Key Trends from the Audiovisual Markets and Regulation

Strasbourg, 16.3.2017
#KeyTrends2017
WIFI – COE-Guest

Christian Grece - Analyst
Julio Talavera - Analyst

25 Years
European Audiovisual Observatory

Key Trends in the Audiovisual Market

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Christian Grece
On-demand and TV Analyst

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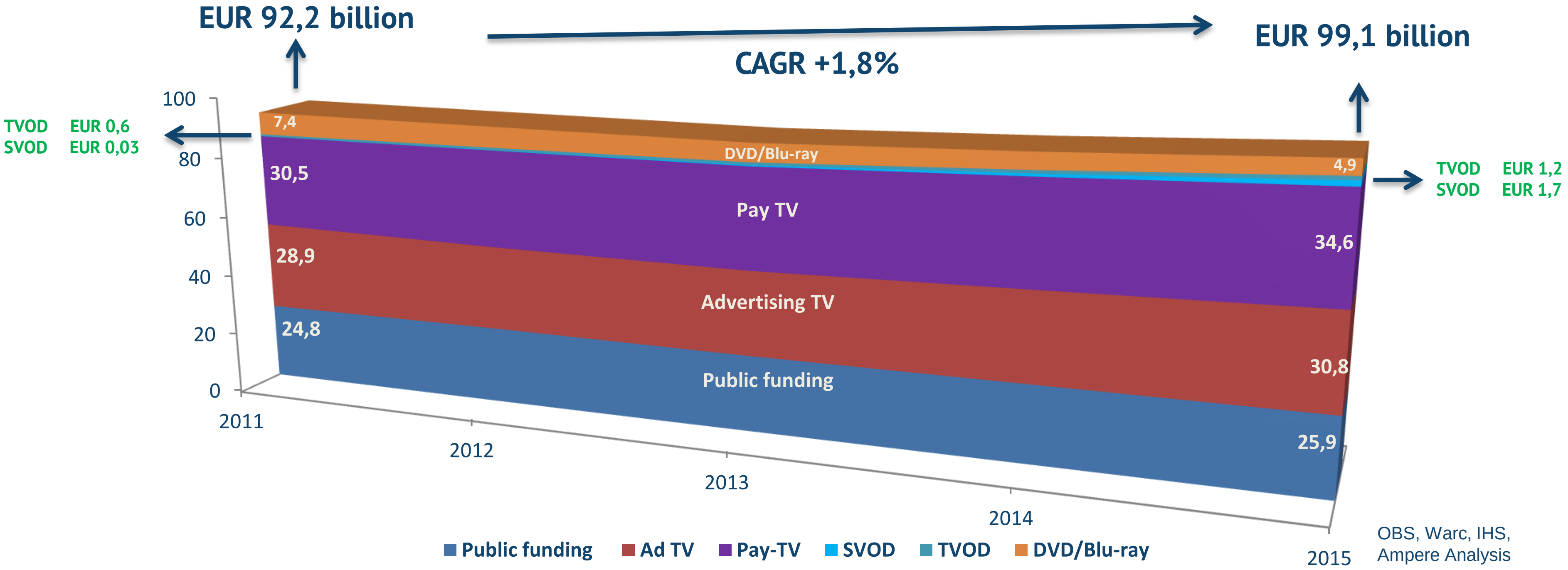
The EU audiovisual market in 2011-2015

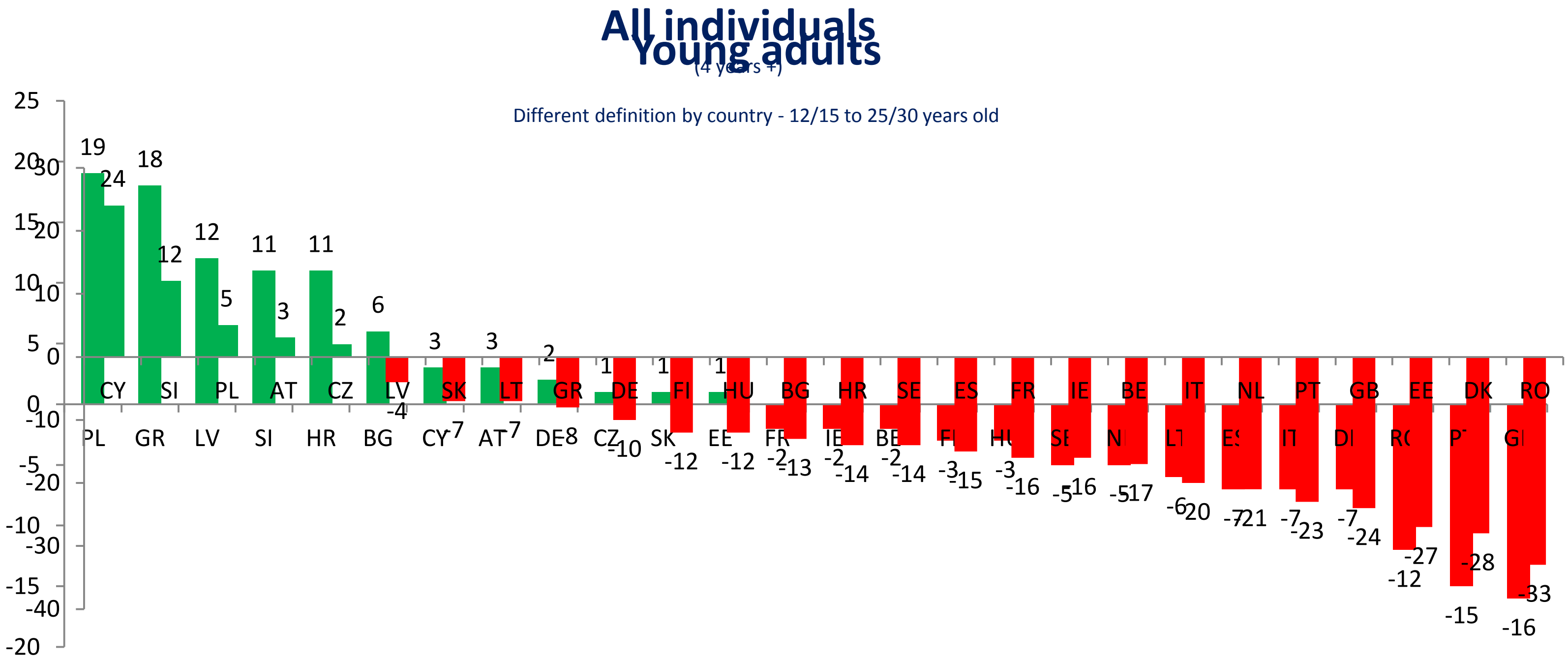


➔ Overall, slight market growth (except physical video)

➔ So, is everything healthy on the EU AV market?

