Trends in the EU SVOD market

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Key findings

- Subscription video-on-demand (SVOD) is the driving force behind the growth of the pay on-demand market, with 66% of total 2016 pay on-demand service revenue, vs. only 11% in 2011.

- SVOD remains a comparatively small market compared to pay-TV. It accounted in 2016 for 18% of all subscriptions to pay-services (linear Pay-TV+ SVOD) vs. only 1% in 2011, and for 6.8% of total revenue vs. 0.2% in 2011.

- However, SVOD is growing fast. By the end of 2016, there were an estimated 38.7 million subscribers to SVOD in EU 27 and 43.5 million in Europe. The average annual growth rate of the number of subscribers between 2011 and 2016 was 55.5% for EU 27 and 54.2% for Europe.

- The average penetration of SVOD among TV households was 17% for EU 27, and 14% for Europe. Four out of the top five countries in terms of penetration of SVOD were Scandinavian countries.

- Revenues are also increasing sharply: In 2016, total revenue for SVOD services was estimated at 2.5 bn EUR in EU 27 and 2.8 bn EUR in Europe. The average annual growth rate of revenue between 2011 and 2016 was 128% for EU 27 and 106% for Europe. The top five countries by SVOD revenue were the United Kingdom, Germany, Sweden, Denmark and Norway; they accounted together for 69% of total SVOD revenue in Europe.

- A total of 197 SVOD services were active in Europe by the end of December 2016, and 330 if each linguistic version of the services is counted separately. The majority of services are dedicated to film and TV diction, and the vast majority of the services are distributed over the Internet.

- Netflix holds an approximate 47% of the total number of over-the-top (OTT) SVOD subscribers in the EU, and Amazon about 20%.

  In certain national markets, Netflix faces strong competition from national players and has a lower-than-average market share. This is the case in particular in Spain, Poland, Slovenia or Romania.

1. SVOD in context

1.1. Segmentation of the pay on-demand market

The pay on-demand markets comprises two main segments, namely **transactional video on demand (TVOD)**, i.e. the rent or purchase of an individual audiovisual programme, and **subscription video on demand (SVOD)**, i.e. the subscription to a package of audiovisual programmes. However, while both categories offer the possibility to choose to view a programme at any given moment, they also deeply differ in a number of ways.

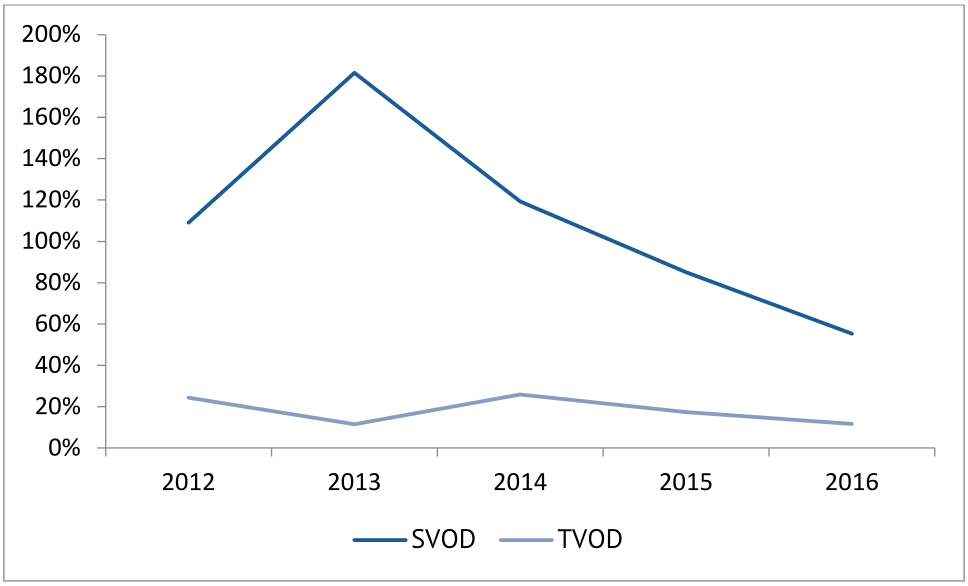
- TVOD mostly proposes films, plus a limited number of TV series, whereas SVOD services may dedicate much more catalogue space to TV content.
- As regards films, TVOD follows an early release window, as short as three to four months after the theatrical release whereas, SVOD competes at best with Pay-TV and its one year window, and depending on the country (France for example) often proposes films up to three years after their theatrical release.
- With regard to the business model, TVOD works on a revenue-sharing basis, with a portion of the revenues redistributed to the rightsholder or rights distributor, and SVOD in principle on a flat fee basis, i.e. a one-off payment for the exploitation of the programme during a certain period of time in specific territories, following the logic of Pay-TV channels for the acquisition of their programmes.
- With regards to production, TVOD services do not, generally speaking, fund original, exclusive production, whereas SVOD services have started to do so, though on a limited basis, and such activity is generally the purview of the biggest players, such Netflix and Amazon.

In that respect, TVOD can be considered as a substitute for physical video, and SVOD as a new form of – and a competitor for - traditional linear services.

1.2. SVOD in perspective, with TVOD

Whereas TVOD was the first driver for the development of pay on-demand services, SVOD has clearly become the driving force. The following graphs compare the annual growth rates of the two segments between 2011 and 2016:

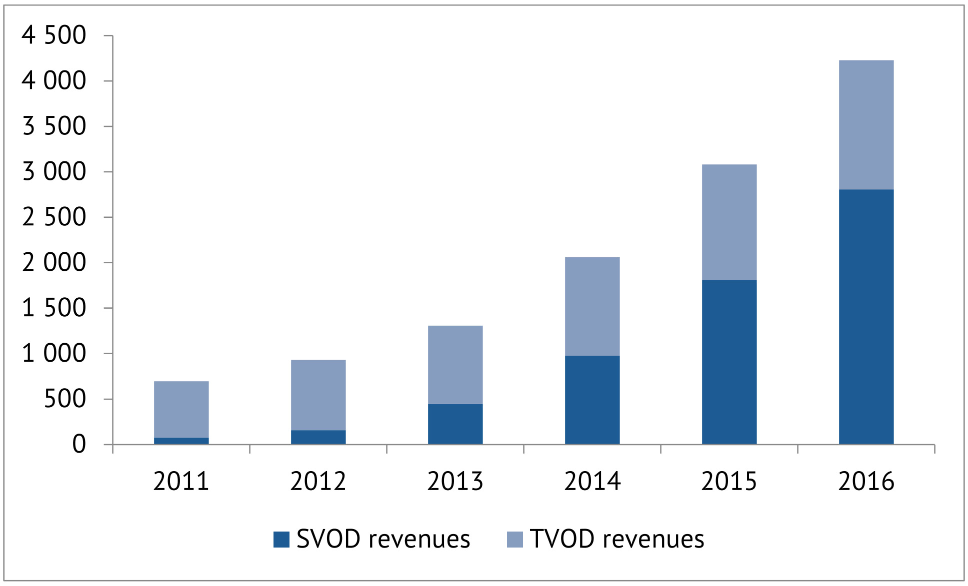
Figure 1: Compared annual growth rates of TVOD and SVOD in Europe



OBS analysis of Ampere Analysis data1

SVOD therefore represented 66% of total 2016 pay on-demand service revenues, vs. only 11% in 2011, demonstrating the appeal this business model holds with consumers.

