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Trends in video-on-demand revenues

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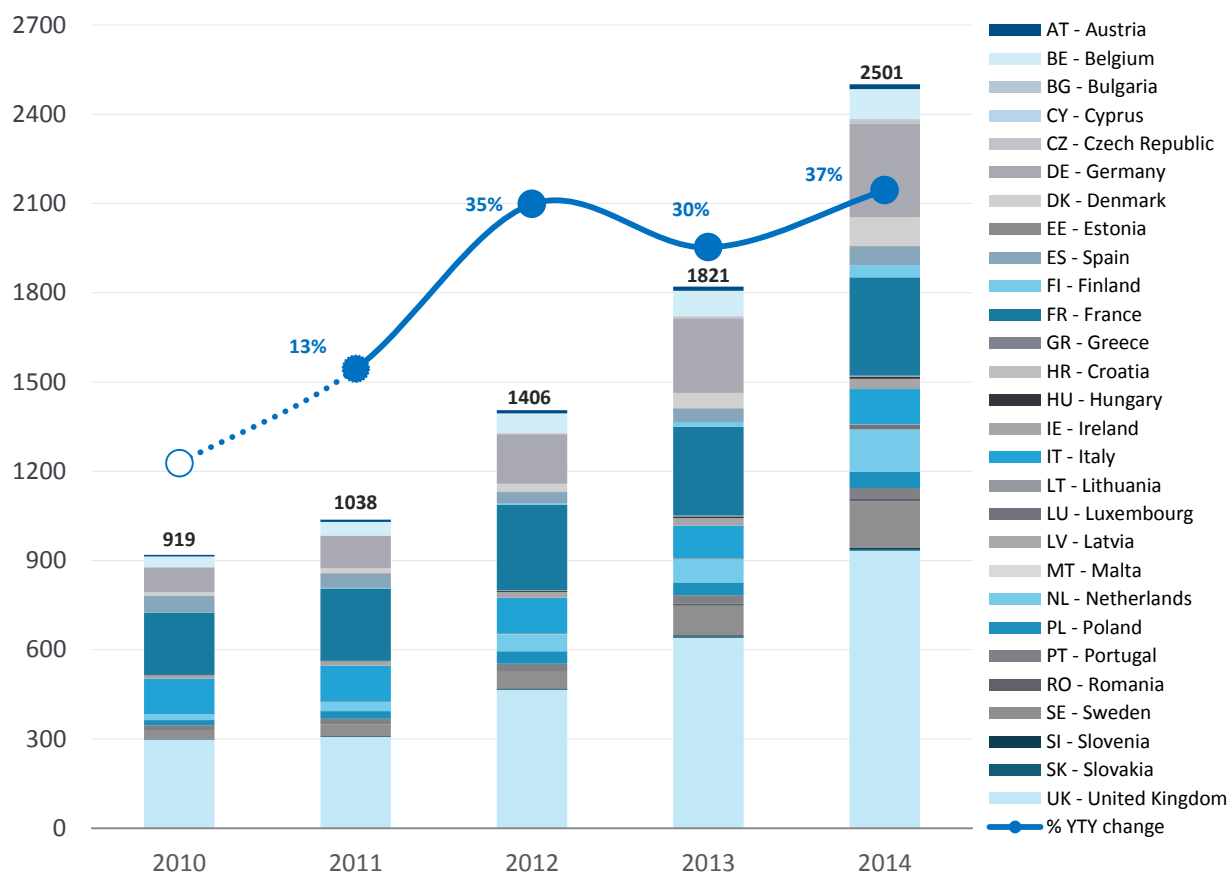
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1.Total on demand revenues almost quadrupled from 2010 to 2014

According to IHS research firm, total on demand consumer revenues in the 28 European countries soared from EUR 919 million in 2010 to EUR 2.5 billion in 2014, an of 272% increase and a Compound Annual Growth Rate (CAGR) in the 5 year period of 28% (Figure 1).

Figure 1: Total on-demand Consumer Revenues – EUR (M) by year and country – 2010-2014



Source: IHS

The sum relates to three main on-demand audiovisual services (ODAS) typologies:

- **TVoD (Transactional video-on-demand)**: consists in services providing mainly recent movies and TV shows, for individual purchase or renting. This category allows a further breakdown in **online film** and **online TV**. According to IHS, these definitions apply to movie and TV content delivered over the open internet to a connected device such as a PC or smartphone, including content delivered to applications as well as web portals. Though technically encompassing SVoD content, they are usually used to describe transactional content. IHS provides data on online film for all EU 28 countries, while on online TV figures are available only for 7 countries, which are FR, DE, IT, NL, ES, SE, GB;



- **SVoD (Subscription video-on-demand):** a business model traditionally associated with streaming video. Users pay a standard monthly rate for access to content which is streamed on request; this is to say no long term store of the content is made on the user's device. IHS provides data on SVoD for 22 EU countries: AT, BE, BG, HR, CZ, DK, FI, FR, DE, GR, IE, IT, LU, NL, PL, PT, RO, SI, SK, ES, SE, GB;
- **TV VoD:** is a combination of different on demand distribution models for TV programs, including **VoD** and **nVoD**. According to IHS, VoD refers to content delivered over a managed network to a set-top-box and it is the kind of technology employed by Cable and IPTV providers. nVoD, or Near VoD, is the method of delivery by which staggered start times are used to allow customers to access content at a start time of their choosing. This technology is essentially linear broadcast, utilizing existing channels to broadcast content. IHS provides data on TV VoD for 24 EU countries: AT, BE, CY, DK, EE, FI, FR, DE, GR, HU, IE, IT, LV, LT, LU, MT, NL, PL, PT, RO, SI, SK, ES, SE, GB.

Table 1 :Total on-demand Consumer Revenues – EUR (M) by Country – 2010-2014

Country		2010	2011	2012	2013	2014	2014/ 2013	CAGR 2014/ 2010
AT	€m	5,3	7,5	10,6	13,7	16,8	23%	34%
BE	€m	36	46,2	65	84,9	99,9	18%	29%
BG	€m	0,0	0,2	1,0	1,9	2,6	38%	227%
CY	€m	0,4	0,5	0,8	0,9	1,1	18%	28%
CZ	€m	0,4	1,1	3,9	7,7	11,8	53%	134%
DE	€m	83,5	108,1	166,6	248,0	315,2	27%	39%
DK	€m	11,5	16,7	26,2	52,0	95,8	84%	70%
EE	€m	1,0	1,6	2,3	2,6	3,2	24%	33%
ES	€m	54,9	47,3	38,1	43,3	62,5	44%	3%
FI	€m	0,8	2,2	4,3	16,0	40,0	150%	167%
FR	€m	209,3	243,3	287,3	298,8	330,5	11%	12%
GR	€m	1,2	1,0	1,7	2,7	4,0	50%	36%
HR	€m	0,0	0,1	0,3	0,7	0,8	22%	147%
HU	€m	0,8	1,5	3,1	4,7	6,3	35%	70%
IE	€m	11,9	14,1	19,3	26,1	34,7	33%	31%
IT	€m	117,4	120,1	121,0	111,1	117,8	6%	0,1%
LT	€m	0,3	0,4	0,6	0,8	1,0	37%	40%
LU	€m	0,3	0,4	0,8	1,0	16,2	1600%	170%
LV	€m	0,2	0,4	0,9	1,3	1,4	7%	64%
MT	€m	0,0	0,0	0,2	0,3	0,4	44%	168%
NL	€m	20,0	31,2	57,1	75,9	140,8	86%	63%
PL	€m	17,1	25,3	42,0	43,8	54,2	24%	33%
PT	€m	16,8	19,2	24,4	28,9	34,6	20%	20%
RO	€m	0,1	0,1	2,2	5,9	10,8	82%	278%
SE	€m	29,5	39,7	55,9	99,6	154,6	55%	51%
SI	€m	0,8	1,2	3	4	5,5	37%	65%
SK	€m	0,7	1,1	2,6	4,3	6,2	45%	73%
UK	€m	298,8	307,0	464,4	640,0	932,4	46%	33%
Total		919	1038	1406	1821	2501	37%	28%

