



# Pay AV services in Europe

## The state of play

Laura Ene  
June 2019

A publication of the European Audiovisual Observatory



**Key trends of the pay AV services market in Europe**

**Drivers of pay AV services in Europe**

**Distribution of pay AV services in Europe**

**Ownership of pay AV services in Europe**

# Introduction

- ▶ The pay audiovisual (AV) services market has been going through significant changes in the past decade: the quick roll-out of broadband internet-based IPTV services; the transition from analogue to digital cable service; the consolidation of pay-TV operators in the cable and satellite segments and obviously, the steady rise of subscription video-on-demand (SVOD) services.
- ▶ In this context, the aim of this report is to provide a big picture of the pay-services market in Europe and its evolutions since 2008. It provides key figures for the two main segments, linear pay-television and subscription video-on-demand and puts them into perspective. It identifies the main factors that are likely to affect their development, and identifies three different market configurations as regards the interactions between linear pay-TV and SVOD. And finally it presents the key players in the market.
- ▶ It is important to note that each national market has been and is still shaped by very specific conditions, often exogenous to the pay audiovisual services, including purchasing power, supply of free services, penetration and performance of broadband access and, obviously regulation. This report analyses the impact of some of these factors without claiming to identify a fully comprehensive set of “models” for the development of pay AV services.

- ▶ The publication addresses first the status quo and the evolution of revenues, subscriptions and prices within the pay audiovisual services market. It then takes a closer look at the pay-TV and SVOD markets and their interactions. The third part covers the distribution of pay AV services in Europe while the last section provides insights on their ownership.
- ▶ Pay-TV refers to pay linear TV channels; SVOD covers over-the-top subscription video-on-demand services.
- ▶ The scope of the analysis covers 34 European countries comprising all European Union member states, Montenegro, North Macedonia, Norway, Russia, Switzerland and Turkey. In the report, this group of countries is used as a proxy for Europe and it is referred to as such.
- ▶ The analysis has been carried out based on data provided by Ampere Analysis.
- ▶ If you wish to reproduce tables or graphs contained in this publication please contact the European Audiovisual Observatory for prior approval.
- ▶ 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.

## Key trends of the pay AV services market in Europe

# Key trends of the pay AV services market in Europe

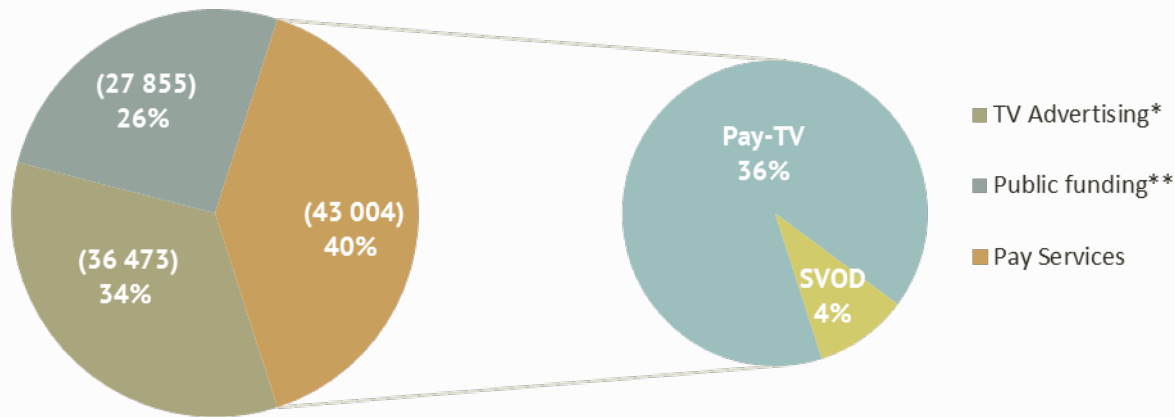
## Pay audiovisual services revenues

- ▶ get the lion's share of the AV services market
- ▶ are growing faster than the rest of the AV market
- ▶ growing trend remains high even after the SVOD expansion kick-off
- ▶ growth is mainly captured by SVOD

# Pay AV services get the lion's share of the AV services market,...

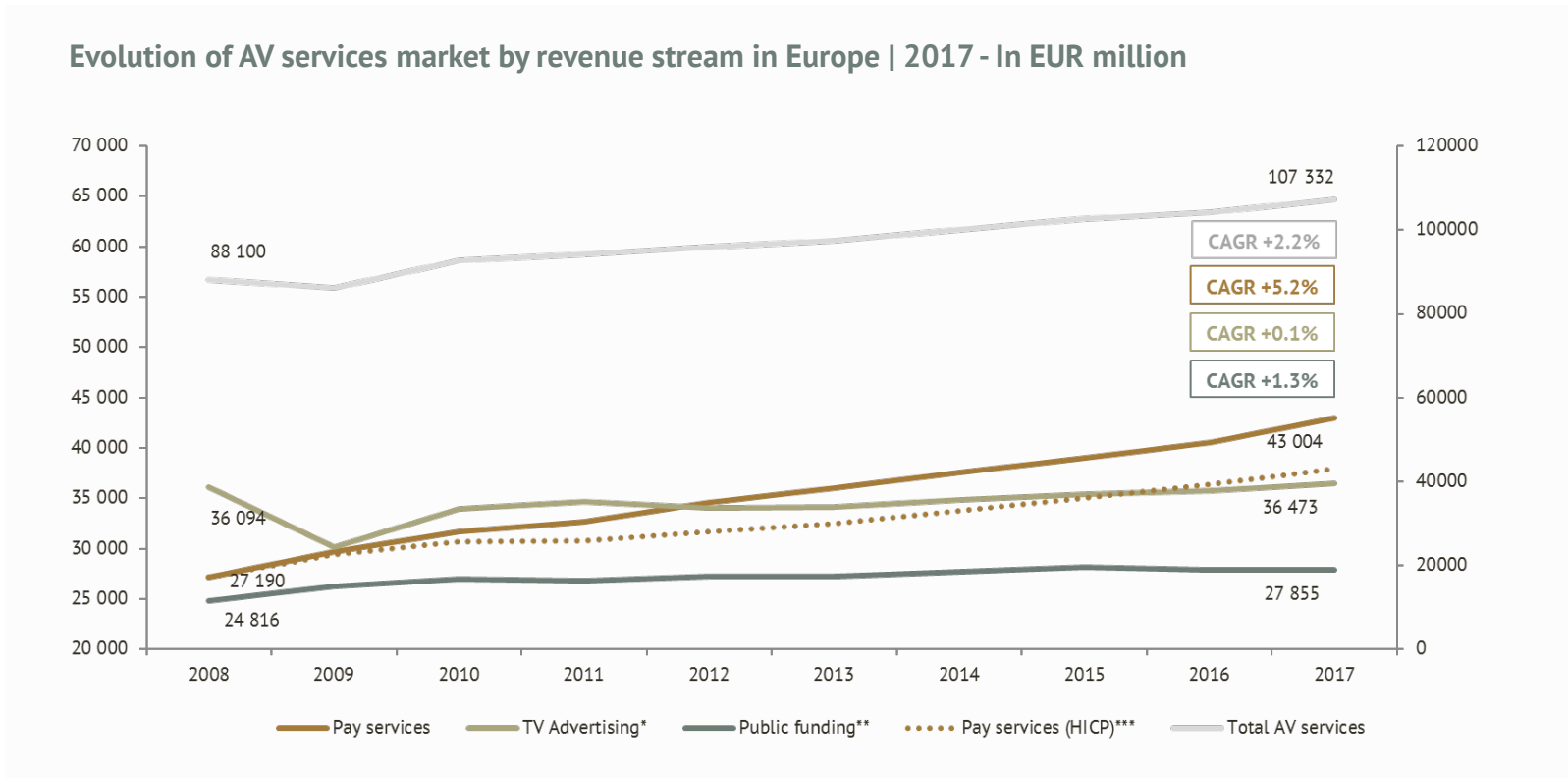
- ▶ Pay AV services (pay-TV and SVOD) accounted for 40% of the AV services market in 2017
- ▶ Among pay AV services, pay-TV represented 90% and SVOD the rest of 10%

AV services market breakdown by revenue stream in Europe | 2017 - In EUR million and %



# ...they are growing faster than the rest of the AV market...

- ▶ Pay AV services revenues have been driving the AV market between 2008 and 2017 with a 5.2% compound annual growth rate