TV viewing – Evolution 2013-2015

in minutes, linear and catch-up TV viewing, all individuals 4 years and Young adults



EurodataTV Worldwide

Challenges facing the ecosystem

- **Linear TV viewing**: Viewing time of younger generations is falling
  ➔ ***Audience fragmentation*** *but* ***total time spend with media is increasing***

- **Pay TV**: overall revenues growth but subscribers gains?
  ➔*Co-existence with SVOD services (for now?) for pay TV distributors*
  ➔*Increased importance of* ***Live events, Sports*** *and* ***premium content*** *for pay TV business model*

- **TV Advertising** : increasingly challenged by online advertising
  ➔*Shift from* ***mass advertising*** *to* ***individualised & targeted advertising***

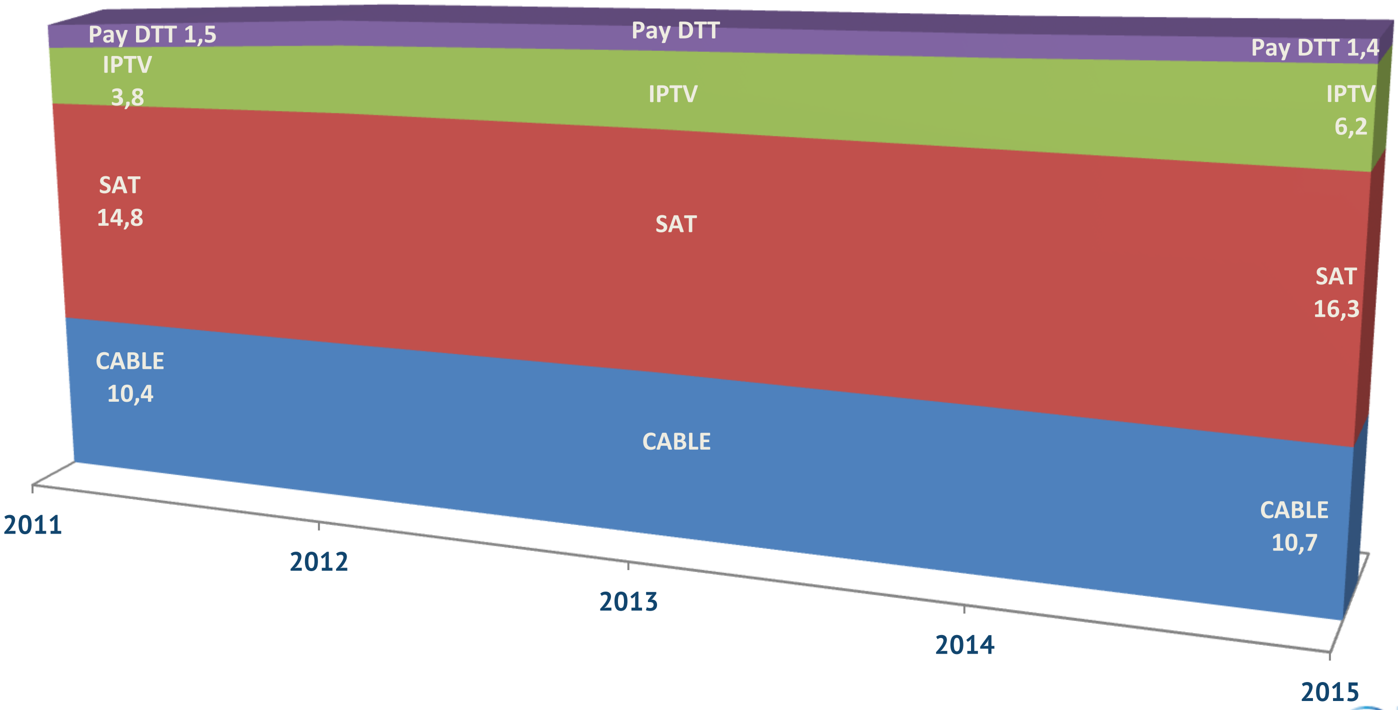
- **Public funding:** Pressure on public budgets
  ➔ *Audience fragmentation & loss of public audience market share*

- **Home entertainment**: Massive decline in value as consumption shifts to the online space
  ➔*Consumers' preferences shift to* ***access over ownership***
  ➔*Losses on the physical market not compensated by TVOD revenues*

Pay TV: Total revenues still growing....

EUR 30,4 billion → EUR 34,6 billion

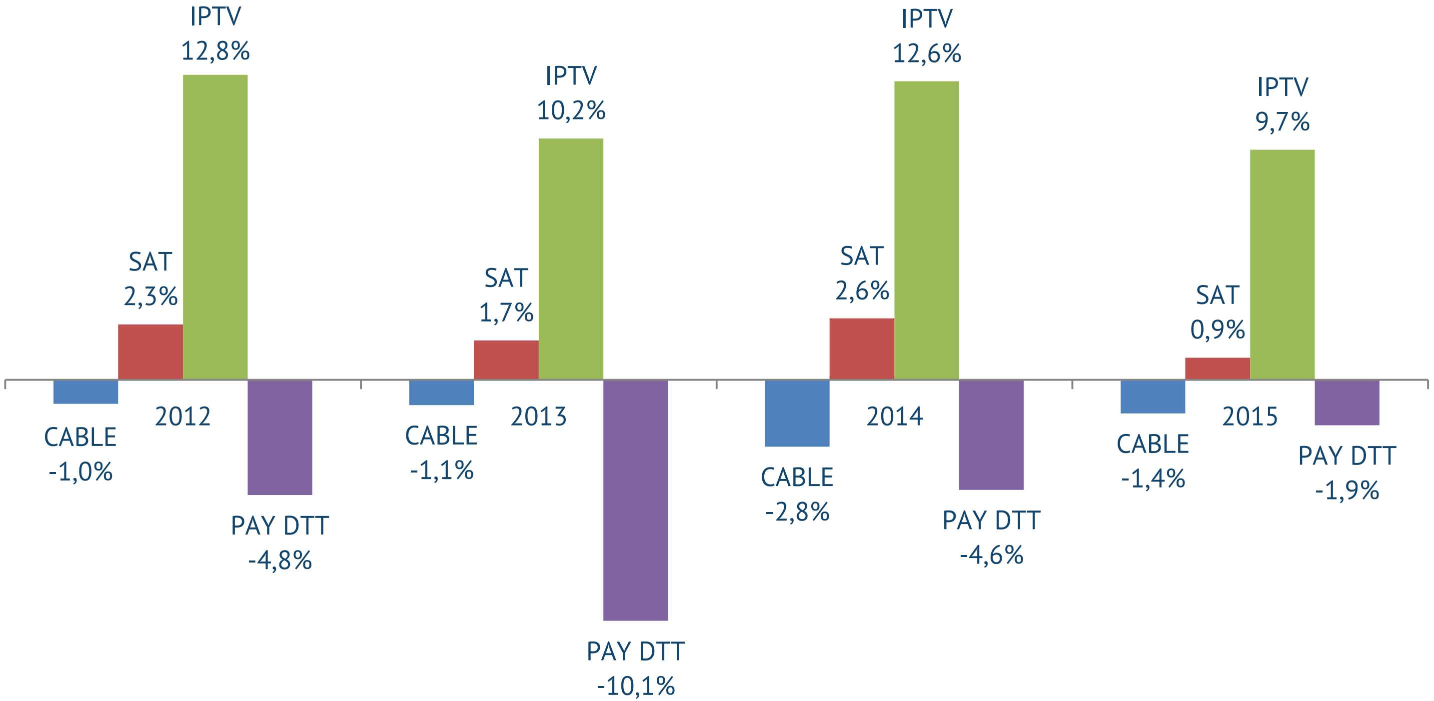
CAGR +2,9%



Ampere Analysis

...but subscribers growth mainly comes from IPTV (telcos)

Pay TV subscribers yearly growth rates 2012-2015, in %



Ampere Analysis

- ➔ *Without IPTV (telcos), pay TV lost 3 million subscribers between 2011 and 2015*
- ➔ *Revenues growth no longer comes from linear pay TV services but additional digital services (and broadband access for pay TV distributors)*
- ➔ *Pay TV channels will have to adapt to new consumer expectations*