Figure 2: Breakdown of pay on-demand services revenues in Europe (mEUR)



OBS analysis of Ampere Analysis data

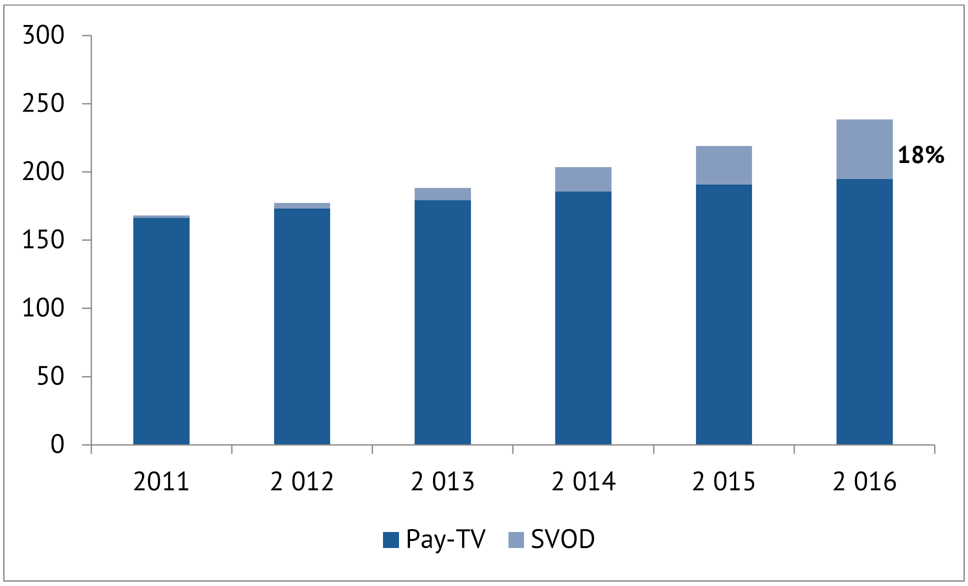
[1] Europe includes EU 28 except for Latvia, Switzerland, Norway,the Russian Federation and Turkey.

1.3. SVOD in perspective, with Pay-TV

As mentioned before, SVOD may in many respects be considered a variant of Pay-TV services. By all indications, SVOD is growing at a much higher rate than linear pay-television.

In terms of **subscriptions**, SVOD accounted in 2016 for 18% of all subscriptions to pay-services (linear pay-TV+ SVOD) vs. only 1% in 2011.

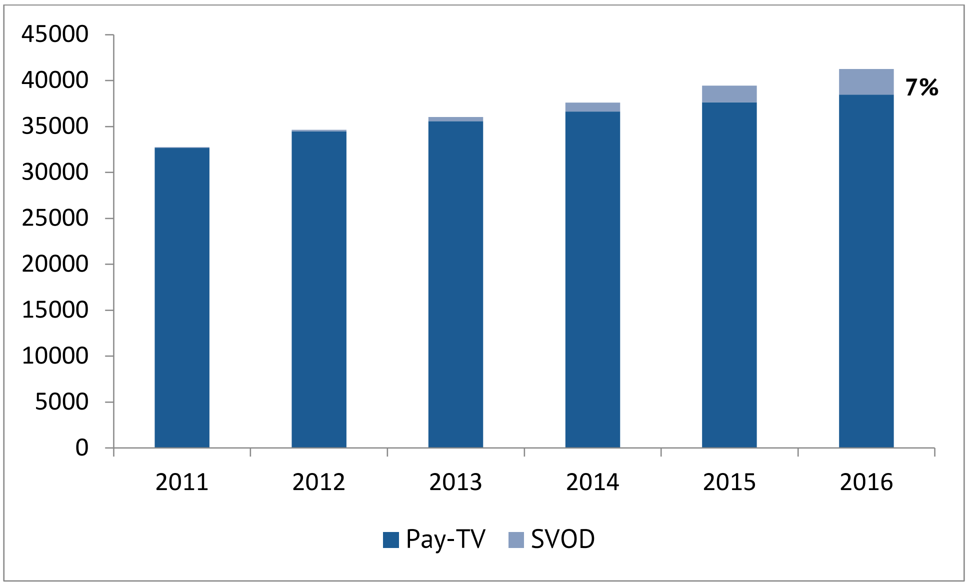
Figure 3: Breakdown of pay-services subscription (m)



OBS analysis of Ampere Analysis data

In terms of **revenue**, the share of SVOD out of total pay-services revenue (linear Pay-TV+SVOD) grew from 0.2% in 2011 to 6.8% in 2016. Moreover, SVOD accounted for 55% of the growth of the pay-services between 2015 and 2016, vs. 45% for the traditional linear Pay-TV services.

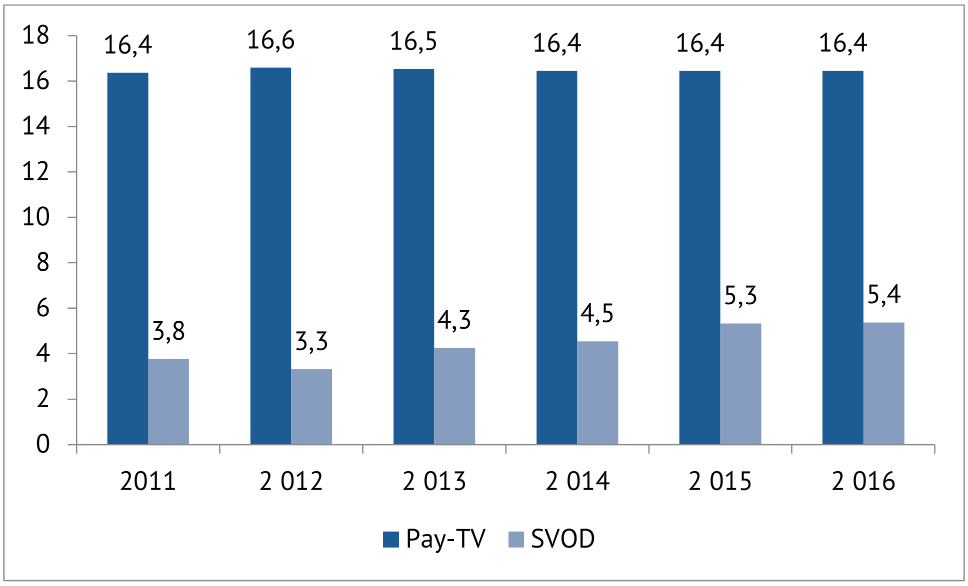
Figure 4: Breakdown of the pay-services revenue (mEUR)



OBS analysis of Ampere Analysis data

The SVOD share of pay-services revenue is lower than the SVOD share ofsubscriptions, as the average price of a Pay-TV service is three times the average price of a SVOD service. However, the gap between the two services is decreasing.

