VOD platforms in Europe: an overview

MEDICI Workshop, 26 September 2019

Patrizia Simone
European Audiovisual Observatory

European Audiovisual Observatory

What do we know?

lack of transparency

European VOD market

three
very different
forms of VOD

TVOD

iTunes

Title based transaction fees (retail or rental)

Revenue sharing (+MG)

Film oriented

-

competes with

DVD

TVOD	SVOD
Title based transaction fees (retail or rental)	Monthly subscription fee
Revenue sharing (+MG)	Rights sale
Film oriented	TV content oriented
-	Finances productions
competes with DVD	competes with Pay-TV

TVOD	SVOD	AVOD
Title based transaction fees (retail or rental)	Monthly subscription fee	Free
Revenue sharing (+MG)	Rights sale	Advertising rev. sharing
Film oriented	TV content oriented	User generated content
-	Finances productions	-
competes with DVD	competes with Pay-TV	competes with Free-TV

very fragmented market in terms of players & business models

no standard distribution model for films

Pay-VOD is driving growth

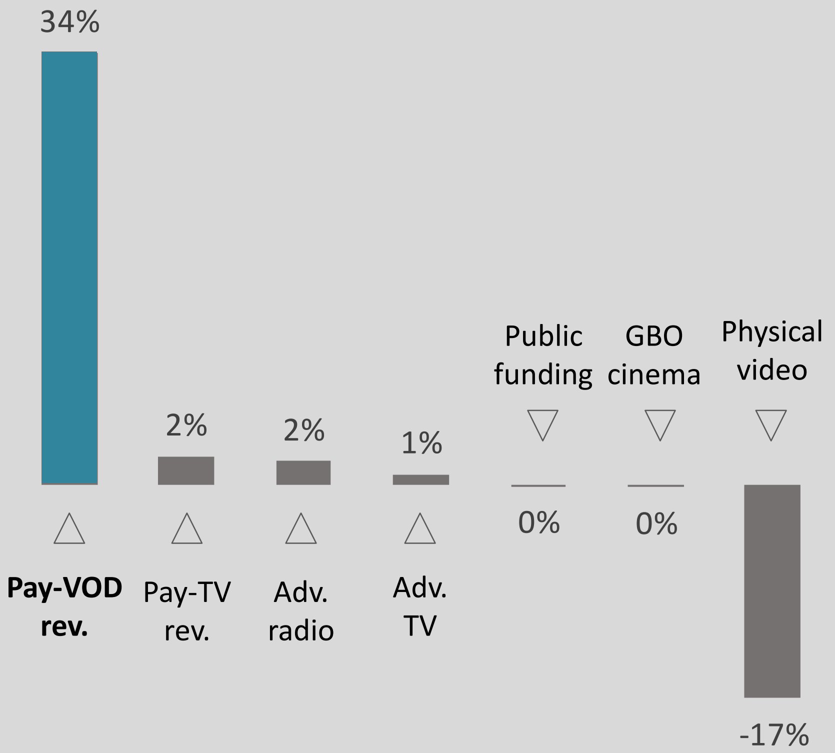
in the EU audiovisual market

... but
it still represents
a small part of the
overall AV market

Pay-VOD is driving growth

in the EU audiovisual market

EU AV market - annual growth rates 2016/2017



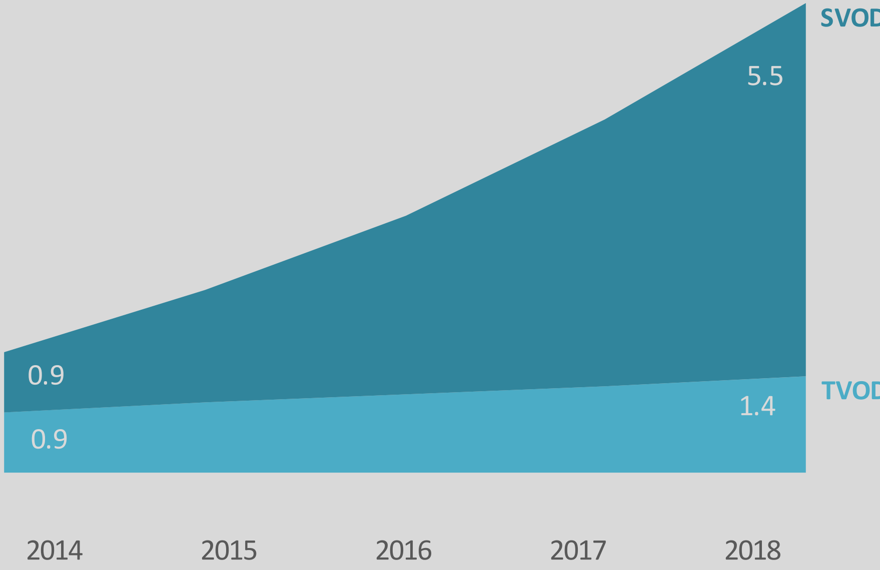
Source: IHS, Warc, EBU/MIS, OBS, Ampere Analysis