Source: IHS



A closer look at the annual growth rate of on demand revenues shows a significant acceleration in the increase for 2012, year of debut of preeminent TVoD and SVoD services in several European countries. Despite slowing slightly in the following year, the increase rate soared again to 37% in 2014, as the on demand market continued expanding, due to major platforms broadening their reach across Europe and other competitors entering the field¹. This steady positive trend points out a climbing market maturity, fostered by:

- Competitive pressure by US players (Netflix on the SVoD market, but also well-structured and wide TVoD catalogues, supported by proprietary OS and devices, from companies like Apple, Google, Amazon, PlayStation and Microsoft);
- Traditional broadcasters' growing commitment in releasing "stand alone" online offerings;
- Solid TV VoD revenues;
- Greater availability and variety of on demand content;
- A consequent rise in consumer awareness².

ODAS development is also paired by changing viewing behaviours which are likely to support revenues further development in the following years³. Although still representing a niche part of audiovisual consumption, time dedicated to on demand viewing and on demand revenues are clearly on the path of a persistent growth but with different speeds, as emerging clearly in data breakdown by country.

¹ In 2013, after takeover by Japanese ecommerce leader Rakuten, Spain based Wuaki.tv stated its European expansion targeting the United Kingdom and Ireland; French video hub Dailymotion gave an international push to its OpenVOD service, whose test phase begun in late 2012 while Vivendi debuted Watchever in Germany. In late fourth quarter Italian broadcaster Mediaset also joined the list of online VoD provider with its Infinity transactional and subscription offering, while Sky Italian and German branches introduced their SVoD services in 2014. In the meantime Netflix boosted its penetration in the EU market adding Netherlands in 2013 and France, Germany, Austria, Belgium and Luxemburg (plus Switzerland) in 2014.

² According to a study by MTM, supported by research firm Ooyala: "Netflix's entry into European markets has stimulated a wave of investment and service launches by other international OTT providers, pay TV operators and broadcasters – encouraging interest in premium OTT as a business model. Industry participants are spending growing sums on marketing and promotion, driving consumer awareness and understanding. Premium OTT appears poised for rapid growth across the region". (MTM, *Prospects for Premium OTT in Western Europe*, Nov 2014, p. 1).

³ See studies as Ericsson ConsumerLab's *TV & Media Report 2015* or Ofcom's *The Communications Market 2015* for a country-specific analysis of British audience.

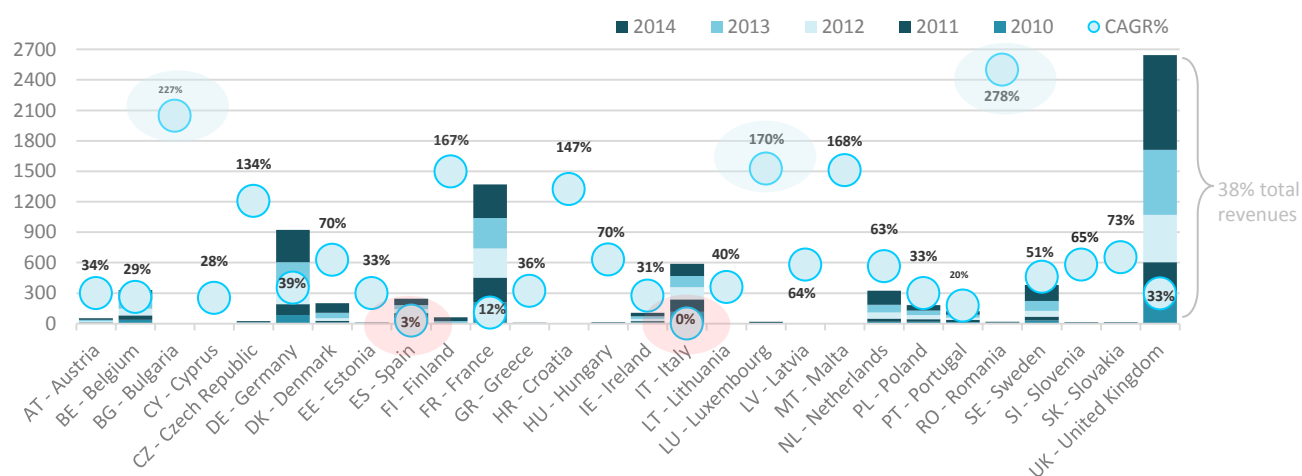


2. A fragmented market structure

Despite rising on a European level, VoD and TV VoD revenues distribution and growth speed is still facing great disparities amid the 28 EU markets. Great Britain accounted alone for 34% of 2010-2014 total revenues, which consisted in EUR 7.6 billion; following were France with 18% of revenues and Germany with 12% (Figure 2). The British share of the total EU on-demand market appears even wider on a yearly basis, closing 2014 with a share of 37%. Italy was the only area with a close to zero (0.1%) CAGR, mainly because of a drop in the TV VoD market and a slow development of online on demand services. Different timing in the roll-out of significant platforms can be also seen as a reason for significant gaps in consumer revenues from a general point of view.

Last year EU-5 notably generated 70% of EU on demand revenues, up to 82% with the addition of Nordic Member States. On the other hand, countries with higher CAGR are to be found amid developing on demand territories like Romania (278%), Bulgaria (227%) and Luxembourg (170%). The latter experienced an astounding year-to-year jump in 2014, with revenues growing from EUR 1 million to more than EUR 16 million, mostly thanks to an increase in the SVoD segment, which can be explained by market entry of Netflix.