Figure 5: Average revenue per subcriber for Pay-TV and SVOD (EUR)



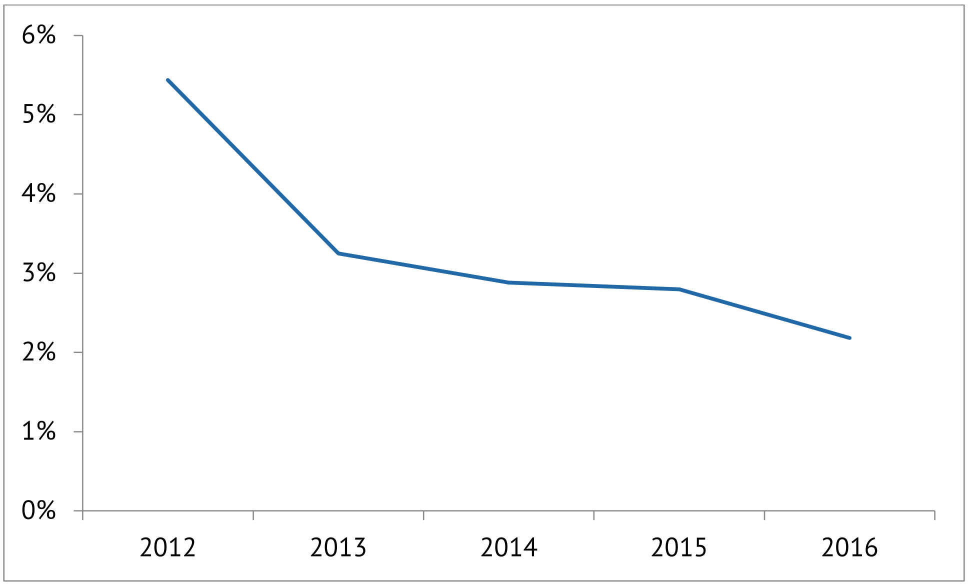
OBS analysis of Ampere Analysis data

Of note is the fact that the growth of the SVOD market has not translated into a decline of the Pay-TV market. So far, no evidence can be found of the so-called "cord-cutting" phenomenon, i.e. consumers unsuscribing from the traditional Pay-TV services to opt for Internet SVOD services. In that respect, trends in the US Pay-TV market, where the number of subscribers to traditional Pay-TV is declining, are not (yet?) at apparent in Europe. Two main factors explain, at least for the moment, these diverging trends:

- The penetration rate of traditional Pay-TV is lower in Europe than in the USA. SVOD may open up the pay-services market to consumers who could not afford to subscribe to traditionalPay-TV.
- The traditional Pay-TVpackages are much more expensive in the United States than in Europe; consumers therefore have more incentive to switch to low-cost SVOD services.

Nevertheless, the growth rate of Pay-TV declined between 2011 and 2016, and the growth of SVOD may have been one of the explanatory factors.

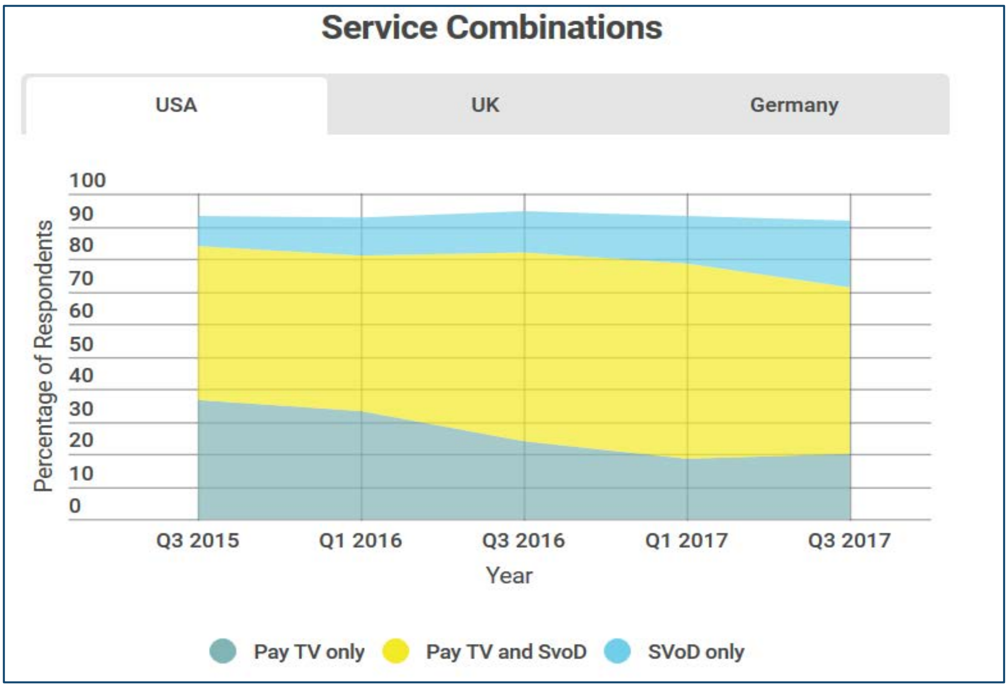
Figure 6: Growth rate of Pay-TVrevenue (%)



OBS analysis of Ampere Analysis data

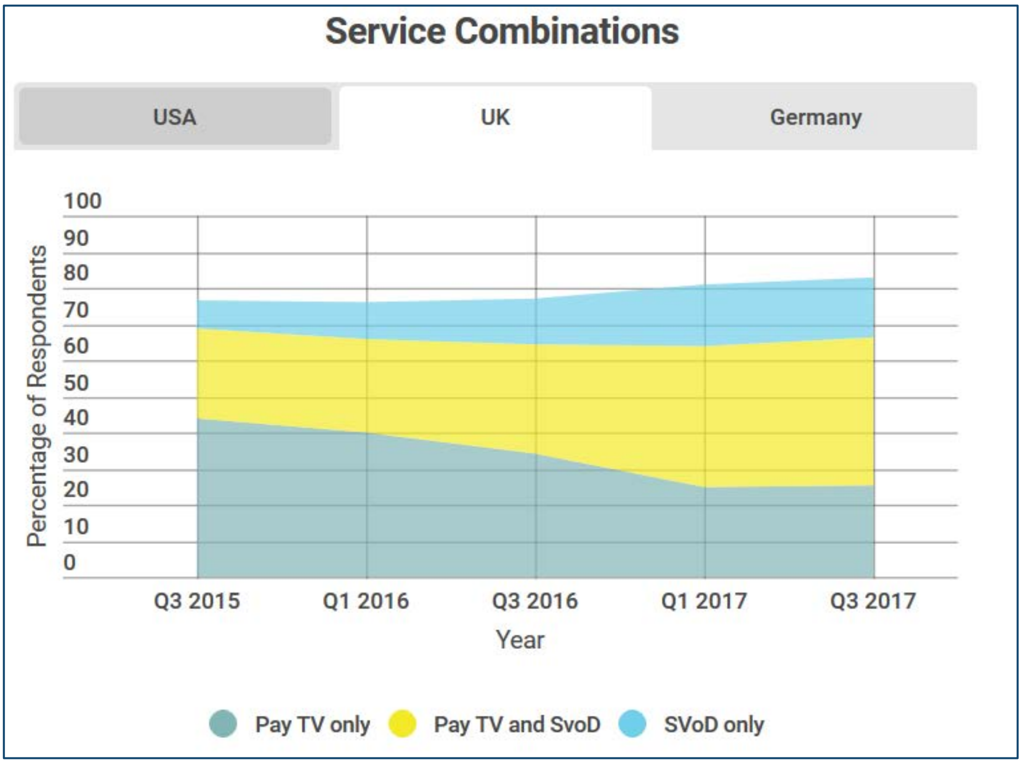
The trend in Europe for consumers appears to be to add SVOD services to their Pay-TV service; SVOD services in Europe are more of a complement to the traditional audiovisual consumption habits, increasing overall subscription to Pay-TVservices in Europe – unlike in the US. However, as younger generations reach the age at which they may choose subscription services, the risk of "cord-nevers" (consumers who never subscribe to traditional Pay-TV services) is rising. Some countries where subscription to SVOD services has grown rapidly in recent years already experienced a decline in Pay-TV subscribers between 2016 and 2017 - for example Denmark(-3%), Sweden (-1.5%), the Netherlands (-0.8%) or Norway (-1%).

