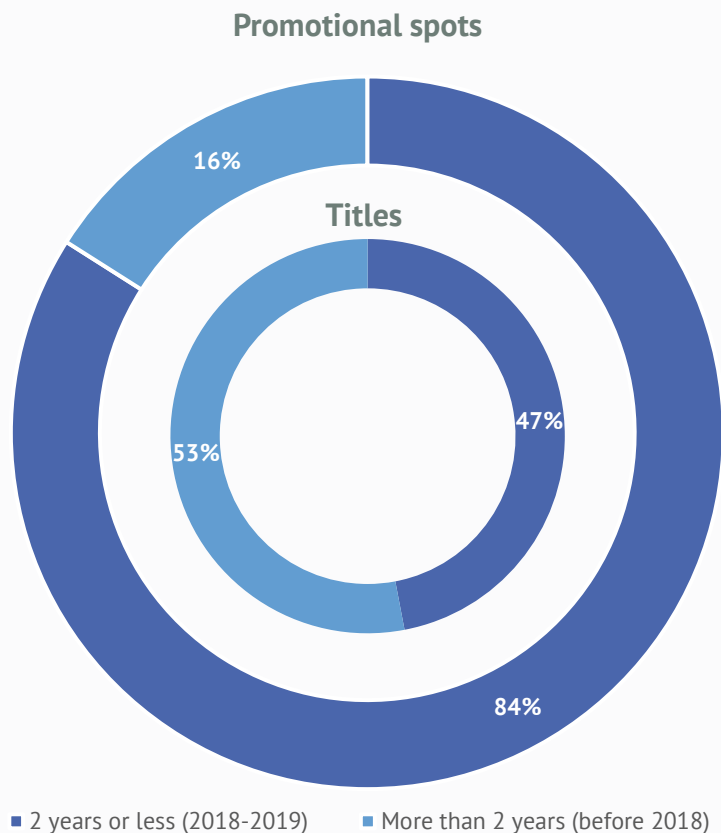
Source: JustWatch, Filmtoro, La Pantalla Digital, EUROVOD catalogue data

TVOD – Promotion of films: recent films of US and EU28 origin

- ▶ The analysis on promotion of films looked at the home pages of 52 TVOD services in 7 European countries in October 2019.
- ▶ While **recent films** (production date 2 years or less) **represented 47% of all promoted film titles**, they **accounted for 84% of all promotional spots available**.
- ▶ **While EU28 film titles accounted for 37% of all film titles** promoted, they **represented 24% of all promotional spots**. US films, which accounted for 51% of promoted titles, had a share of 61% of promotional spots.
- ▶ **EU28 film titles** are often **promoted on their national market**. US titles were present in more countries and thus also more promoted.

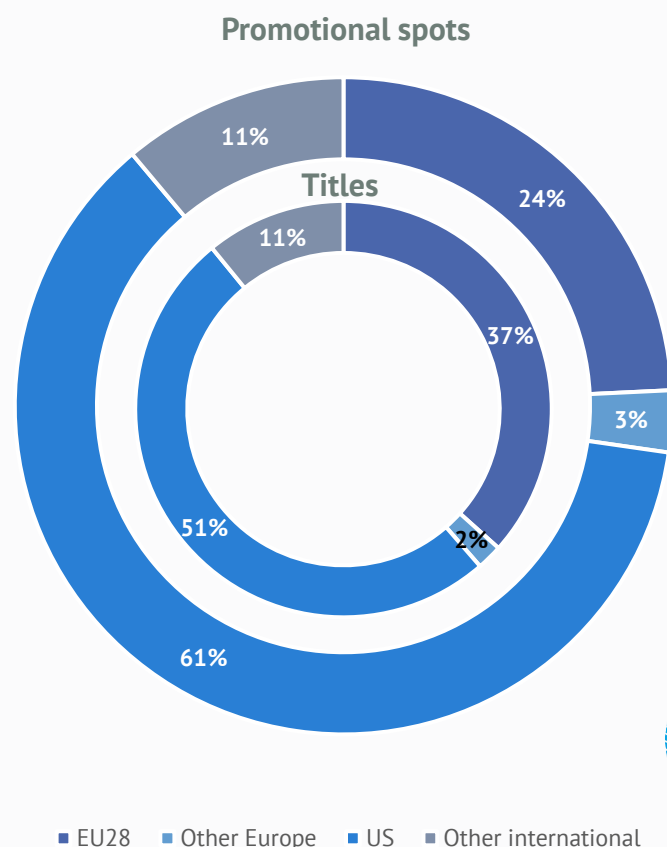
Breakdown of films promoted and promotional spots by of age of titles