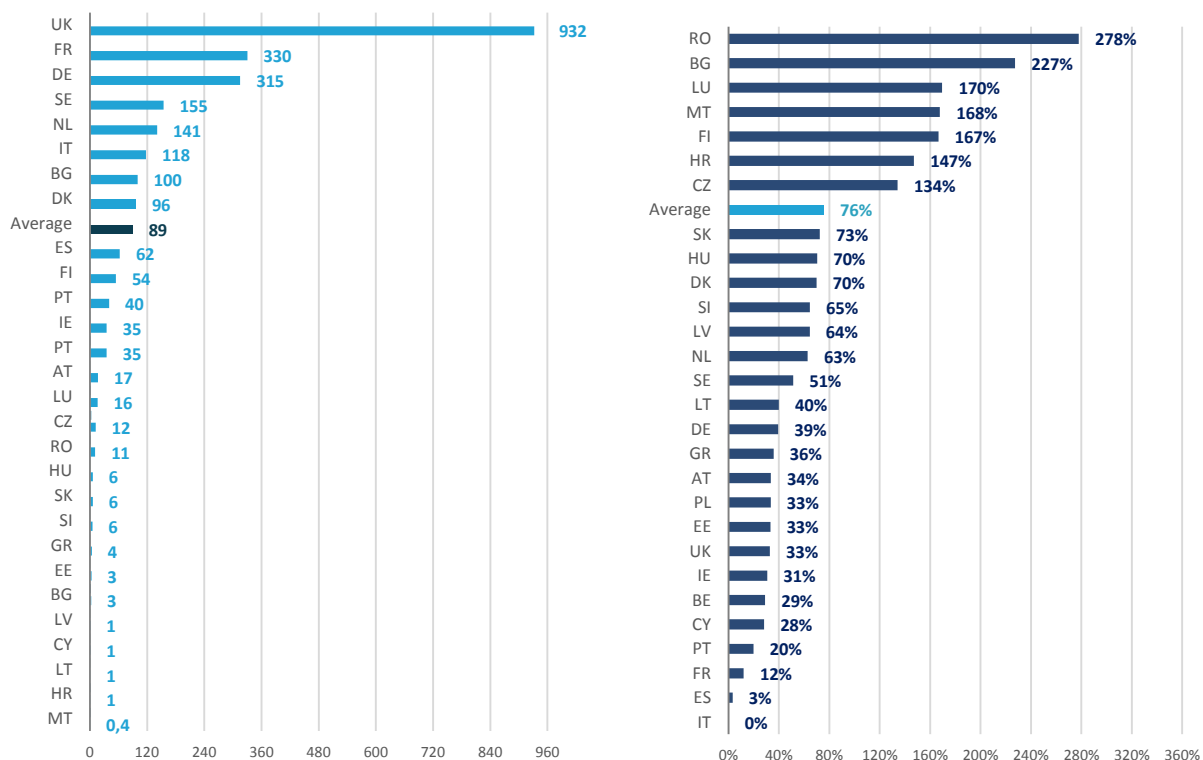
Figure 1 : Total on-demand Consumer Revenues – EUR (M) by country with CAGR% – 2010-2014



Source: IHS



Figure 2 : Total on-demand Consumer Revenues vs. CAGR% with average – EUR (M) – 2014



Source: IHS

Late (or yet to arrive) debut of popular international services, such as Netflix, as well as traditional broadcasters' hesitation to join the VoD market, had an evident effect on consumer spending in countries like Italy and Spain, whose growth rates are far under the EU 28 average (Figure 3).

In 2014 France came second in terms of revenues volume but is among the last 3 countries when compound annual growth rates are considered, meaning that the impact of new international and local players didn't affect the market as it did in other Netflix-targeted countries.

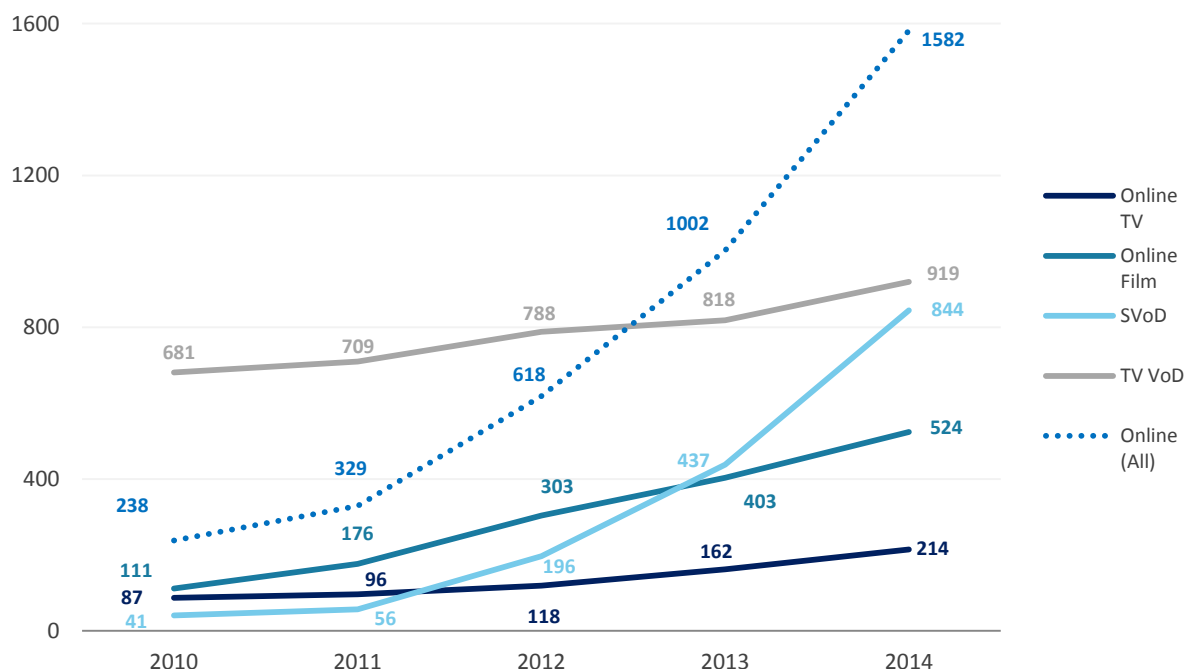
It is also true that content and platforms availability is not the only aspect to be considered when explaining multiple stages of market maturity. Other structural factors like overall TV market expansion, linear offering quality, broadband penetration, attitude toward online payments and general level of digitalization play an important role in actual and future adoption by consumers of on demand services and new viewing patterns (multi-screen viewing) and represent key variables in understanding the different levels of on demand market evolution in the EU.



3. Internet based consumer spending is closing the gap with on-demand TV

TV VoD reached EUR 919 million in 2014 topping other segments of on demand revenues in the EU. Nevertheless, its share of market appears significantly downsized if compared to online VoD as a whole (Figure 4). Combined Internet-based revenues surpassed TV VoD in 2012/2013 and continued widening the gap with TV VoD, affirming as the major driver for consumer spending on-demand content.

Figure 3: Total on-demand Consumer Revenues – EUR (M) by business model - 2010-2014



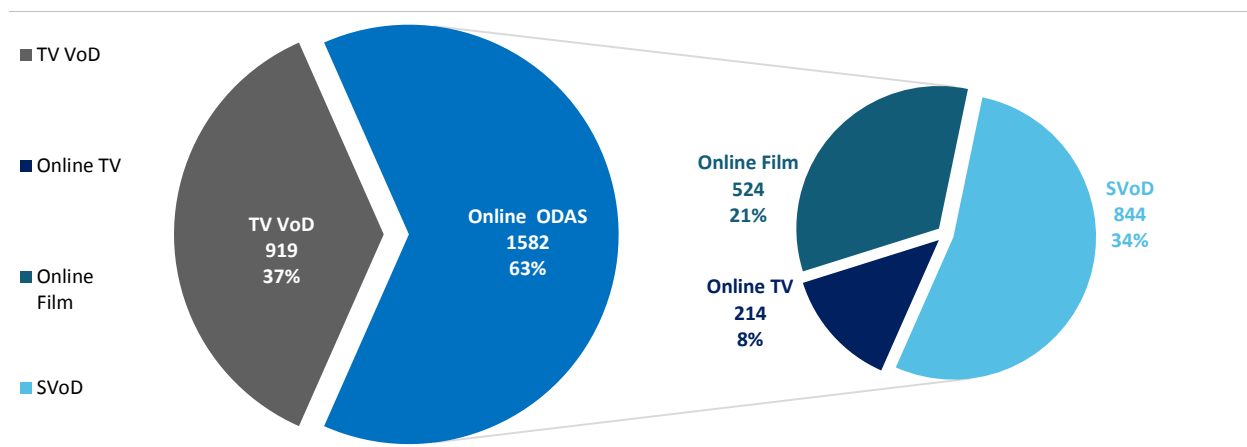
Source: IHS

In 2012 subscription revenues started soaring and eventually surpassed both TVoD (transactional video-on-demand) segments, consisting in film and TV shows rentals and sales over the Internet. The three combined, online VoD branches closed the gap with TV VoD earnings in 2013 and largely surpassed them in 2014, reaching the EUR 1.5 billion mark, showing the increased adoption of VoD services delivered over the open Internet, so called “over-the-top” (OTT). A comparison between TV VoD and SVoD compound annual growth rates shows an impressive split as well, with the former stopping at 8% and the latter reaching for 113%.

