YEARBOOK 2016 KEY TRENDS

TELEVISION, CINEMA,
VIDEO AND ON-DEMAND
AUDIOVISUAL SERVICES -
THE PAN-EUROPEAN PICTURE

European Audiovisual Observatory

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

→ **Director of publication**
Susanne Nikoltchev, Executive Director

→ **Editorial supervision**
Gilles Fontaine, Head of Department for Information on Markets and Financing

→ **Authors**
Francisco Cabrera, Maja Cappello, Gilles Fontaine, Christian Grece, Martin Kanzler, Deirdre Kevin, Agnes Schneeberger, Julio Talavera, Sophie Valais

→ **Contributors**
Lesya Dymyd, Laura Ene, Marlène Le Kim, Patrizia Simone

→ **Coordination**
Valérie Haessig

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→ **Layout**
Big Family

→ **Press and public relations**
Alison Hindhaugh, alison.hindhaugh@coe.int

→ **Marketing**
Markus Booms, markus.booms@coe.int

→ **Publisher**
European Audiovisual Observatory
76 Allée de la Robertsau, 67000 Strasbourg, France
www.obs.coe.int

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AUDIOVISUAL SERVICES - THE PAN-EUROPEAN PICTURE

25 Years
European Audiovisual Observatory

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

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INTRODUCTION

Who will benefit from the upturn?

Return to growth

The European audiovisual sector showed signs of improvement in 2015. The return to growth, after a first improvement in 2014, was due to a combination of several factors:

- Consumer spending on audiovisual content is still on the rise, especially as a result of the ongoing rollout of digital services in places where they were not previously available (especially on cable).
- Subscription video on demand (SVOD) services are continuing their rapid growth, carried along by Netflix and its national competitors. In 2015, they accounted for almost 50% of the increase in consumer spending on paid-for services. At the moment, it seems that SVOD is not directly competing with pay-TV programming but, rather, contributing to overall market growth.
- TV advertising has rebounded sharply, even though the market has not fully recovered from its collapse in 2007-2008. Against the background of the surge in Internet advertising, television is putting up greater resistance than newspapers and magazines.
- Cinema box-office revenues, mainly from North American blockbusters, were very high in 2015.

However, the public funding of public service radio stations has, with the exception of a few countries, tended to stagnate or even decline. And, the video market is continuing to contract as the growth in digital transactions is unable to compensate for the drop in physical sales and rentals.

More opportunities to consume video

Nonetheless, the transition to on-demand consumption seems well underway. The time spent watching linear television is either stagnating or declining, even though audience measurements partly include catch-up TV consumption. At the same time:

- the size of audiences for some TV programmes is made considerably larger by time-shifted viewing;
- Internet video platforms such as YouTube and, now, Facebook, are regularly frequented by web users, even though the time spent watching videos is far from equivalent to that spent viewing television;
- SVOD services are heavily used.

These various developments can contribute to increasing the time spent watching video because new formats are available and on-demand services and mobile devices are creating new opportunities for individual consumption.

The market fundamentals in terms of volume are sound but whether they are in terms of value is less certain: competition with the Internet can have an adverse effect on TV advertising rates, and competition with low-cost SVOD services can reduce pay-TV rates. Finally, the loss of value due to piracy should not be overlooked.

What share will be available to incumbents and new entrants?

It is consequently no doubt less the dynamics of the audiovisual sector that are an issue than the share the new entrants will manage to capture from incumbent TV channels and distributors. The initial picture is mixed:

on the one hand, TV channels, with their replay offerings, have at their disposal captive services capable of generating additional demand, which may at the very least maintain their audience and, perhaps, their advertising revenues. On the other hand, however, the "traditional" players with their significant presence in the pay services sector face competition from globalised players. For their part, incumbent TV distributors, especially those that combine this task with the operation of networks, can expand their services to consumers thanks to the new on-demand services. However, they also run the risk of being "disintermediated" if these services can mainly be accessed via the open Internet.

Content... and how to find it

Programmes are the main component of this growing competition between channels, distributors and new platforms. There has been such a surge in the production of TV series, especially in the United States, that there is a risk of a "bubble", because the overproduction of series could render it impossible to recoup production costs in the medium term. Exploiting audiovisual content in the largest possible number of countries and regions is therefore becoming more than ever a key requirement. Various approaches can be adopted here: the original production of content by globalised services, the concentration of production companies, and co-operation between TV channels.

Innovation in exploitation strategies also seems to be capturing the attention of rights holders. The relationship between cinemas and on-demand video services is symbolic of the difficulty in seeking a new balance: promoting the quicker release of films as video on demand (VOD) could enable the market to develop more rapidly but also runs the risk of affecting cinemas, being themselves a factor for the promotion of films on VOD. And it is ultimately the discovery of content that is at stake with the expansion of the major Internet platforms, especially the social networks, which seem destined to become, especially for young consumers, the principal prescriptors with regard to the choice of programmes, a role traditionally assigned to TV channels.

1

PRODUCTION

1.1 Soft money in Europe: Public funds grow, fiscal incentives boom

The term 'soft money' comprises all pillars of public financing for the film and audiovisual sector: public funds; fiscal incentives; obligations for the industry to invest in film and audiovisual content and guarantee facilities for securing access to private financing.

Public funds

The funding body population in the 35 countries[1] analysed decreased by just one fund over the period 2010-2014 (from 250 to 249 funds), with 21 funds shutting down and 20 launched over this period.

In total, a yearly average of EUR 2.53 billion went to the 214 funds in 33 of the 35 countries analysed (Albania and Russia could not be tracked for this indicator) between 2010 and 2014.

The three main sources of income at the national and sub-national levels combined were contributions from the national/federal government (32%) followed by levies on broadcasters (31%) and contributions from regional government (13%). However, when outlying France (accounting for more than one third of total fund income in Europe) is excluded from the calculation, the breakdown is much more representative of the reality at the pan-European level, with contributions from the national or federal governments accounting for 53% of the total available resources. The only main source of income in constant decline over time were levies on broadcasters – EUR 790 million in 2011 compared to EUR 682 million in 2014.

A yearly average of EUR 2.29 billion were spent by the 214 funds in the sample, showing a remarkable upward trend, from EUR 2.13 billion in 2010 to EUR 2.41 billion in 2014. Theatrical production accounted for 42.6% of total spend at the national and sub-national levels combined (58.4% excluding France). TV production, the second activity by spend, accounted for 19.8% of the total (9.2% excluding France).

Fiscal incentives

The number of fiscal incentive schemes (tax shelters, rebates and tax credits) designed to support film, television and video game production in Europe more than doubled between 2008 and 2014, from 12 to 26.