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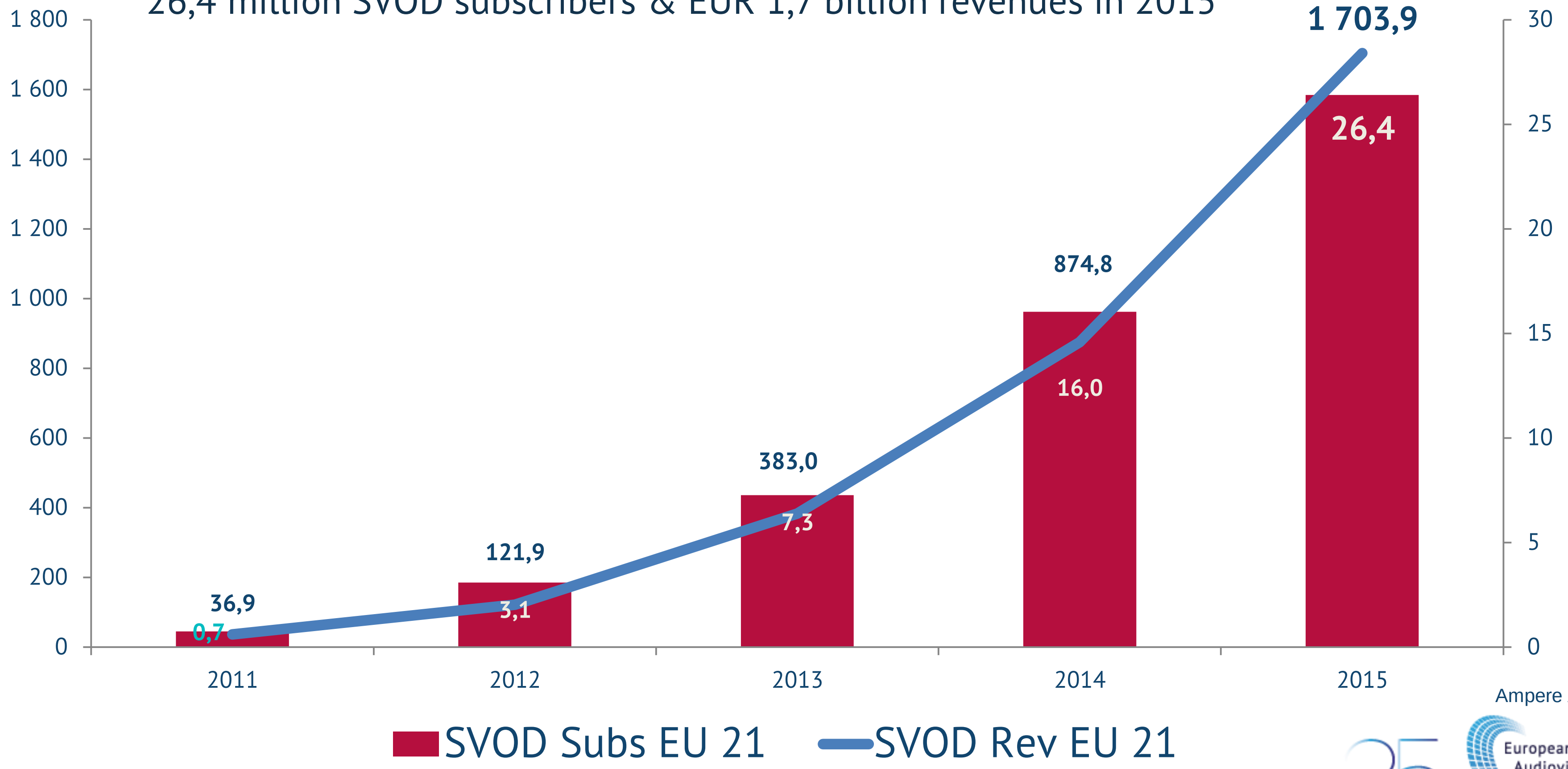
SVOD uptake is fast…

26,4 million SVOD subscribers & EUR 1,7 billion revenues in 2015



Ampere Analysis

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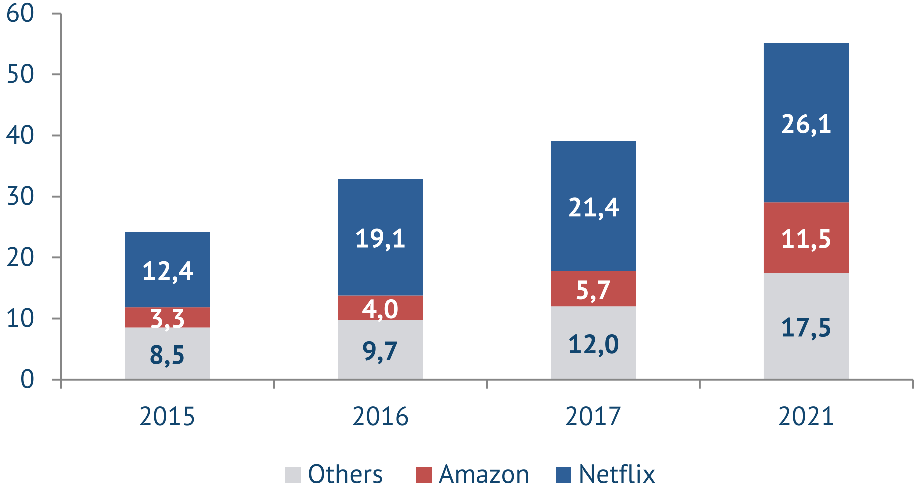
..which could lead to a Netflix/Amazon oligopoly?

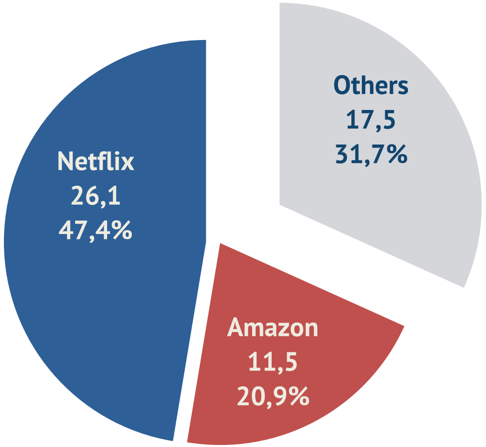
Who is going to capture SVOD revenues?

Forecast of W. Europe SVOD subs 2015-2021
millions of sub



Oligopoly 2021?