Pay-VOD is driving growth

in the EU audiovisual market

Pay-VOD revenues in the EU 2014-2018

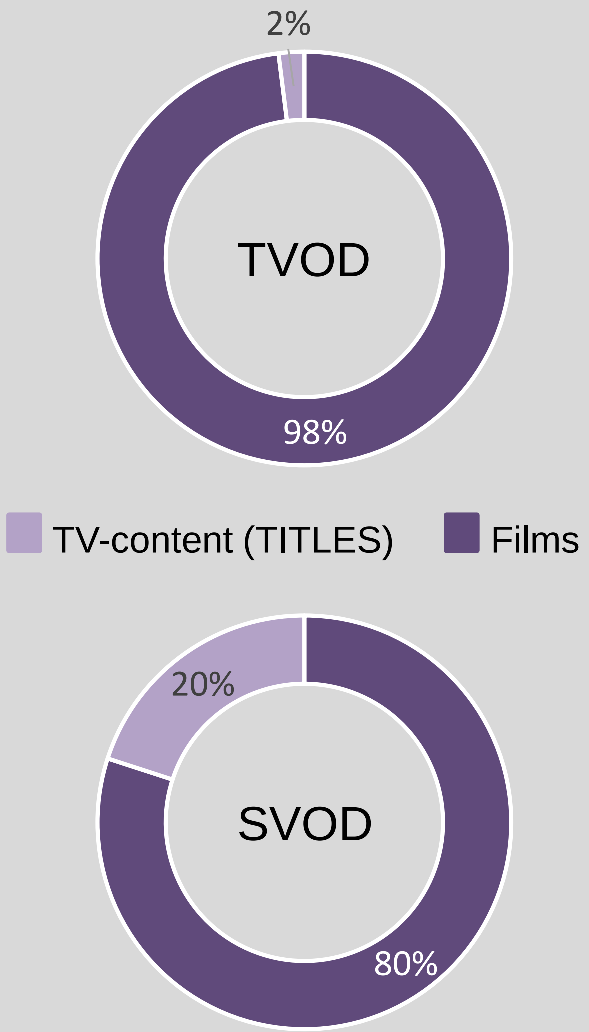
in EUR billion



Source: Ampere Analysis

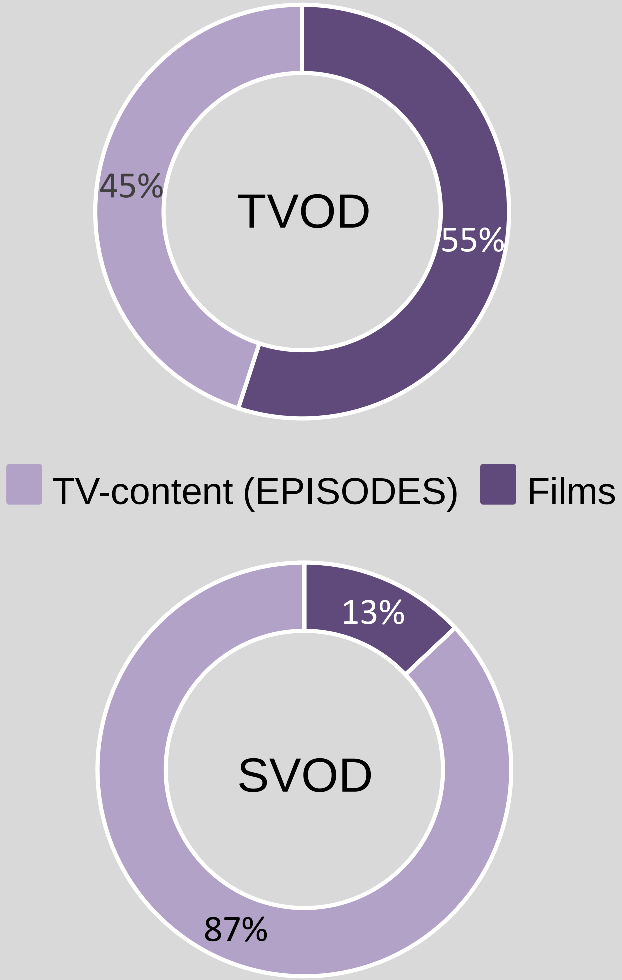
TVOD focuses on films,

SVOD on TV content



TVOD focuses on films,

SVOD on TV content



While TVOD market volume smaller, a larger proportion assumed to go to film content than in the case of SVOD

actual proportion unclear

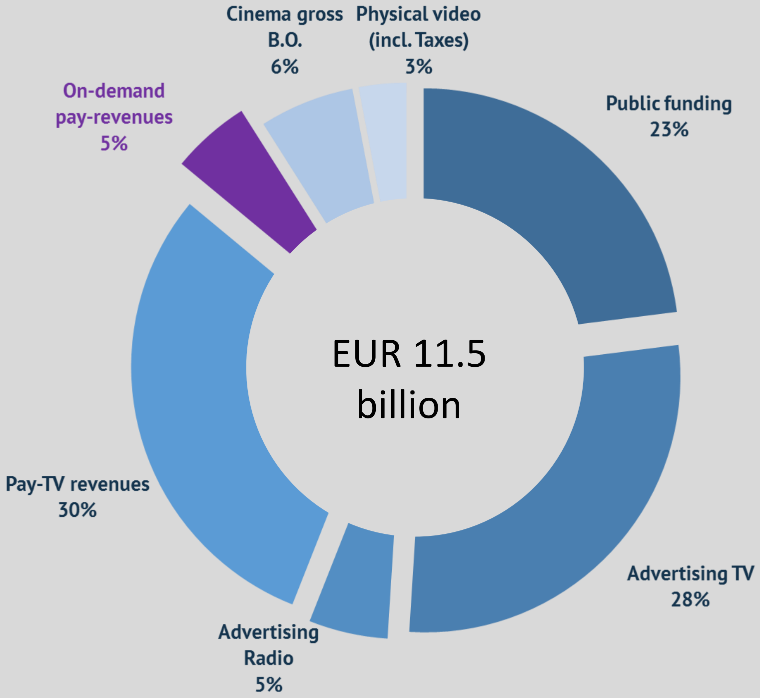
Pay-VOD is driving growth

in the EU audiovisual market

… but
it still represents
a small part of the
overall AV market

... but
it still represents
a small part of the
overall AV market

EU audiovisual market 2017

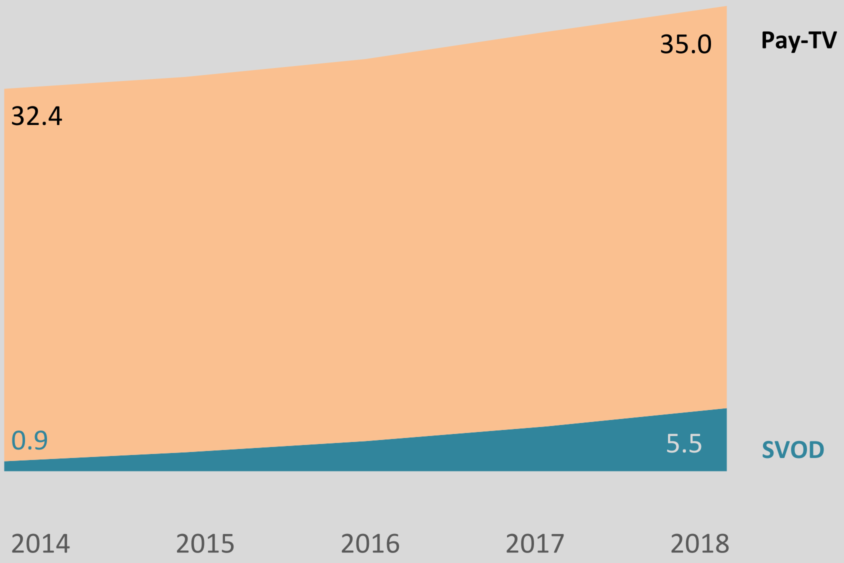


Source: IHS, Warc, EBU/MIS, OBS, Ampere Analysis

... but
it still represents
a small part of the
overall AV market

SVOD vs. Pay-TV revenues 2014-2018

in EUR billion

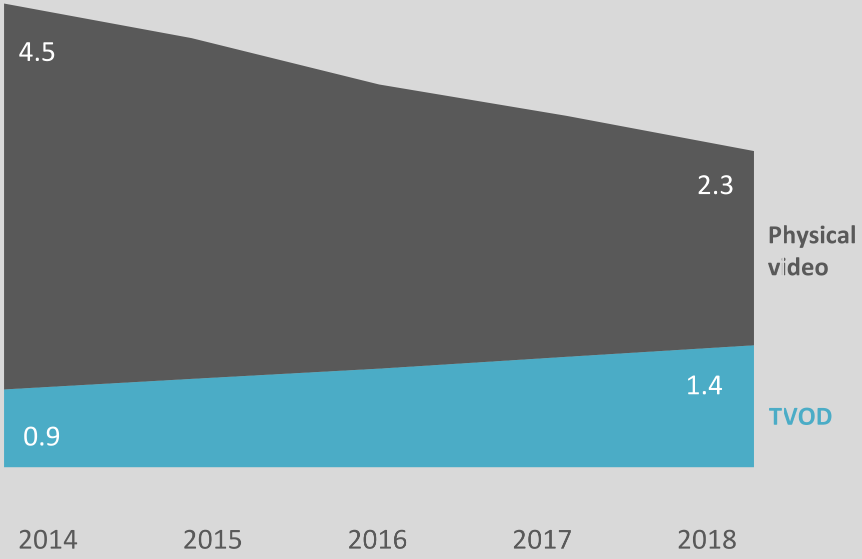


Source: Ampere Analysis

... but
it still represents
a small part of the
overall AV market

TVOD vs. DVD revenues 2014-2018

in EUR billion



Source: Ampere Analysis

Do not forget the traditional windows!