Figure 7: Pay-TV and SVOD combinations in the US



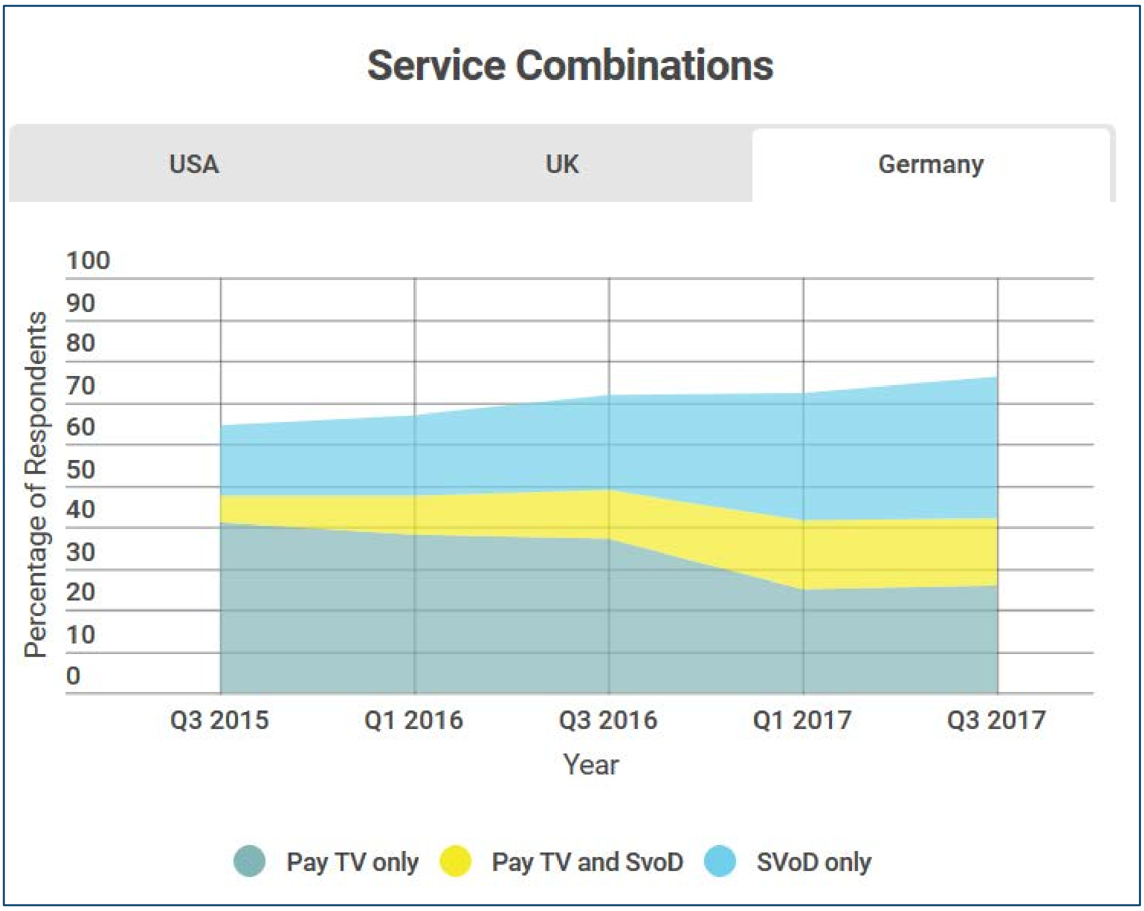
Source: Ampere Consumer

Figure 8: Pay-TV and SVOD combinations in the United Kingdom



Source: Ampere Consumer

Figure 9: Pay-TV and SVOD combinations in Germany[2]



Source: Ampere Consumer

[2] See Ampere Analysis, "Cutting the cord on Pay TV in the US", https://www.ampereanalysis.com/blog/9a94124a-3547-42e8-8b92-c2948b616cf6

Table 1: Pay TV subscriber growth/decline between 2016 and 2017, in %

Country	2016/2017
DK	-2,9%
IT	-2,1%
SE	-1,5%
HU	-1,1%
NL	-0,8%
LU	-0,8%
CZ	-0,3%
LT	-0,2%
BG	-0,1%
IE	0,5%
GB	0,6%
PL	1,3%
GR	1,6%
BE	1,9%
AT	1,9%
LV	2,0%
FI	2,0%
RO	2,5%
CY	3,3%
FR	3,3%
DK	3,7%
SI	4,0%
HR	4,2%
MT	4,6%
PT	5,2%
EE	5,6%
EE	6,9%
SK	7,5%