Over the last five years subscription-on-demand services increased their revenues and share of the market, driving the expansion of on-demand services.



Figure 4: Total on-demand Consumer Revenues-Breakdown by business model – EUR (M) - 2014



Source: IHS

In 2014 consumer spending on SVoD was EUR 844 million or 92% of TV VoD, meaning the gap between the two segments seems close to fade. The market split between OTT and TV VoD for the past year also sees a clear prevalence of online services which took 63% of the revenues, up by 66 percentage points from their market share in 2010 (Figure 5).

Table 2 : Summary of SVoD consumer revenues in EU 22 – EUR (M) –2014

SERVICE TYPOLOGY	REVENUE	% on 2014 total
OTT (Total)	1582	63%
- SVoD	844	34%
- TVoD	738	29%
- Online film	524	21%
- Online TV	214	8%
TV VoD (Total)	919	37%

Source: IHS

It's also interesting to notice how online sale and rental of TV shows performed a flatter growth compared to other online segments. This can be partially explained by the smaller amount of available data, since IHS is monitoring this segment revenue only for 7 EU countries (FR, DE, IT, NL, ES, SE, GB).



4. Segment analysis: SVoD take up in EU 22

As pointed out by yearly totals, subscription was the fastest growing branch of on-demand services in terms of consumer revenues. In the 22 EU markets monitored by IHS, total consumer spending on SVoD for 2014 was EUR 844 million, up almost 20 times from EUR 40 million in 2010, with a CAGR of 113%. Revenues distribution is thought still uneven, reflecting disparate timing in the roll-out of major subscription services.

Table 3 : Evolution of the EU 22 SVoD market by country – EUR (M) – 2010-2014

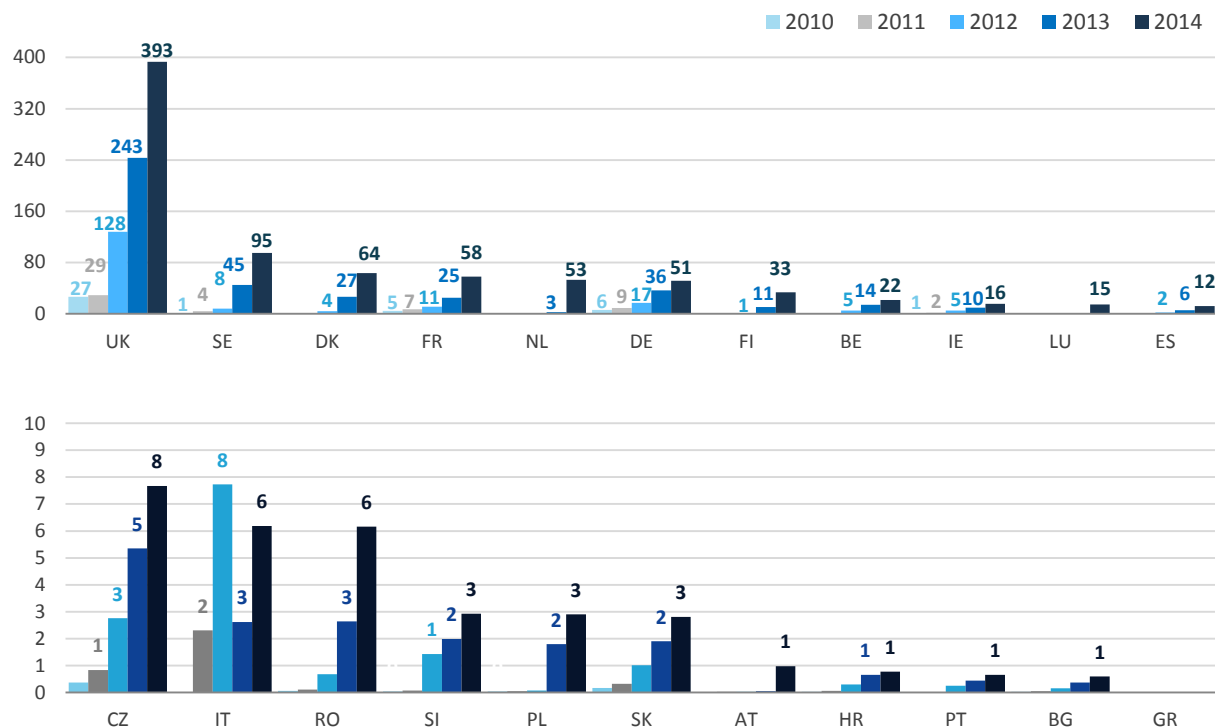
Country		2010	2011	2012	2013	2014	2014/ 2013	CAGR 2014/ 2010
AT	€m	0,0	0,0	0,0	0,0	1,0	2066%	237%
BE	€m	0,0	0,1	5,1	14,3	21,7	52%	390%
BG	€m	0,0	0,1	0,2	0,4	0,6	65%	126%
CZ	€m	0,4	0,8	2,8	5,3	7,7	44%	115%
DE	€m	6,3	9,1	17,1	36,5	51,4	41%	69%
DK	€m	0,1	0,3	4,0	26,5	63,6	140%	372%
ES	€m	0,1	0,6	2,0	5,8	12,1	110%	216%
FI	€m	0,0	0,0	0,6	10,8	33,5	211%	446%
FR	€m	4,5	7,0	11,1	25,1	58,1	131%	89%
GR	€m	0,0	0,0	0,0	0,0	0,0	–	–
HR	€m	0,0	0,1	0,3	0,6	0,8	20%	142%
IE	€m	0,9	1,9	5,5	9,6	15,8	64%	104%
IT	€m	0,0	2,3	7,7	2,6	6,2	137%	435%
LU	€m	0,0	0,0	0,0	0,0	14,7	–	–
NL	€m	0,1	0,1	0,1	2,5	53,2	2001%	445%
PL	€m	0,0	0,1	0,1	1,8	2,9	62%	213%
PT	€m	0,0	0,0	0,2	0,4	0,7	50%	205%
RO	€m	0,1	0,1	0,7	2,6	6,2	134%	229%
SE	€m	1,4	4,1	8,5	45,1	95,1	111%	187%
SI	€m	0,0	0,1	1,4	2,0	2,9	47%	197%
SK	€m	0,2	0,3	1,0	1,9	2,8	48%	105%
UK	€m	26,5	29,1	127,9	243,5	393,3	62%	96%
Total	€m	40,7	56,2	196,3	437,5	844,1	93%	113%

Source: IHS

The United Kingdom held a preeminent place all along the 2010-2014 laps reaching EUR 393 million in 2014, far ahead of other EU-5 members. At the second place came Sweden, which took a much slighter amount of EUR 150 million, with Germany and France not far behind with respectively EUR 120 million and EUR 106 million (Figure 6).