for the time being

What is crucial

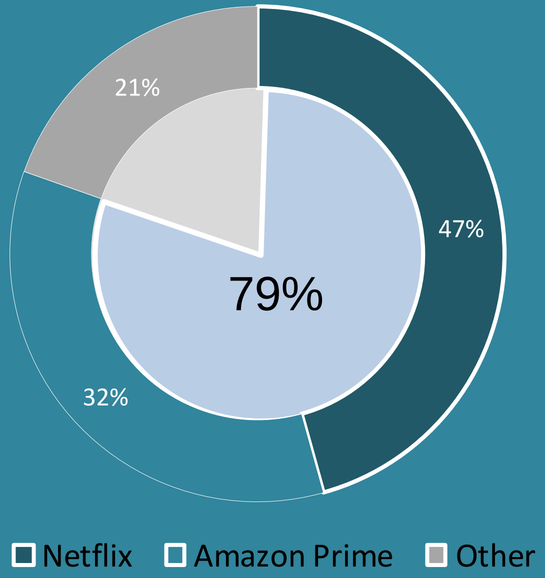
to keep in mind

VOD markets have an inherently high market concentration

economies of scale

SVOD market concentration in the EU (2018)

in % of subscribers



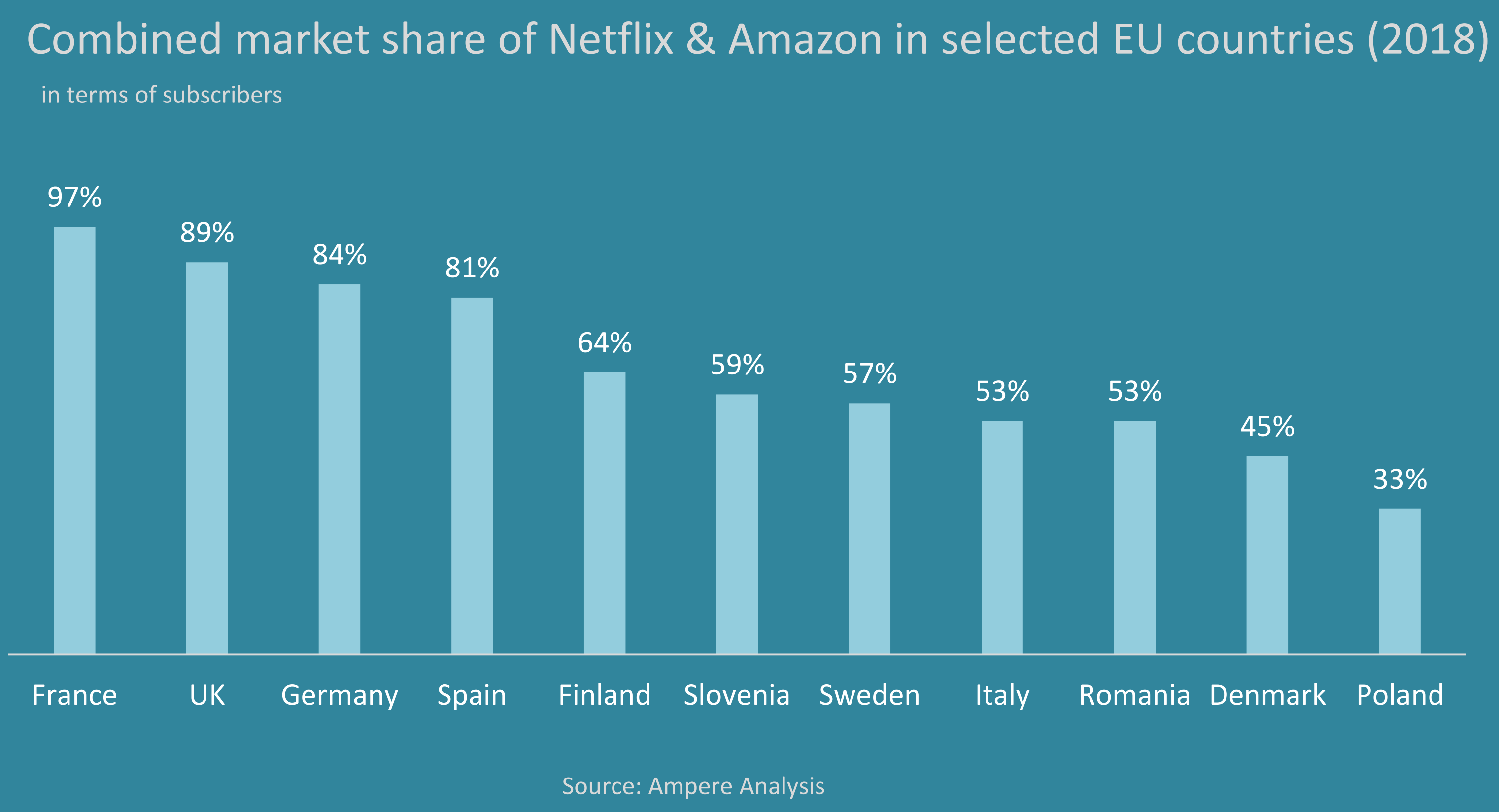
Source: Ampere Analysis

Big US players dominate the market

… but new players are
entering the SVOD market…

# of course, differences across countries

with some strong national players



Combined market share of Netflix & Amazon in selected EU countries (2018)
in terms of subscribers
97%
89%
84%
81%
64%
59%
57%
53%
53%
45%
33%
France
UK
Germany
Spain
Finland
Slovenia
Sweden
Italy
Romania
Denmark
Poland
Source: Ampere Analysis