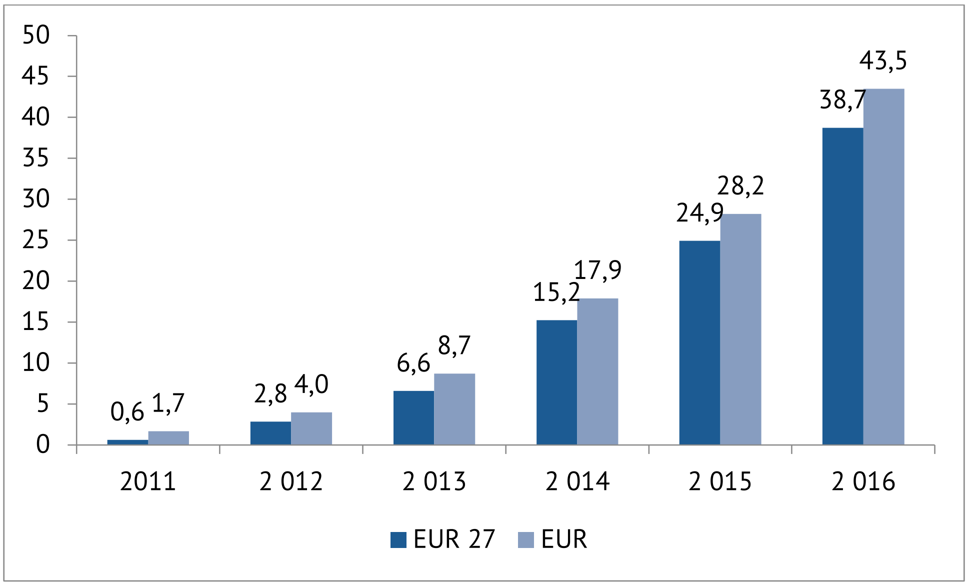
Source: Ampere Markets

2. SVOD in numbers

2.1. Subscribers and penetration

By the end of 2016, there were an estimated **38.7 million subscribers to SVOD in EU 27**[3] **and 43.5 million in Europe**[4]**.** The average annual growth rate of the number of subscribers between 2011 and 2016 was 55.5% for EU 27 and 54.2% for Europe.

Figure 10: Number of subscribers to SVOD in Europe (m)



OBS analysis of Ampere Analysis data

The top five countries by number of subscribers were the United Kingdom, Germany, France, Spain and Italy; they accounted together for two-thirds of SVOD subscribers in Europe.

[3] No data available for LV.
[4] EU 27+ CH, NO, TR and RU.

Table 1. Number of subscribers to VOD by country in 2016 (m)

Country	SVOD subscribers
AT	0,5
BE	0,6
BG	0,1
CY	0,0
CZ	0,1
DE	10,2
DK	1,5
EE	0,0
ES	2,5
FI	0,7
FR	3,1
GB	11,3
GR	0,1
HR	0,0
HU	0,1
IE	0,2
IT	2,3
LT	0,0
LU	0,0
MT	0,0
NL	1,4
PL	1,4
PT	0,2
RO	0,4
SE	1,9
SI	0,1
SK	0,1
EUR 27	**38,7**
CH	0,5
NO	1,5
TR	0,5
RU	2,3
EUR	**43,5**

OBS analysis of Ampere Analysis data

The average penetration of SVOD among TV households was 17% for the EU 27[5], and 14% for EUR[6]. But the situation differed widely between countries. Four out of the top five countries in terms of SVOD penetration were Scandinavian countries. Among the

[5] No data available for LV.

[6] EU 27+ CH, NO, TR and RU.

largest countries, the United Kingdom stood out with a penetration rate of 43%, whereas France and Italy recorded a penetration rate of 10% or less.

Table 2. Penetration of SVOD services by country in 2016 (%)

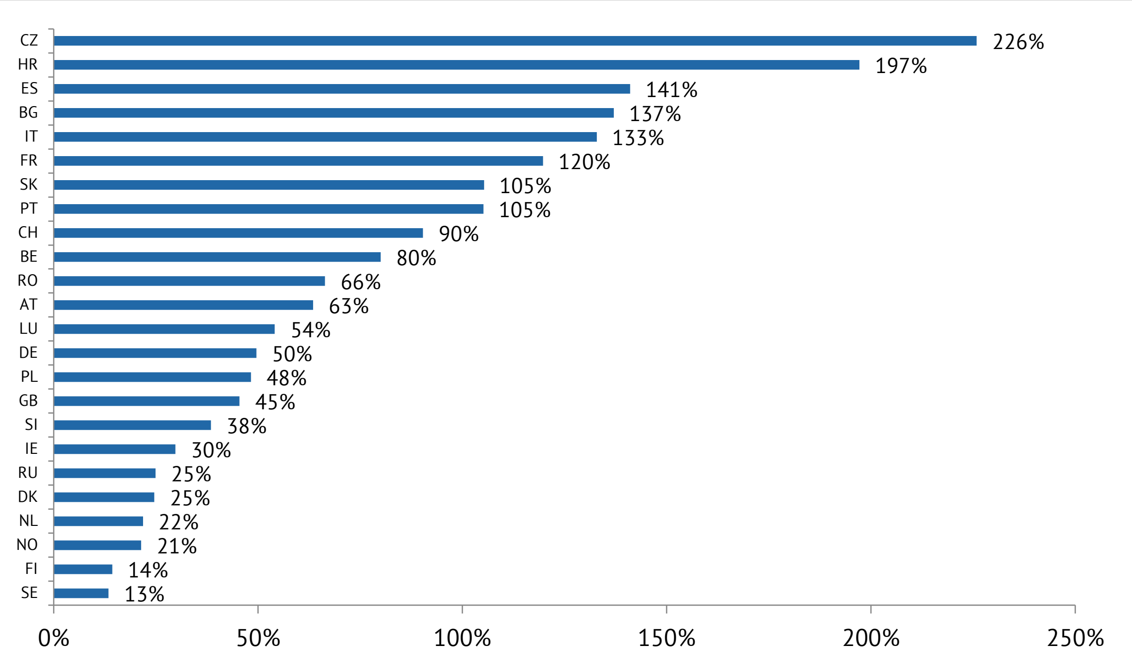
Country	Penetration of SVOD services
NO	53%
DK	50%
GB	43%
SE	31%
FI	28%
DE	23%
NL	19%
LU	16%
IE	15%
ES	13%
AT	13%
CH	12%
BE	11%
PL	11%
FR	10%
IT	9%
SI	8%
RO	5%
PT	5%
RU	4%
SK	4%
CZ	2%
TR	2%
MT	2%
HR	2%
CY	2%
BG	2%
GR	2%
LT	2%
HU	2%
EE	1%

OBS analysis of Ampere Analysis data

Countries with the highest pentration rate tend logically to experience a slowdown of the subscriber growth rate. However, Norway, with a penetration rate of 53% still had a growth rate over 20% in 2016. The growth rate of the United Kingdom was more than 45% for the same year, and close to 50% in Germany. The growth rates of France, Spain and Italy were above 100%, probably due to an acceleration of SVOD uptake in these countries.

Central and Eastern European countries tended to have lower penetration rates than Western European countries (with the notable exception of Poland). A slower roll-out of broadband Internet may be one of the explanatory factors.

Figure 11: 2015-2016 growth rates of SVOD subscribers (%)



OBS analysis of Ampere Analysis data7

2.2. Revenues

In 2016, **total revenue for SVOD services were estimated at 2.5 bn EUR in EU 27[8] and 2.8 bn EUR in Europe[9].** The average annual growth rate of revenue between 2011 and 2016 was 128% for EU 27 and 106% for Europe.