Obligations for broadcasters

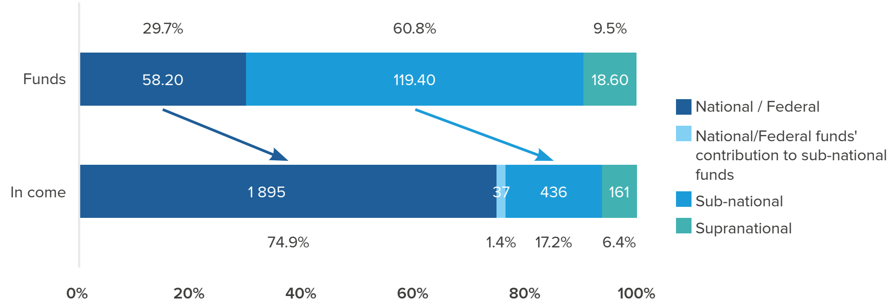
A significant number of European countries have implemented obligations for broadcasters to support their national film and television industry in the form of mandatory investments in production either directly, via the pre-acquisition and/or co-production of film and TV programmes, or indirectly, through a financial contribution to the national film fund. Most European countries have opted for either the indirect or the direct mandatory schemes; however, four countries have combined both: France, Germany, Poland and Belgium.

Guarantee facilities

Guarantee facilities are the more recent support mechanism for the film and audiovisual sectors. They provide credit risk protection by partially covering financial intermediaries' potential losses when they engage in projects in economic sectors whose viability is difficult to assess. Only a few schemes operate in Europe, such as IFCIC in France or Audiovisual Aval SGR in Spain. The planned *Creative Europe Cultural and Creative Sectors Guarantee Facility* will make available this type of support in all of Europe starting in 2017.

1 All EU members except Malta, plus Albania, Bosnia and Herzegovina, “the former Yugoslav Republic of Macedonia”, Iceland, Norway, Russia, Switzerland and Turkey.

➜ Income and number of funds by geographical level (2010-2014) – *In number of funds and EUR million, yearly average*



Source: European Audiovisual Observatory

➜ Summary of existing European fiscal incentive schemes by scope (at end 2014)

SCHEME				COVERS			
ISO	Scheme name	Scheme type	Year of introduction	Film	TV	Video games	Other
AT	FISA	Rebate	2010	x	-	-	-
BE	Tax shelter	Tax Shelter	2003	x	x	-	-
CZ	FISP (Film industry support programme)	Rebate	2010	x	x	-	-
DE	DFFF	Rebate	2007	x	-	-	-
ES	Tax credit	Tax credit	2004	x	x		
FR	SOFICA	Tax shelter	1985	x	x	-	-
FR	Crédit d'impôt cinéma	Tax credit	2004	x	-	-	-
FR	Crédit d'impôt audiovisuel	Tax credit	2005	-	x	-	-
FR	Crédit d'impôt jeux vidéo	Tax credit	2009	-	-	x	-
FR	Crédit d'impôt international (C2i or TRIP)	Tax credit	2009	x	x	-	-
GB	Film tax relief	Tax credit	2007	x	-	x	-
GB	High-end television tax relief	Tax credit	2013	-	x	-	-
GB	Animation programme tax relief	Tax credit	2013	-	x	-	x
GB	Video games tax relief	Tax credit	2014	-	-	x	-
HR	Cash rebate	Rebate	2012	x	x	-	-
HU	Indirect subsidy	Tax shelter	2004	x	-	-	-
IE	Section 481	Tax shelter(1)	1997	x	x	-	-
IS	Reimbursement	Rebate	1999	x	-	-	-
IT	External tax credit	Tax shelter	2009	x	x	-	-
IT	Producers tax credit	Tax credit	2009	x	x	-	x
IT	International tax credit	Tax credit	2009	x	x	-	-
LT	Film tax incentive	Tax shelter	2014	x	-	-	-
MK	Production incentive programme	Rebate	2014	x	-	-	-
MT	Cash rebate	Rebate	2008	x	-	-	-
NL	Film production incentive	Rebate	2014	x	-	-	-
SK	Cash rebate	Rebate	2014	x	-	-	-

(1) Tax credit since 2015 – Source: Olsberg SPI

1.2 Investment, budgets and production back on track

Feature fiction grows again

In 2015, Europe[1] saw interannual film production growth of 4.8%, with 2 090 films produced during the year (1 702 in the European Union (EU), accounting for 5.5% year on year film production growth). Most of the growth since the beginning of the decade in the EU was due to a sharp increase in documentary production (from 462 films in 2011, to 572 in 2015 – a 23.8% increase). However, 2015 also saw a significant hike in EU feature fiction production volume (by 5.9% year on year, up to 1 130 films) after years of stagnation. The hike in film production was even more notable at the European level, mainly due to Turkey (from 73 films in 2011 to 135 in 2015). France and Spain top the ranking of lead producers for the year, with 234 films each. Growth in the main Eastern European markets appears to have consolidated (although production figures in Bulgaria almost doubled on previous year, to 20 features in 2015). In addition, the number of majority co-productions grew by 24% (to 439 features), between 2011 and 2015, much more than purely national films (+13.8%).

Film budgets increased in 2015

In eight of the 12 countries for which data were available, average budgets increased year on year in 2015 – with the exception of a flat Spain (-2%) and Bulgaria (-3%), Sweden (-14%) and Denmark (-37%). The average budget for feature films grew considerably in the Netherlands (+36%), Hungary (+69%) and, most notably, Finland (+90%). Average budgets overall grew or remained flat compared to 2011 in all countries tracked save Portugal (-60%), France (-20%) and Italy (-12%); however, the latter three registered year on year growth in 2015. All in all, a widespread recovery of film budgets was observed in most countries in 2015 (even in 2014, for some), following a period of either flat evolution or serious decrease.

The case of Germany is quite remarkable, with average budgets up throughout a period of overall stagnation or decrease during most of this decade. As for the UK, the figures stated in the graph refer to purely domestic productions; when it comes to inward production, average budget trends can seesaw (e.g. from EUR 20.3 million in 2011 down to EUR 2.4 million in 2012 and up again to EUR 18.0 million in 2015), depending on the number of big Hollywood studio productions shot in Britain in any given year.