but,
difficult for national players
to compete with global tech giants

because of economies of scale

Ownership of customer relationship & discovery

=

power over suppliers …

Availability of European films

we used a large
sample analysis …

… to monitor the
composition of VOD
catalogues in Europe

Nr. of EU films available on VOD

27 000

> 24 000 titles

available on

TVOD

27 000

> 13 000 titles

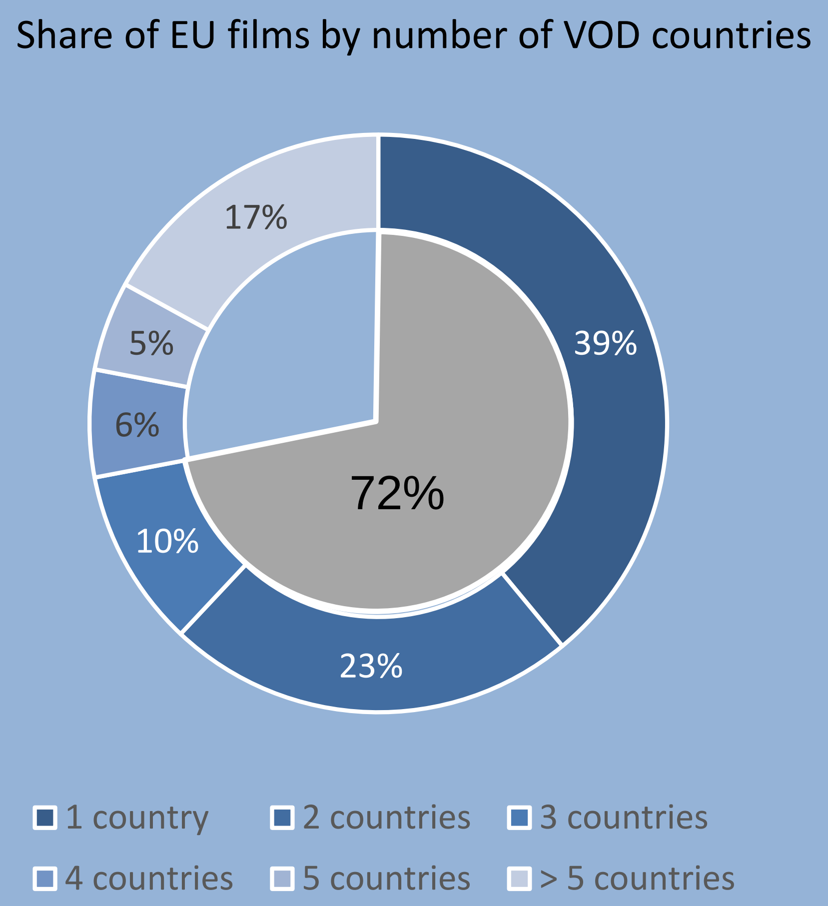
available on

SVOD

from a pan-European perspective,

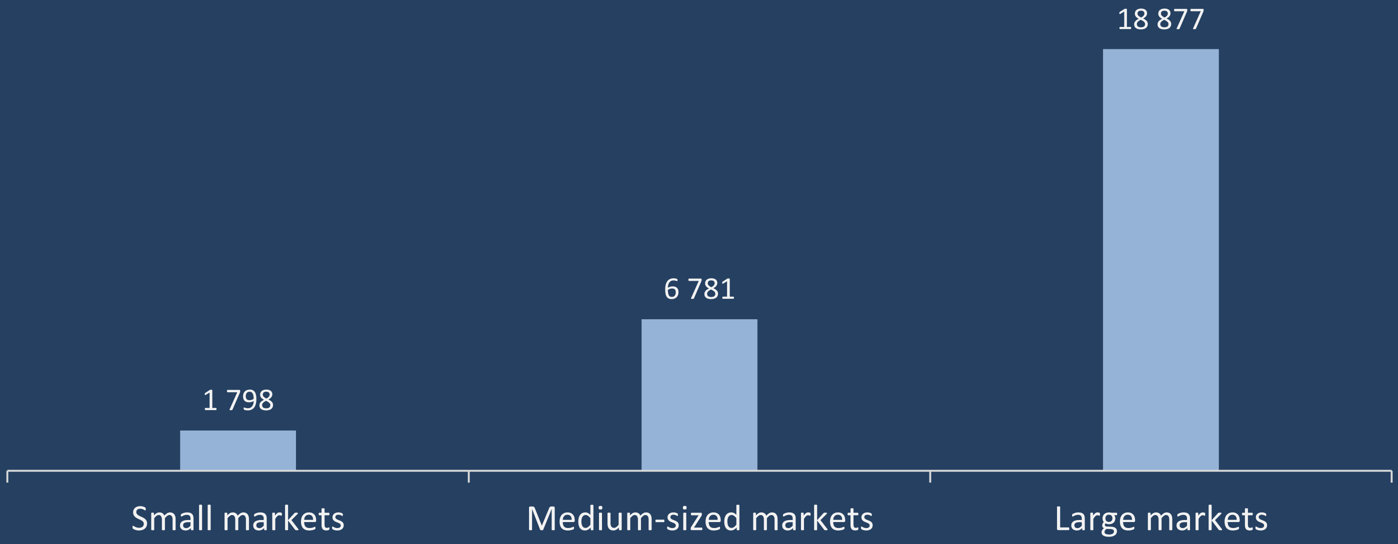
large number of European films available on VOD

vast majority of
EU films available
in fewer than four
countries



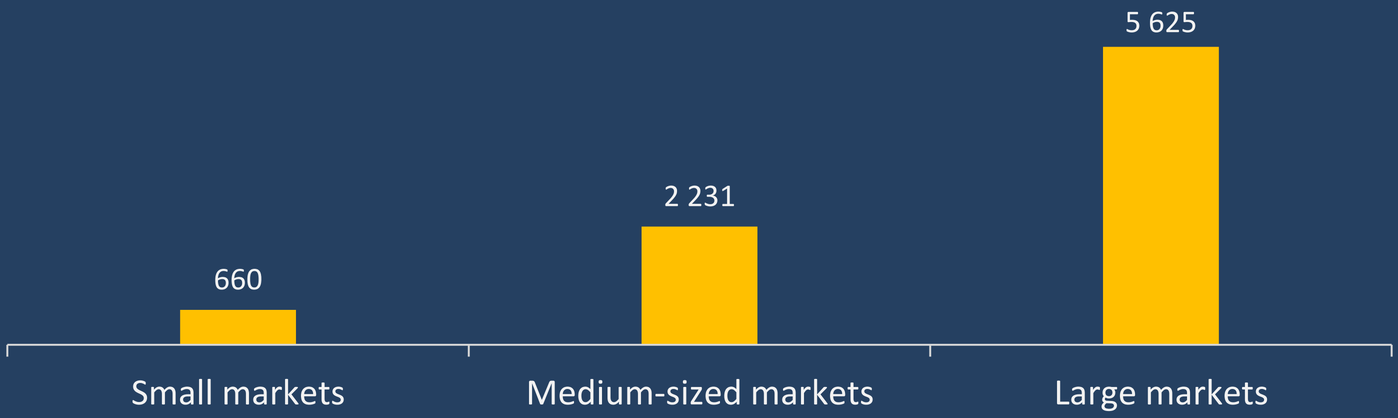
significant differences across countries

Average number of EU films in VOD catalogues by market cluster



Source: OBS

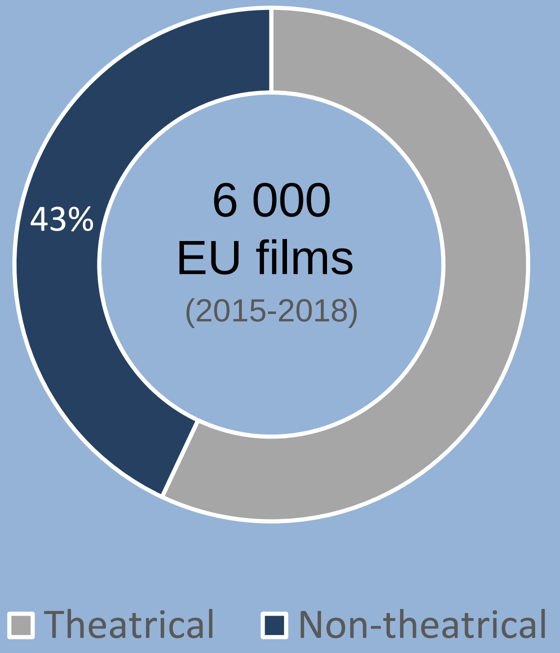
Average number of RECENT EU films in VOD catalogues by market cluster



Source: OBS

VOD makes available a significant amount of non-theatrical films

Share of non-theatrical films among recent EU films in VOD catalogues



When it comes to quotas

(AVMS Directive)