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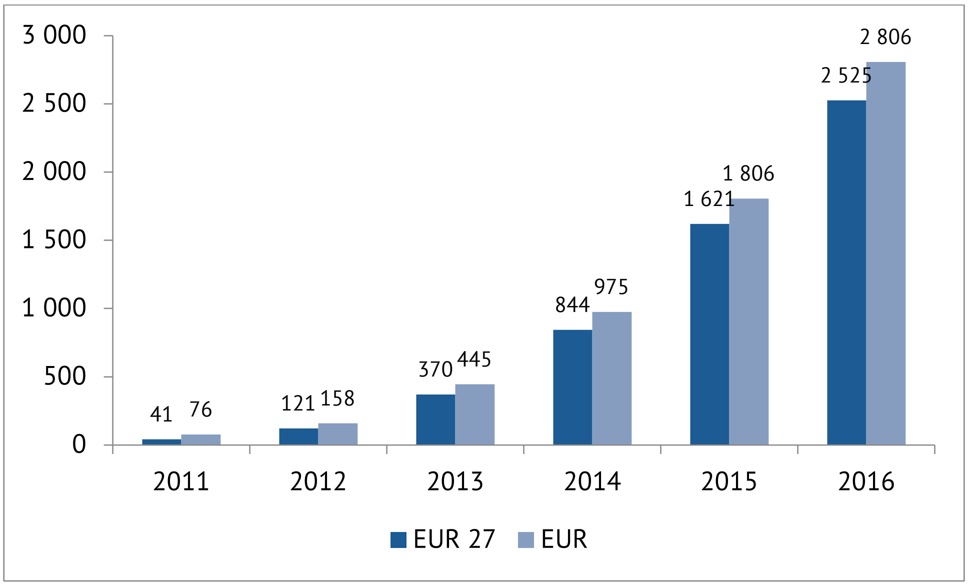
7 For countries where 2015 and 2016 subscriber data is available.
8 No data available for LV.
9 EU 27+ CH, NO, TR and RU.

Figure 12: SVOD revenue in Europe (m EUR)



OBS analysis of Ampere Analysis data

The top five countries by SVOD revenue were the United Kingdom, Germany, Sweden, Denmark and Norway; they accounted together for 69% of total SVOD revenue in Europe.

Table 3. SVOD revenue in Europe by country

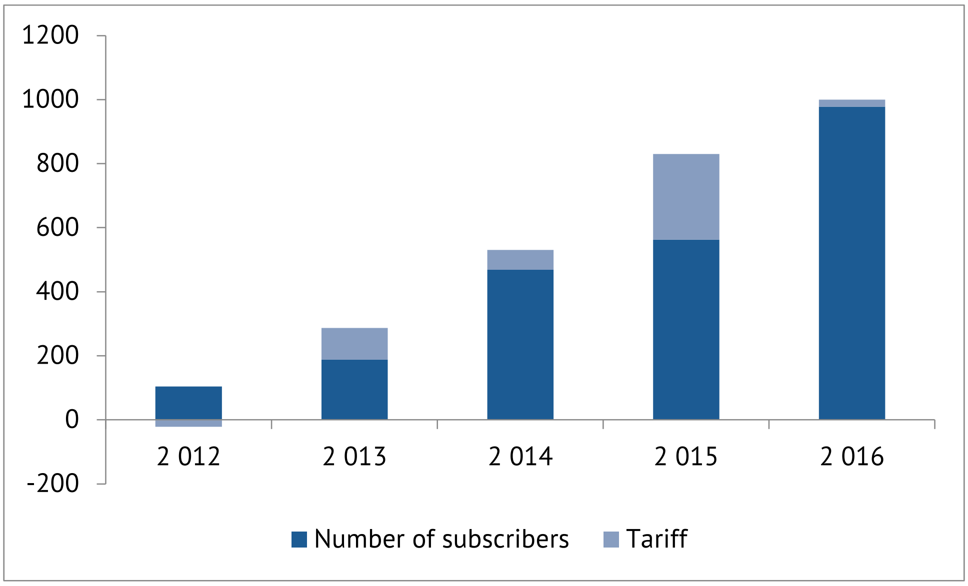
Country	SVOD revenues
AT	28.5
BE	36.3
BG	1.9
CY	0.2
CZ	5.6
DE	540.5
DK	188.6
EE	0.3
ES	134.6
FI	614
FR	158,0
GB	804.0
GR	2,8
HR	1.1
HU	2.1
IE	17.6
IT	99.0
LT	0.8
LU	2.9

Country	SVOD revenues
MT	0.2
NL	115.2
PL	56.2
PT	10.9
RO	10.7
SE	239.3
SI	2.8
SK	3.5
EUR 27	**2 524.9**
CH	36.9
NO	161.7
RU	23.3
TR	59.0
EUR	**2 805.9**

OBS analysis of Ampere Analysis data

The growth rate of revenue (annual average of 106% in Europe between 2011 and 2016) was higher than the growth rate of subscribers (54%), which indicates that the average price of SVOD services increased over the period. The monthly Average Revenue Per Unit (ARPU grew by more than 40% between 2011 and 2016. However, an increase in the number of subscribers was by far the main factor behind the increase revenue.

Figure 13: Breakdown of the increase of SVOD revenue (m EUR)

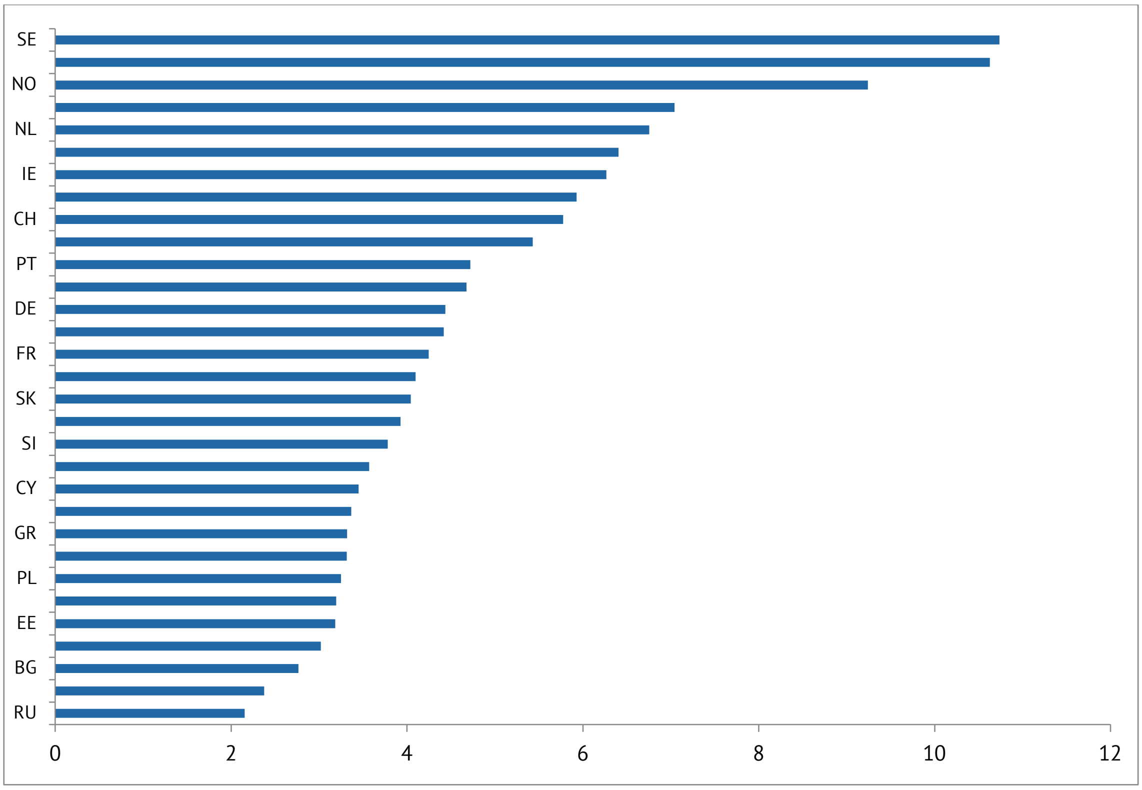


OBS analysis of Ampere Analysis data

The monthly ARPU in the European countries varied between EUR 2 and EUR 10. Several factors account for this:

- The exchange rates.
- The level of promotion invested in each country, translating into free months of subscription.
- The split of the market between national and international players.
- The bundling of SVOD services within Pay-TV packages, which may result in a low share of revenue attributed to SVOD services.

Figure 14: Monthly ARPU of SVOD services by country (EUR)



OBS analysis of Ampere Analysis data

3. The SVOD players

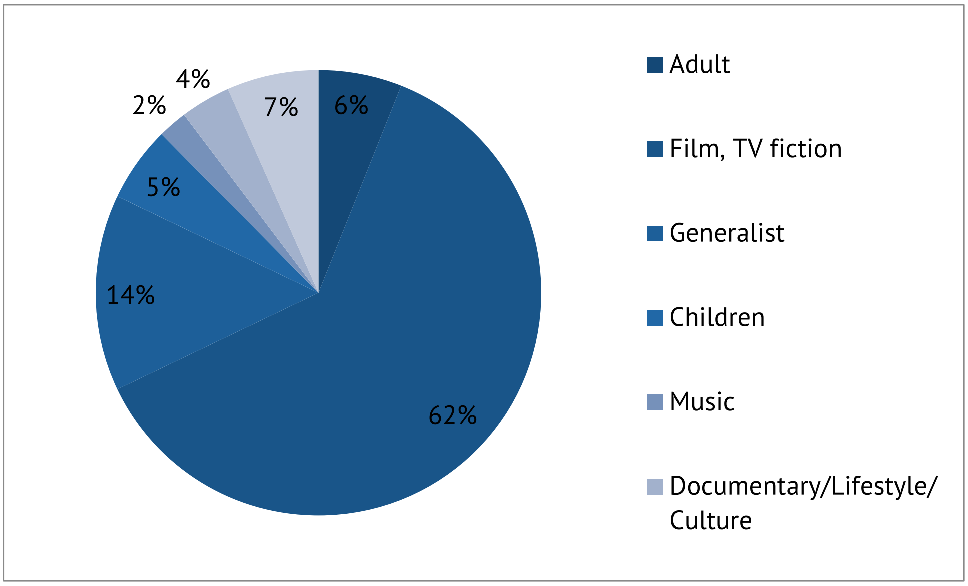
3.1. The supply of SVOD services

The European Audiovisual Observatory MAVISE database monitors the main SVOD services in Europe. MAVISE is not exhaustive, and focuses on the most relevant services, but still provides a good overview of the supply of SVOD services.

According to MAVISE, 197 SVOD services were active in Europe in 2016, and 330 when each linguistic version of the services is counted separately. The big US players accounted for most of the linguistic versions: Netflix, Amazon and HBO accounted for 2% of the services active in Europe, but for 28% if all linguistic versions are included. The Observatory believes that the analysis of linguistic versions, even when supported by one unique license, provides a more accurate view of the actual presence of the players and therefore of their market power.

When all linguistic versions are included, **the vast majority of services (52%) are oriented towards film and TV fiction.**

Figure 15: Breakdown of SVOD services by genre (%)

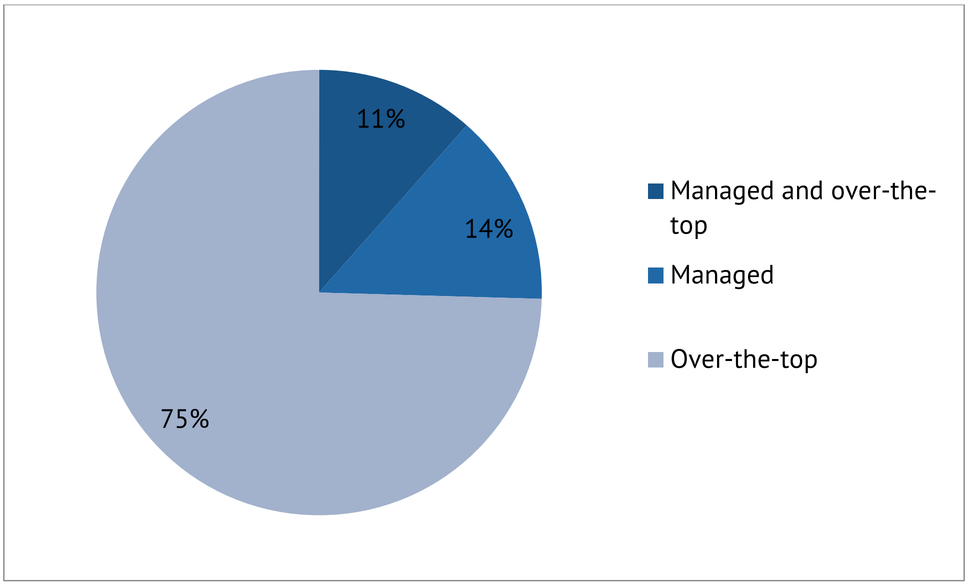


Source: OBS/MAVISE

The supply of SVOD services can broadly be segmented into Internet – OTT services, and services provided by cable or IPTV television distributors ("managed networks"). In some cases, the same service can also be available both OTT and on managed networks.

The exception in the years 2013 and 2014 apppears to have been a partnership between an OTT SVOD service and telecom operators, something that has become increasingly commonplace, at least for a service like Netflix. Netflix entered international distribution partnerships in 2017 with Deutsche Telekom[10] and Orange[11]. Amazon has managed to include its Prime Video service in several low-priced Smart TVs[12] (but the service is not distributed in Europe by a telecom operator).