W. Europe - Market share SVOD services 2021
% of total subs



Digital TV Research

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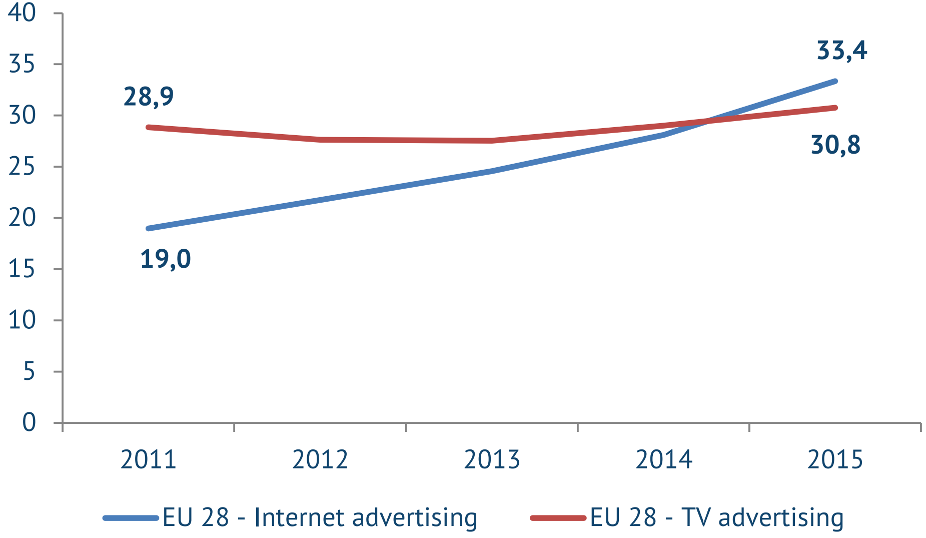
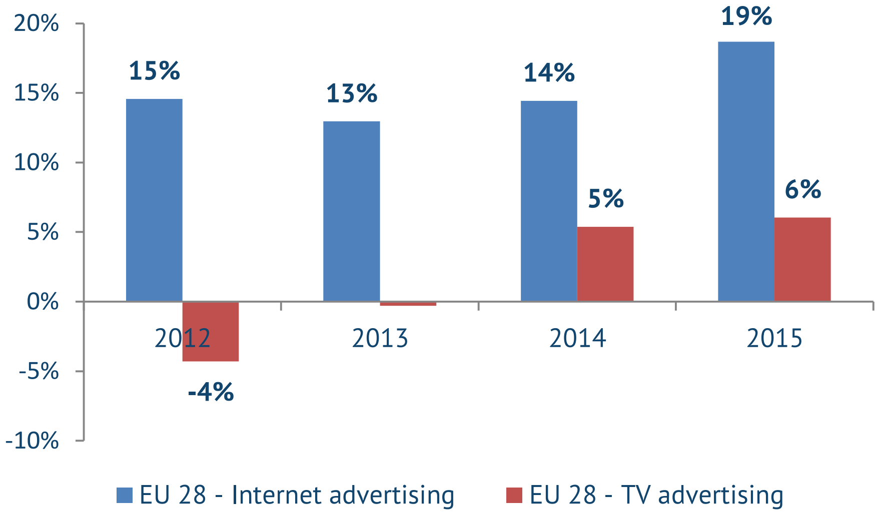
TV Advertising : Growth in 2014 and 2015 but surpassed by online advertising for the first time at EU level

TV advertising revenues still below 2007 level & increased competition with online players for ad budgets

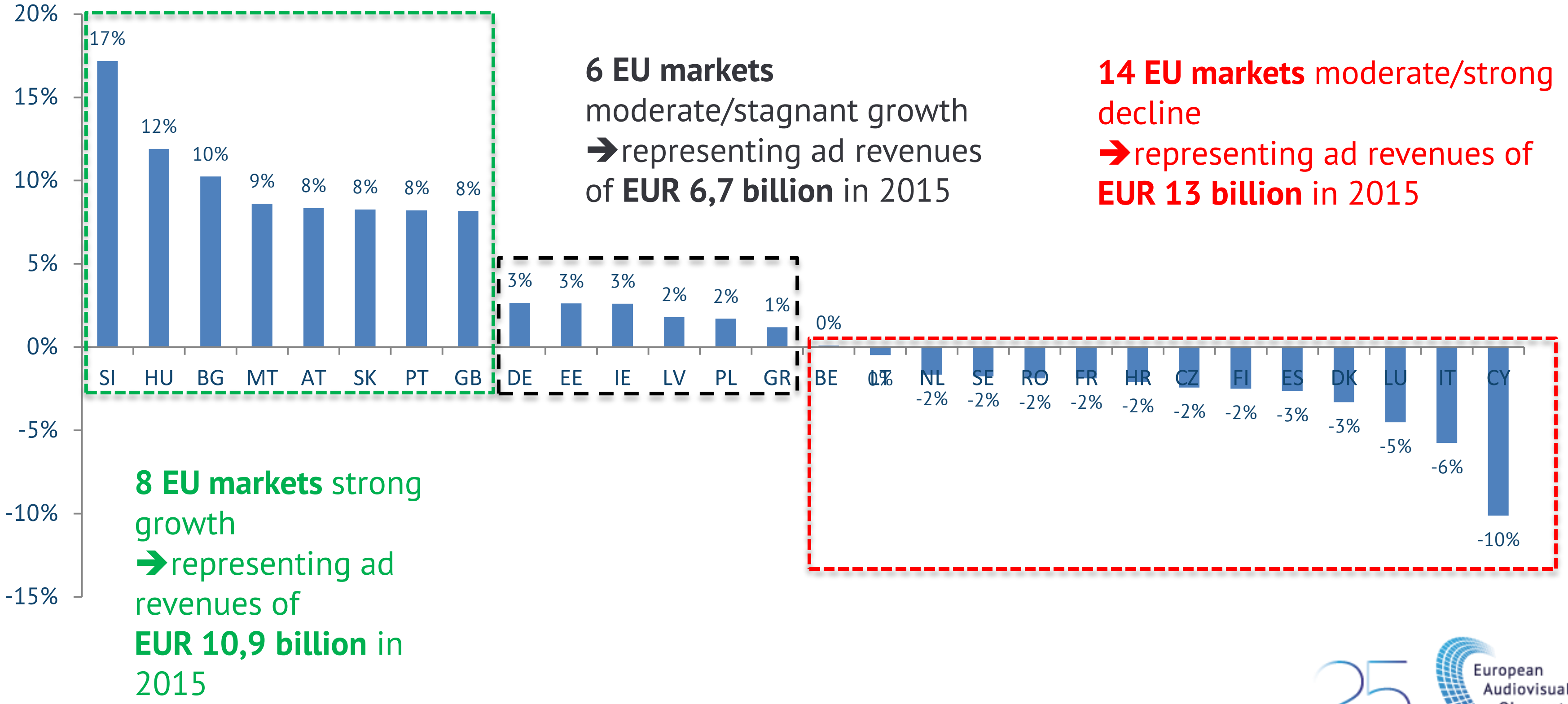




Warc

Looking closer at country-level, real growth 2011-2015?