\*TV Advertising does not include data for Montenegro

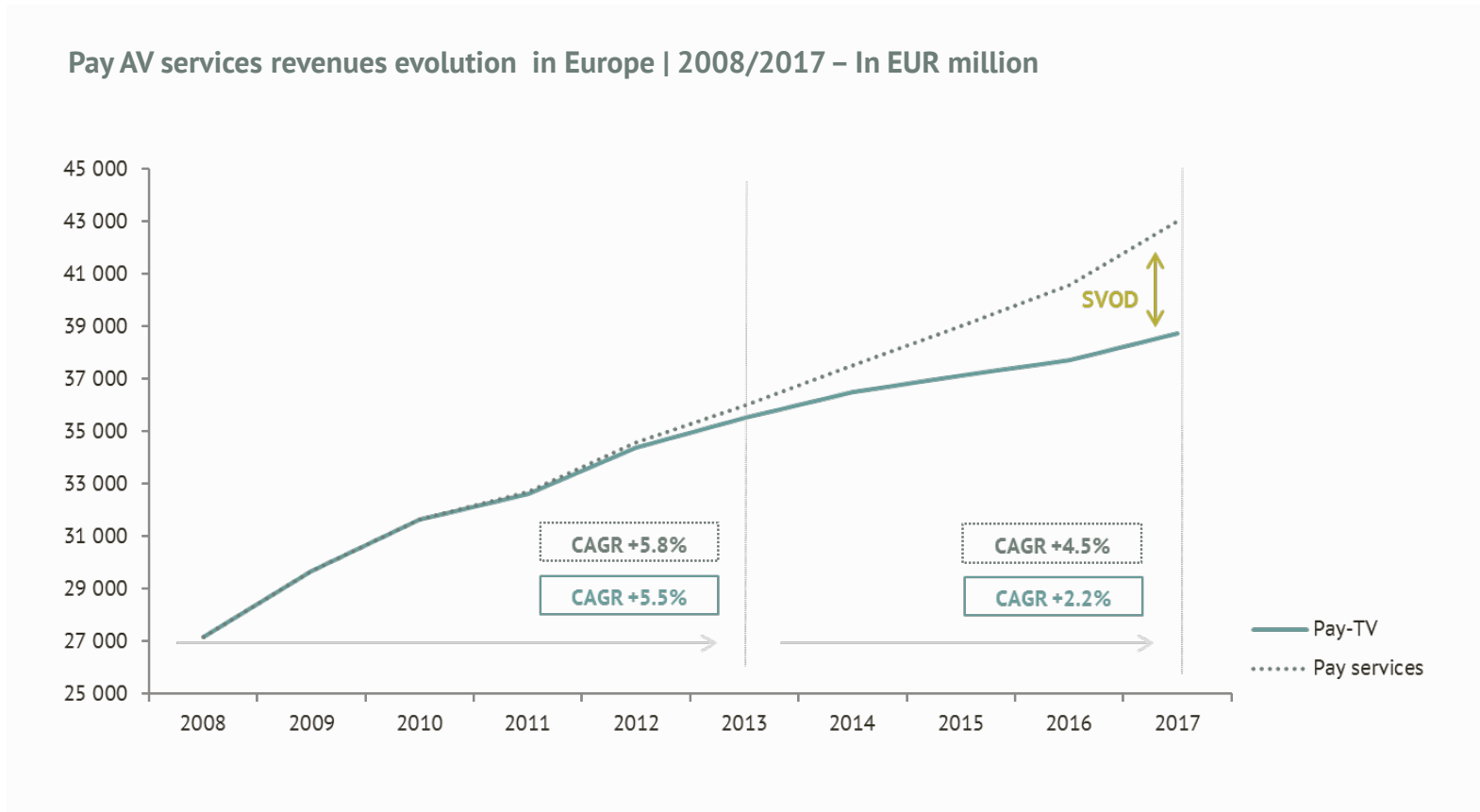
\*\*Public funding does not include data for the Russian Federation

\*\*\*The Harmonised Indices of Consumer Prices (HICP) measure the changes over time in the prices of consumer goods and services acquired by households. They give a comparable measure of inflation as they are calculated according to harmonised definitions



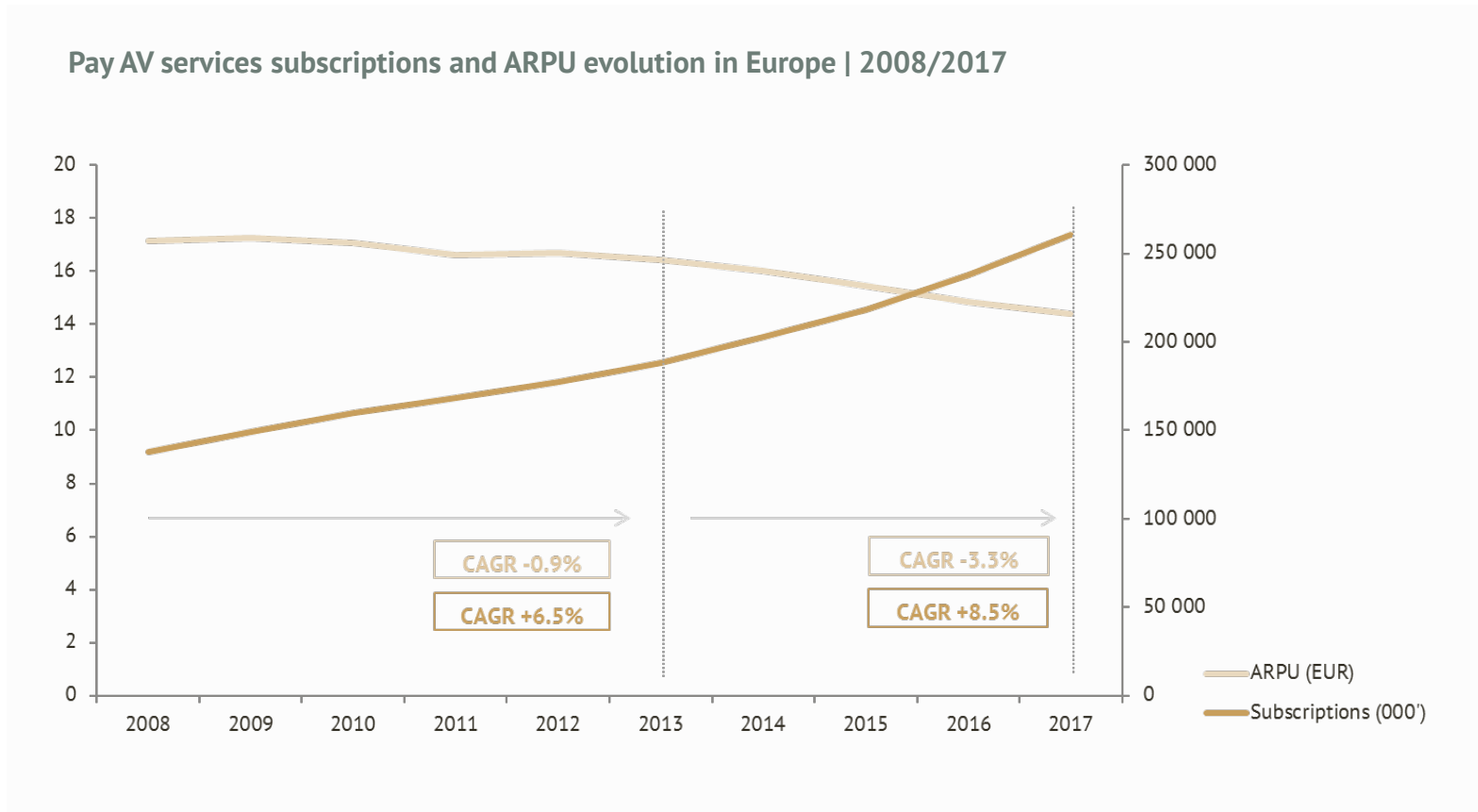
# ...and their growing trend remains high even after the SVOD expansion kick-off

- ▶ The surge of SVOD did not cause a significant slow down of the pay AV services market
- ▶ However SVOD captured most of the growth



# The pay AV services growth is due to an uptake rise for a lower ARPU\*

- ▶ Pay AV services registered an **accelerated growth of subscriptions** in the context of an overall **ARPU decrease**

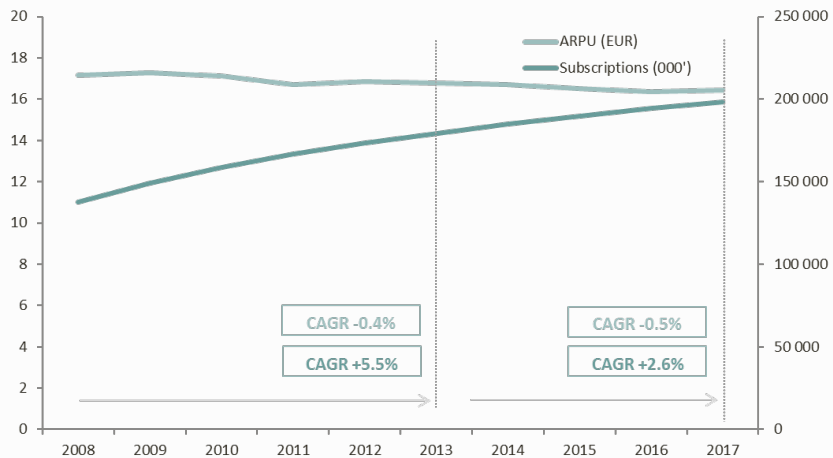


\*ARPU: average revenue per user (in EUR)

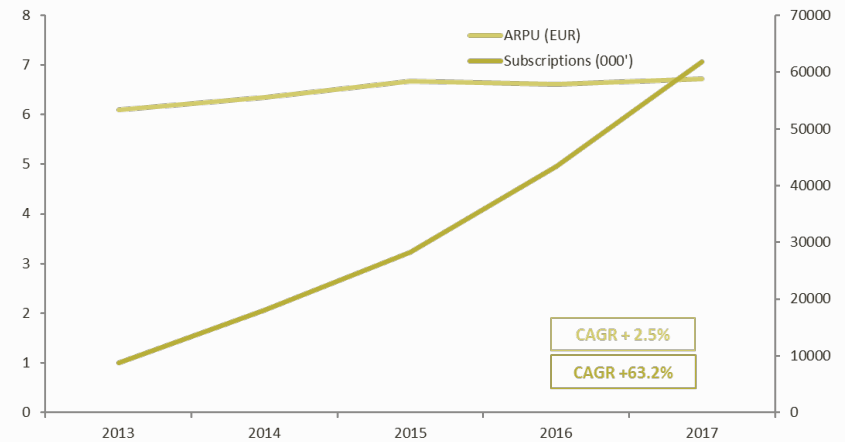
# SVOD drives subscriptions but weighs on the pay AV services ARPU level

- ▶ The pay AV services subscriptions increase was driven by SVOD but with a much lower ARPU than pay-TV
- ▶ On top, pay-TV uptake slowed down between 2013 and 2017

