Overview – The EU SVOD market
Facts & Figures

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10th October 2018
WCOS - Berlin

A presentation
of the European Audiovisual Observatory

European Audiovisual Observatory

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

- Overview - The EU VOD market in figures - explosive growth over 5 years
- Focus on SVOD - the fastest growing audiovisual market segment
- TV fiction and feature film production in the EU

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1– Overview– Main points

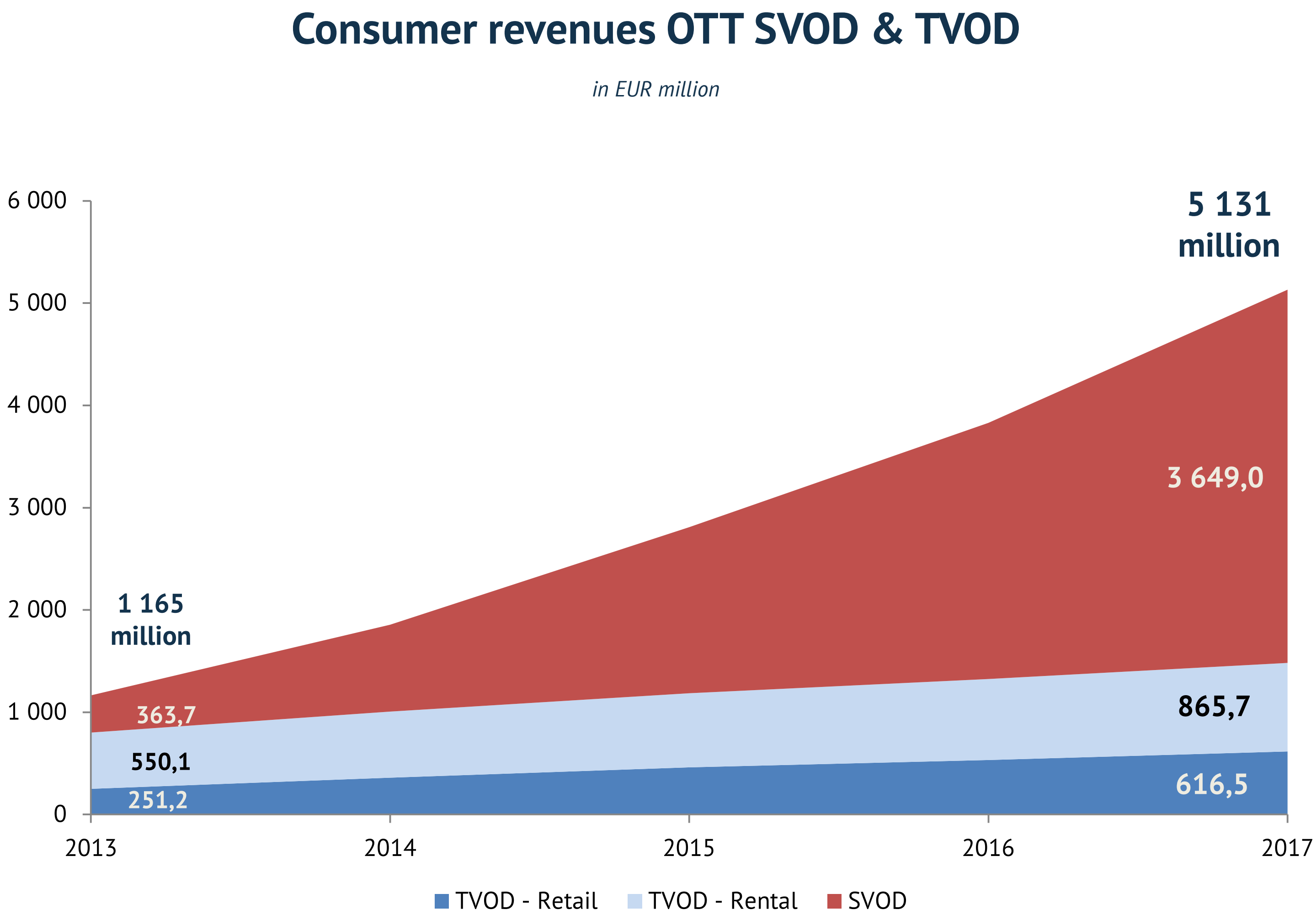
- Rapid market growth of paid VOD services
  - Launch of new services by traditional and new media players
  - Expansion of international players into the EU, alliances of EU players
  - Rapid consumer adoption & changing expectations/behaviour (ATAWAD)
  - 'Over-the-Top' distribution and use of multiple media devices become generalised with widespread broadband
  - ➔ Abundance of content / Scarcity of consumer attention