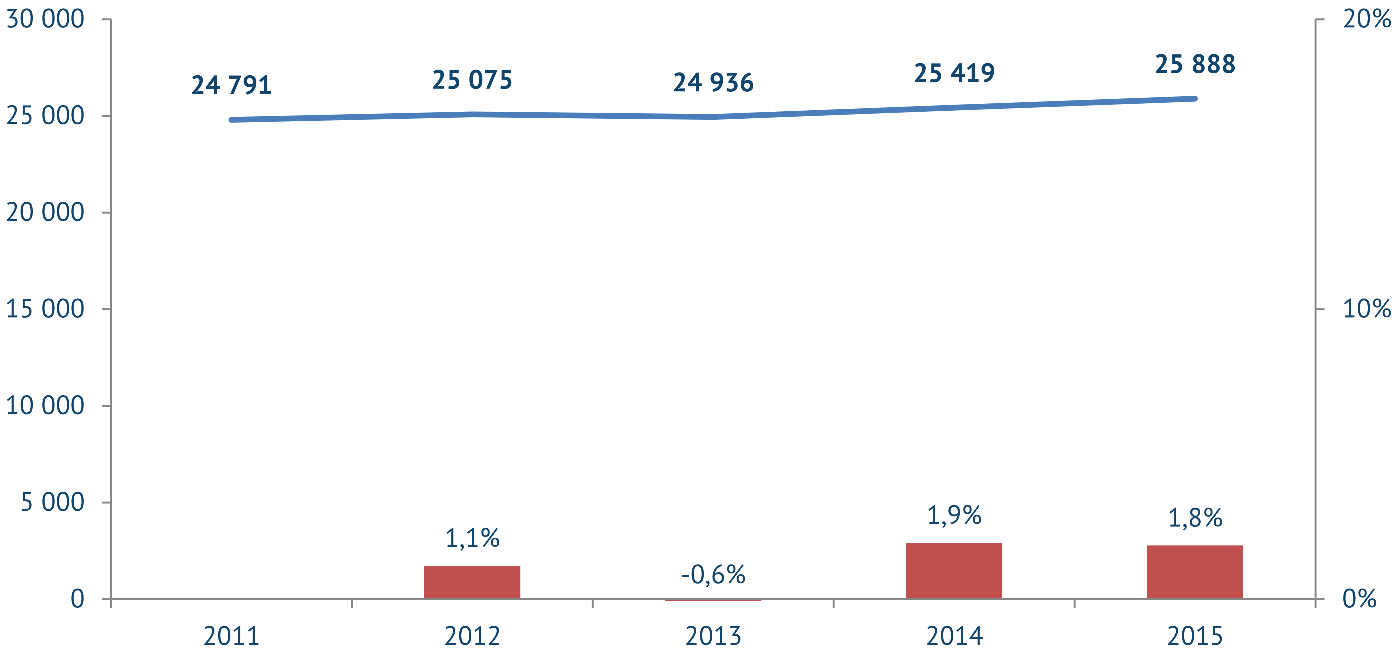
Compound annual growth rates 2011-2015 TV advertising, in %/year



Warc

Public funding remains stagnant, at best

Evolution of EU Public funding in EUR million and yearly growth rates in %, 2011-2015



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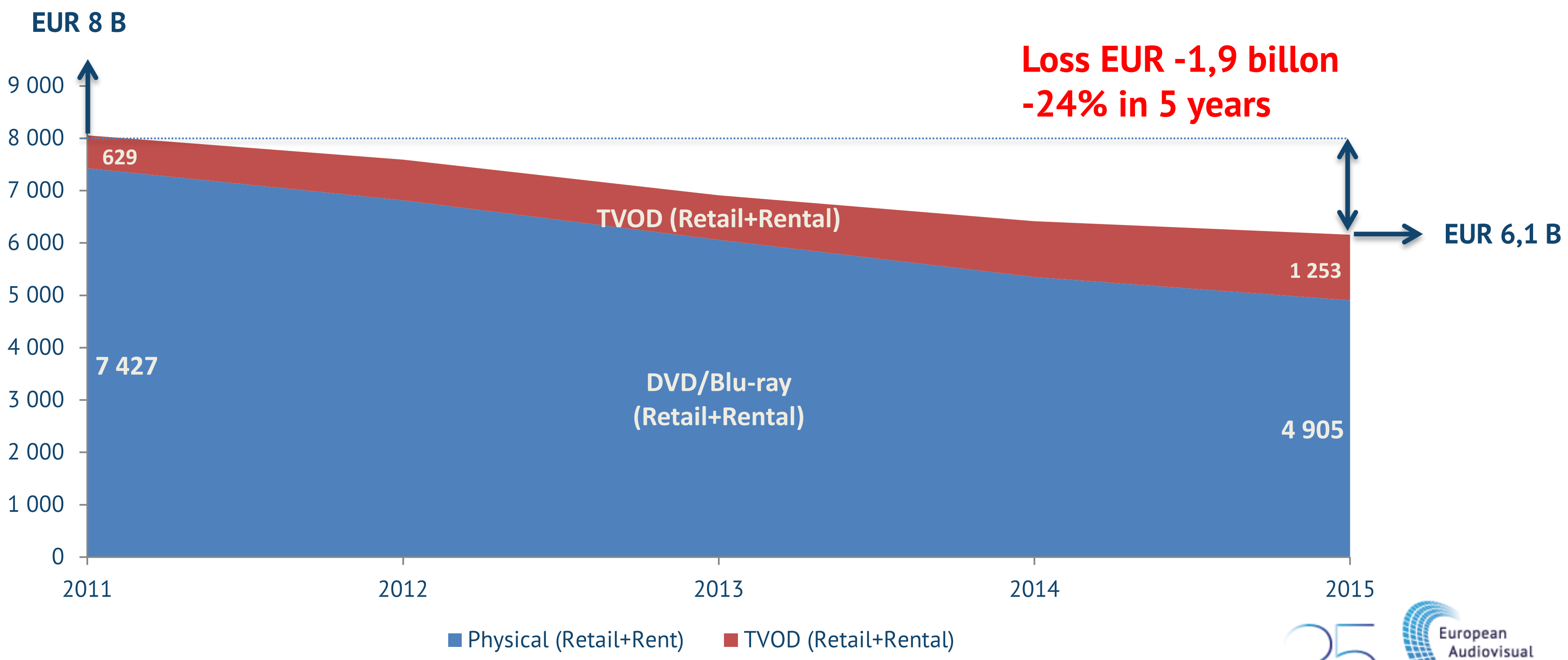
Home Entertainment market revenues 2011-2015

Physical market disappearing & value loss not compensated by TVOD gains



IHS, Ampere Analysis

Outlook & Challenges

- **Audience fragmentation** and at the same time an **increase in** total **media consumption**
  - ➔ *Towards an **attention oligopoly**?*
  - ➔ ***Who will benefit** from the shift of content consumption towards the online space?*
- Future of **Discovery of content**
  - ➔*Towards a **'discovery' oligopoly** of a few platforms and services?*
- Which companies **will capture value** created?
- **Need of consolidation for EU players** to compete with **global platforms**?
  - ➔*Reach, Scale and size matters in the online world*
- Future of **content financing?**
  - ➔*Increased pressure on budgets & Increased competition for content acquisition*