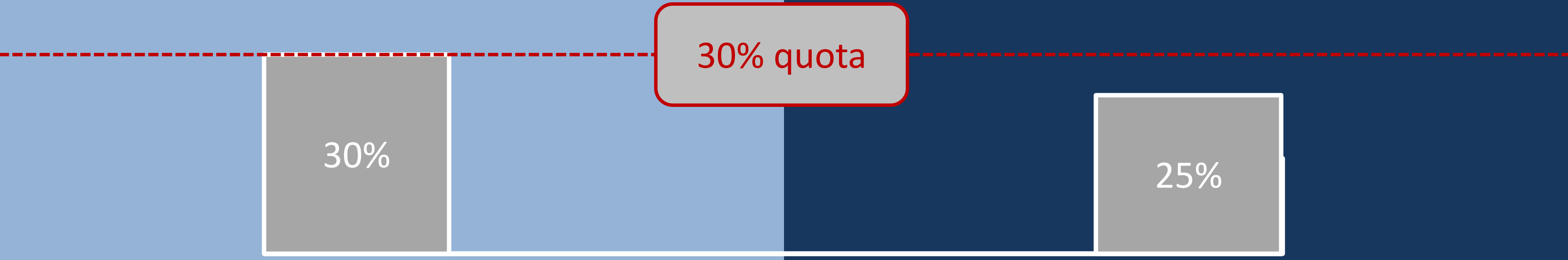
European **WORKS**

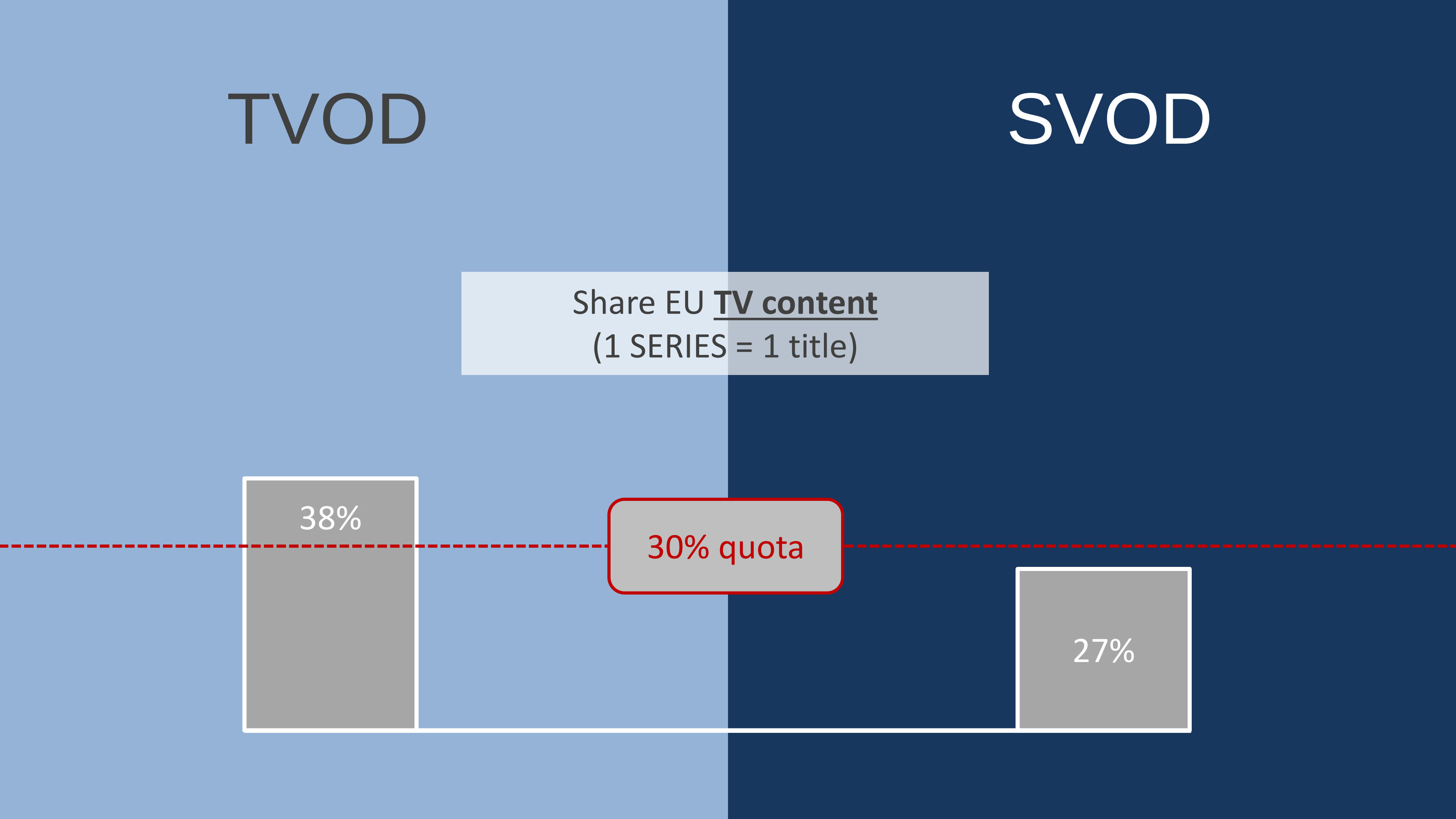
(generally no sub-quotas for film)

TVOD

SVOD

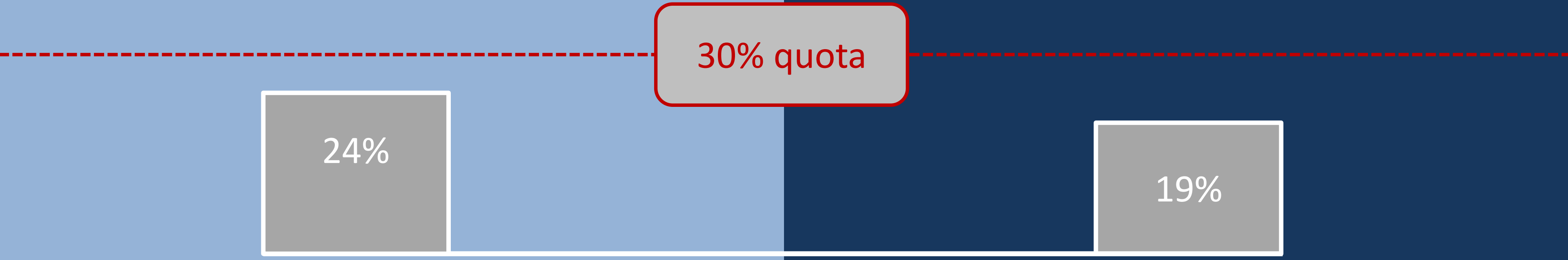
Share EU **FILMS**




TVOD
SVOD
Share EU TV content
(1 SERIES = 1 title)
38%
30% quota
27%

TVOD SVOD

Share EU **TV content**
(1 **EPISODE** = 1 title)



generally speaking,

the quotas are mostly met

(but not by some of the largest players)