Pay-TV subscriptions and ARPU evolution in Europe | 2008/2017



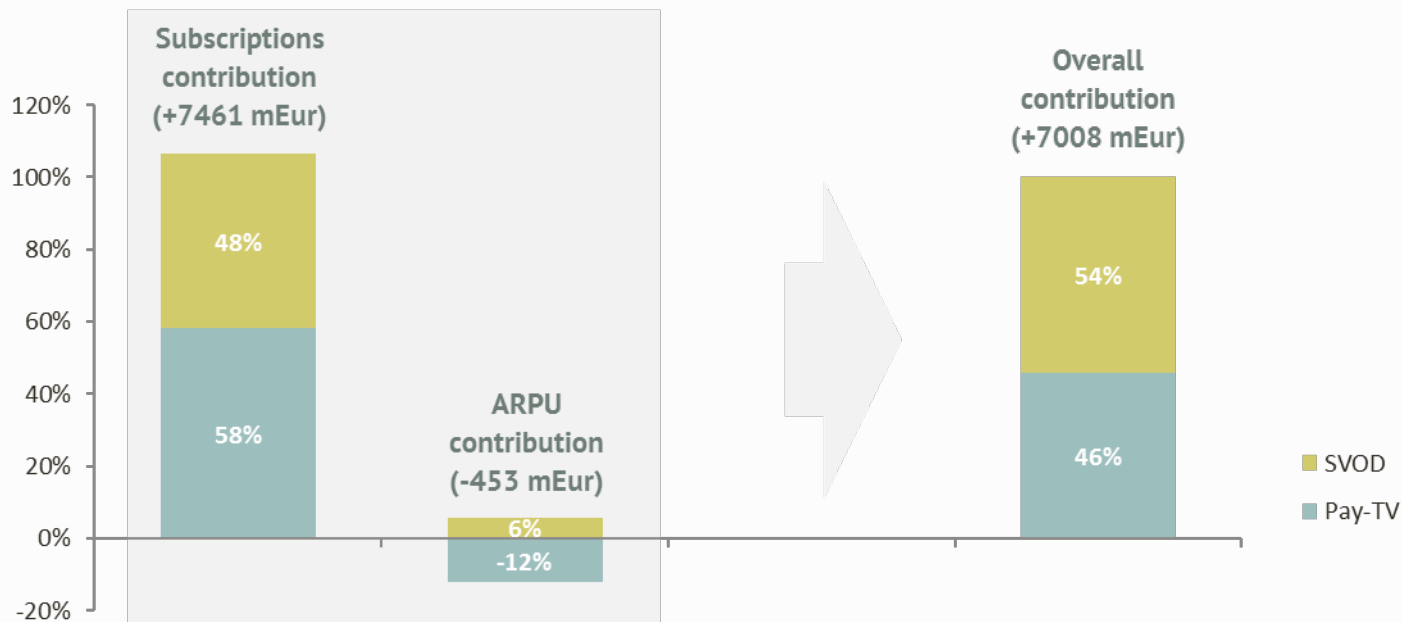
SVOD subscriptions and ARPU evolution in Europe | 2008/2017



# Still, the pay AV services revenues growth is driven by SVOD

- ▶ SVOD accounted for 54% of the pay AV services incremental revenues between 2013 and 2017
- ▶ For both pay-TV and SVOD the central (if not only) contributors to the pay AV services revenues growth are the new additions

Pay TV and SVOD contribution to pay services incremental revenues in Europe | 2013/2017 – In EUR million and %



## Drivers of pay AV services in Europe

# Drivers of pay AV services in Europe

## Pay AV services

- ▶ level of development is very heterogeneous between countries
- ▶ UK, Germany and France are the top 3 pay AV services markets by revenues
- ▶ strong differences for both pay-TV and SVOD penetration rates at national level

## Pay-TV revenues generally developed the most for:

- ▶ Central and Eastern Europe
- ▶ transition countries
- ▶ countries where TV viewing time is on the rise

## SVOD market share of pay AV services subscriptions is in general higher for:

- ▶ Northern Europe
- ▶ more developed countries
- ▶ countries with high pay-TV prices
- ▶ countries with high BB access level
- ▶ countries with lower pay-TV penetration level
- ▶ countries where TV viewing time is experiencing erosion

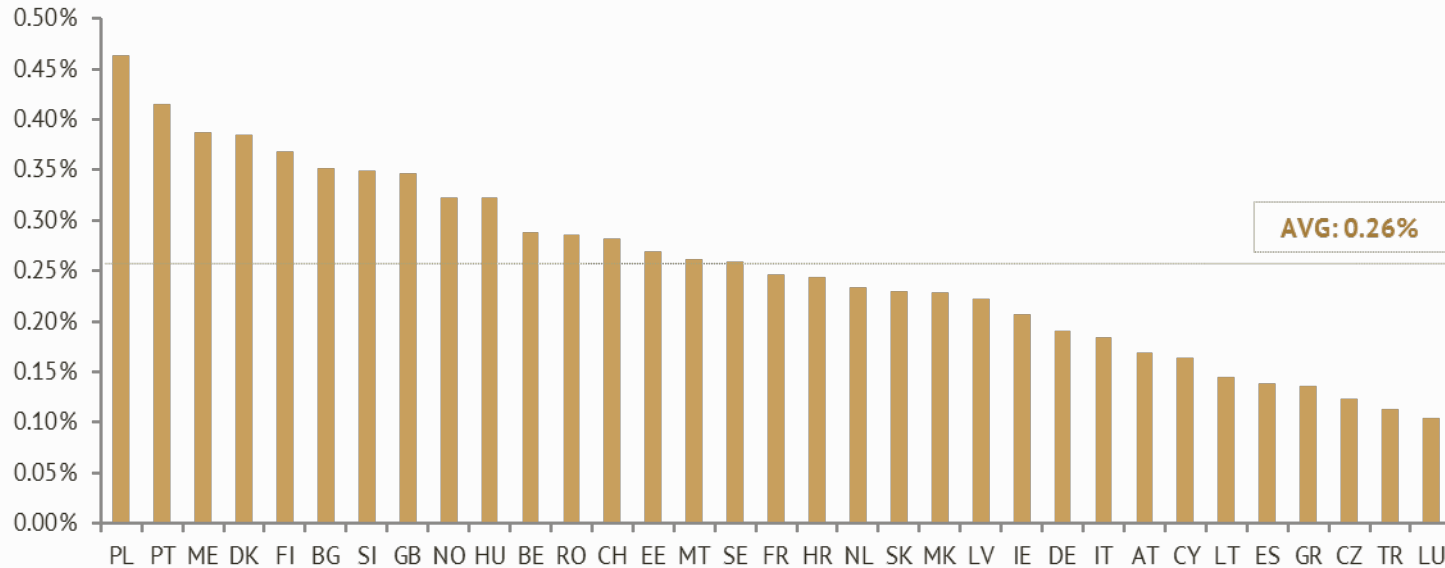
## Pay-TV and SVOD interactions

- ▶ 1 in 4 subscriptions for pay AV services are signed off to SVOD users
- ▶ cord-cutting primarily depends on local market conditions

# Pay AV services level of development is very heterogeneous between countries

- ▶ Pay AV services account for 0.10% up to 0.46% of GDP in Europe

Pay services contribution to GDP at market prices in Europe | 2017 - In %



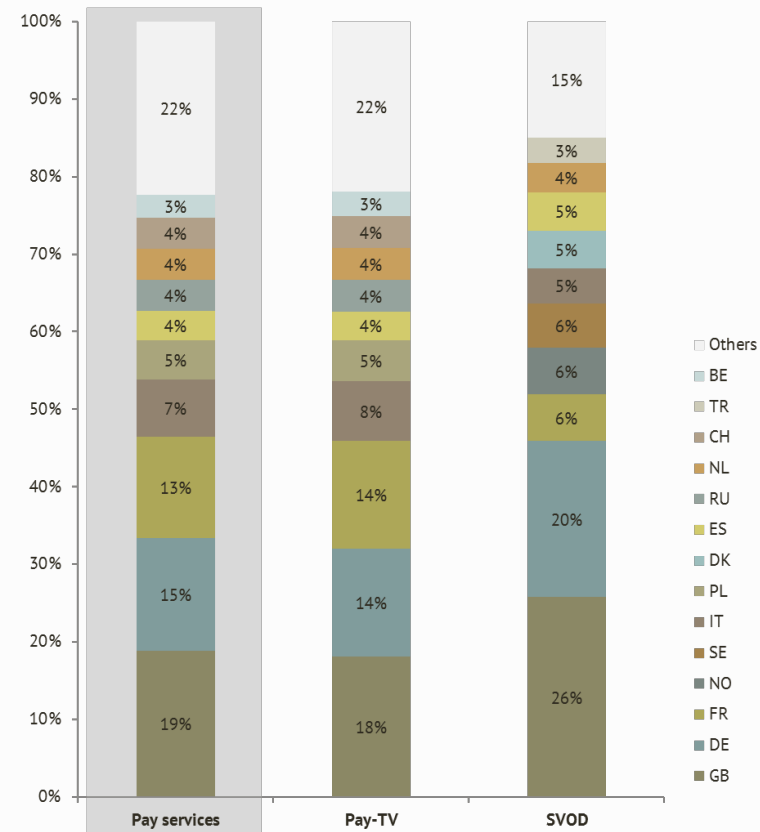
# The UK, Germany and France are the top 3 pay AV services markets by revenues

▶ **Top 3 countries** account for **46%** of the **pay-TV** market

while...