In % of spots and titles, October 2019



Breakdown of films promoted and promotional spots by origin

In % of spots and titles, October 2019



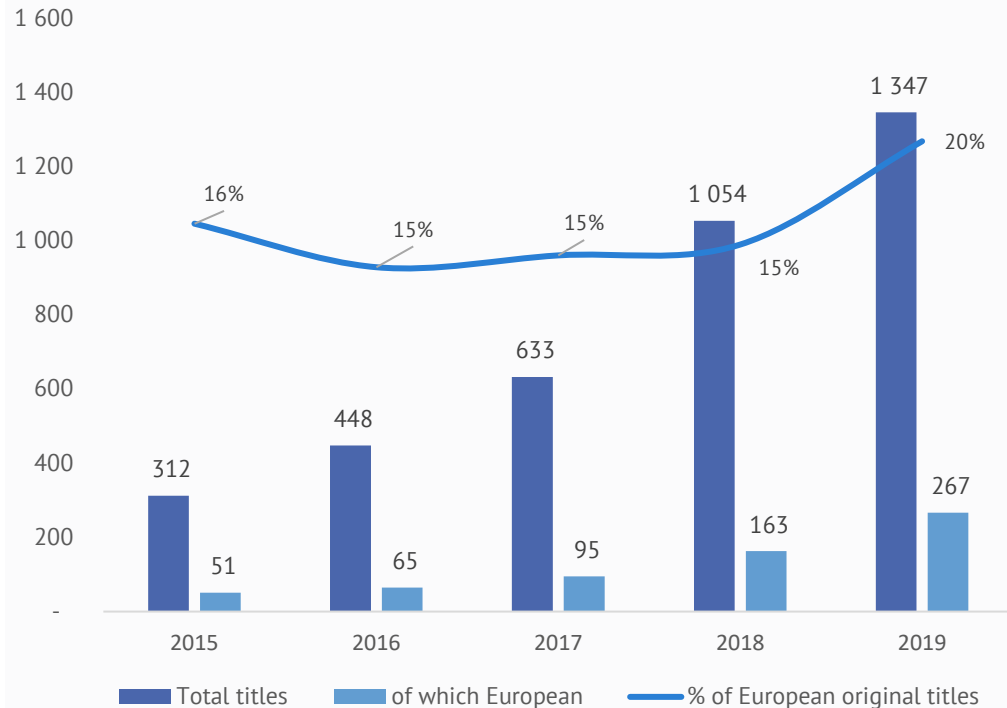
Source: OBS on AQOA data

Content production by SVOD players – ever increasing number of titles

- ▶ With an **increasing number of SVOD players and higher content investments**, the **number of SVOD originals is steadily increasing as does the number of European SVOD originals**, passing from 51 titles in 2015 (representing 16% of total SVOD original titles) to 267 titles (representing 20% of SVOD original titles) in 2019.
- ▶ **Netflix**, the “best in class” on the global SVOD market, is **rising yearly its content spend**, from USD 4.9 billion in 2015 to USD 17,3 billion in 2020, an increase of 253% in 5 years, and **pushing other players to raise their own investments into content**.
- ▶ With new entrants and studios producing content for their SVOD services, the **number of SVOD original titles will further increase**.