Availability not the main challenge for European films

Visibility

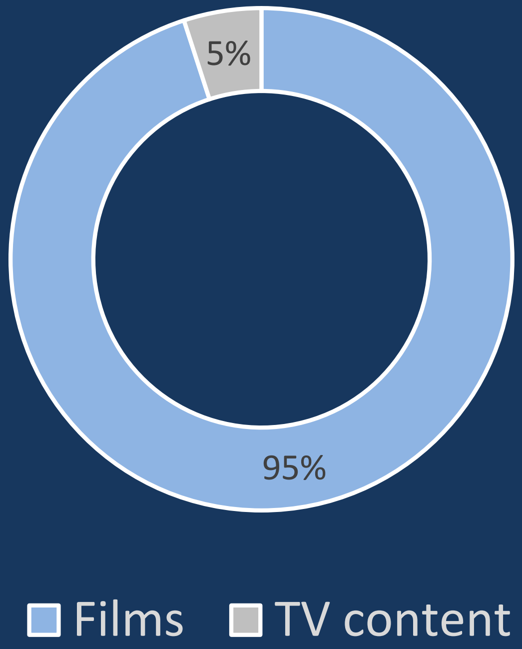
a word of caution

very limited insights due to lack of data

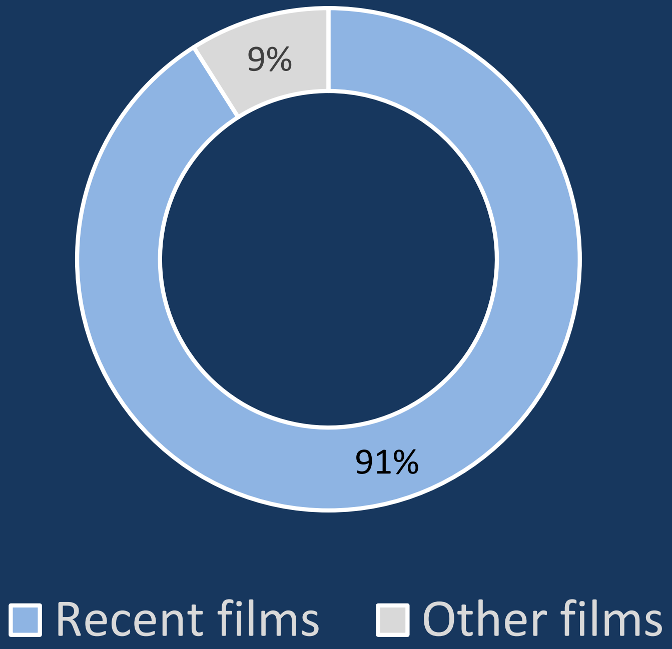
limited data sample

- only TVOD services
- 42 «mainstream» services
- in 5 EU member states

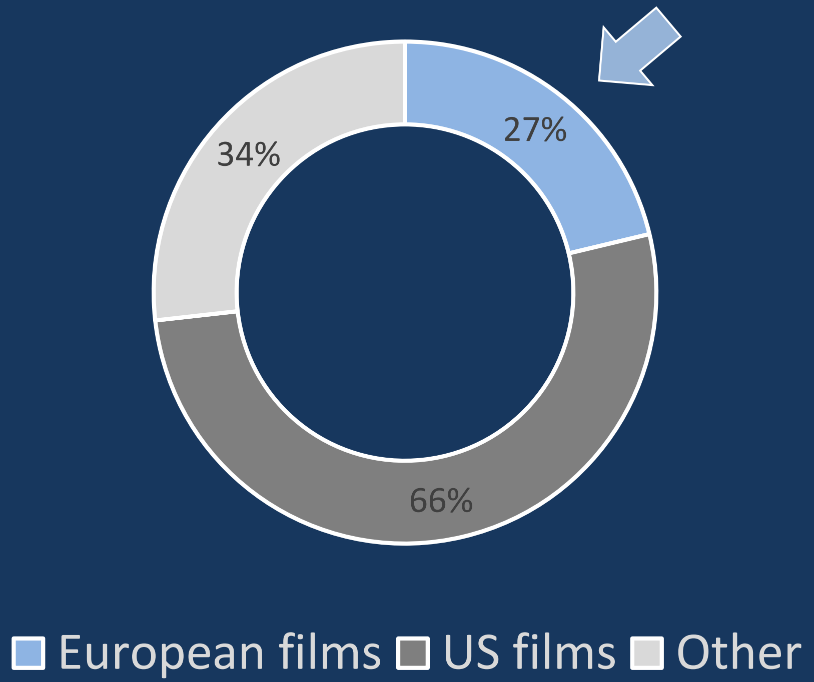
- checks only the presence of films on homepage the bulk of promotion is dedicated to **films**



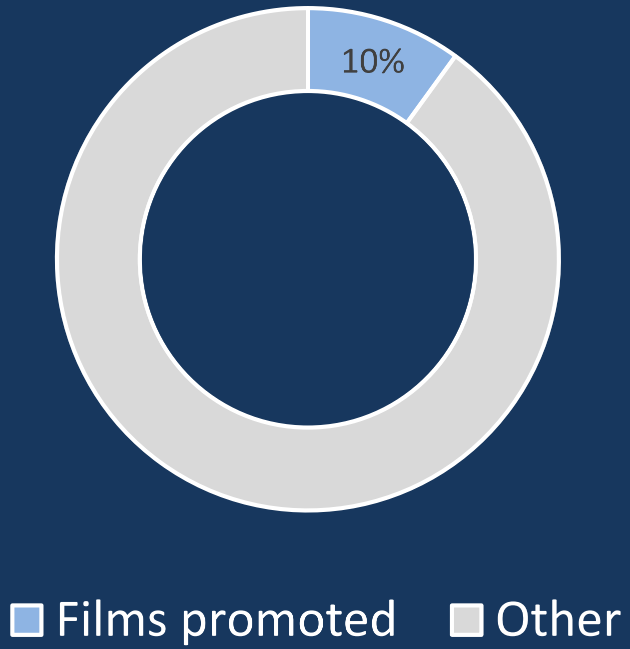
the bulk of promotion is dedicated to recent films



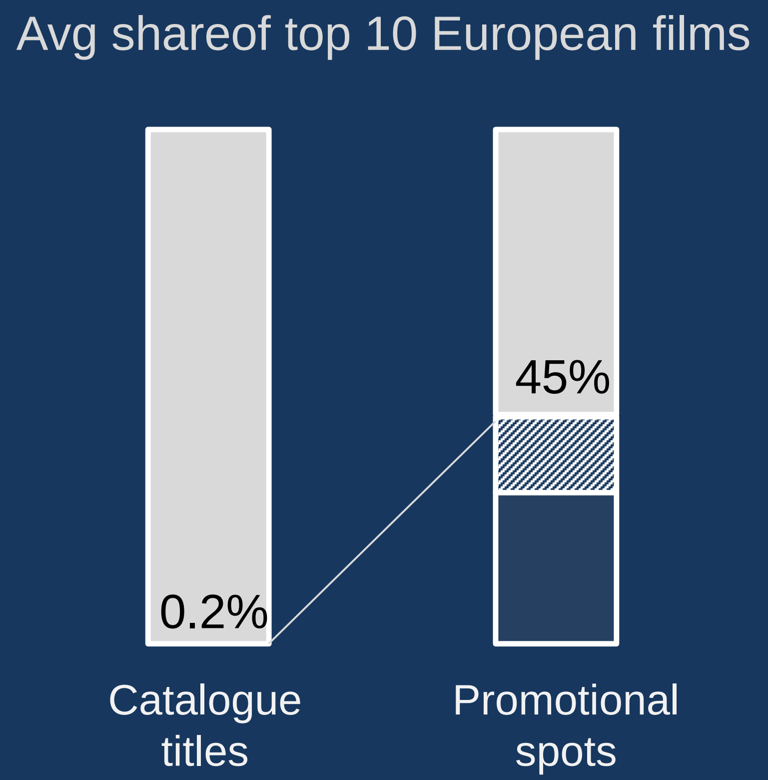
Promotional spots for European films proportional to share in catalogue



Only a very limited number of films benefits from intensive promotion



30% to 45% of promotional spots for European film on TVOD go to only 10 films



Few and only very recent films get promoted

in TVOD!

Ownership of customer relationship & discovery

=

steering demand

Who is buying European films?

What are the top SVOD services in terms of acquiring EU films?