Key Trends in the Film Industry

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Julio Talavera
Film Analyst

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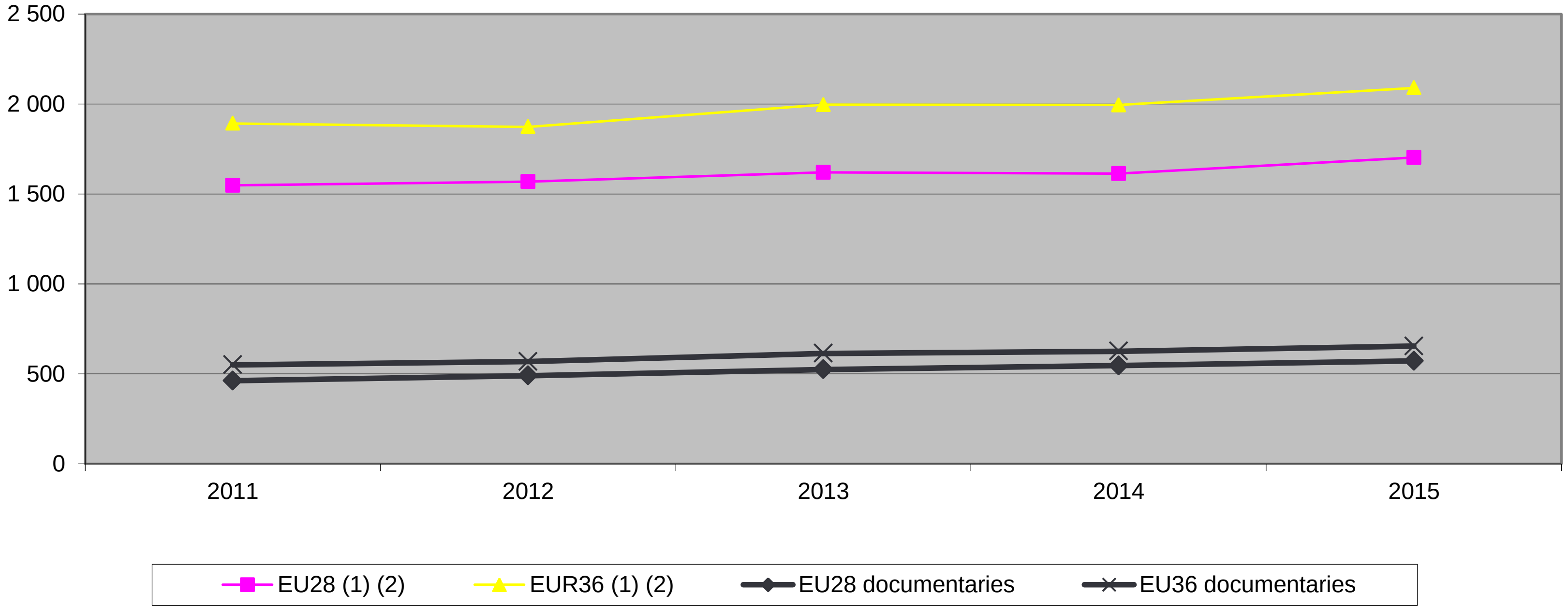
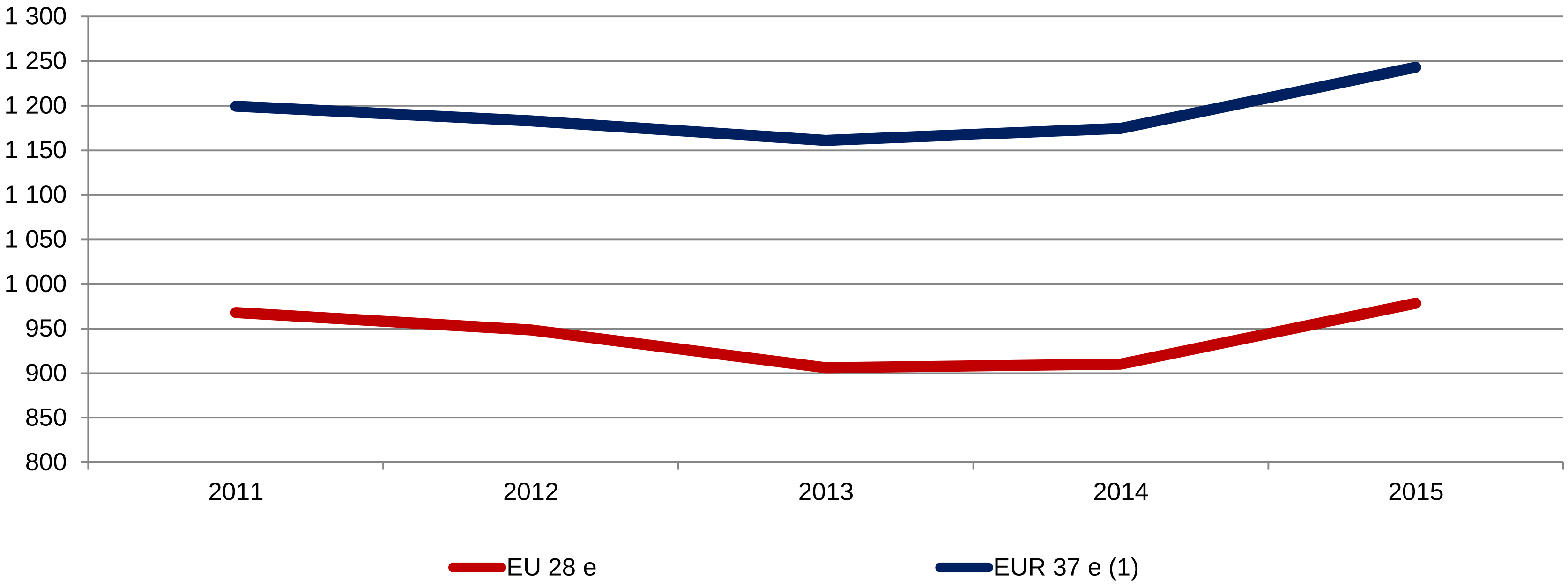
No ceiling for film production volume growth