SVOD – Original content produced

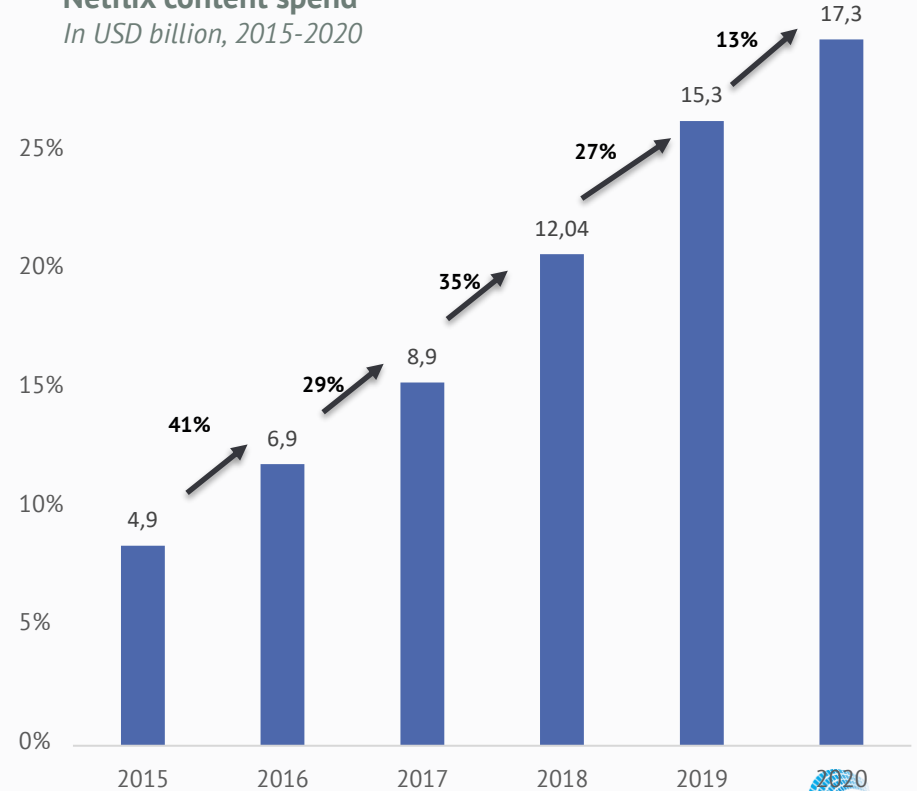
In number of titles and % of European titles of total titles, 2015-2019



Source: Ampere Analysis

Netflix content spend

In USD billion, 2015-2020



Source: Netflix, Variety, BMO Capital Markets, Bloomberg

5.

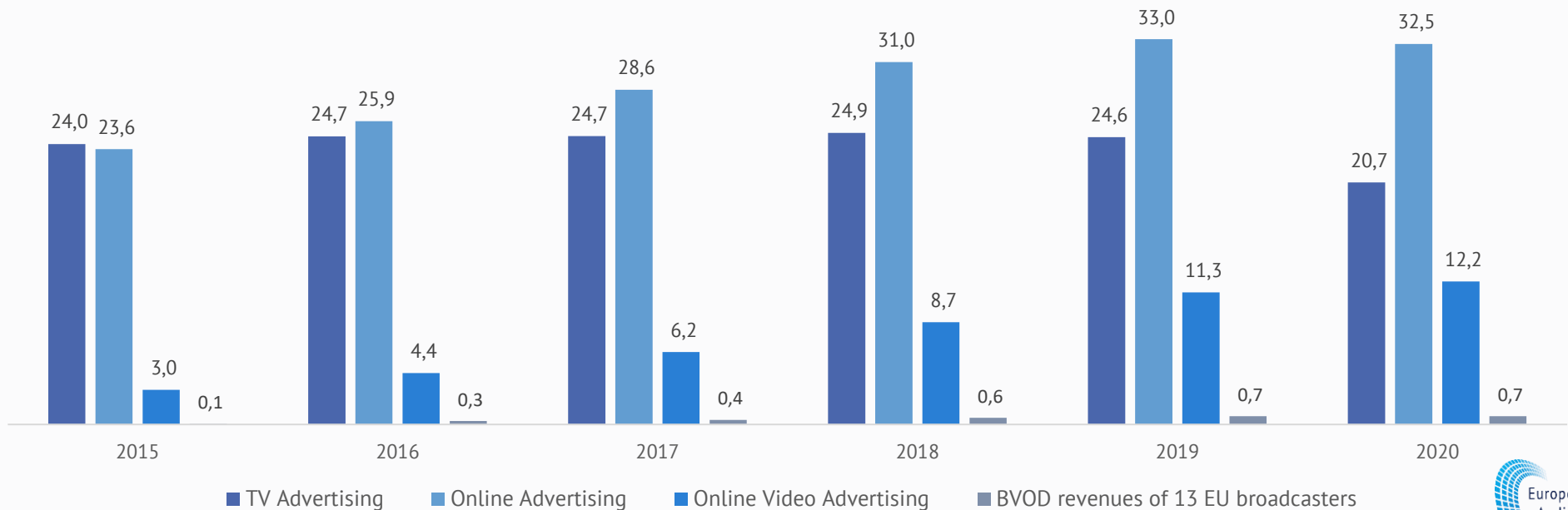
**Advertising-financed video on demand market
The next opportunity on the audiovisual market?**