▶ **46%** of the **SVOD** market is delivered by **top 2 countries**

Pay AV services revenues breakdown by top 10 countries in Europe | 2017 - In %

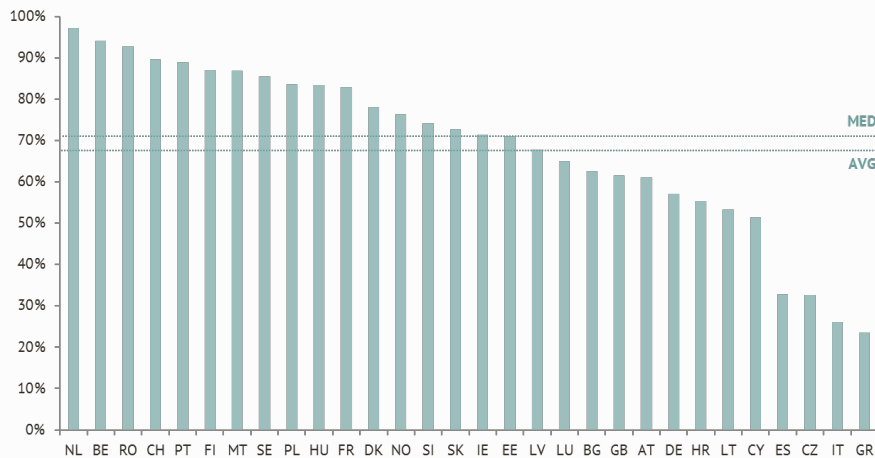




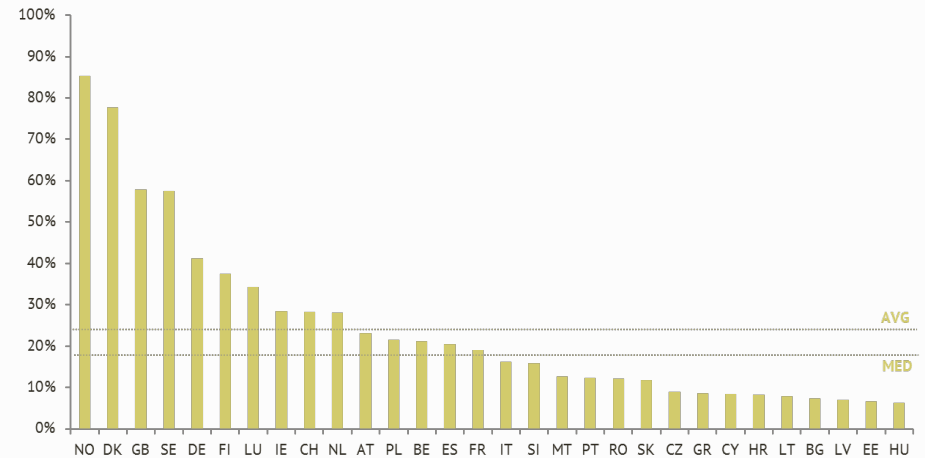
# Strong differences for both pay-TV and SVOD take-ups at national level

- ▶ Pay-TV national penetration level varies between 24% and 97% in Europe, while SVOD penetration level can range from 6% to 85%

Pay TV penetration in Europe | 2017 – In % from total TV HH



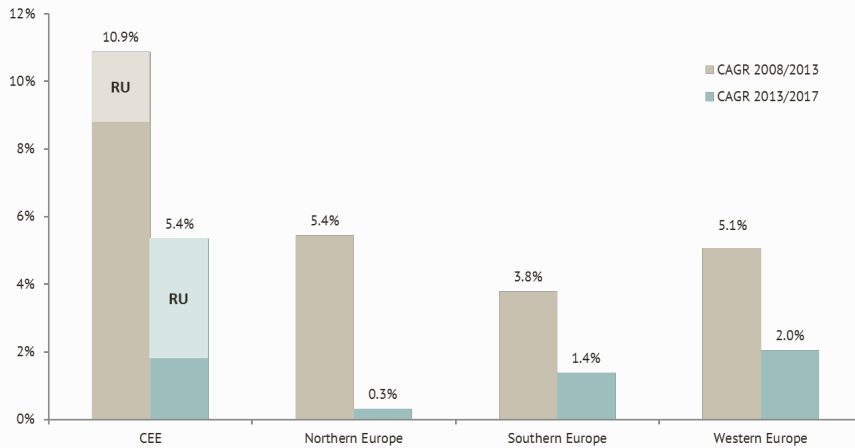
SVOD penetration in Europe | 2017 – In % from total BB HH



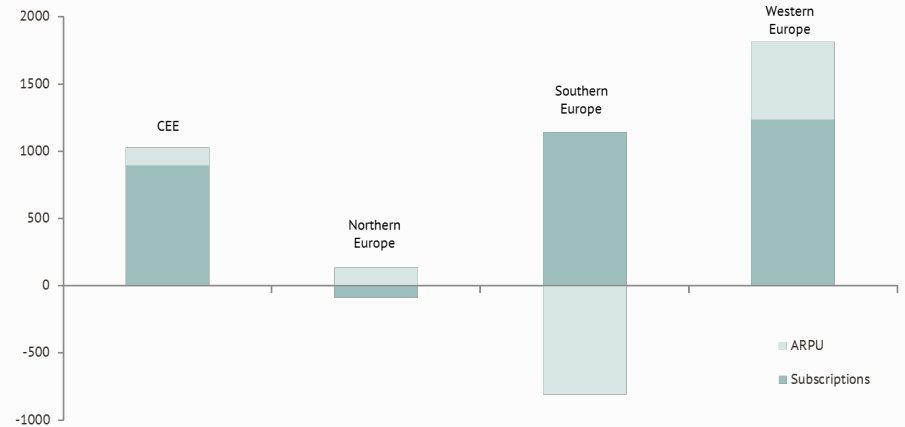
# Central and Eastern Europe (CEE) pay-TV market grows the most

- ▶ Pay-TV revenues growth slowed down across all European regions between 2013 and 2017
- ▶ CEE registered the most accelerated revenues growth mainly due to Russia
- ▶ Outside of Northern Europe pay-TV revenues growth is driven by net additions

Pay TV revenues CAGR by European regions | 2008/2017 – In %



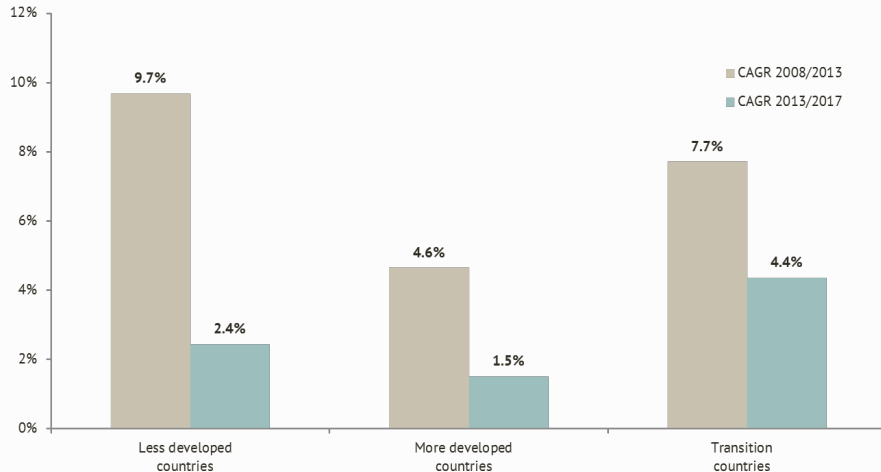
Subscriptions and ARPU contribution to pay-TV incremental revenues by European regions | 2013/2017 – In EUR million



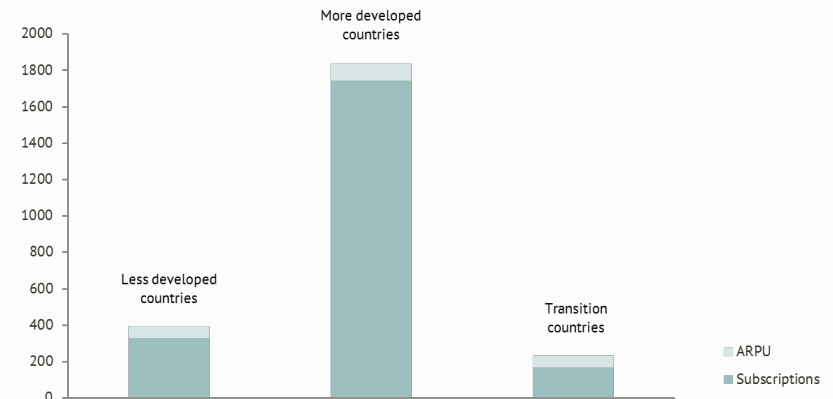
# Pay-TV revenues develop faster for European countries in transition

- ▶ **Transition countries\*** cumulated the **most accelerated pay-TV revenues growth** over the 2013-2017 period with both subscriptions and ARPU growing the most on this group
- ▶ **Net additions** accounted for more than **70% of pay-TV revenues growth** across all country groups

Pay TV revenues CAGR by country groups based on GDP per capita in PPS\*\* in Europe | 2008/2017 – In %



Subscriptions and ARPU contribution to pay-TV incremental revenues by country groups based on GDP per capita in PPS In Europe | 2013/2017 – In EUR million



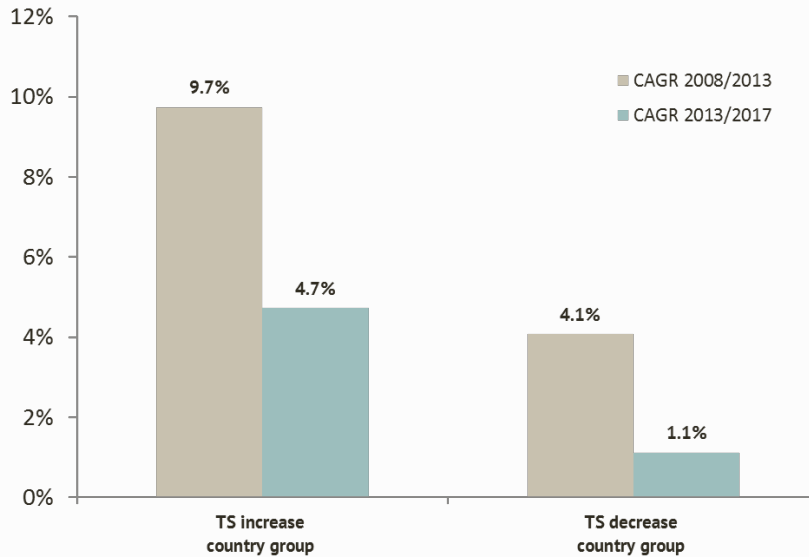
\*Transition countries (GDP per capita in PPS,  $\geq 75$  -  $< 90$ ); Less developed countries (GDP per capita in PPS,  $< 75$ ); More developed countries (GDP per capita in PPS,  $\geq 90$ )

\*\* PPS is the technical term used by Eurostat for the common currency in which national accounts aggregates are expressed when adjusted for price level differences using PPPs. Thus, PPPs can be interpreted as the exchange rate of the PPS against the euro.