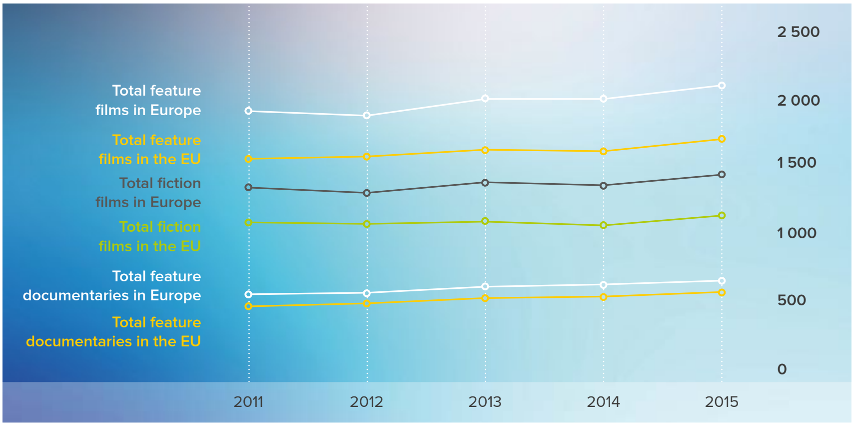
Investment grows for second consecutive year

The 10 countries for which data were available (including the UK, France, Germany and Italy) accounted for the lion's share of investment in film production in the EU; overall investment grew again in 2014, after two years of consecutive decline, but remained almost flat in 2015.

As noted, investment in the UK does not follow a homogeneous trend, with ups and downs much dependent on inward production. The other two main players in terms of overall investment, France and Germany, registered opposite trends since 2010: a constant decrease in France along with a sharp, continued hike in Germany resulted in the two countries‘ convergence in 2014. However, 2015 saw a change of trend in both, with investment in France growing for the first time in four years and, conversely, decreasing in Germany for the first time over that period.

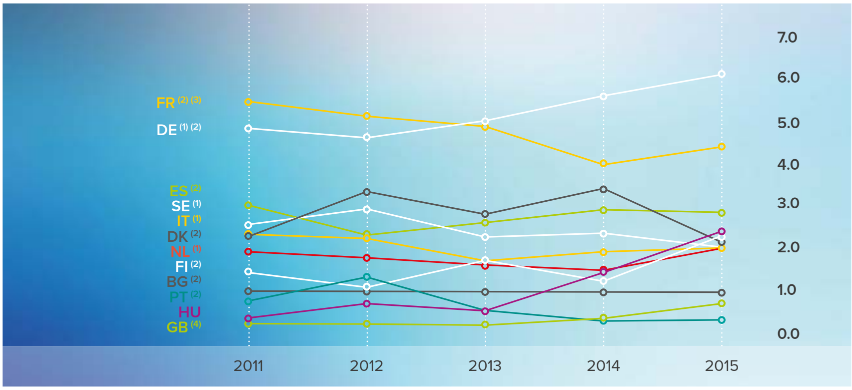
1 EU plus Bosnia and Herzegovina, Iceland, Montenegro, Norway, Russia, Switzerland, “the former Yugoslav Republic of Macedonia” and Turkey.

→ Film production in Europe and the European Union (2011-2015) – *In number of films*



Source: European Audiovisual Observatory

→ Average budget in selected countries (2011-2015) – *In EUR million*



(1) Fiction films only.
(2) Minority co-productions included.
(3) French initiative films only.
(4) Median (instead of average) UK domestic production budget; Includes films with budgets under GBP 500,000.

Source: European Audiovisual Observatory

2 CIRCULATION

2.1 Films in cinemas and on transactional VOD services: any differences?

In 2016, the Observatory released a trailblazer report (*"How do films circulate on VOD services and in cinemas in the European Union? A comparative analysis"*) looking at the circulation of films on EU VOD services and in EU theatres and observing the differences by region of origin of films in the number of countries in which a film was made available on VOD and released in cinemas. For the methodology of the analysis, please refer to the report.[1]

How do films circulate on EU VOD services?

A major difference between films produced in the EU and in the US appeared in the number of countries in which a film was available on at least one transactional VOD service; EU films were on average available in 2.8 countries whereas US films where available in 6.8 countries – a difference of four countries on average. Furthermore, 80% of EU films were only available in three countries or fewer; the same percentage of US films were available in 11 countries or fewer. For EU films, national markets for films appeared to exist; a shared language and close cultural proximity appeared to boost circulation of most EU films.

How do films circulate in EU cinemas?

In cinemas, the gap between the circulation of EU and US films was even more significant. For all films released between 2005 and 2014, EU films had a theatrical release in 2.6 countries on average, US films in 9.7 countries – seven more release markets for US films than for EU films, a distribution gap with a consequent impact on admissions. A total of 79% of EU films were released in two countries or fewer, while 80% of US films were released in 20 countries or fewer. From these figures it appears that, as with VOD, there are challenges related to the release of EU films in more countries than their national market alone.

Additionally, even if EU films made up 64% of all films released in EU cinemas during the time period examined, they represented only 27.4% of admissions in the same period. US films, representing only 16% of all films released, accounted for 70% of admissions in the same time period.

How many theatrical release films make it to VOD?

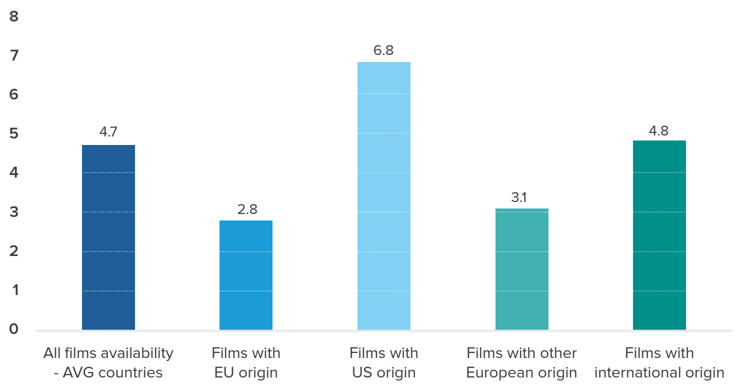
Out of the 10 828 EU films released in cinemas between 2005 and 2014, fewer than half (47%) were available on a VOD service. For US films, the transition from theatres to VOD services appeared to be less rocky; 87% of US films released in cinemas were available on VOD services. This illustrates the serious challenge associated with the carrying of EU films in catalogues of major TVOD services throughout the EU.

How does circulation in cinemas and on VOD directly compare?

Both EU and US films had a wider circulation in cinemas than on VOD, however only marginally – with differences of less than one country on average. Only for international films was there an increase in circulation on VOD; on average they were available in two more countries than the number in which they were released in cinemas. The only film genre that had a higher circulation on VOD than in cinemas was documentaries, and even for this genre EU documentaries were not associated with a higher circulation on VOD than in cinemas. Animation was the film genre with the widest circulation, whether in cinemas or on VOD, and this for films of all origins.