AVOD services capture consumer attention online attractive to advertisers

- ▶ **AVOD/BVOD services attractive to viewers** in a crowded SVOD market and **to traditional broadcasters to monetise their content online.**
 - ▶ **Acquisitions of AVOD services** by traditional US media players (ViacomCBS/Pluto TV, Fox Corp/Tubi, NBC/Xumo & Vudu) and **international expansion** (Amazon's IMDb TV, Pluto TV, Chili AVOD, Roku Channel) into Europe.
 - ▶ **European TV players have launched their own broadcaster video on demand services** to capture online viewing by audiences.
 - ▶ **AVOD/BVOD revenues are a small part of online video advertising**, dominated by international tech giants, video-sharing platforms and social media players (Google's YouTube, Facebook, Snapchat, TikTok, Amazon...).
 - ▶ **BVOD revenues still a fragment of TV advertising** ("analogue euros for digital cents") revenues in Europe for broadcasters but set to play an important role in the near future. Room for growth and capture advertising spend with increased online EU consumption by consumers.
- ➔ **Increased e-commerce** and **heavy hit TV advertising sector** could provide significant lift to BVOD/AVOD revenues **as advertisers shift budgets online in search of "eyeballs"**.

EU28 TV advertising, online advertising, online video advertising and broadcaster video-on-demand advertising revenues