Figure 16: Breakdown of SVOD services by distribution network (%)



Source: OBS/MAVISE

Analysis of the country of establishment of services indicates that two countries stand out as "hubs" for SVOD services not only dedicated to their national market but also targeting other markets: the United Kingdom (in particular due to Amazon Prime), and the Netherlands (in particular due to Netflix). To some extent, the Czech Republic also emerges as a hub for services targeting other Central and Eastern Europe countries, as it is, notably, the country of establishement for HBO and its HBO GO SVOD service - which

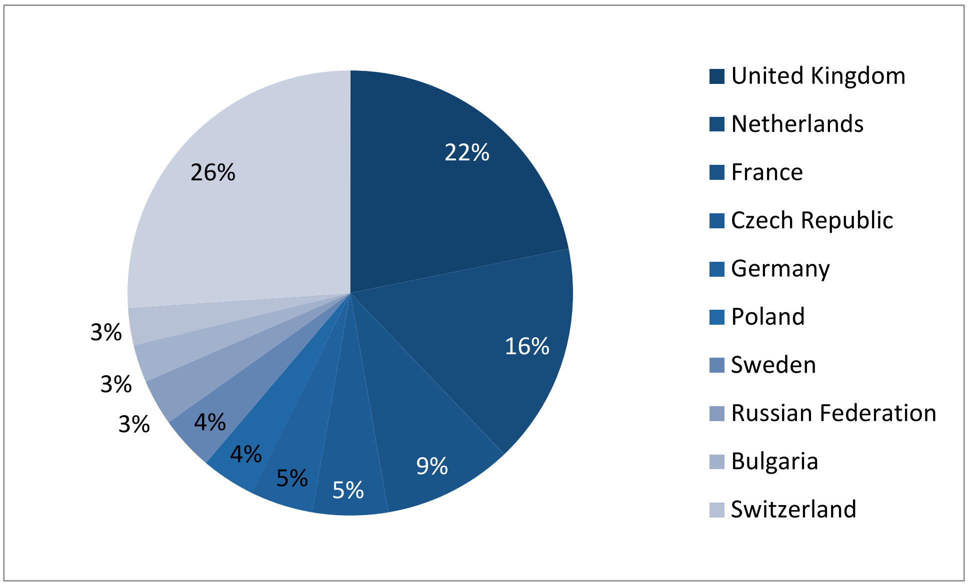
10 See *Netflix, Deutsche Telekom international partnership*, Advanced Television, 22 November 2017, http://advanced-television.com/2017/11/22/netflix-deutsche-telekom-international-partnership/?lipi=urn%3Ali%3Apage%3Ad_flagship3_profile_view_base_recent_activity_details_shares%3B9H%2FkcTNdSsyKHhYDednJWQ%3D%3D

11 See *Netflix Signs Global Distribution Deal With France's Orange Telecom Giant,* The Hollywood Reporter, 14 September 2017, https://www.hollywoodreporter.com/news/netflix-signs-global-distribution-deal-frances-orange-telecom-giant-1039023

12 See *Amazon Brings Fire TV Experience to Third-Party TV Sets*, The Wall Street Journal, 4 January 2017, https://www.wsj.com/articles/amazon-brings-fire-tv-experience-to-third-party-tv-sets-1483563379

the company launched in November 2017 as a stand-alone OTT SVOD service. But it shoud be observed that, generally speaking, US-based companies tend to run their European SVOD services from Europe.

Figure 17: Breakdown of SVOD services by country of establishment (%)



Source: OBS/MAVISE

3.2. Pan-European, regional and national players

Three categories of player can be identified:

- Services with a full or sizeable European presence.
- Services with coverage of several countries, often in the same geographical zone.
- Purely national players which, when active in a large market, can enroll a significant number of subscribers – not as many, though, as the services with a pan-European presence.

The following tables provide examples of pan-European or regional services:

Table 4. Examples of pan-European and regional SVOD services

Pan-European or big European presence (16 or more national versions)	Regional presence (3 or more national versions)
Netflix	MyPrime
Amazon Prime	Voyo
HBO	C MORE
	MUBI
	RTL
	SF Kids
	Teleclub
	AXN Now
	DPlay
	i-concerts
	Viaplay

Source: OBS/MAVISE

3.3. The leading players

Estimates are only available for the number of subscribers to OTT SVOD services. Also, the latest data available (December 2016) does not include yet the full European roll-out of Amazon that started in December 2016. The following figures should therefore be considered as indicative:

- Netflix accounted for an approximate 47% of the total number of SVOD subscribers in the EU 27[13], and Amazon for about 20%.
- By the end of 2016, Netflix and Amazon were competing only in the United Kingdom and in Germany. Netflix was the clear winner in the United Kingdom, but Amazon led the market in Germany.
- HBO, despite its wide European presence, had fewer subscribers than local services (e.g. Maxdome in Germany, Timvision in Italy, Canal Play in France).

[13] No data available for Latvia.

Table 5. Main SVOD services active in EU 27[14] by number of subscribers (thousand)

SVOD service	Subscribers (thousand)	European market share
Netflix	18 175	47%
Amazon	7 632	20%
Sky	1 597	4%
Maxdome	976	3%
Timvision	746	2%
Yomvi	714	2%
Canal Play	568	1%
HBO	533	1%
Wuaki	505	1%
Voyo	464	1%
Ipla	463	1%
Disney	410	1%
Mediaset	387	1%
VOD.pl	367	1%
C MORE	360	1%
Other	4 845	13%
Total	38 742	100%

OBS analysis of Ampere Analysis data

Netflix faced local or regional competitors and its market share may be lower. This is the case in particular in Spain, where Netflix (40%) competes with Yomvi, Wuaki (rebranded Rakuten TV), Total Channel and the recently launched HBO Espana, or in Poland, Slovenia or Romania, where Netflix holds a 16%, 25% and 25% market share, respectively.

In Germany, Netflix faces competition from Amazon Prime Video which had already been launched – on the basis of the defunct Lovefilm – before the international expansion of Amazon and its Prime Video SVOD service throughout Europe (and worldwide). Together, the two services had a market share of 72.8% according to Goldmedia, with Amazon taking 38.7% of the German market and Netflix 34.1%[15].

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[14] EU28 excluding LV.

[15] See *Amazon and Netflix lead German pay-VOD market*, BroadbandTV News, https://www.broadbandtvnews.com/2017/11/30/amazon-and-netflix-lead-german-pay-vod-market/

In Spain, increased competition for subscribers also had as an effect an increase in the use of SVOD services: 25% of Spanish Internet homes used SVOD services in 2016, according to the Spanish Comision Nacional de los Mercados y la Competencia[16]. This was also the case in France, where the SVOD subscriber figure jumped by more than 40% in a year, according to Médiamétrie[17].

Table 6. Netflix market share estimates by country, only OTT SVOD services (%)

Country	Netflix market share
AT	60%
BE	100%
BG	50%
CY	100%
CZ	70%
DE	26%
DK	53%
EE	100%
ES	40%
FI	85%
FR	78%
GB	61%
GR	100%
HR	65%
HU	100%
IE	100%
IT	53%
LT	100%
LU	100%
MT	100%
NL	100%
PL	16%
PT	100%
RO	25%
SE	49%
SI	25%
SK	45%

OBS analysis of Ampere Analysis data

[16] See *Netflix, HBO storm into Spanish TV market*, RapidTV News, 27 November 2017, https://www.rapidtvnews.com/2017112749832/netflix-hbo-storm-into-spanish-tv-market.html

[17] See *France Sees VOD Subscriptions Surge by 40%, Driven by Netflix*, Variety, 22 November 2017, http://variety.com/2017/digital/news/france-sees-vod-subscriptions-surge-by-40-driven-by-netflix-1202621448/

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