Figure 5 : Total SVoD Consumer Revenues per country and year – EUR (M) – 2010-2014



Source: IHS

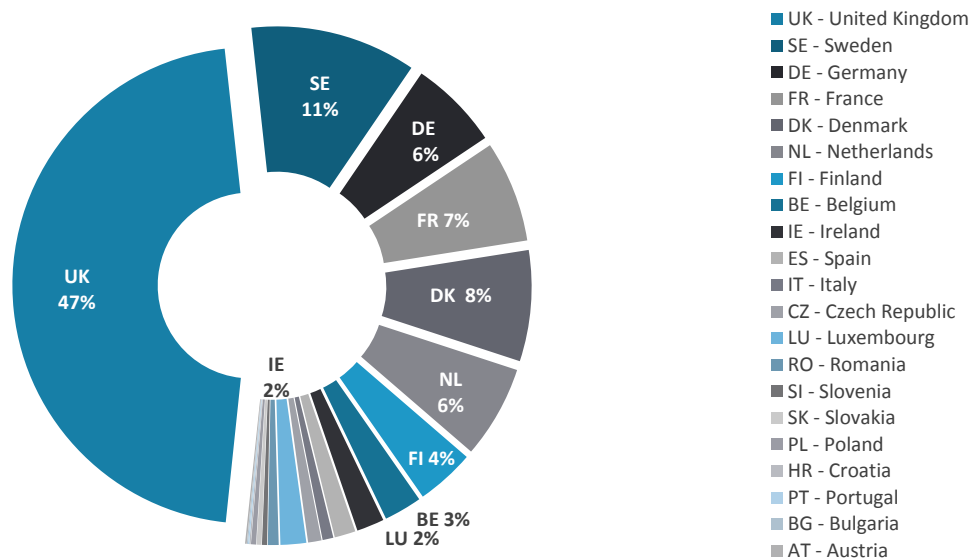
The British market for SVoD services increased 15 times compared to 2010, with a CAGR of 96%, which seems still considerable even if not among the highest ones. GB, DE and FR with the addition of SE and DK generated 82% of all consumers spending on online SVoD between 2010 and 2014. Breakdown per year also shows a substantial acceleration in revenues growth starting from 2013, with areas like Benelux and Finland where the vast majority of revenues was gained in 2014 alone. The state of the SVoD market for 2014 still shows considerable fragmentation (Figure 7). The British market share loosed few ground regarding other countries and remained on top with 47% (down 18 percentage point compared to the share of 65% scored in 2010). When combined, the Nordics (SE, FI, DK) also hold a significant 23% share of the overall SVoD market, the Benelux (NL, BE, LU) 11% while France and Germany stand respectively at 7% and 6%. French SVoD revenues surpassed German ones in 2014, reversing previous years' trends. They now reach a similar amount of EUR 58 and 51 million each. According to recent studies, these two countries didn't actually benefit of the "Netflix effect" (or of the debut of pay TV's stand-alone services) as much as other EU key markets. Statista estimates SVoD penetration to be close to 5% in France and Germany, while it is over 10% in the United Kingdom and close to 25% in the US⁴. The research also points out that Netflix reached a smaller share of SVoD subscribers, 37% in France and 40% in Germany, against 80% in Great Britain. A lower level of willingness and habitude to pay for streaming subscription services should also be the reason for the slower CAGR the two markets are developing at, which is 89% for FR and 63% for DE.

⁴ Statista, *The European Video Streaming Challenge*, September 29th 2015, available at: <http://www.statista.com/chart/3837/the-european-video-streaming-challenge/>



Italy and Spain both took a tiny 1% of the overall SVoD market, pointing out a substantial lack of major SVoD offerings that could boost consumer spending in those areas which, by contrast, are among the biggest markets for linear TV⁵. Nor the availability of Japan-based Wuaki.tv in Spain or the debut of stand-alone SVoD platforms from Italian leading pay TV operators such as Sky and Mediaset succeeded in keeping these two countries in score with other EU States (where this consumer revenues for SVoD services were boosted by the arrival of international players such as Netflix, HBO Nordic and Amazon). This is notably evident for territories like the Nordics and Benelux, which generated EUR 192 million and EUR 90 million revenues in 2014 despite the smaller size of local audiences.

Figure 6 : SVoD market share by country – 2014



Source: IHS

On the other hand, the different levels of market maturity suggest that there is still room for the development of the SVoD market, where major players are launching or renewing their offering. With regard to the Southern part of the EU, Netflix is rolling out its service in Italy, Spain and Portugal in late October 2015 and has already set strategic partnerships with telcos operating in those markets to carry its content to their broadband subscribers. As a response to that, local pay TV operators are debuting their own SVoD offering (notably Nos in Portugal) or striking new significant deals with the internet providers, as it was the case in other EU countries the years before, the entry of Netflix motivated national players to launch their own SVoD services. In Spain, Telefónica completed its merger with Canal Plus, a move which could also boost the Yomvi SVoD service launched by the TV operator in 2011.

Netflix is also expected to launch its streaming subscription service in Poland in 2016, while the French media group Vivendi is reportedly eyeing an international Netflix and Spotify-like SVoD platform, combining video and music content. In the meantime it also revamped its German

⁵ See chapter 1, Tab. 4



subscription platform Watchever with a new channel-based structure relying on major content brands.

Some public service broadcasters are also taking countermoves: historical British public broadcaster BBC is considering to add premium content to its iPlayer offer and to open it to third-party content creators. It is also reportedly thinking about new distribution models allowing binge viewing, while the public company is also planning the US launch of a new branded OTT service. In France, at the end of September 2015, the INA (National Audiovisual Institute) launched its own paid Premium SVoD service which costs EUR 2.99 a month and grants access to its digital library consisting in over 20,000 video and audio programmes, including historical hits.

If Apple and YouTube confirm rumoured plans for the launch of proprietary SVoD services, this could be another significant step in the development of online subscription video-on-demand services in the EU.

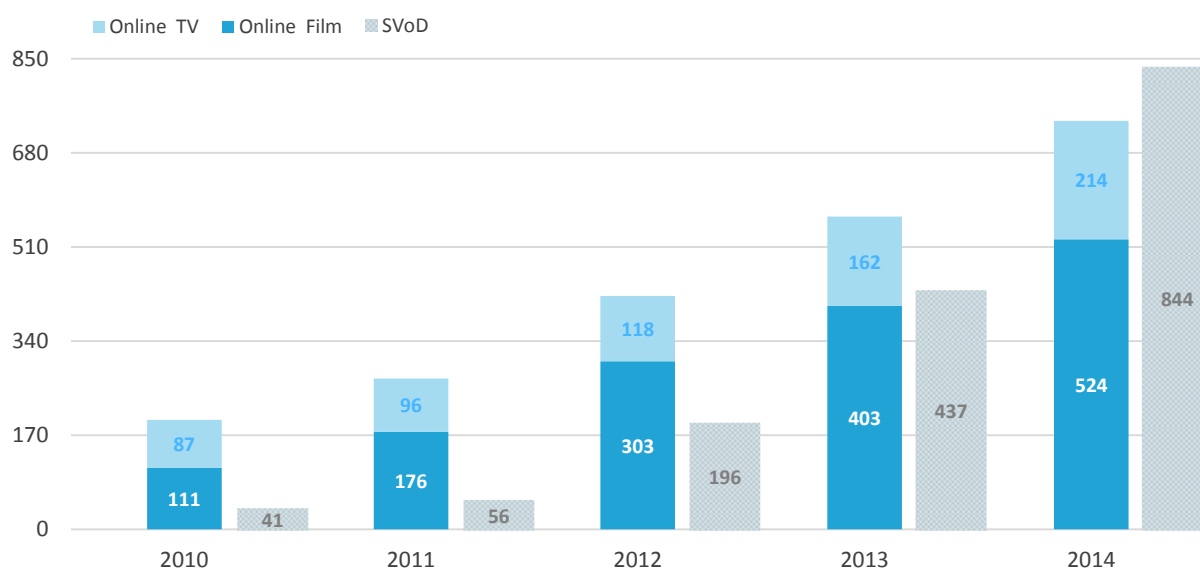


5. Segment analysis: online film and online TV

Revenues from online rental and sale of film and TV shows increased from a total of EUR 197 million in 2010 to EUR 738 million at the end of 2014, with a CAGR of 39%. As mentioned previously, data about online TV refers only to 7 EU countries (FR, DE, IT, NL, ES, SE, GB) while movies related revenues are monitored for all EU 28 countries (Table 4 and 5).