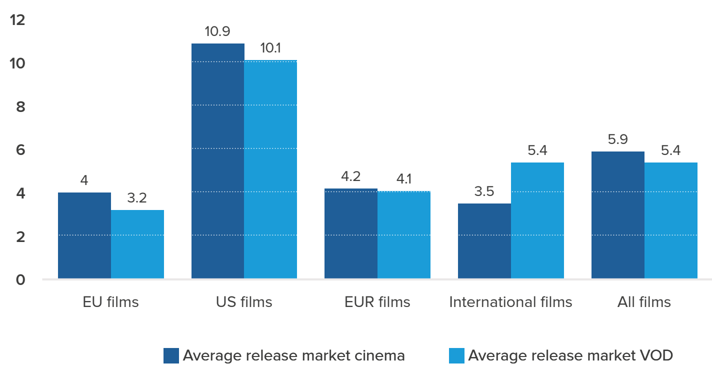
For EU films, a relationship between the number of theatrical release markets and VOD availability appeared to exist; this would mean that for EU films a theatrical release was still a pre-condition for incorporation into a VOD catalogue.

➔ **Weighted average of country availability for films on VOD as per region of origin (Oct. - Nov. 2016)**



Source: "How do films circulate on VOD services and in cinemas in the European Union?", Christian GRECE, European Audiovisual Observatory

➔ **Average release markets in cinemas and on VOD by film as per region of origin (from 2005 to 2014 for cinema releases, composition of VOD catalogues as of October 2015)**



Source: LUMIERE

1 See: http://www.obs.coe.int/industry/film

2.2 European films on VOD: A lack of visibility?

In an on-demand world, the prominence of European works cannot be guaranteed only by the number of European films included in the catalogues of the services. Equally important is the way in which films are promoted. One way to promote films on on-demand services is to make them visible on the services' homepages. The Observatory, in a research commissioned by the European Commission and based on data provided by AQOA, analysed the visibility of films in October 2016 using a sample of 42 transactional on-demand services from five European countries (Belgium, France, Germany, the Netherlands and the United Kingdom).

A small number of recent films are promoted

In October 2016, an average of 275 different films were promoted in the five countries of the sample, meaning that only a small minority of the films in the catalogues were actually promoted. A total of 76% of these films were recent films (produced in 2015 or 2016), and they appeared, on average, in 93% of all available promotional spots.

The allocation of promotional spots was heavily concentrated: the 10 most promoted films accounted on average for 38% of all available spots, with figures varying from 28% in Belgium (CFB) to 43% in the United Kingdom.

One-third of promoted films were European films

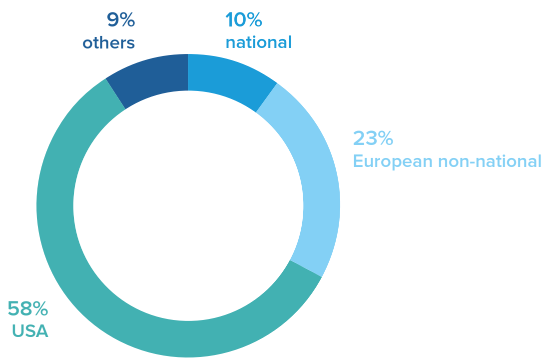
The share of European films among promoted films varied between 41% in France and 25% in the United Kingdom. Among European films, national films represented the majority in France and the United Kingdom, whereas European non-national films constituted the majority in Germany, the Netherlands and Belgium (both in the Flemish Community and in the French Community). On average, the share of US films among films promoted was 58%, ranging from 51% in France to 62% in the United Kingdom and the Netherlands.

European films were allocated an average 22% of promotional spots, with figures varying from 33% (in France) to 15% (in the United Kingdom). Among promotional spots allocated to European films, the majority were allocated to national films in France and the United Kingdom, whereas in Germany, the Netherlands and Belgium the majority were allocated to European non-national films.

Significant differences between players

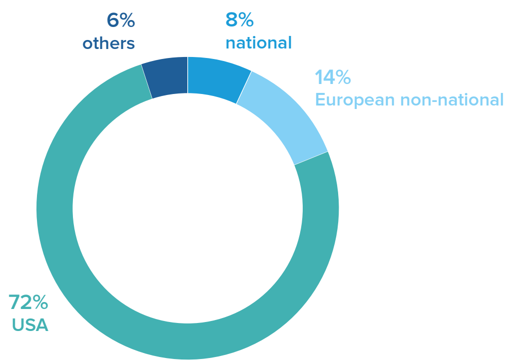
The promotion of European films varied not only by country but also between players. In most countries of the sample, national VOD players tended globally to dedicate more promotional spots to European films. Out of the 14 services with a higher share of promotional spots allocated to European films than the average of the sample, 10 were national players (national players represented 17 of the 42 services of the sample). But significant differences also appeared between US players: iTunes, and, to a lesser extent Amazon Instant Video, tended to promote more European films than PS Store, Xbox Live or Google Play.

➜ Breakdown by origin of films promoted by on-demand services (October 2016)



Source: European Audiovisual Observatory for the European Commission

➜ Breakdown by origin of promotional spots on on-demand services (October 2016)



Source: European Audiovisual Observatory for the European Commission

2.3 Films on TV: 31% are European

The Observatory analysed the programmed films in a sample of 125 TV channels from 17 EU countries for two seasons: 2011/12 and 2014/15.

European films accounted for 31% of all films broadcast on TV in Europe

Films produced in Europe accounted for 31% of films broadcast by the TV channels of the sample during the 2014-2015 season. The share was slightly lower (26%) when considering only prime-time hours. The 31% share of EU films breaks down into 16% national films and 15% European non-national films, indicating a significant level of circulation of films with regard to broadcasting on TV. The share of EU films increased for the 2014-2015 season when compared with 2011-2012, both for all-day broadcasts (31% vs. 28%) and prime-time broadcasts (26% vs.23%).