Number of films produced, 2011-2015



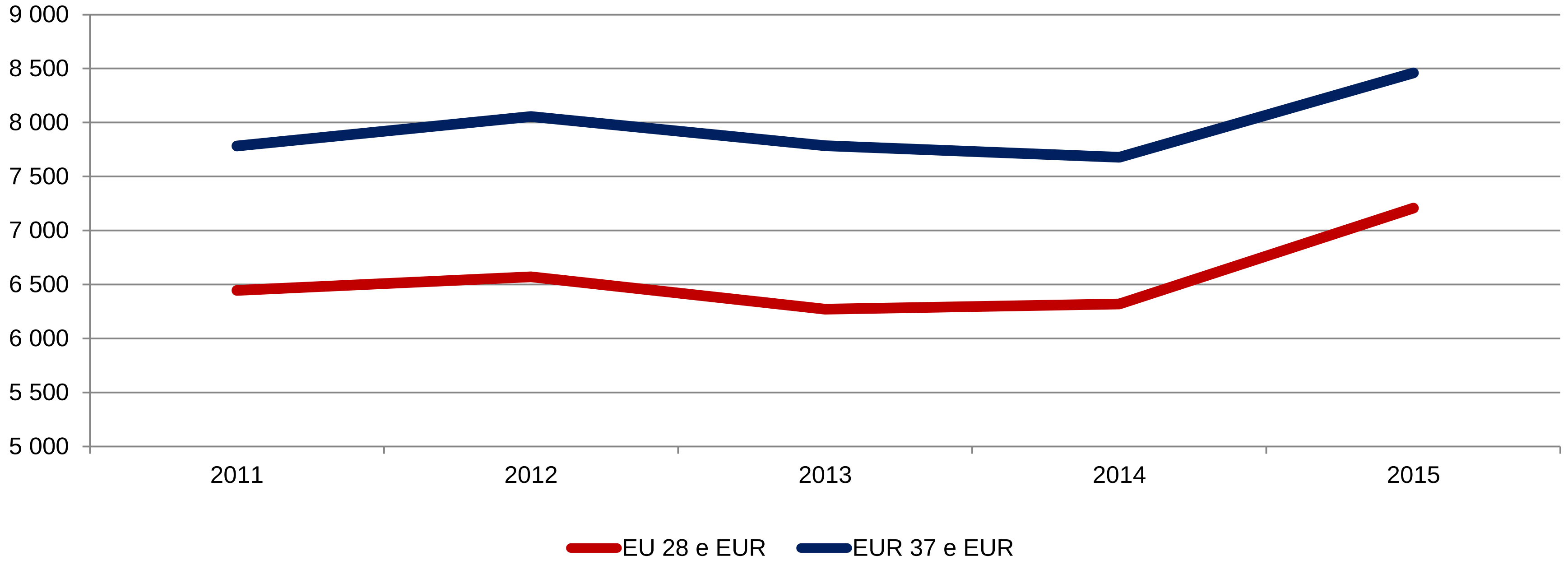
Cinema attendance is back on track

Admissions (in million), 2011-2015



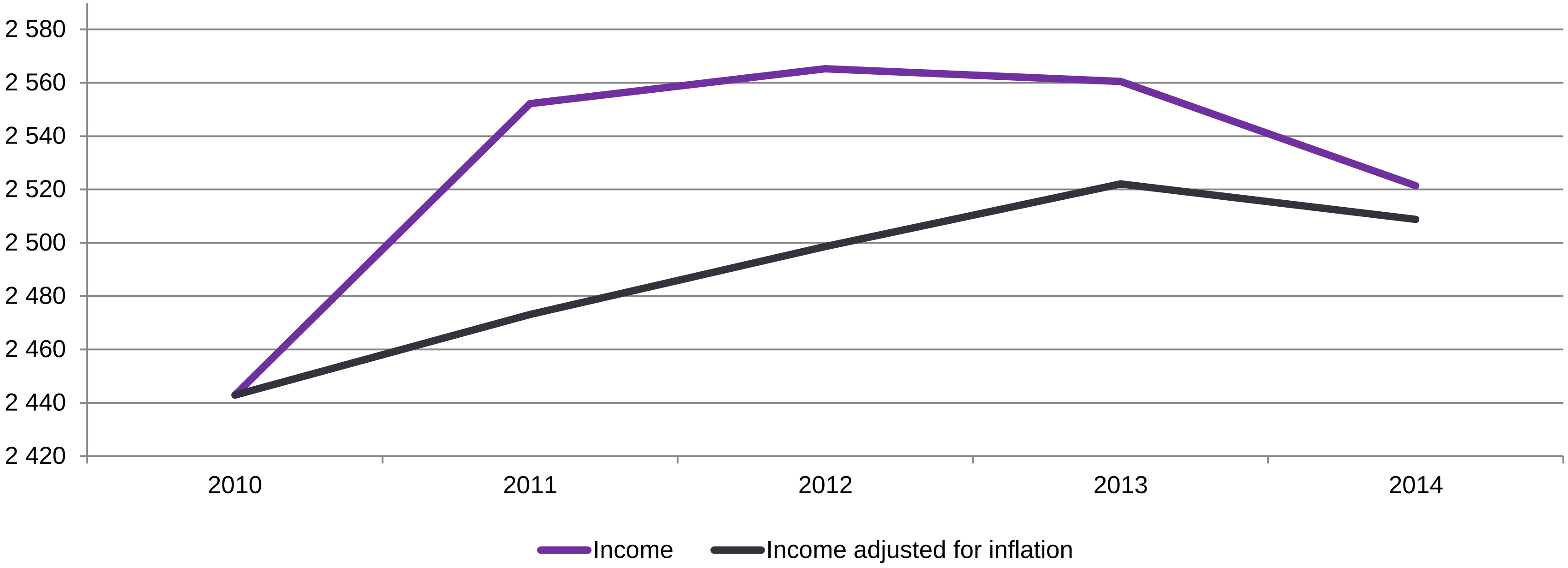
And so did the Gross Box Office

GBO (in EUR million), 2011-2015



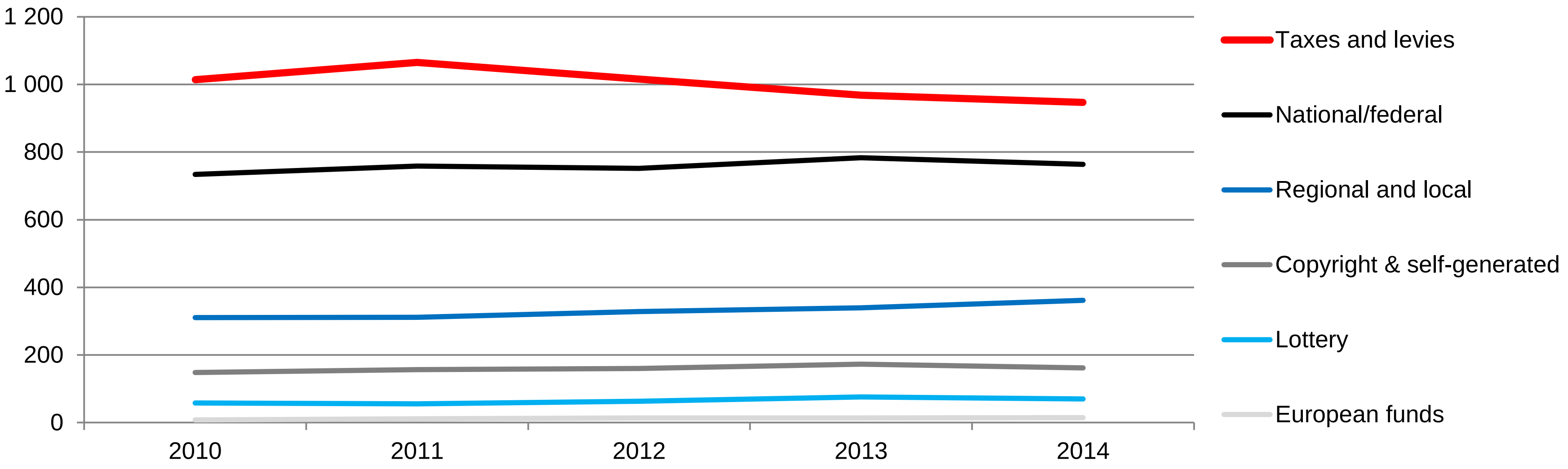
The income of public funds is NOT plummeting

Income (in EUR million), 2010-2014



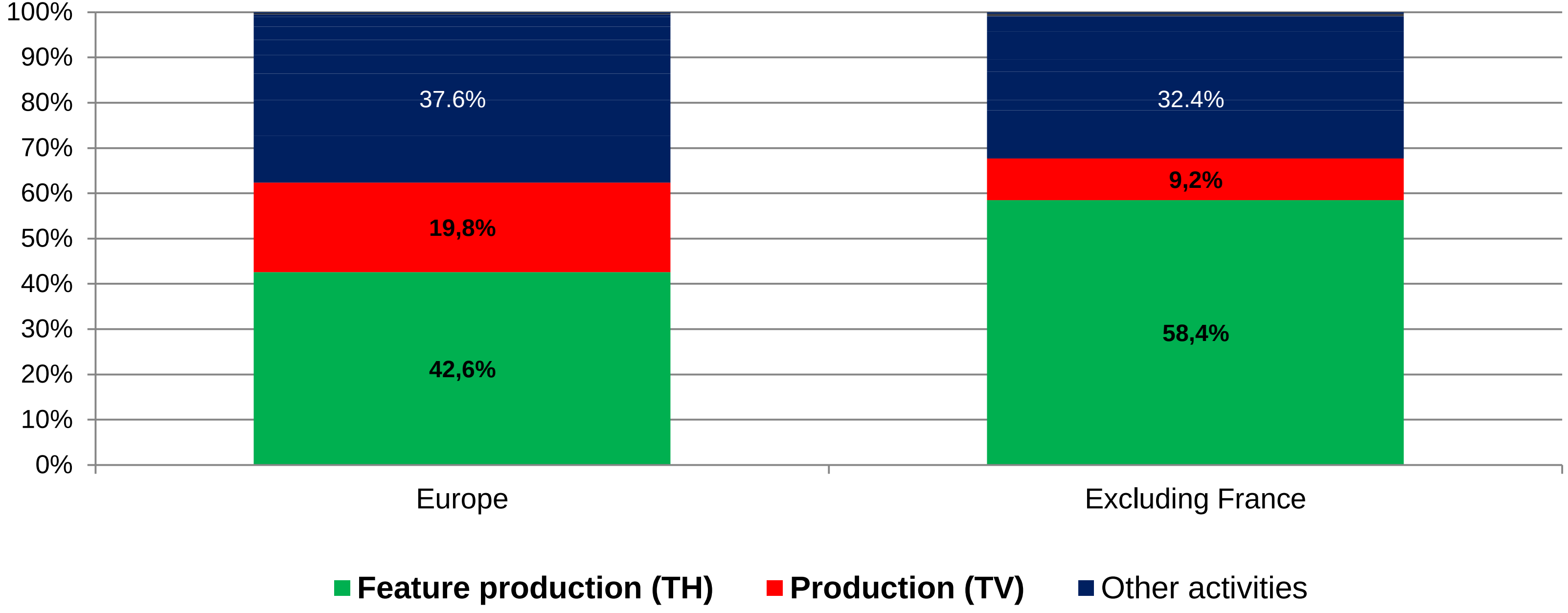
The decrease of broadcasters revenues is affecting the main source of financing European film funds