# TV viewing time drives pay-TV revenues growth

- ▶ On average, the countries in which TV viewing time increased between 2013 and 2017 registered a more accelerated pay-TV revenues growth

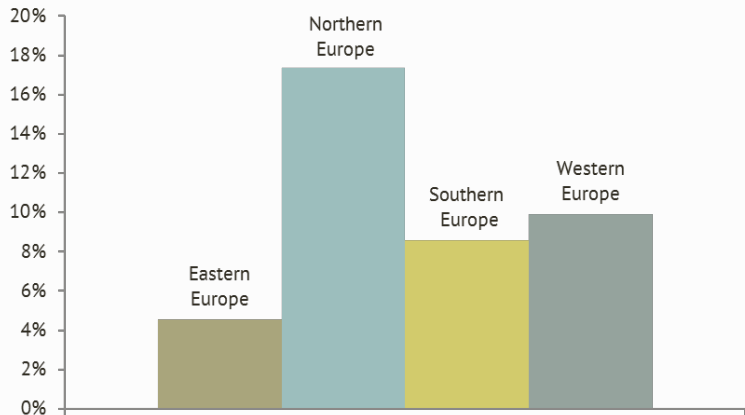
Pay TV revenues CAGR by country groups based on TV viewing time (TS) 2013-2017 evolution in Europe | 2008/2017 – In %



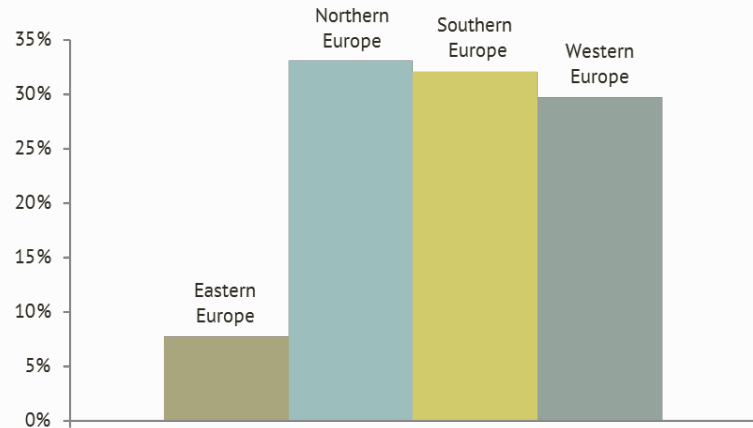
# SVOD is specifically powerful in Northern Europe

- ▶ Northern Europe had the highest SVOD market share by revenues mainly due to the high ARPU level
- ▶ The lowest SVOD market share was registered in CEE both in term of revenues and subscriptions

SVOD revenues market share of pay AV services by European regions | 2017 – In %



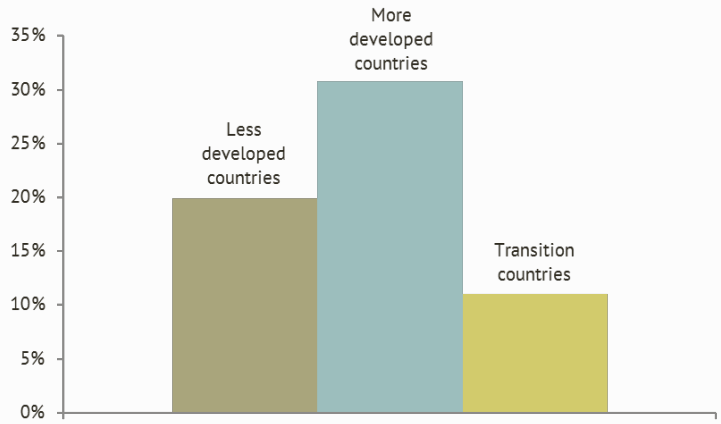
SVOD subscriptions market share of pay AV services by European regions | 2017 – In %



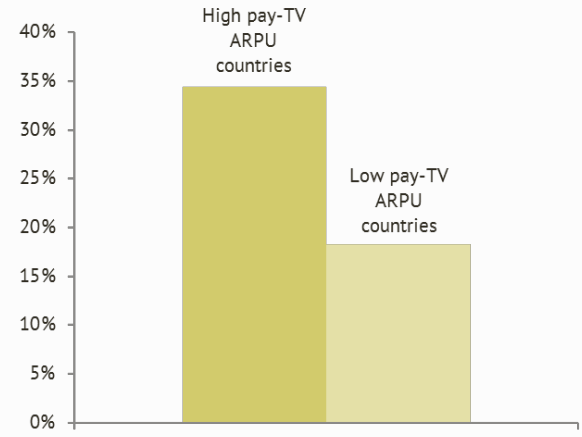
# More developed, high pay-TV ARPU countries cumulate a higher SVOD market share

- ▶ Higher SVOD market shares were generally registered in more developed and high pay-TV ARPU countries both in terms of subscriptions and revenues

SVOD subscriptions market share of pay AV services by country groups based on GDP per capita in PPS in Europe | 2017 – In %



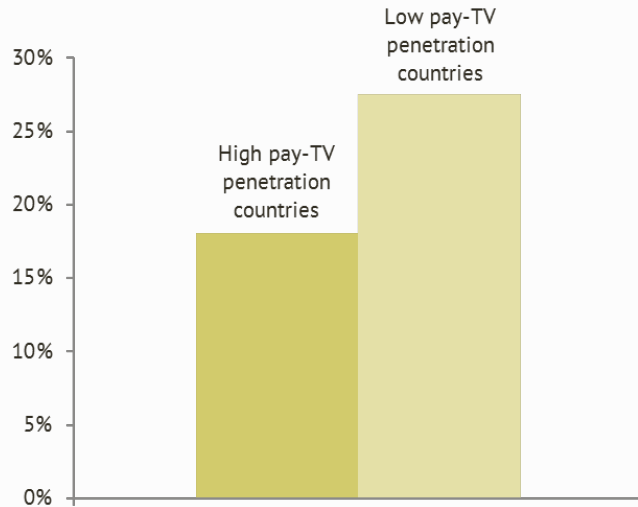
SVOD subscriptions market share of pay AV services by country groups based on pay-TV ARPU level in Europe | 2017 – In %



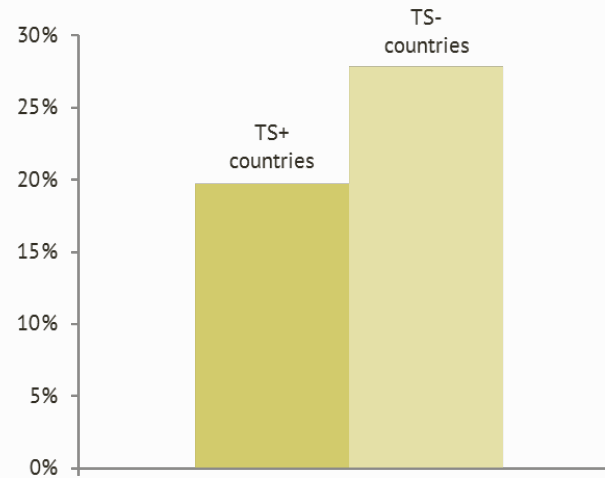
# Lower pay-TV penetration countries cumulate a higher SVOD market share

- ▶ In 2017 SVOD reached on average a higher market share for countries where the pay-TV penetration level was low in 2013 and also for those countries where TV viewing time decreased over the same period

SVOD subscriptions market share of pay AV services by country groups based on 2013 pay-TV penetration level in Europe | 2017 – In %



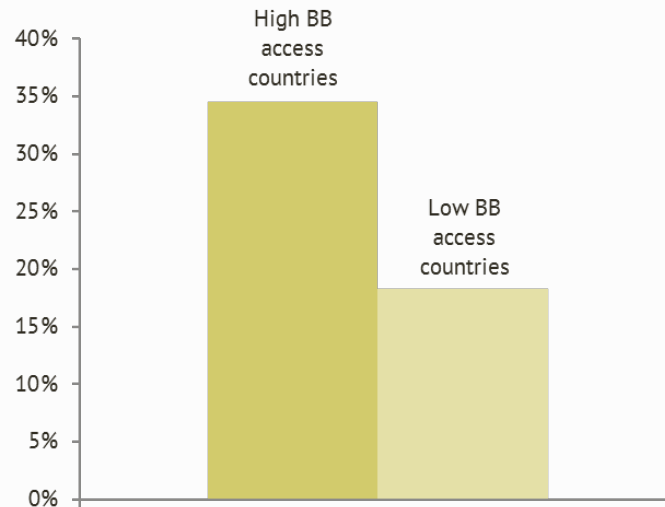
SVOD subscriptions market share of pay AV services by country groups based on TV viewing time (TS) 2013-2017 evolution in Europe | 2017 – In %



# Broadband access drives SVOD adoption

- ▶ Countries with high broadband access levels recorded in general a more important SVOD market share in 2017 as opposed to countries providing low access levels