Fewer titles but more broadcasts

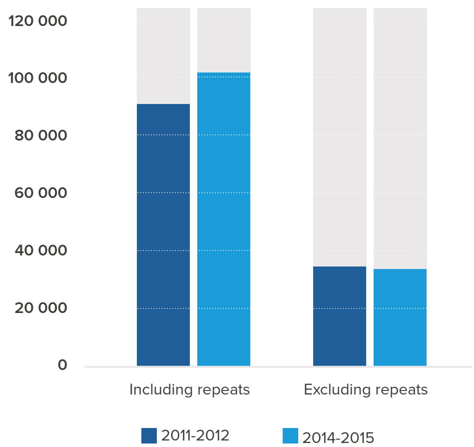
The 125 TV channels in the sample broadcast 101 849 films (including repeats) during the 2014-2015 season, amounting to more than 2.7 film broadcasts per day. Excluding repeats by the same TV channels, the 101 849 broadcasts of the sample corresponded to 33 652 films, indicating that a film was broadcast on average three times by the same TV channel. The number of broadcasts obviously varied significantly between free TV channels (1.4 broadcast per film on average) and pay-TV channels (6.5 broadcasts per film on average). The number of broadcasts (including repeats) increased when compared to the 2011-2012 season (+12.4%). However, excluding repeats, the number of different films broadcast actually decreased (-1.6%), indicating that the number of broadcasts per film increased over the total period researched (2.6 broadcasts per film during the 2011-2012 season vs. three during the 2014-2015 season).

Two-thirds of films broadcast only in one country

A total of 33 652 different films were broadcast in the 17 countries of the sample during the 2014-2015 season. However, the same film may have been broadcast in different countries. The list of single films broadcast in our sample comprised 16 321 titles, indicating that, on average, a film was broadcast in two countries in the same year. Nonetheless, most of the films (67%) were broadcast in only one country. Out of the 16 321 titles, 7 372 were produced in Europe (45%), 7 546 in the US (46%) and 1 403 in another region of the world (9%). Out of the 7 372 European films, the top five countries of production – France, Italy, Germany, Great Britain and the Czech Republic – accounted for 74%, and the top 10 for 91%.

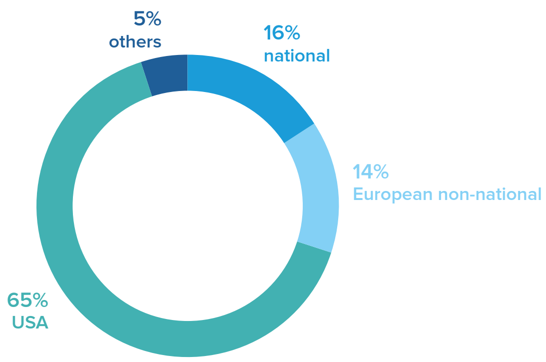
The full report can be downloaded on the Observatory website. See: http://www.obs.coe.int/industry/film

→ Number of films broadcast by the TV channels of the sample in the 2011-2012 and 2014-2015 seasons – *All-day*



Source: European Audiovisual Observatory analysis of Médiamétrie Eurodata TV data

→ Films broadcast during the 2014-2015 season by country of origin
All-day, including repeats



Source: European Audiovisual Observatory analysis of Médiamétrie Eurodata TV data

2.4 Export of European films in 2015

Film exports accounted for 45% of worldwide[1] admissions to European films in 2015

Th Observatory estimates that in 2015 European films[2] cumulatively sold at least 443 million tickets in cinemas around the world. Although 15 million fewer than in 2014, this is well above the 2011-2015 average of 424 million admissions. Almost half of the 2015 worldwide admissions were generated from film exports: on a cumulative level about 45% of total admissions to European films were generated in non-national and 55% in national markets in 2015.

24% of tickets to European films sold outside Europe

A total of 599 European films were screened in cinemas outside Europe[3] in 2015. While this represents the largest number of films exported outside Europe in the past five years in absolute terms, the ratio of European films on release outside Europe has remained stable at 10%. Cumulatively, these films generated an estimated EUR 610 million in gross box-office returns and sold about 108 million tickets accounting for 24% of worldwide admissions to European films. Hence, for the second time in the 2011-2015 period, European films sold more tickets outside Europe than in non-national European markets (91 million), accounting for 54% of total non-national admissions (200 million).

USA remains largest export market for European films

The USA in 2015 represented the single largest market for European films, screening 191 European films which cumulatively sold 37.9 million tickets, and accounting for 35% of total admissions to European films outside Europe. Despite having only 27 European films on theatrical release in 2015, China became – with 22.7 million tickets sold – the second largest non-European export market in terms of admissions, accounting for 21% of total admissions, followed by Mexico (14%) and Brazil (8%).

The market share of European films in the non-European territories covered by the Observatory remained fairly stable over the past years: in general, European films tended to represent between 20% and 30% of the films on release and captured a market share of 3% to 5% of admissions.

Admissions to European films outside Europe highly concentrated

Admissions to European films outside Europe showed a comparatively high degree of concentration in 2015. Of cumulative admissions, 90% were generated by only 7% of the films (42 films). *Taken 3*, the most successful European film export in 2015, alone sold 25.6 million tickets and hence accounted on its own for 24% of total admissions outside Europe. In 2015, as in past years, among European countries, France and the UK exported by far the largest number of films to non-European territories, cumulatively accounting for 53% of the total number of European films on release and almost 87% of total admissions to European films outside Europe.

1 The terms "world" or "worldwide" refer to cumulative data for the 30 European and 12 non-European markets for which comprehensive title-by-title admissions data could be obtained for the Observatory's LUMIERE database http://lumiere.obs.coe.int/.

2 European films are defined as films produced and majority-financed by a European country. European films produced with incoming investment from US studios (EUR inc), such as the *Harry Potter* or the *James Bond* franchises are excluded from this analysis unless they are recognised as European films by the European Commission or Europa Cinemas.

3 Data available for the following 12 non-European markets: USA, Canada, China, South Korea, Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, Australia and New Zealand.

→ **Worldwide cinema admissions to European films (2011-2015)** – *"Worldwide" refers to cumulative admissions data for the (at least) 30 European and 12 non-European markets as tracked in LUMIERE. Data must hence be considered estimated minimum values. For 2015, data is provisional.*

Admissions (in mio)	2011	2012	2013	2014	2015 prov	Avg
"Worldwide"	426	474	397	458	443	424
In national market	268	227	237	277	244	246
In non-national market	158	247	160	181	200	179
% share national	63%	48%	60%	60%	55%	58%
% share "export films"	37%	52%	40%	40%	45%	42%
- Non-national in Europe	89	116	80	99	91	94
- Non-national outside Europe	70	131	80	82	108	85
% share export within Europe	21%	24%	20%	22%	21%	22%
% share export outside Europe	16%	28%	20%	18%	24%	21%

Source: European Audiovisual Observatory / LUMIERE, comScore

→ **Top 20 European films ranked by admissions outside Europe (2015)** – *Estimated admissions in millions for calendar year; Excluding EUR inc films (films produced in Europe with incoming investment from US studios) unless they were eligible to receive MEDIA funding from the European Commission.*