- VOD market mainly driven by SVOD services as consumer prefer increasingly access to content over ownership

- However, VOD market still a small segment of the EU audiovisual market and dominated by a few

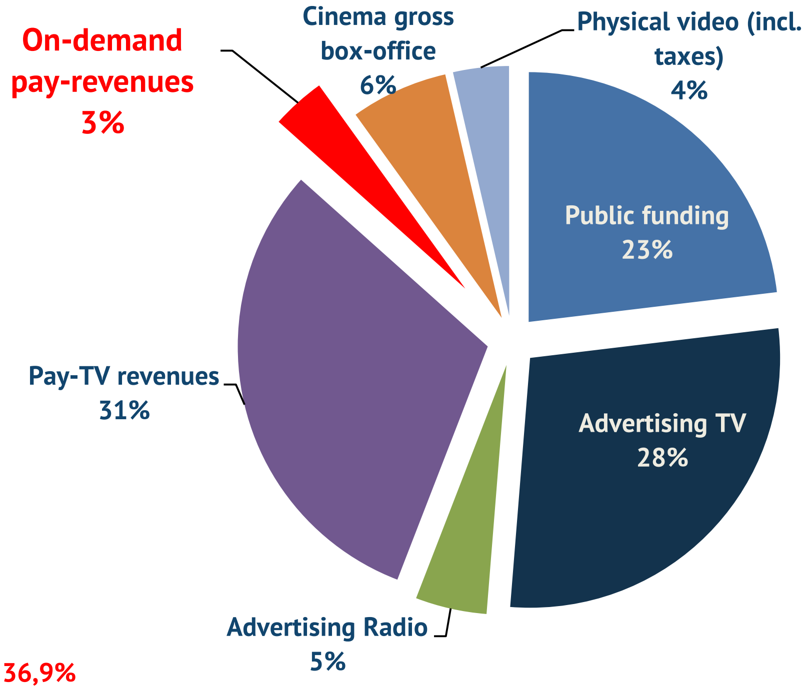
1 – EU VOD market – Rapid growth over the past 5 years - SVOD growth driver

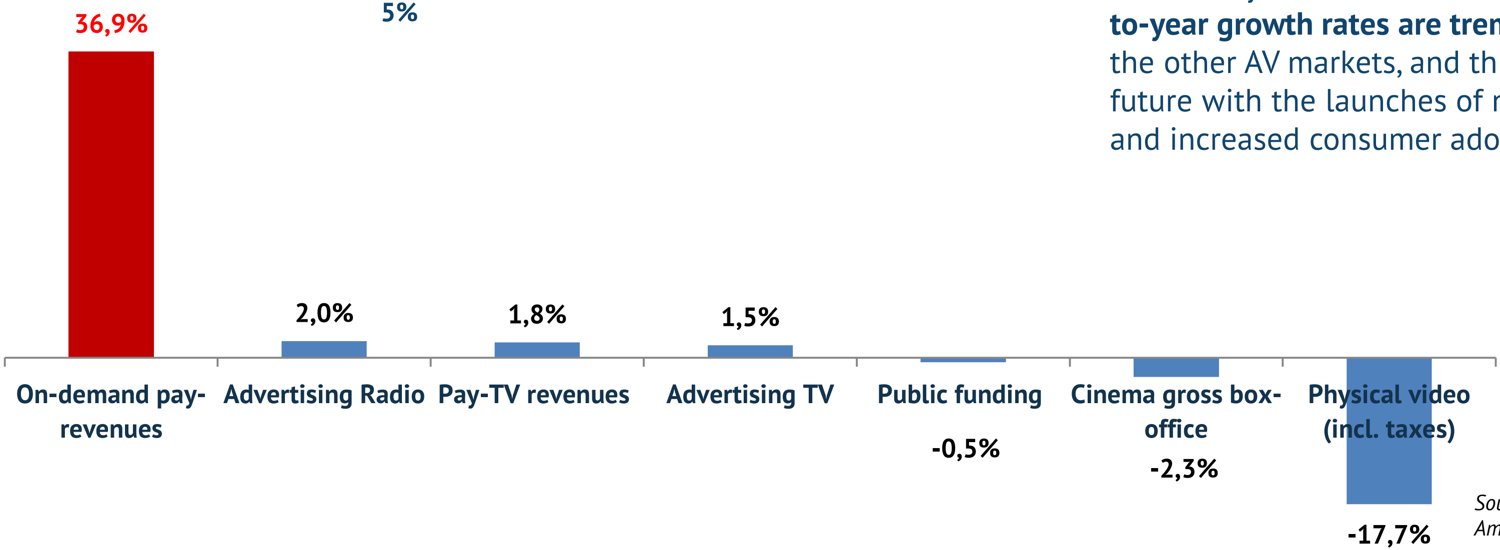
Overview



Source: Ampere Analysis

1 – EU VOD market – still a small part of the AV ecosystem (2016)