Main sources of income (in EUR million), 2010-2014



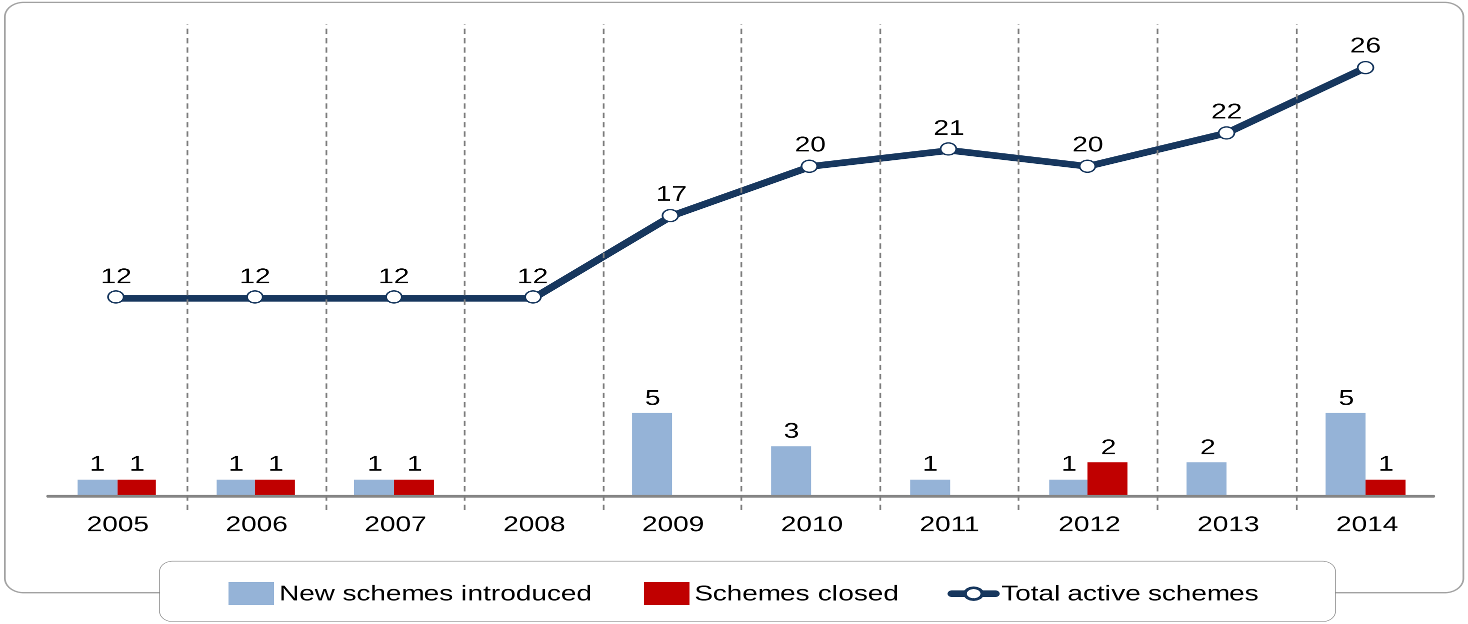
Film production is the main activity by spend

Share of spend, 2010-2014



Fiscal incentives on the rise

Number of schemes, 2005-2014



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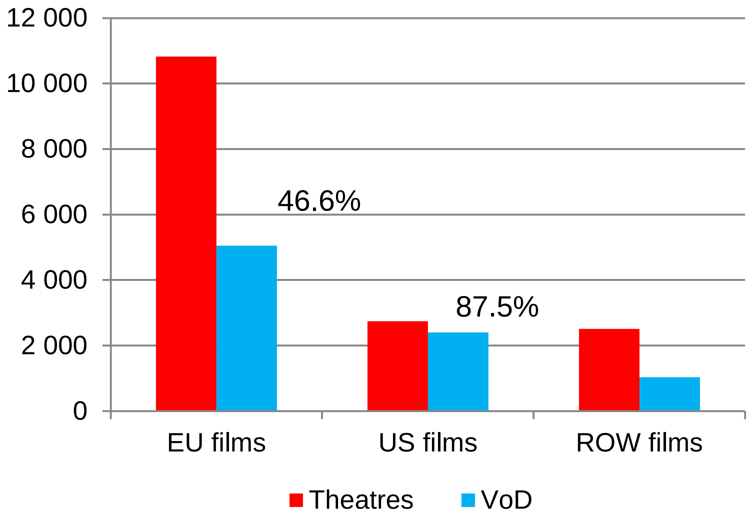
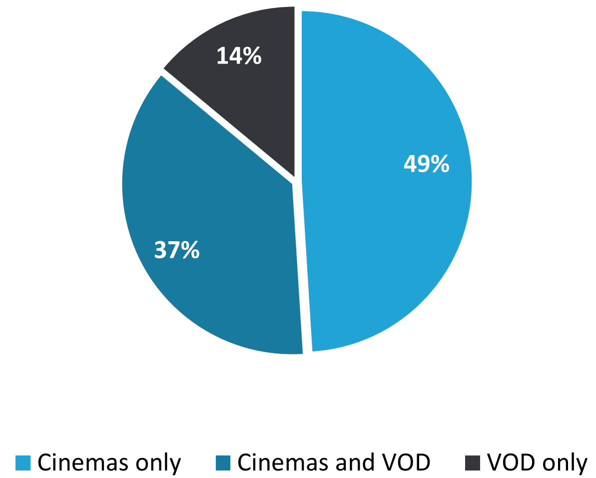
Less than half of the EU films released in theatres (2005–2014) got released on VoD in the EU

Number of films



Share of releases by window of release



Questions on the horizon

- Will **fiscal incentives** take over public funds? How would this affect the type and number of films produced in Europe?

- After the 3D novelty effect, can **event cinema** keep attracting cinema-goers to the theatres?

- Will the concept of film always be linked to that of theatrical release? What will be the impact of **VOD** on theatrical distribution?