Rank	Original title	Prod. Year	Country of origin	Director	Total admissions outside Europe 2015
1	Taken 3	2014	FR	Olivier Megaton	**25 555 179**
2	Paddington	2014	GB / FR	Paul King	**13 149 127**
3	The Little Prince	2015	FR / IT	Mark Osborne	**10 302 704**
4	The Transporter Refuelled	2015	FR / CN / BE	Camille Delamarre	**7 057 001**
5	The Woman in Black 2 ...	2014	GB inc / US / CA	Tom Harper	**5 519 422**
6	Shaun the Sheep Movie	2015	GB	M. Burton, R. Starzak	**5 249 396**
7	The Theory of Everything	2014	GB inc / US	James Marsh	**3 724 701**
8	Brooklyn	2015	GB / IE / CA	John Crowley	**2 320 758**
9	Concussion	2015	GB / AU / US	Peter Landesman	**2 066 473**
10	The House of Magic	2013	BE	J. Degruson, B. Stassen	**1 950 553**
11	The Gunman	2015	ES / GB / FR / US	Pierre Morel	**1 928 659**
12	La belle et la bête	2014	FR / DE	Christophe Gans	**1 352 034**
13	Amy	2015	GB / US	Asif Kapadia	**1 206 303**
14	La famille Bélier	2014	FR / BE	Eric Lartigau	**1 081 422**
15	Love, Rosie	2014	DE / GB	Christian Ditter	**953 674**
16	Ooops! Noah is Gone...	2015	DE / BE / LU / IE	T. Genkel, S. McCormack	**916 381**
17	1944	2015	EE / FI	Elmo Nüganen	**900 000**
18	Suffragette	2015	GB	Sarah Gavron	**738 815**
19	Escobar: Paradise Lost	2014	FR / ES	Andrea Di Stefano	**704 888**
20	Rush	2013	GB inc / US / DE	Ron Howard	**657 107**

Source: European Audiovisual Observatory / LUMIERE, comScore

2.5 Football on TV: No ‘winner takes all’

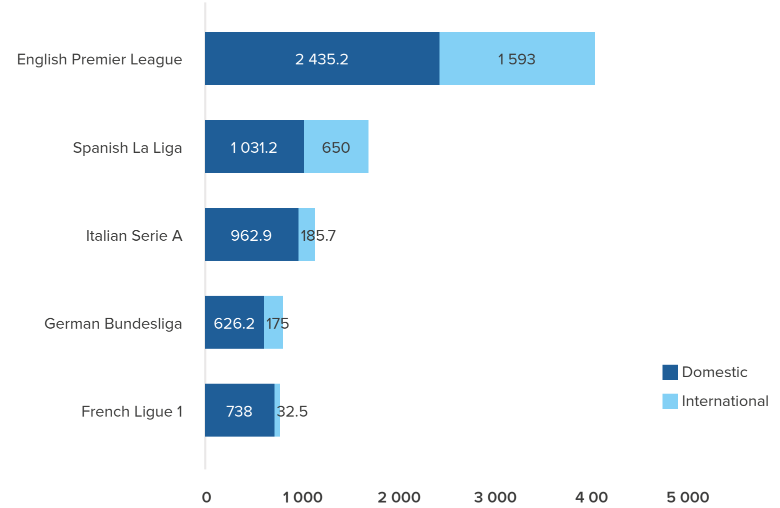
In Europe, football is king. There is no sport that rivals its popularity, which makes it very lucrative. But as in any other sport, in football there are winners and losers. The football leagues of five European countries (Germany, Spain, France, UK and Italy) stand out from the crowd: they are by far the most important in terms of market value and include the world’s 20 most valuable football teams. Their financial success is fuelled to a great extent by proceeds from the sale of audiovisual rights. Indeed, the five biggest domestic TV deals in recent times were made by those very same leagues.

Joint selling of audiovisual sports rights by national leagues is the dominant practice in most European countries. Over the years, the biggest European leagues have constantly tried to increase the number of pay-TV operators competing for rights, in order to augment the total amount of rights purchased, sometimes under the injunction of a competition authority. Indeed, like any other economic activity, the sale and acquisition of audiovisual sports rights in Europe is subject to both EU and national rules on competition, and notably to its prohibition of anti-competitive agreements between undertakings. The decisions of the European Commission in this field have played a prominent role in subsequent decisions of national competition authorities.

Probably the most significant limitation to contractual freedom introduced by the European Commission in its decisions was the so-called “no single buyer” rule, under which no single bidder can be awarded all exclusive audiovisual rights for live broadcasts by a football league. For example, in the recent auction for German Bundesliga rights, the German Football League had to introduce a “no single buyer” rule in order to guarantee that the rights were divided between at least two parties . In the five major leagues, the rights are now shared between two parties. This policy has led to a sharp increase in audiovisual football rights fees, and has been criticised by some commentators on a number of bases. For instance, while the aim of this remedy was to foster competition in the concrete case of the UK market, national competition authorities in other member states have also introduced the rule, even if their countries’ market structures are different. The main criticism of the “no single buyer” rule, though, concerns the penalisation of end users: if applied, it means that fans have to pay at least two subscriptions in order to be able to watch all the matches of a particular sports team, since no single provider can broadcast all the matches in a season anymore [1].

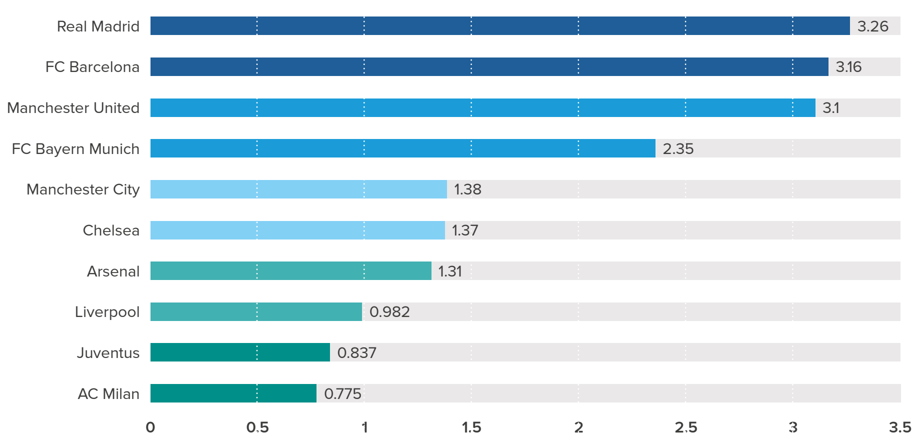
1 For more information on the joint selling of audiovisual sports rights, see Cabrera Blázquez F.J., Cappello M., Fontaine G., Valais S., Audiovisual sports rights - between exclusivity and right to information, IRIS Plus, European Audiovisual Observatory, Strasbourg, 2016.