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

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

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

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2. Focus on SVOD - the fastest growing audiovisual market segment

2 – Focus on OTT SVOD – Main points

- SVOD has become an established part of the EU audiovisual ecosystem with rapid growth in consumer revenues and subscribers
- This is launching a race towards **'direct-to-consumer' business models** for media players, who have to adapt to consumer expectations

- In the EU at the end of 2017: **183 different SVOD services** were available (representing 280 linguistic versions) (OBS - MAVISE stats)
- However, the sector is **dominated by 2 players**, Netflix and Amazon, which together account for **80% of SVOD subscriptions / 74% of revenues**

- Increased investments **in original content** and in **content acquisition** by international players makes competition increasingly harder for smaller national players – **Size matters / Alliances of EU players**

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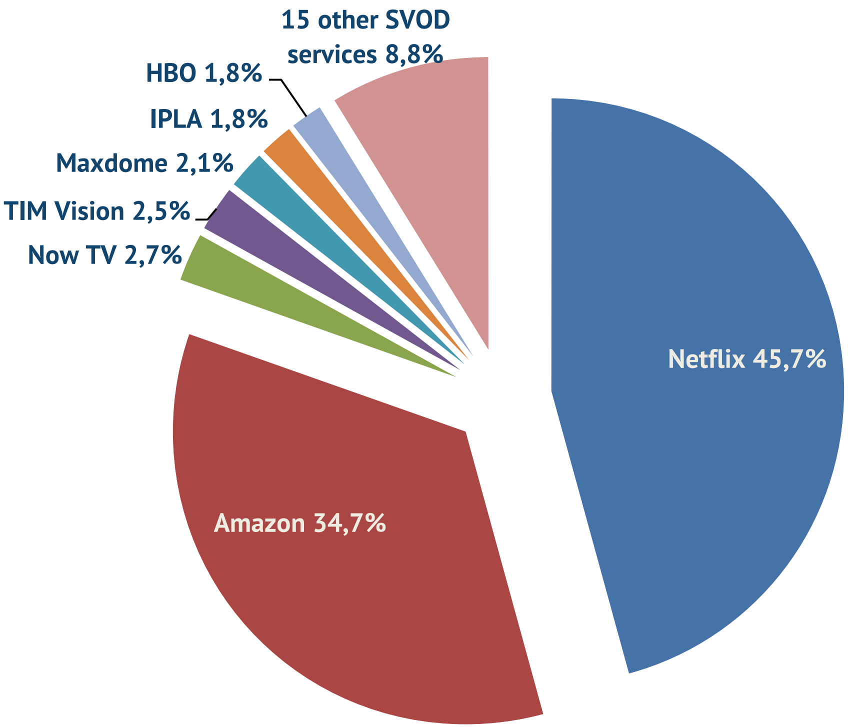
2 - Focus on OTT SVOD – Revenues & Subscribers in 2017 by services