SVOD subscriptions market share of pay AV services by country groups based on broadband access level in Europe | 2017 – In %

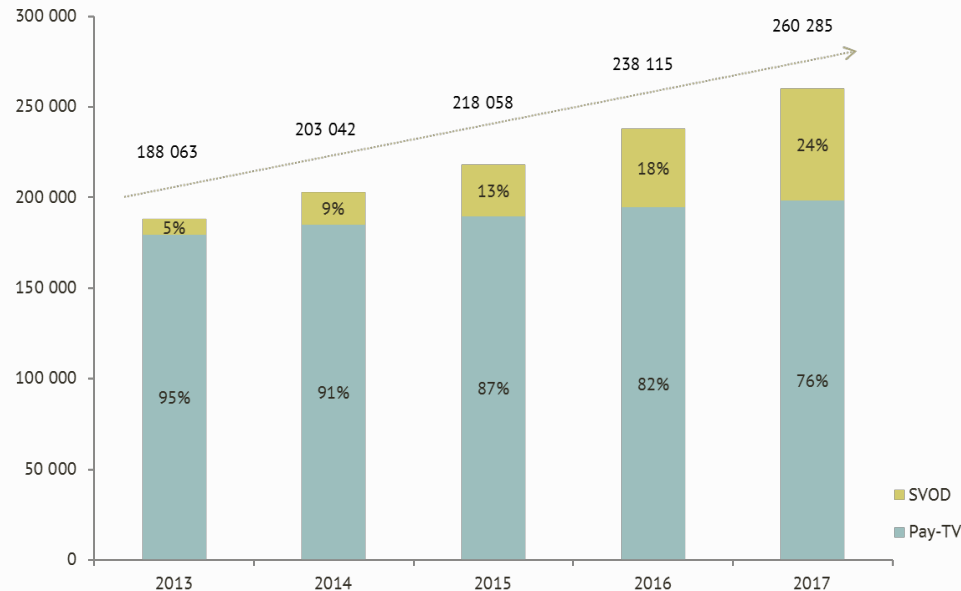




# 1 in 4 pay AV services subscriptions are signed off to SVOD users

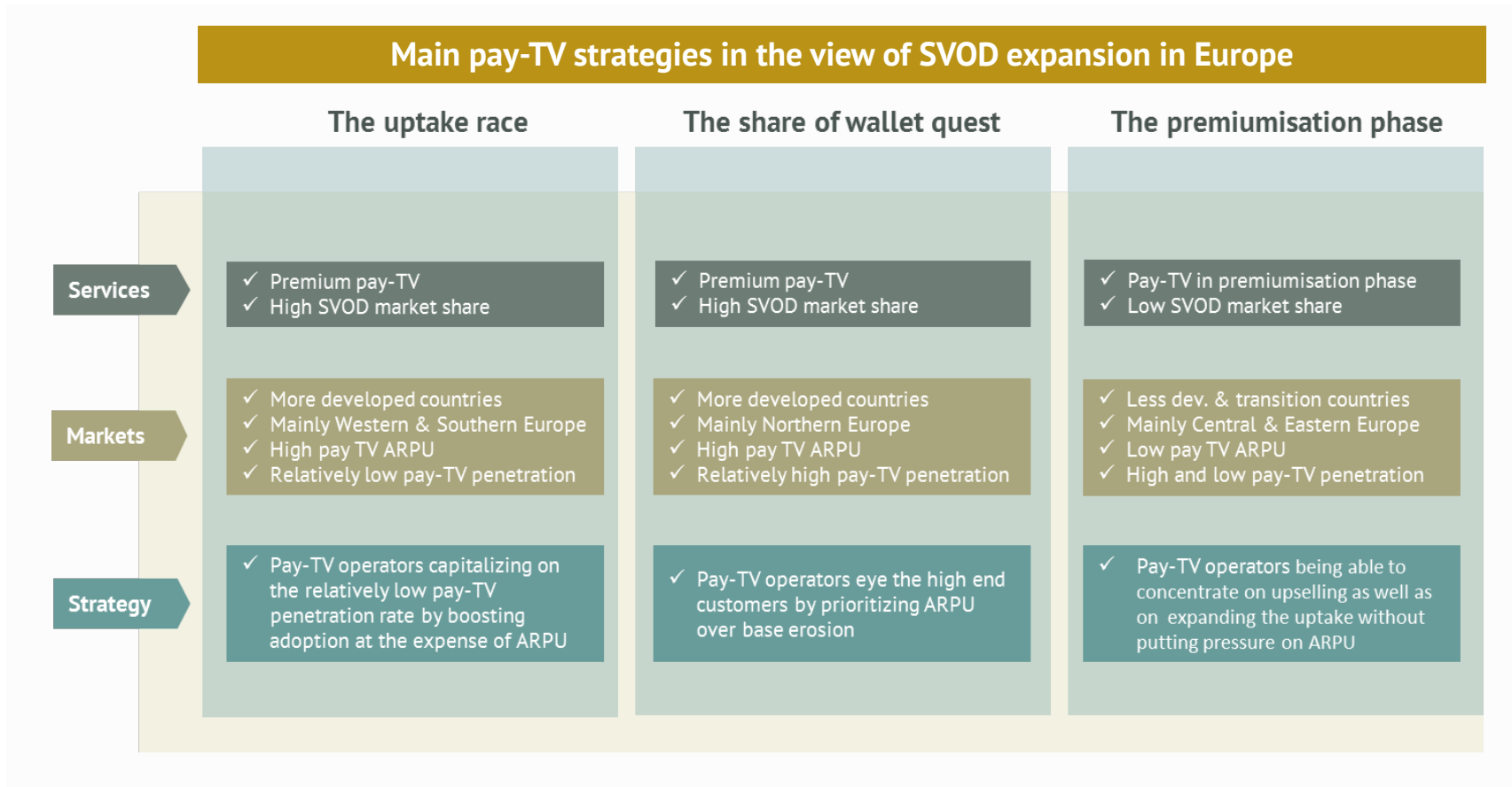
- ▶ SVOD market share of subscriptions increased almost five times between 2013 and 2017 and had reached 1/4 of the European pay AV services market at the end of 2017
- ▶ The SVOD market share expansion resulted in the growth of the overall pay AV services market in terms of subscriptions and against the background of an overall pay-TV adoption increase

Pay-TV and SVOD market shares evolution in Europe | 2013/2017 – In % and 000' subscriptions



# Cord-cutting primarily depends on local market conditions

- ▶ Due to a convergence of factors, both pay-TV and SVOD uptakes and market shares paint a very different picture from one country to another as well as from one player to another. This is the result of a strong granularity of pay AV services market strategies.
- ▶ Based on the previous learnings and on the study of trends in pay-TV adoption and ARPU at country level before and after the SVOD expansion, the Observatory broadly concludes on three main types of pay-TV market strategies each common to a group of countries that share similar characteristics.



## Distribution of pay AV services in Europe

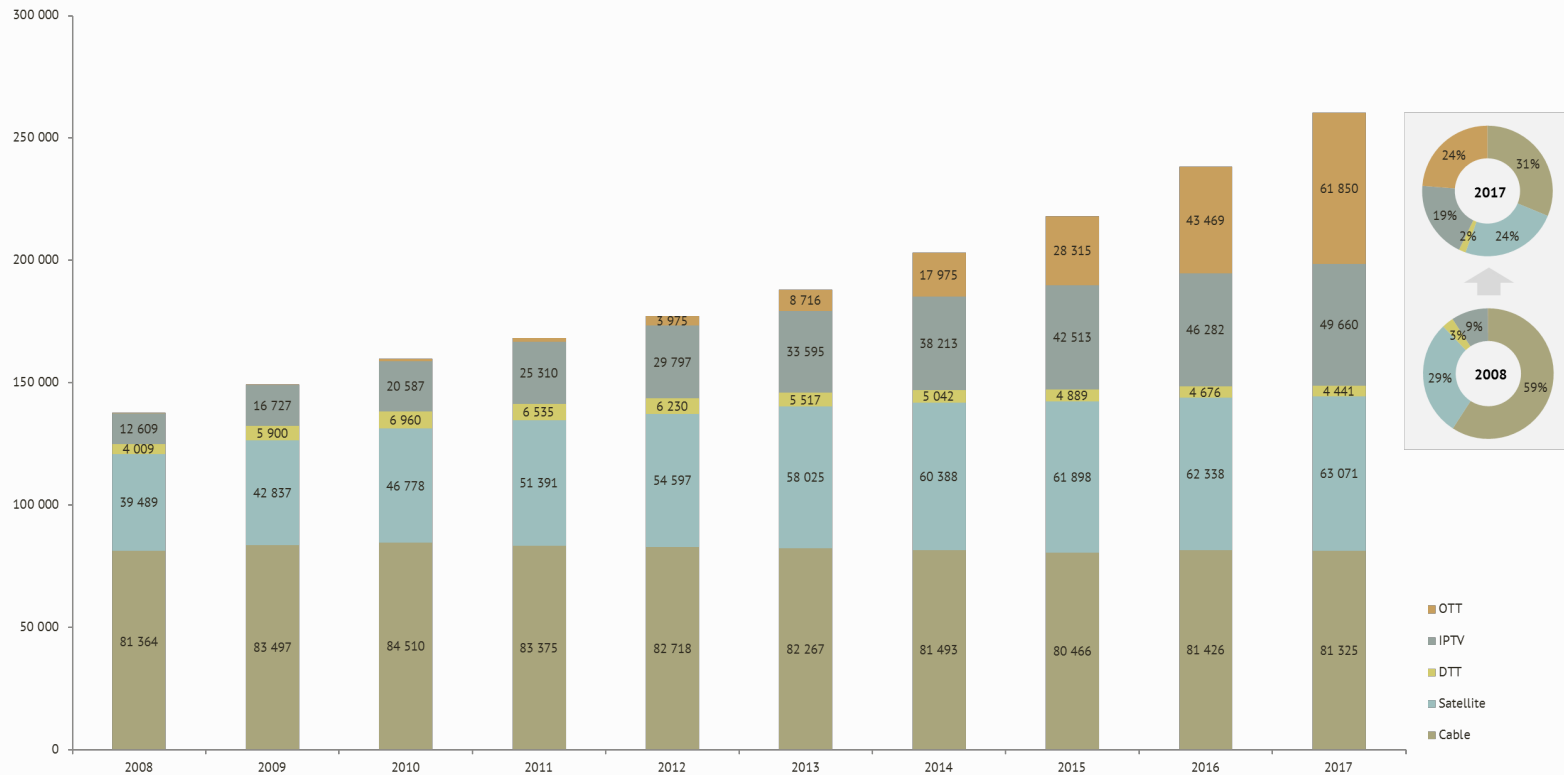
# Distribution of pay AV services in Europe