(produced 2015 to 2018)

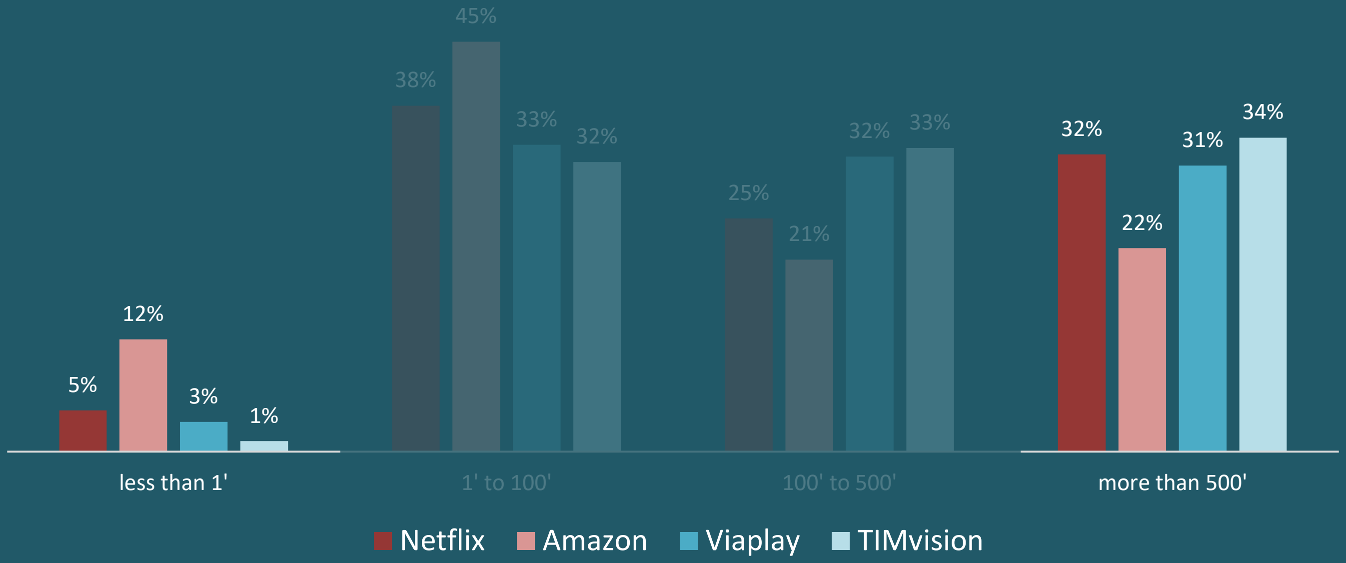
Rank	Company	Active EU territories	Avg nr. of EU films acquired per prod. year
1	Amazon Prime (US)	18	328
2	Netflix (US)	17	172
3	Viaplay (DK)	3	92
4	HBO GO / Nordic (US)	8	74
5	TIMvision (IT)	1	72

Source: OBS

«Global platforms only interested in blockbusters»

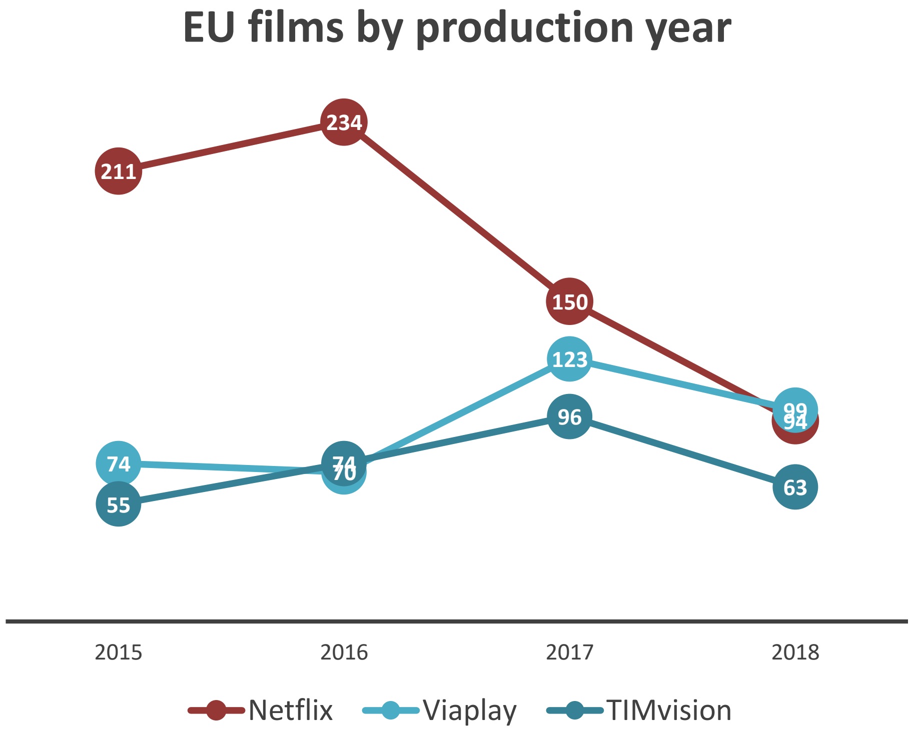
Portfolio comparison: share of recent EU films by admission brackets

in % of total recent EU films (2015 to 2018) in respective catalogue



Source: OBS

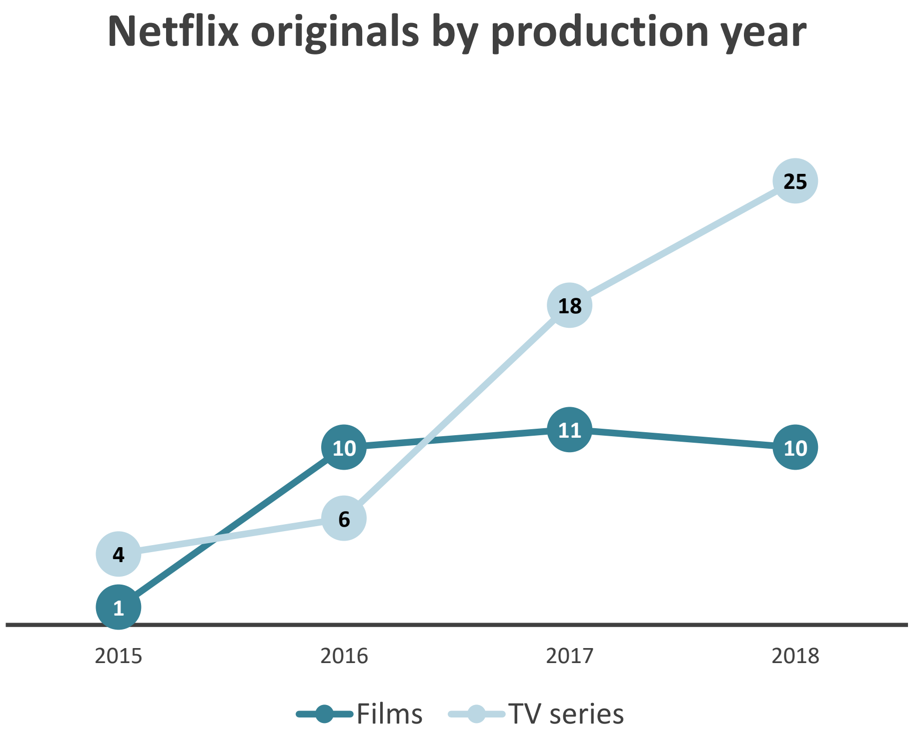
However, Netflix buying fewer films ?