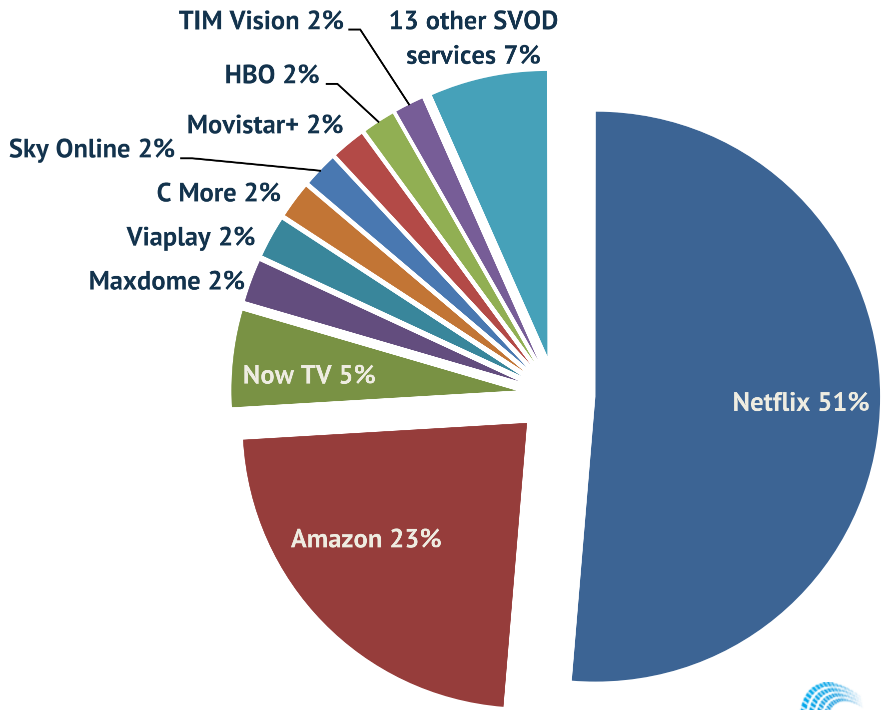
SUBSCRIBERS

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



CONSUMER REVENUES

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



Source: Ampere Analysis

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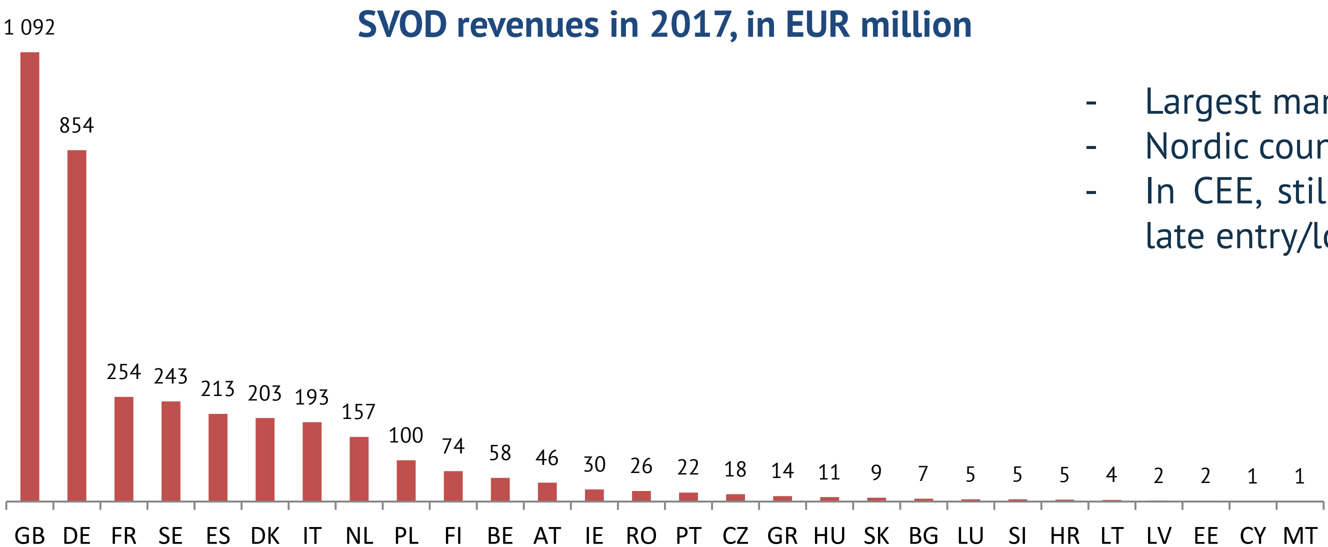
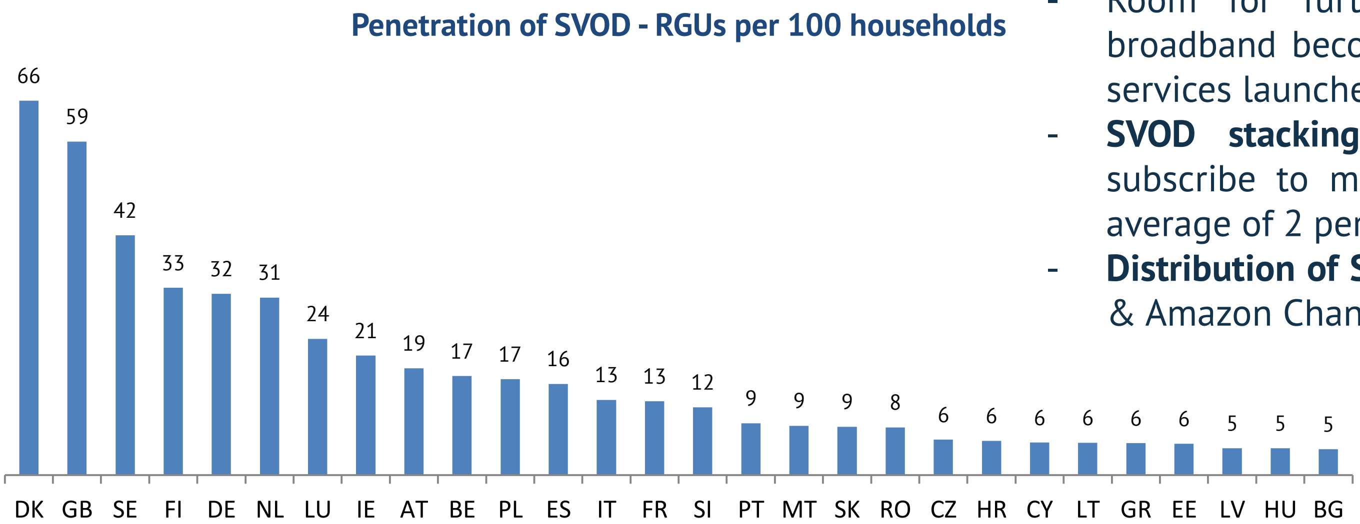
2 – Focus on SVOD – Benchmark - the SVOD market by country in 2017