Media rights value in the top European football leagues (2016-2017) – *In EUR million*



Source: TV Sports Markets, Media rights value in the top European football leagues, 2016-17, 23 September 2016

The world's most valuable soccer clubs (2016) – *In USD billion*



Source: Forbes

2.6 Sports rights: New players enter the arena

From general interest channels to packages of premium sports channels

Sports events used to be broadcast by the major, general-interest television channels. But the shelf space on these channels is limited, and funding the rocketing prices of the main sports rights through advertising or public resources has become increasingly challenging over the years. The most popular sport, football, has therefore progressively receded from free-to-air television channels, both public and private, and pay-television has taken over the broadcasting of national championships. In major countries, the rights are therefore now shared between two players: Sky and Mediaset Premium in Italy; Canal+ and beIN Sports in France; Sky and BT Sports in the UK; Telefonica and beIN Sport (Mediapro) in Spain; Sky and Eurosport in Germany.

The new ambitions of Eurosport

Even if some of the operators of the premium sports TV packages (e.g. Sky; Eurosport; beIN) are active in several countries, the rights for national competitions are negotiated on a country basis. Eurosport may be an example of a more European integrated strategy. Eurosport and its sister channel Eurosport 2 are available in Europe in 17 different linguistic versions and offer a mix of common European programming and local sports. Following a takeover from TF1, the US group Discovery boosted Eurosport's resources to invest in premium sports content, and the channel was awarded the European rights for the Olympic Games from 2022 in France and the UK, and from 2018 for the rest of Europe. In June 2016, Eurosport was also awarded a minority share of the German football national championship broadcasting rights.

Major Internet players enter the game

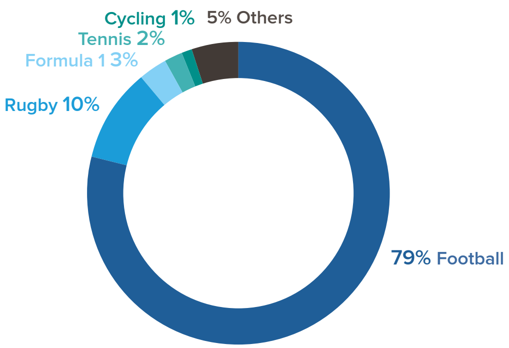
Several major Internet players have made significant moves to enter the sports arena: Yahoo tested worldwide broadcasting on the Internet of a US national football league game; Google has acquired the rights to broadcast the 2015-2016 Spain Football Cup on a pay-per-view or subscription basis in a series of countries; Facebook made a first move by broadcasting live a training session of a US basket-ball club; And the 2016 Football Champions League was broadcast for free by BT on YouTube.

An online direct-to-customer strategy for the sports federations and clubs?

Some sports federations and clubs are testing a direct-to-customer strategy, i.e. distributing their events directly on the Internet or over cable and IPTV networks and therefore bypassing the television channels.

For the major European sports federations and clubs, bypassing the major broadcasters, at least in the near future, may appear to be a risky move. However, for the EURO 2016, more than half of the games were not purchased by any television channels in Spain and in Venezuela. UEFA, the organiser of the event, therefore made those games available online in the two countries. In the medium term, some federations could be tempted by the direct-to-customer strategy, at least for specific events or specific territories. Such a move would radically redefine the landscape of sports on television.

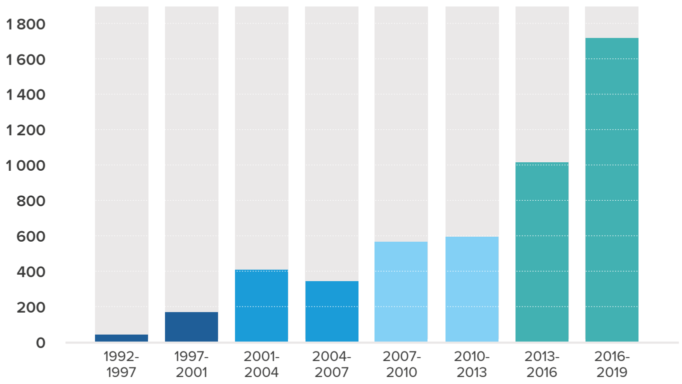
→ Breakdown of broadcasters’ sports rights expenses in France (March 2016)



Note: Excludes the Olympic Games rights

Source: Conseil Supérieur de l’Audiovisuel - “*Sport et télévision - Les chiffres clés 2016*”

→ Annual broadcaster expenditure on the UK football Premier League rights
(domestic rights – *in GBP million*)



Source: Statista

2.7 Film heritage works: Is VOD an opportunity?

A large proportion of the supply of films

Film heritage works represent a significant share of the films on offer in cinemas, on DVD and on television. As regards cinemas, the re-release of film heritage works, once a French specialty, has picked up in many European countries and now represents over 20% of all films on release in Europe – and significantly more in certain specific countries. The DVD sector addresses the film heritage segment in the form of both high-end collection box sets and the permanent re-release of cult films. Film heritage also represents a large share of films broadcast on TV (47% of all films broadcast by a sample of 125 TV channels in Europe, including repeats).

Traditional film heritage market faces challenges

The exploitation of film heritage works, and in particular films with an EU origin, faces new challenges, though. US studios, for the last 10 years, have constantly increased their interests in the film heritage market segment, by systematically re-releasing relatively recent blockbusters across Europe. Aside from US players, a growing number of territories are opening up to film heritage in cinemas, which has fostered competition for access to cinemas amid limited market potential (film heritage works account for less than 1% of total admissions). Film heritage works remain in demand for television channels, but increasingly only for the smallest ones, at lower prices.

The DVD crisis has also impacted the film heritage market segment. While the 'cinephile' market has resisted to a certain extent, catalogue films that are not well-known appear to have suffered most from the crisis of the sector and from the competition with TV channels, which has further narrowed the DVD film heritage market to a niche for film lovers.

The struggle for inclusion in VOD services

In the afore-mentioned context, the development of on-demand services may provide a new opportunity to distribute film heritage works. As on traditional distribution platforms, catalogue films already represent a significant share of films offered by both transactional video-on-demand services (TVOD) – 40% – and subscription video-on-demand services (SVOD) – 47%. However, European film heritage works are far less represented than those from the US, amounting to only 24% (for TVOD) and 29% (for SVOD) of the total number of film heritage works available.