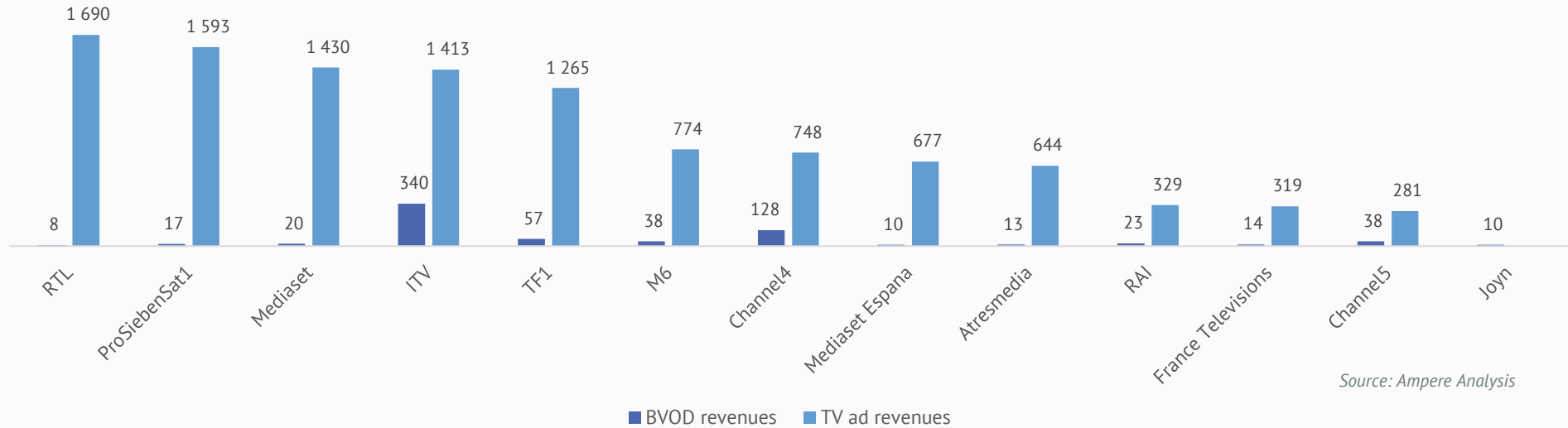
In EUR billion, 2015-2020



BVOD revenues – Still a small part of advertising revenues for broadcasters

Traditional advertising revenues and BVOD revenues of selected EU broadcasters

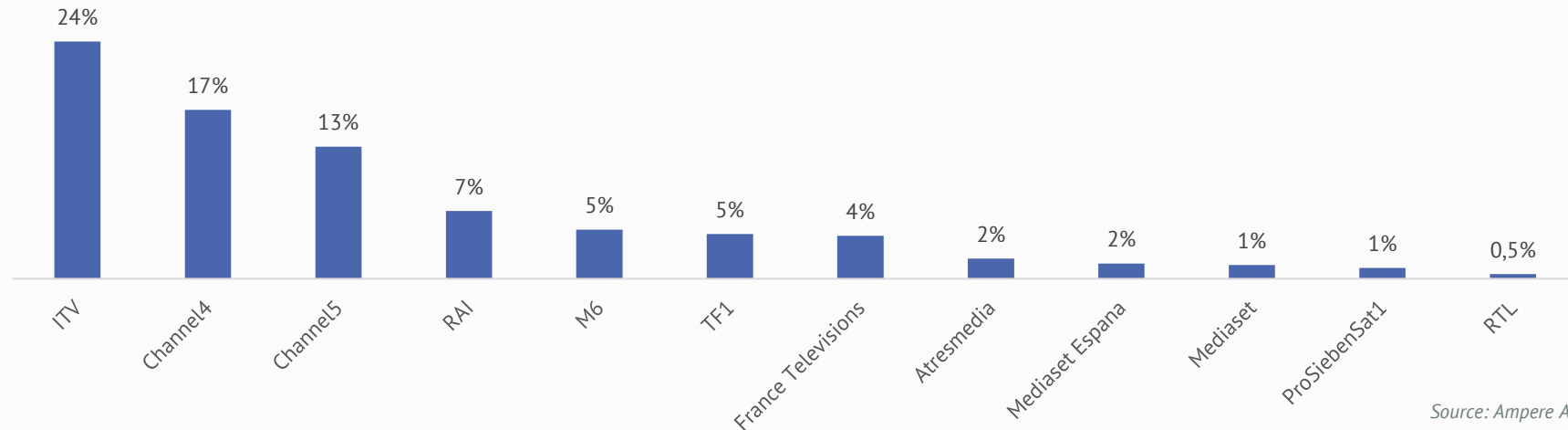
In EUR million, 2020



Source: Ampere Analysis

BVOD revenues as a percentage of TV advertising revenues of selected EU broadcasters

In % traditional TV advertising revenues, 2020



Source: Ampere Analysis

Outlook
–
**A structural shift
on
the audiovisual market?**

Outlook – 3 main take-aways

1 - Impact of video on demand services

- ▶ **SVOD: Game changer** on the audiovisual market which rapid consumer adoption forced traditional players to adapt and shift their business strategy towards direct-to-consumer services and escalated competition.
- ▶ **TVOD: Evolution** towards recent films with shorter release windows of theatrical films and **from rental towards retail**.
- ▶ **AVOD: Set for a rapid rise** as advertisers and media players are trying to capture audiences online in a continuing shift of online content, product and service consumption by European consumers.

2 - The rise of direct-to-consumer services will propel US media groups as the main players on the European audiovisual market

- ▶ **Global US services, from tech, telecom and entertainment players** (Netflix, Disney, Amazon, Comcast, AT&T, Apple, Discovery, ViacomCBS) are set to dominate this new media landscape in Europe, having the required scale, financial power and consumer base to outcompete European players on their own national markets.

3 - Consolidation of European players to be in a position to exist in this new media landscape

- ▶ **European audiovisual services, production and distribution players** will seek alliances, mergers and acquisitions to be able to compete in this landscape with US entrants on the European audiovisual market.