- ▶ OTT drives the pay AV services subscriptions increase
- ▶ Cable remains first network of choice for pay-TV distribution
- ▶ Pay-TV distribution mix is highly diverse among European countries

# OTT drives the pay AV services subscriptions increase

- ▶ 80% of the pay AV services net additions have been delivered by OTT (50%) and IPTV (30%) between 2008 and 2017

Pay AV services distribution by subscriptions in Europe | 2008/2017 – In Thousands and %



# Cable remains first network of choice for pay-TV distribution

- ▶ Pay-TV base was still led by cable in 2017 with a market share almost 20% lower than in 2008 as the erosion of cable subscribers settled in between 2013 and 2017
- ▶ Pay-TV adoption growth was driven by IPTV (61%) and Satellite (39%) between 2008 and 2017 - with the first growing almost five times faster than the latter

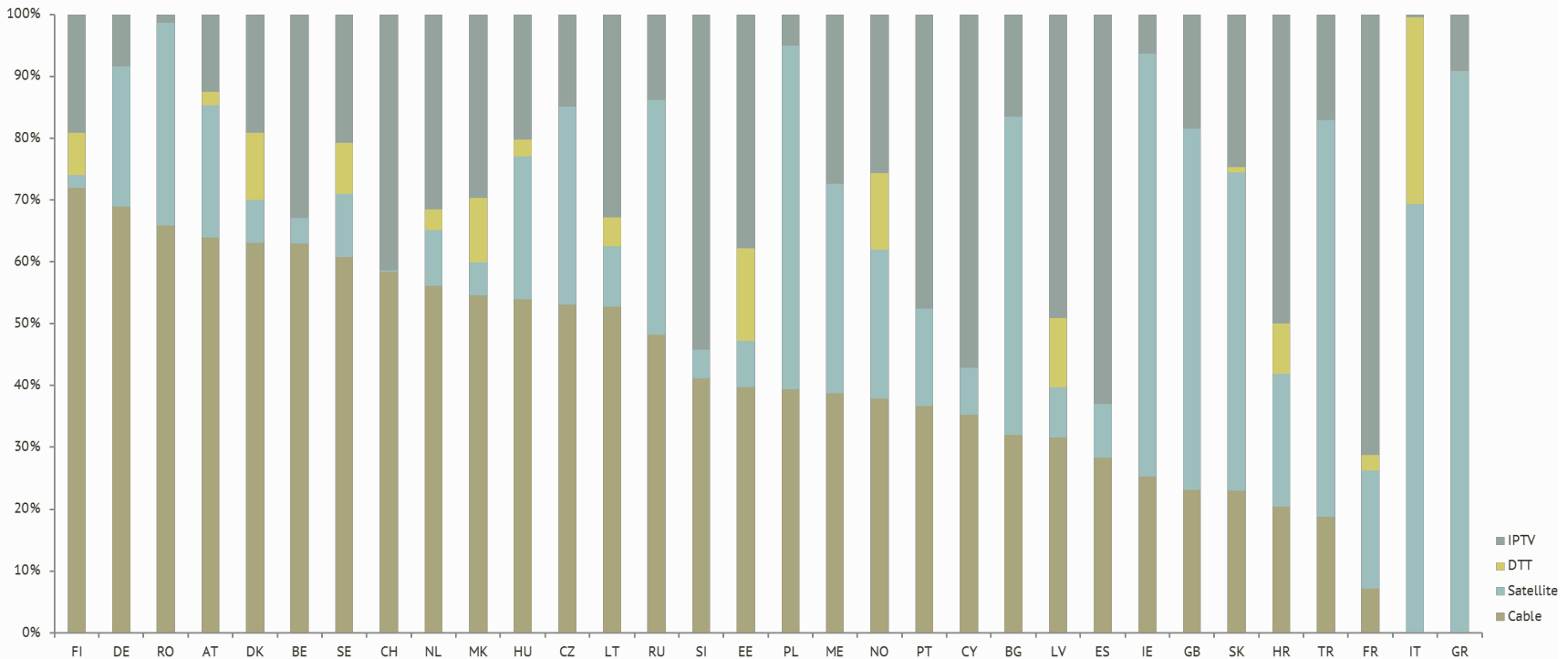
Pay-TV distribution by subscriptions in Europe | 2008/2017 – In Thousands and %



# Pay-TV distribution mix is highly diverse among European countries

- ▶ In 80% of countries the main reception used by the pay-TV subscribers in 2017 was wired (Cable or/and IPTV)
- ▶ In countries where the main reception is wireless, satellite is the preferred network

Pay-TV distribution by subscriptions at country level in Europe | 2017 – In %



## Ownership of pay AV services in Europe



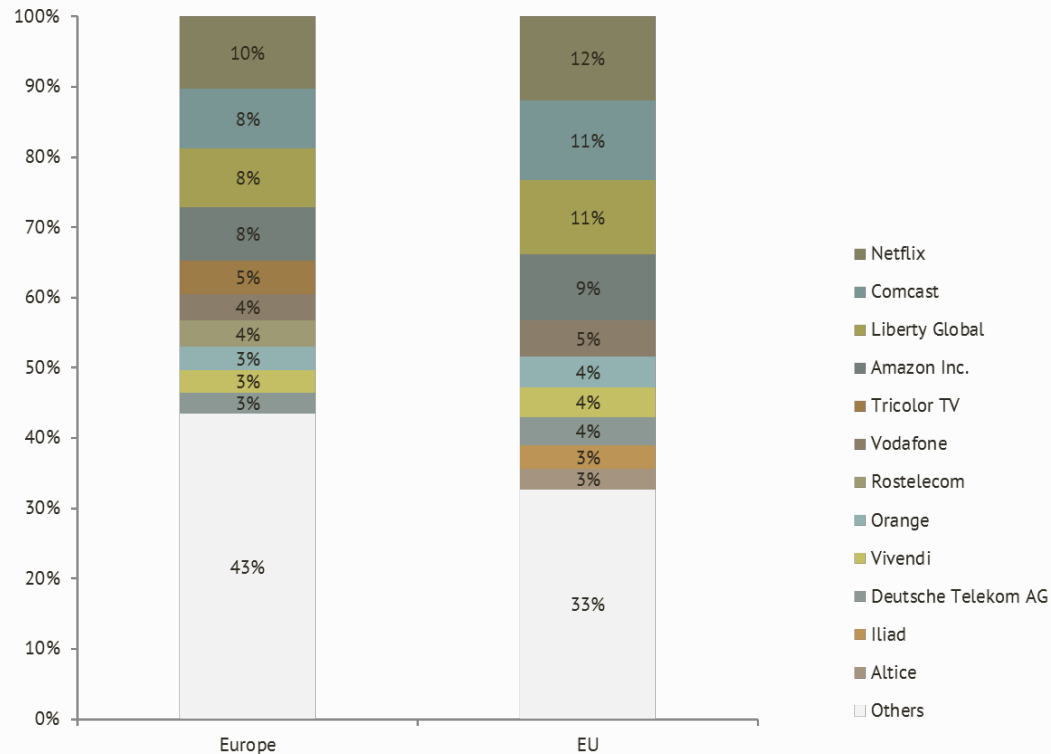
# Ownership of pay AV services in Europe

- ▶ Netflix leads the pay AV services sector in terms of subscriptions
- ▶ Liberty Global and Comcast are both driving the pay-TV subscriptions
- ▶ Among the leading pay-TV groups only a few have a significant EU presence
- ▶ Scope of multi-country pay-TV operators ranges from regional to pan-European
- ▶ SVOD subscriptions market is much more concentrated than pay-TV
- ▶ Netflix and Amazon are driving the SVOD subscriptions

# Netflix leads the pay AV services sector in terms of subscriptions

▶ Netflix, Comcast and Liberty Global were controlling 1/3 of the EU subscriptions to pay AV services in 2017