Although consumer spending on this segment was far higher than the one generated by SVoD at the beginning of the period 2010 -2014, the scale gradually tipped in favour of subscription-based services, which eventually surpassed the combination of both online movies and TV shows in 2014. From a tiny 21% share, SVoD services now account for 114% of transactional revenues (Figure 8), which grew at a far slower rate.

Figure 7 : Online film and TV revenues vs. SVOD revenues – EUR (M) – 2010-2014



Source: IHS

Highest annual growth (+55%) was scored in 2012, as it was for the overall on demand market. However, it was also the year when Google Play Movies debuted in Europe, hybrid set-top box YouView was launched in the United Kingdom and Apple released the first iPad with a TV like HD screen. The previous year, retailer giants like Tesco and HMV entered British TVoD market respectively through the Blinkbox and the Filmflex set-top boxes.

Film content strengthened the split with online TV, also because of the methodological difference in measurement (28 vs. 7 EU countries). Nevertheless, TV content accounted for 44% of all online on demand spending in 2010 and dropped to 28% in 2012. Its market share remained then stable in the following years, closing 2014 at 29%. Despite discrepancies in data availability for the two segments, growth trend suggest that online movies served as a revenue driver during the first years of market



expansion, while online TV seems now to hold a steady share of the transactional on-demand segment⁶.

Table 4 : Online Film Consumer Revenues – EUR (M) by Country

Country		2010	2011	2012	2013	2014	2014/2013	CAGR 2014/2010
AT	€m	0,3	2,0	4,4	5,9	7,1	21%	125%
BE	€m	0,3	1,0	4,5	6,9	10,1	45%	150%
BG	€m	0,0	0,2	0,9	1,5	2,0	32%	–
CY	€m	0,0	0,0	0,2	0,3	0,4	37%	126%
CZ	€m	0,0	0,3	1,1	2,3	4,1	76%	242%
DE	€m	28,4	40,1	69,4	101,4	128,4	27%	46%
DK	€m	0,9	2,1	6,1	9,7	13,3	37%	96%
EE	€m	0,0	0,1	0,4	0,6	1,0	62%	156%
ES	€m	1,7	5,1	10,6	17,5	22,6	29%	90%
FI	€m	0,4	0,7	1,4	2,1	2,9	38%	69%
FR	€m	27,6	47,2	62,2	65,2	71,5	10%	27%
GR	€m	0,0	0,0	0,8	1,4	2,1	51%	–
HR	€m	0,0	0,0	0,0	0,0	0,1	50%	–
HU	€m	0,0	0,1	0,8	1,7	2,7	62%	178%
IE	€m	1,6	2,6	3,9	5,3	6,6	25%	42%
IT	€m	1,2	6,4	10,5	14,7	20,5	40%	101%
LT	€m	0,0	0,0	0,2	0,2	0,4	71%	127%
LU	€m	0,0	0,1	0,4	0,5	0,9	85%	154%
LV	€m	0,0	0,1	0,3	0,4	0,6	64%	149%
MT	€m	0,0	0,0	0,2	0,2	0,3	44%	150%
NL	€m	1,6	2,8	7,1	10,4	13,1	26%	70%
PL	€m	0,1	0,4	3,8	6,6	10,4	59%	263%
PT	€m	0,0	0,3	1,6	2,5	4,0	60%	–
RO	€m	0,0	0,0	1,5	3,3	4,6	40%	–
SE	€m	1,4	2,6	8,0	11,9	15,7	32%	85%
SI	€m	0,0	0,1	0,3	0,6	0,8	36%	–
SK	€m	0,0	0,1	0,7	1,3	2,0	62%	208%
UK	€m	45,3	61,7	101,9	128,9	175,6	36%	40%
Total EU 28	€m	111	176	303	403	524	30%	47%

Source: IHS

⁶ Some prominent services, like the white label British VoD platform FilmFlex, started with a strong focus on movies. Sky NOW also debuted in the United Kingdom in July 2012 with an initial offering of films and added TV content, notably sport, only in the following years.



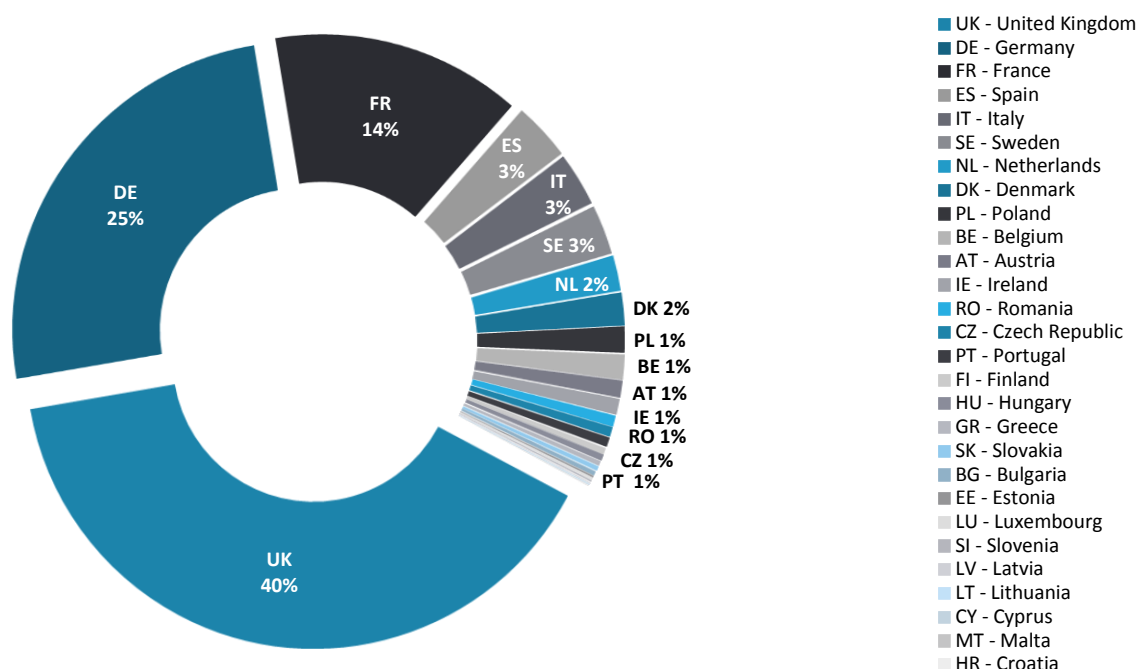
Table 5 : Online TV Consumer Revenues – EUR (M) by Country

Country		2010	2011	2012	2013	2014	2014/2013	CAGR 2014/2010
DE	€m	16,7	18,8	27,4	45,6	56,7	24%	36%
ES	€m	0,1	0,1	0,3	0,8	1,3	58%	110%
FR	€m	13,7	19,7	26,1	28,4	32,1	13%	24%
IT	€m	0,0	0,0	0,2	0,7	1,7	145%	285%
NL	€m	0,7	0,9	1,1	1,2	1,3	11%	18%
SE	€m	3,2	3,8	4,3	4,8	4,8	0%	10%
UK	€m	52,2	52,9	59,0	80,0	115,9	45%	22%
Total EU 7	€m	87	96	118	162	214	32%	25%

Source: IHS

As for other on demand segments, Great Britain held its position as market leader all over the considered period. Its share of revenues, though, decreased from 49% in 2010 to 40% in 2014, or EUR 175 million. Germany (25%) and France (14%) are also performing well in a market led by the EU-5 and Sweden (Figure 9). All combined, the 6 largest markets hold a share of 88%. The Nordics (SE, DK, FI) generated 5% of film and TV VOD revenues, while Benelux (BE, LU, NL) generated 3%.