Revenues

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



Penetration

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

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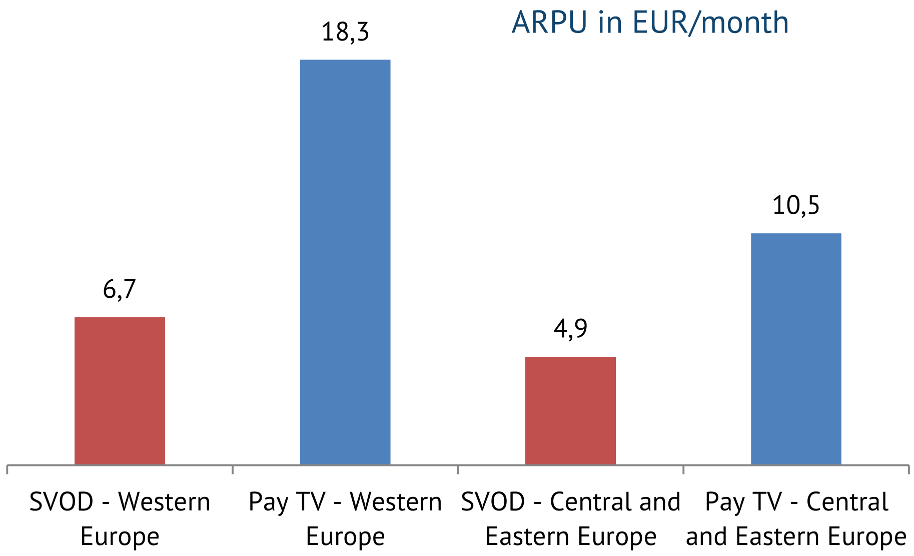
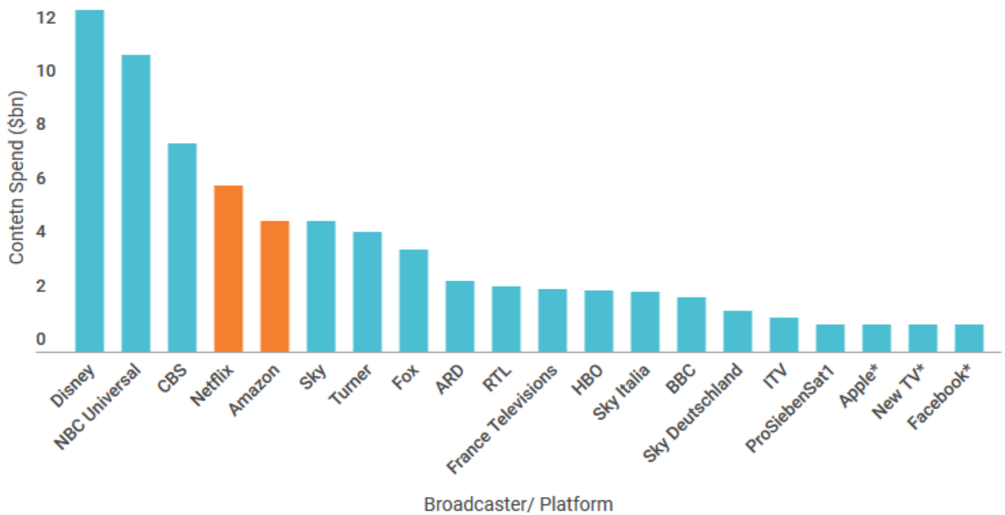
2 – Focus on SVOD – Evolution - Content spend by major players