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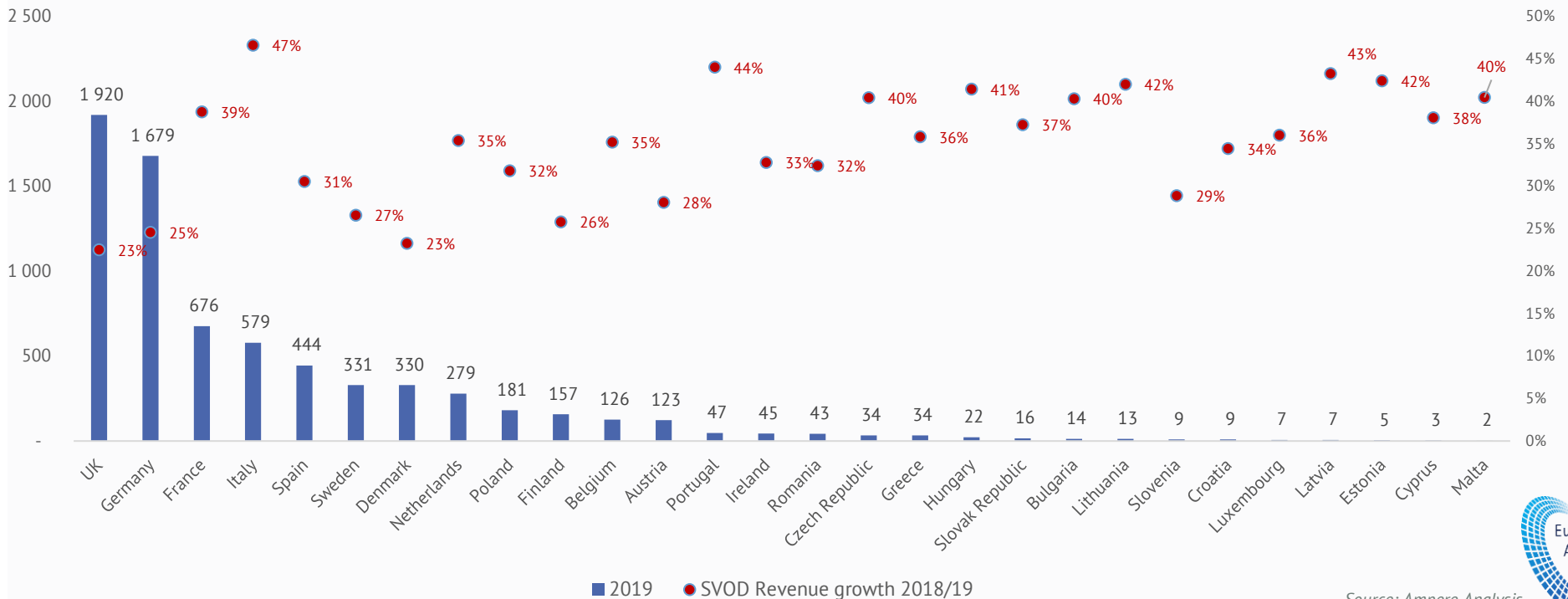
Annex

Country data - Overview of SVOD revenues

- ▶ As with all revenues, **EU-5 represent the majority of consumer revenues in the SVOD market**, accounting for 73% of all revenues in 2019. However, maturing markets such as the Nordics generate, proportionally to their size, already significant consumer revenues.
- ▶ **SVOD revenues are growing at a fast pace in every EU country** as consumers subscribe for the first time or add other SVOD subscriptions to supplement their content consumption (SVOD stacking).
- ▶ In **maturing markets, growth rates are below the EU average of 41%** as markets are starting to mature and early adopters and early majority market levels are already reached.
- ▶ The **aim for services in these markets is now to convince the late majority**, often the more aged part of the population to integrate SVOD services in their media diet.
- ▶ In **most EU28 markets, SVOD is still on a quick expansion** phase and revenues are set to grow.

EU28 OTT SVOD consumer revenues by country 2019 and YoY growth 2018/19

In EUR million and in %



Source: Ampere Analysis

Country data - Overview of SVOD subscriptions

- ▶ **Germany and the UK have by far the largest number of SVOD subscriptions** in EU28, double these of comparable countries in population numbers but, as the market is maturing, had the lowest (but still high) growth rate in EU28.
- ▶ Nordic countries, in which SVOD penetration is among the highest in EU28, had still an important growth rate in SVOD subscription in 2019.
- ▶ **CEE countries**, in which SVOD has still to further be adopted into the mainstream media consumption, **experienced the fastest growth rate in EU28**.

EU28 subscriptions to OTT SVOD by country 2019 and YoY growth 2018/19

In million subscriptions and in %