Figure 8 : Online film and TV market share by country – 2014



Source: IHS

Unlike SVoD ones, transactional revenues seem to be more affected by the size of each local audiovisual market. They are also developing at a much slower rate than subscription-based services and seem to be significantly challenged by this business model. The long run leader of this market, iTunes, is reportedly considering to roll-out a SVoD service as a response to the rising competition of



services like Netflix and Spotify, with regard to the music market. On the other hand, some significant operation is looming right now in 2015: digital storefront from British white VoD label, FilmFlex, was acquired by video platform provider and content aggregator Vubiquity, while in France both Carrefour and FNAC expanded their footprints in TVoD launching proprietary platforms for movies and TV purchase or rental. Significant non-EU brands are also rolling out their services with a country-specific strategy, opting for a transactional rather than a subscription model, or for a combination of the two. This is reportedly the case of Viacom Play Plex⁷ and it was the option chose by Wuaki.tv, which dropped the SVoD service in favor of TVoD for its versions in GB, FR, DE and IT. Italian digital video store Chili TV has built a multiple-territory offering with the launch of a British, German, Austrian and Polish version of its transactional platform. As a last remark, Amazon's rebranding of Lovefilm into Prime Instant Video in 2014 also suggests that online offering of TV and movies on a pay-as-you-go basis is a solid market with some room for expansion, especially in less mature VoD area. The segment actually scored a CAGR of over 200% in countries like the Czech Republic, Poland and Slovakia, although they accounted only for 2% of the overall market in 2014.

⁷ See: THR, *Viacom International to Roll out Mobile TV Apps*, <http://www.hollywoodreporter.com/news/viacom-international-roll-mobile-tv-820879>



6.Segment analysis: stable TV VoD faces uptake by online revenues

According to IHS definition, TV VoD includes two distinct delivery methods: VoD, which refers to content transmitted over a managed network to a set-top-box, typically by cable and IPTV providers, and Near VoD, which allows customers to access content at a start time of their choosing. Data about this market segment refers to 22 EU markets.

Table 6 : TV VoD Consumer Revenues – EUR (M) by Country

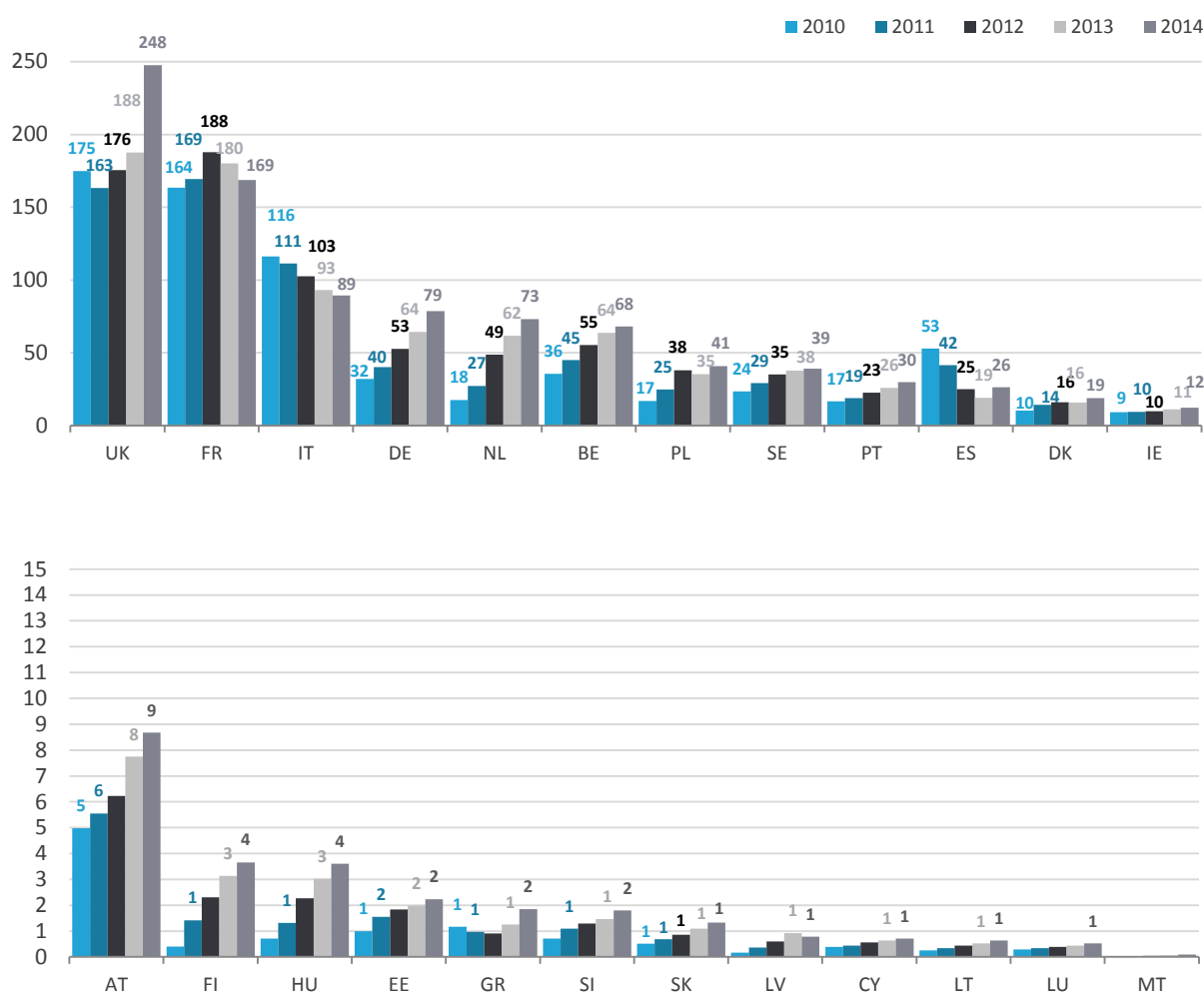
Country		2010	2011	2012	2013	2014	2014/2013	CAGR 2014/2010
AT	€m	5,0	5,6	6,2	7,7	8,7	12%	15%
BG	€m	35,7	45,1	55,4	63,7	68,1	7%	18%
CY	€m	0,4	0,4	0,6	0,6	0,7	10%	16%
DE	€m	32,2	40,2	52,7	64,4	78,6	22%	25%
DK	€m	10,4	14,2	16,0	15,8	18,9	20%	16%
EE	€m	1,0	1,5	1,8	2,0	2,2	12%	22%
ES	€m	53,0	41,6	25,1	19,2	26,4	38%	-16%
FI	€m	0,4	1,4	2,3	3,1	3,7	17%	74%
FR	€m	163,6	169,4	187,8	180,1	168,7	-6%	1%
GR	€m	1,2	1,0	0,9	1,3	1,9	48%	12%
HU	€m	0,7	1,3	2,3	3,0	3,6	20%	50%
IE	€m	9,3	9,5	9,9	11,2	12,3	9%	7%
IT	€m	116,1	111,4	102,5	93,1	89,4	-4%	-6%
LT	€m	0,3	0,3	0,4	0,5	0,6	22%	26%
LU	€m	0,3	0,3	0,4	0,4	0,5	19%	17%
LV	€m	0,2	0,4	0,6	0,9	0,8	-14%	46%
MT	€m	0,0	0,0	0,0	0,1	0,1	42%	75%
NL	€m	17,7	27,4	48,9	61,7	73,2	19%	43%
PL	€m	17,0	24,8	38,1	35,5	40,9	15%	25%
PT	€m	16,8	18,9	22,6	26,0	30,0	15%	16%
SE	€m	23,5	29,2	35,1	37,7	39,1	3%	13%
SI	€m	0,7	1,1	1,3	1,5	1,8	22%	26%
SK	€m	0,5	0,7	0,9	1,1	1,3	21%	27%
UK	€m	174,9	163,3	175,6	187,6	247,6	32%	9%
Total EU 24	€m	680,7	709,1	787,6	818,4	919,1	12%	8%