ARPU

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



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



Source: Ampere Analytics, as of June 2018

*These are all speculative spend amounts based on press disclosures

CONTENT SPEND

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

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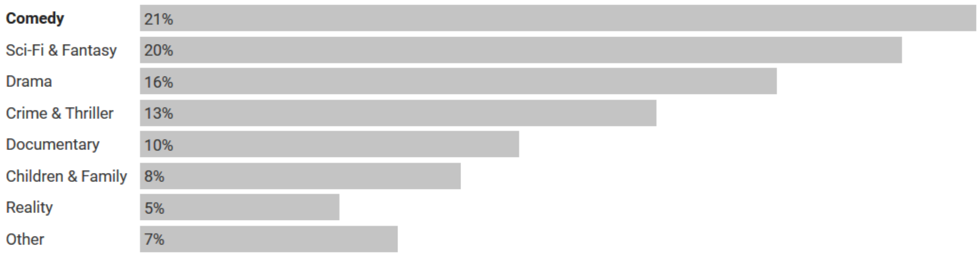
Source: Ampere Analysis

2– Focus on OTT SVOD – Genres of new original TV show production

Netflix is weighting its upcoming original content toward comedy, including a Paul Rudd scripted series, and sci-fi, including a "Dark Crystal" prequel.

Netflix's 257 upcoming TV shows by genre



Source: Ampere Analysis

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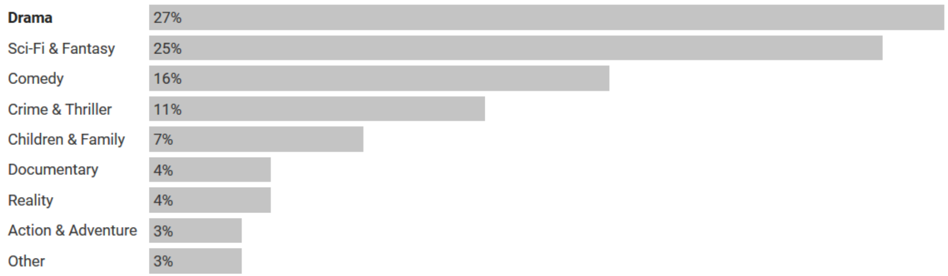
Amazon has geared its nearly 100 new shows mostly toward drama ("The Romanoffs") and sci-fi, including a "Lord of the Rings" prequel series.

Amazon Prime Video's 97 upcoming TV shows by genre

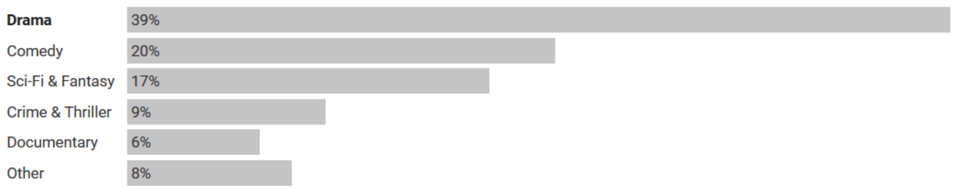


Source: Ampere Analysis

recode

And for some old media turned new media: HBO. Its slate consists largely of dramas, including an adaptation of Elena Ferrante's book "My Brilliant Friend."

HBO's 64 upcoming TV shows by genre



Source: Ampere Analysis

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Comedy and Crime & Thrillers represent the most common genres at Apple, which has 23 upcoming shows on its slate, including a Kristen Wiig series and a "Time Bandits" series.