Source: OBS

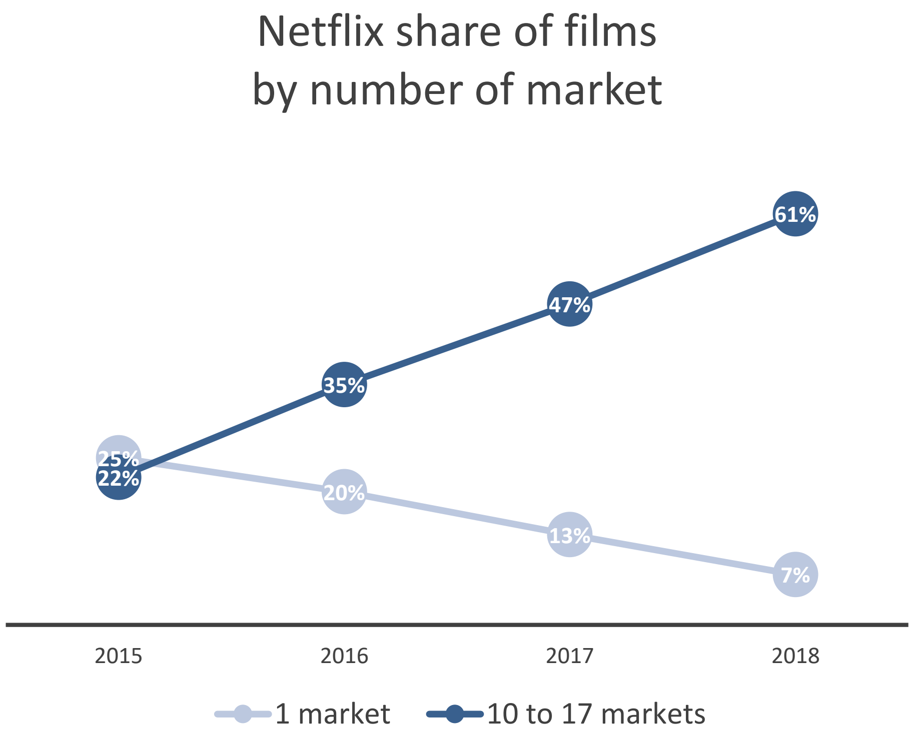
… while producing more EU original content?

… while producing
more EU original series



Source: Ampere Analysis

… increasingly requiring exclusive multi-territory rights ?



Concluding remarks

- **Lack of data limits analysis insights**

  ... unclear to which extent VOD stimulates consumption of European content

  ... also, unclear to which extent TVOD and SVOD offer significant revenue potentials for film right holders

- **TVOD and SVOD are two very different markets**

  ... TVOD film focused, SVOD TV content focused (exclusive premium content)

  ... Revenue sharing vs rights sale

  ... SVOD produces / finances content, TVOD does not

- **Availability does not seem to be the main challenge**

- **The question is rather how to reach audiences amidst abundance of content, particularly on TVOD**

  ... Only very few recent blockbusters benefit from intensive promotion

- **Ownership of customer relations & discovery = power over suppliers**

impact on
film production?

In terms of financing

we did a

sample analysis

…to analyze how
European films
are financed

.

we did a sample analysis

- based on final financing plans
- for 445 live-action fiction films
- released in 2016
- in 21 European markets
- EUR 1.4 billion investment volume
- 42% coverage rate (est)

VOD
financing
is (still)
insignificant

at least, for films
released in 2016

6 out of 445 sample films

financed by VOD

0.1%

investment volume

at least, for films released in 2016

10 films

produced by Netflix

~ 1 800 films

produced in the EU

however

in France 2018

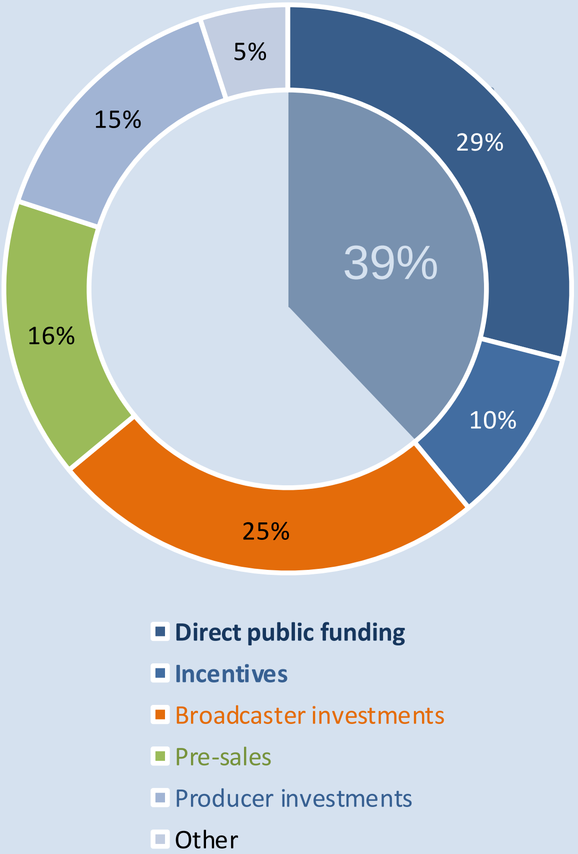
Broadcaster investments	-21%
Pre-sales (excl. TV)	-26%
Total film investment	-12%

Are SVOD services luring talent away from the film industry?

Public support to become more important for cultural diversity in film production?

€1.4bn

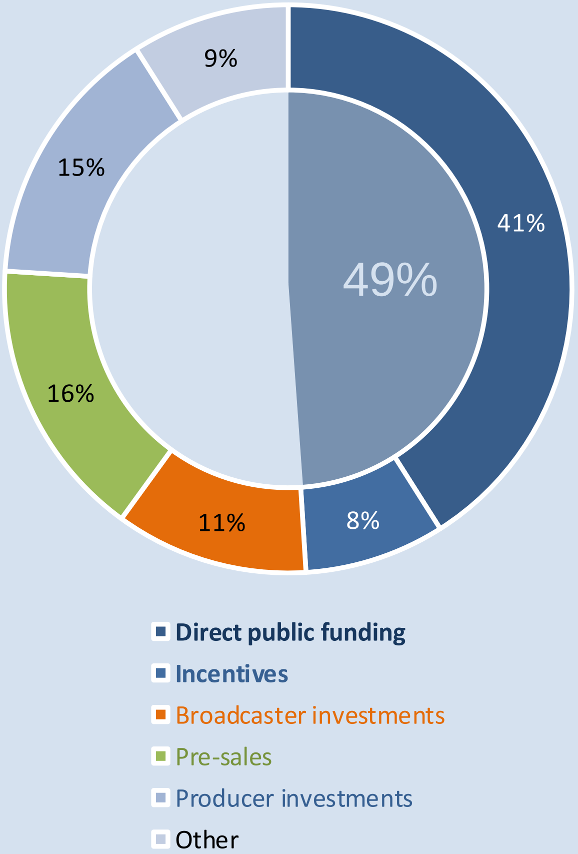
sample production investment



excl. France

€0.7bn

sample production investment



What role
for public funding
in the future?

Film agencies remain strongly committed to cultural diversity.

EFADs Vision Paper 2019

European film will continue to receive public support but the importance of private financing sources will grow.

EFADs Vision Paper 2019

Public money for the audiovisual sector is continuing to drastically decrease.

Sten Saluveer, Founder and CEO, Storytek in Nostradamus Report 2019

Distribution should be valued as highly by the film funds as production.

EFADs Vision Paper 2019

“Film” means anything that tells a story […] through the art of the moving image […]

EFADs Vision Paper 2019

- Focus of public support likely to change

  ... shift from film to other formats

  ... shift from production to distribution

  ... increasing focus on economic goals

- Investments in theatrical film production will decrease

  ... in contrast to AV production

- Fewer films

- Increasing gap b/w commercial films and «difficult» films

  (for which public funding will be even more important)

Thanks!

Questions?

patrizia.simone@coe.int