Source: IHS



TV VoD generated EUR 919 million in revenues for 2014, up 35% from EUR 680 million in 2010. Despite being the highest single source of revenues for the considered period, it was overtaken by online video-on-demand services in 2012 and almost caught up by consumer revenues on SVoD services last year, despite their amount is only including data for 22 EU markets instead of 24. As it also shows in revenues breakdown by country (Figure 10), growth was not constant and rather flat among all 24 EU countries. The overall CAGR was 8%, the lowest in the on-demand audiovisual services market, while highest year to year increase (+12%) was scored in 2014, probably as a result of the flourishing offering of IPTV subscriptions by telcos operators, offering a mix of linear and on-demand channels.

Figure 9 : Total TV VoD Consumer Revenues per country and year – EUR (M) – 2010-2014



Source: IHS

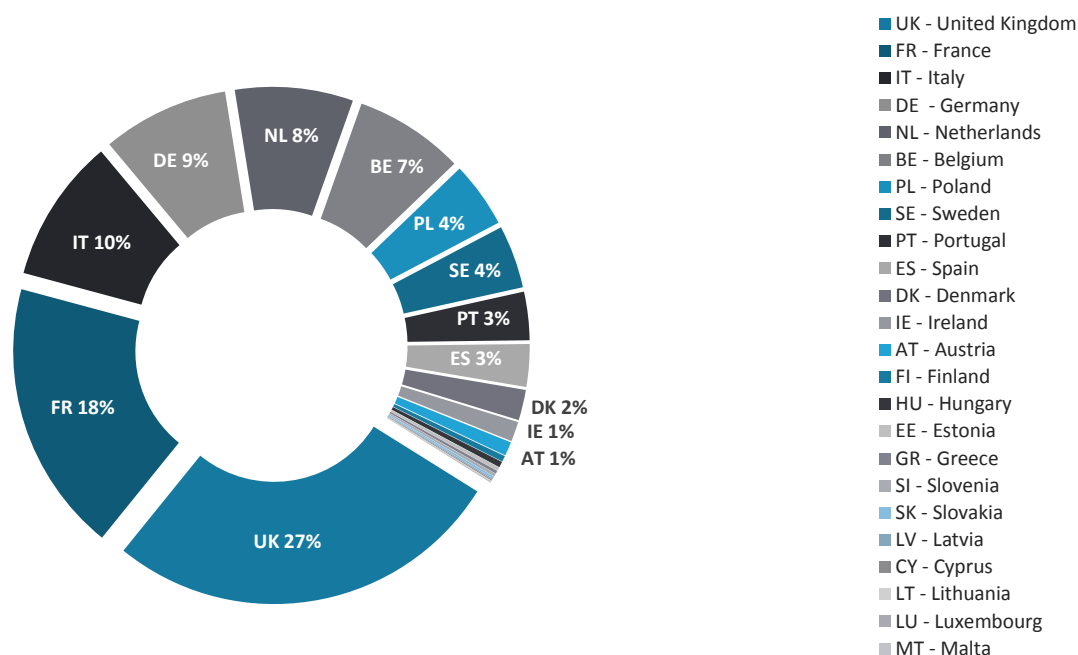
With regard to annual growth in 2014, the United Kingdom was not the country which experienced the highest increase, enhancing its lead over the second largest market for TV VoD, which is France: a country where programs' offering through IPTV networks has been developing for years thanks to Internet and telecom operators like Orange and Numericable.

Revenue distribution in the TV VoD market appears indeed to be very different than in other video-on-demand segments. The British contribution to the overall market is still preminent, though it was



surpassed by the French one in 2012. Italy's role was also more influential, taking the third market share all along the considered period despite a persisting decrease in revenues, which seems to reflect a wider declining trend in the local pay TV market.

Figure 10 : TV VoD revenues market share by country – 2014



Source: IHS

In 2014, the United Kingdom generated EUR 247 million in TV VoD revenues and gained the highest market share not far head from France, which came second with EUR 168 million. Combined together, the four largest markets (GB, FR, IT and DE) accounted for 64% of all consumers spending on TV VoD for the past year.

Sweden and other Nordic countries (DK, FI) share was far lower than the one scored in the online on demand market, accounting for just 7% of overall revenues. Early SVoD development and high growth in these countries has been accompanied by a flattered growth trend in TV VoD revenues, which let other EU countries, like Poland, gain gradually ground in terms of market share. On the other hand Spain, the only country with a negative CAGR (-16%) together with Italy (-6%), didn't experience the same correlation, as TV VoD revenues decreased significantly over 2010-2014, from EUR 53 million to EUR 26 million, without being compensated by a jump in consumer revenues of SVoD services. Both countries were likely to be affected by the economic downturn which prevented international video-on-demand players to enter the two markets as well as local players to develop on demand platforms at the same speed of other EU areas.



7. Emerging trends in EU video-on-demand market

Distribution and growth trend of video-on-demand revenues show the dynamic role played by SVoD services in the expansion of the overall market. Largest audiovisual markets, such as the United Kingdom, France and Germany, led this development, reaffirming a preeminent position over all the segments of on demand consumer spending. Nevertheless, areas like Nordics and Benelux increased their influence on the online sector, benefiting of an early roll-out of international giants like Netflix. On the other hand, the US-based subscription streaming service player had a lower impact on countries like France and Germany, where local players had already grown a significant user base and invested in their own SVoD services such as CanalPlay (Canal+/Vivendi) and Sky's Snap and ProSiebenSat.1's Maxdome. Italy and Spain, still recovering from the crisis in overall economy, didn't score significant growth in any segment, however their results are likely be affected by the upcoming debut of new international services.

With regard to business strategies, there is a persistent divergence in growth patterns followed by non-EU giants, like Netflix and Wuaki.tv, which are gradually adding new territories, and local players that focus on country-specific services. TVoD will need to add some value to its offering in order to maintain its share of on demand market and resists the growing pressure of SVoD platforms while, on the TV VoD side, there are signs of a new wave of convergence between telcos and media companies which is also much likely to affect video-on-demand landscape.

As a result of these factors, the overall sector still appears as a fast evolving one, both in the EU and on the international level, granting room for expansion as the addressable market for video-on-demand service expands, driven by increased digital-savvy EU consumers on the demand side and an increase in VoD offering on the supply side.