Apple's 23 upcoming TV shows by genre

Source: Ampere Analysis

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3. Production of TV fiction and feature films in the EU

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3 – Production volume in the EU of TV fiction 2015/2016

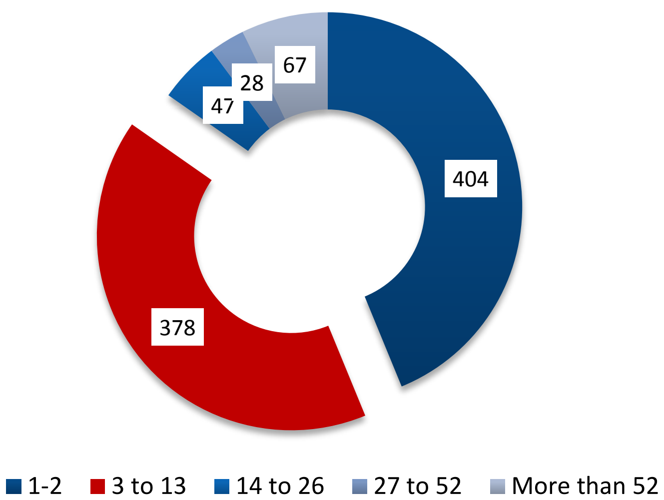
- **Over 920 titles** produced each year accounting for over 11 100 hours

-> TV movies (one or two parts) account for 44% of all titles

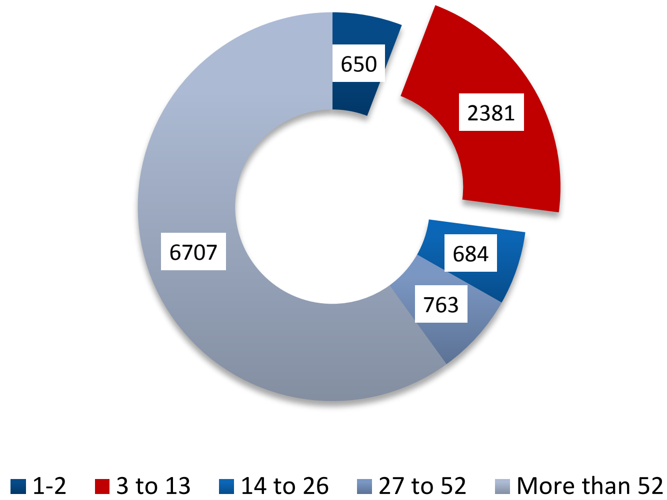
-> Series with more than 52 episodes per year account for 7% of titles but 60% of hours produced (telenovelas).

-> Series between 3 and 13 episodes per year account for 41% of titles and 21% of hours produced

Number of TV fiction titles produced (av. 2015-2016)



Hours of TV fiction produced (av. 2015-2016)

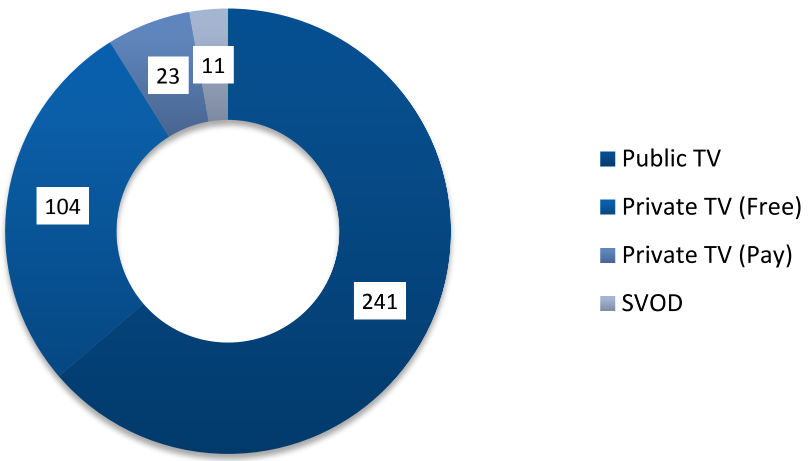


Source: European Audiovisual Observatory

3 – Focus on Series 3 to 13 episodes in the EU – SVOD services still marginal

- Public broadcasters are the leading originators of TV series, both in number of titles (64%) and number of hours (62%)
- SVOD (still) marginal in 2015-2016

TV fiction titles by statute of first broadcaster
3 to 13 episodes (av. 2015-2016)



TV fiction hours by statute of first broadcaster
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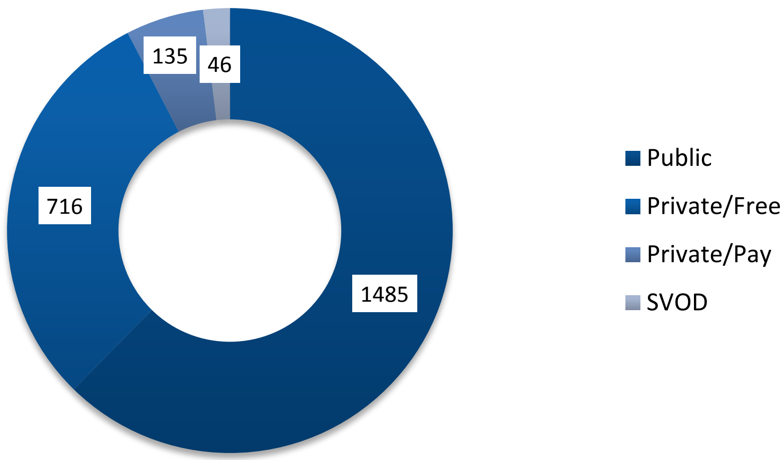