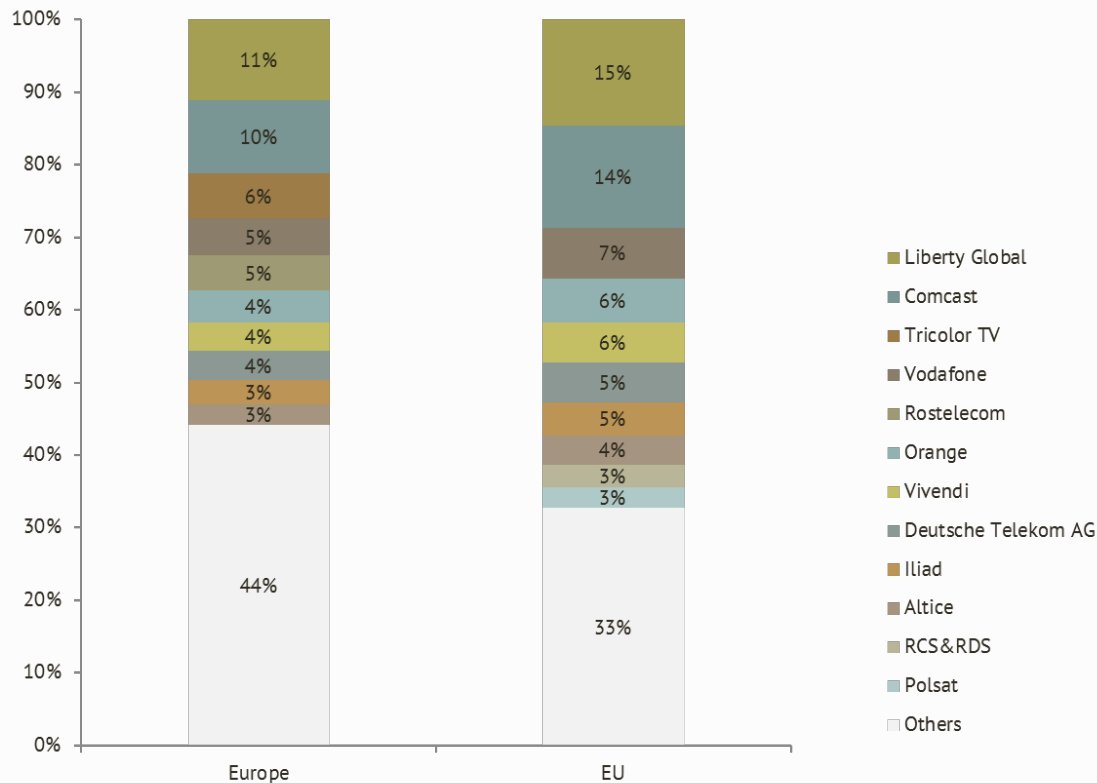
Concentration of pay AV services subscriptions by ownership | 2017 – In %



# Liberty Global and Comcast are both driving the pay-TV subscriptions

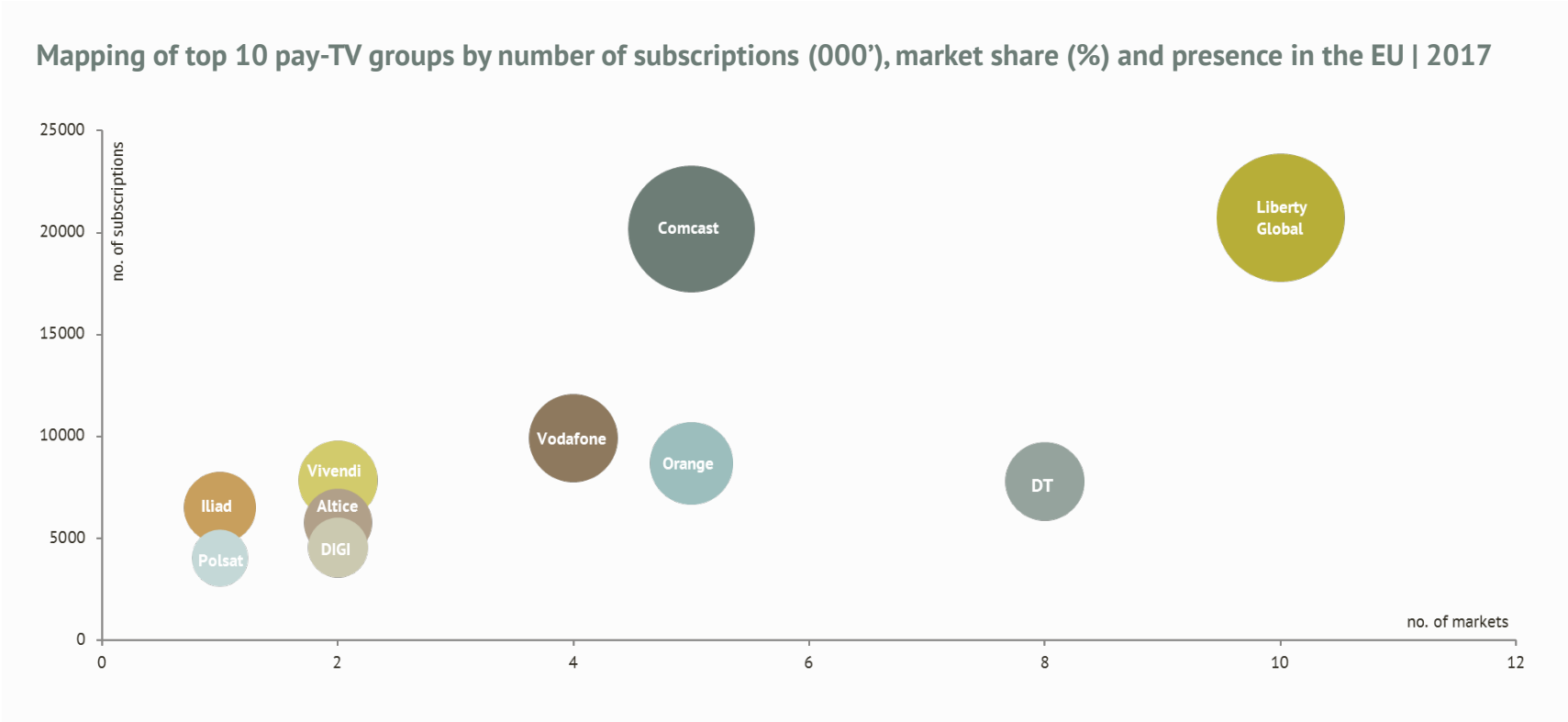
- ▶ Almost 1 in 3 pay-TV subscriptions in the EU are signed off to Liberty Global (UPC, Ziggo, Virgin TV, Telenet, Unitymedia TV) or Comcast (Sky)

Concentration of pay-TV subscriptions by ownership | 2017 – In %




















# Among the leading pay-TV groups only a few have a significant EU presence

▶ Liberty Global and Deutsche Telekom pay-TV services have the widest presence in the EU



# Scope of multi-country pay-TV operators ranges from regional to pan-European

Mapping of the multi-country pay-TV operators\* by presence in Europe | 2017

-  Liberty Global
-  Deutsche Telekom
-  Modern Time Group
-  Telia Sonera
-  M7 Group
-  A1 Telekom Austria Group
-  Comcast
-  Orange
-  Telenor
-  Vodafone
-  United Group
-  Altice
-  TDC
-  RCS & RDS
-  Go
-  East Capital Explorer
-  Teracom
-  Vivendi

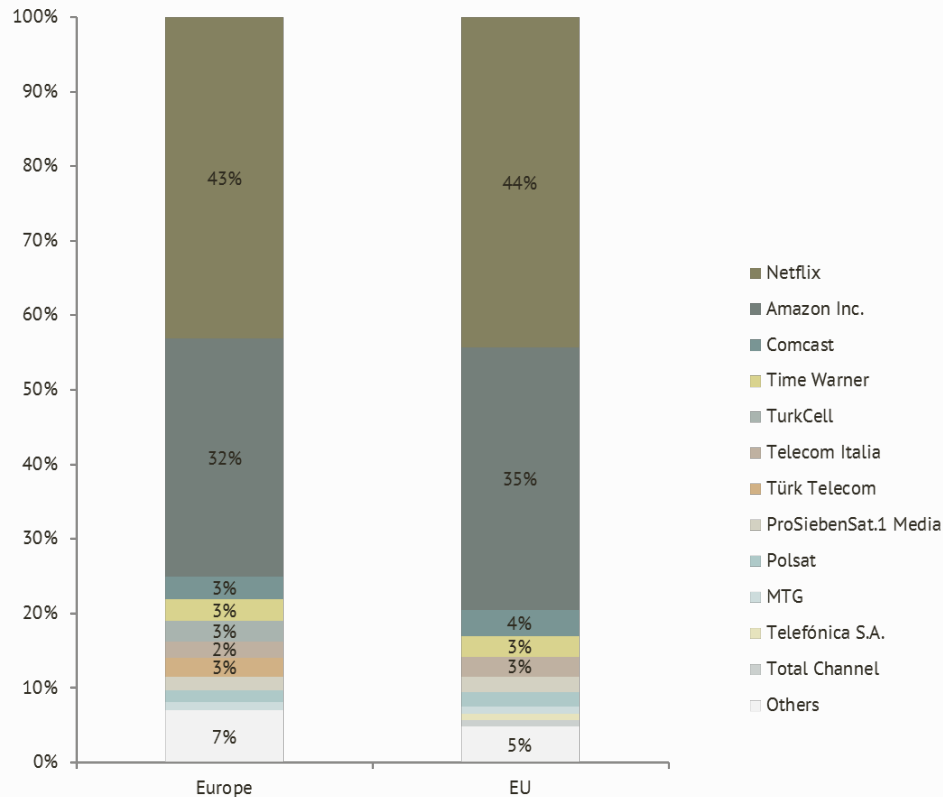


\*Pay-TV operators within the scope of the report for which Ampere data was available. Each operator registered subscriptions in at least two of the countries covered by the scope and each country of presence contributed with at least 20% to the overall group subscriptions. The analysis does not take into account the acquisition of Liberty Global assets by Vodafone, nor the acquisition of M7 Group assets by Vivendi. These acquisitions' projects were not completed by the time this report was published.

# SVOD subscriptions market is more concentrated than pay-TV

- ▶ The top 10 groups were controlling 95% of the SVOD subscriptions in the EU in 2017
- ▶ Netflix and Amazon alone accounted for almost 80% of the SVOD subscriptions in the EU

Concentration of SVOD subscriptions by ownership | 2017 – In %



**More information:**  
**[www.obs.coe.int](http://www.obs.coe.int)**  
**[laura.ene@coe.int](mailto:laura.ene@coe.int)**