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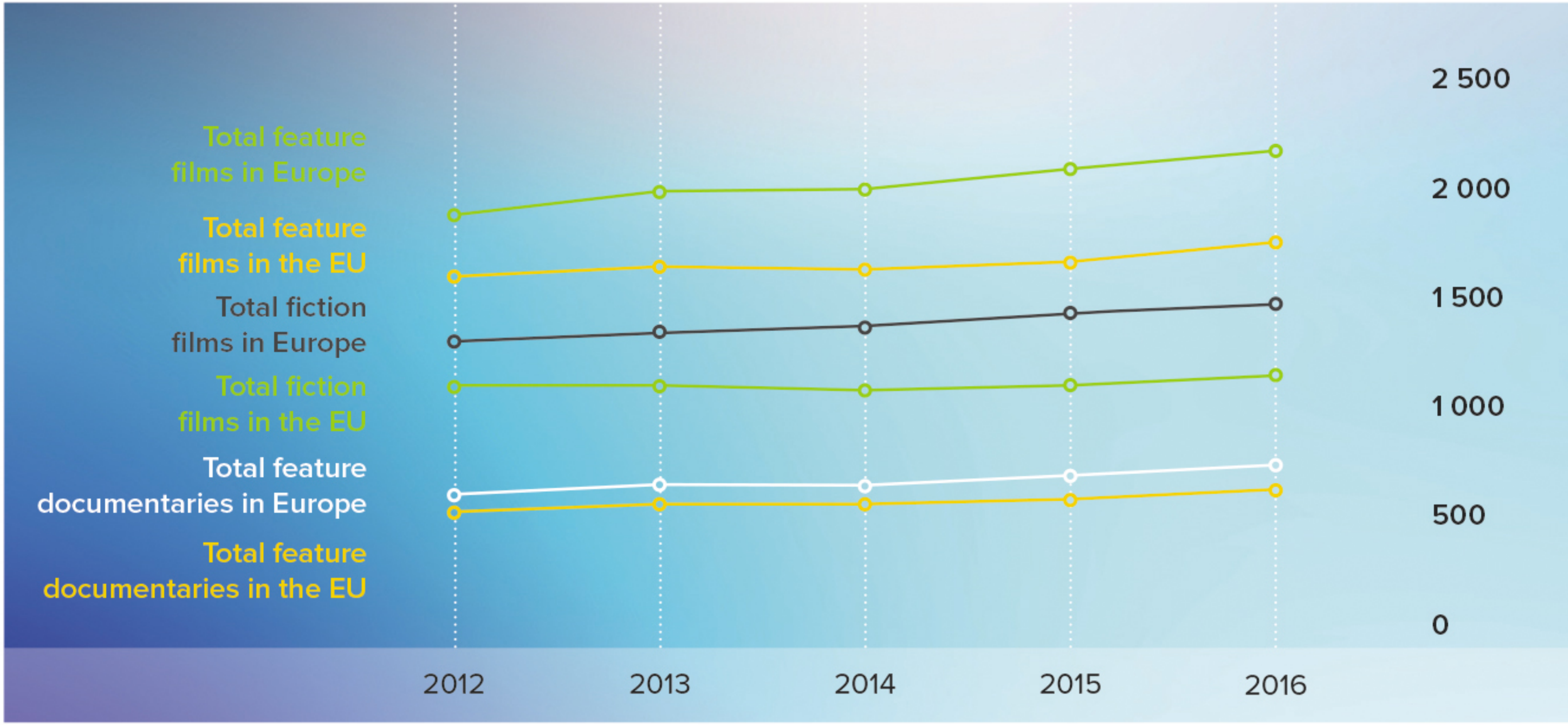
Source: European Audiovisual Observatory

3 – Production volume in the EU of feature films 2012-2016

- **1 669 feature films** produced in the EU in 2016, +5,2% y-o-y growth (1 137 fiction films and 532 feature documentaries)

→ **Film production volume in Europe and the EU (2012-2016)** - *In feature films*



Source: European Audiovisual Observatory

More information:

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