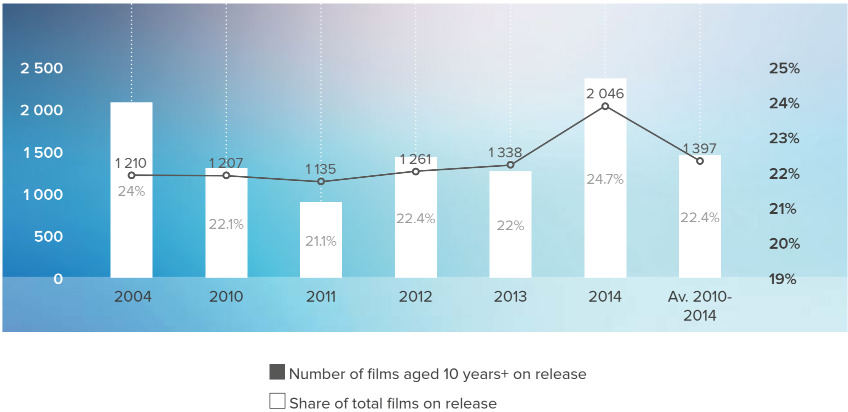
Achieving pan-European distribution is complex and is confined almost entirely to mainstream platforms (e.g. iTunes for TVOD). Thus, attaining a presence in several countries often requires engaging in multiple negotiations with several services in each country.

Marketing is key

Availability on a VOD service is not enough: promotion is key in order to raise awareness among consumers. The comparison of distribution patterns between cinemas and VOD services suggests that theatrical re-releases of film heritage works are a good way to raise the interest of video on-demand operators and therefore push them to promote films on their platforms, while triggering some press and media coverage. But it may also be necessary to promote the films outside of the platform itself; and a careful digital curation of the contents can also approve a winning move in promoting films.

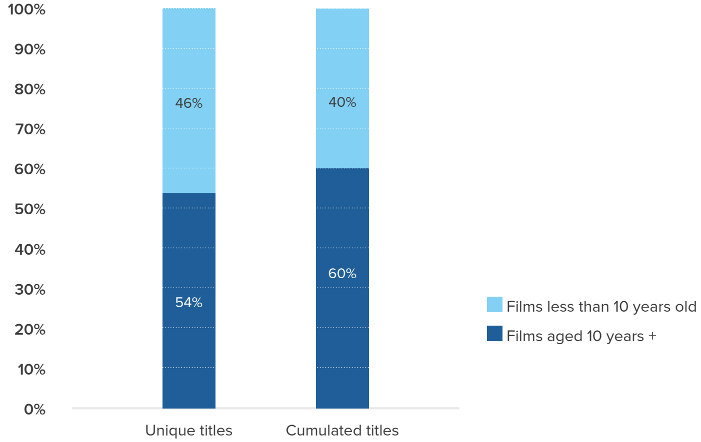
The full report can be downloaded on the Observatory website. See http://www.obs.coe.int/industry/film

→ Number of unique film heritage works on release in the EU and share of the total number of films on release



Source: European Audiovisual Observatory for the European Commission

→ Share of film heritage works in 75 TVOD services in the EU (unique and cumulated) (October 2015)



Source: European Audiovisual Observatory for the European Commission

3 AUDIOVISUAL SERVICES

3.1 Media literacy as a panacea for a post-truth world?

In a digital environment where the boundaries between the responsibilities of various media players are in continuous development, it becomes increasingly important to ensure an adequate level of awareness amongst viewers. Media literacy advancement, whether in the form of media education curricula in schools or of extracurricular actions aimed at improving digital skills, can be a determining measure in ensuring that existing protection tools are effectively used, but also in improving users' levels of consciousness when it comes to online behaviours.

'Media literacy' is a broad concept that includes all technical, cognitive, social, civic and creative capacities allowing a citizen to access, have a critical understanding of, and interact with, media. Media and information literacy actions responding to this definition are quite widespread across Europe and have been mapped by the Observatory in a study carried out for the European Commission.

The study provides a snapshot of the main trends in media literacy projects throughout Europe with a view to highlighting some of the most diverse, interesting and innovative projects in the hope of inspiring and encouraging future activity and collaboration across the continent. For this purpose, 20 of the most diverse initiatives across the EU-28 were collected through a network of experts responding to a questionnaire, and the top five projects of each country were analysed in depth.

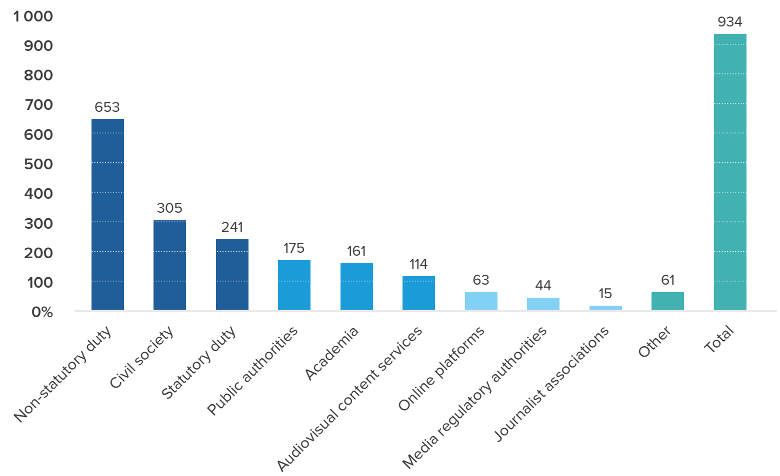
The main findings appear in a comparative report, are integrated with national overviews of each EU member state, and can be summarised as follows:

1. Of the 934 main media literacy stakeholders identified, over a third were categorised as "civil society", followed by "public authorities" and "academia". Over two-thirds did not have a statutory responsibility in this area and based their involvement on a different motivation. A total of 189 networks were identified, the vast majority operating at national level.
2. Of the 547 projects identified, the most common type was "resources", followed by "end-user engagement". These two together accounted for more than half of all analysed projects, indicating that providing front-line support to citizens is a priority.
3. As for the media literacy skills addressed, "critical thinking" was the clear winner, followed by "media use". This trend was also confirmed by the case study analysis of the five most significant projects, which also featured projects on "intercultural dialogue", including skills related to challenging radicalisation and hate speech online.
4. Concerning scale, over one-third of the analysed projects were the result of "cross-sector collaboration" and the vast majority were of national importance. This trend was confirmed by the case-study analysis, with 16 countries revealing projects that were mainly the result of cross-sector collaboration.
5. Regarding the degree of significance for the top five projects, on the one hand the most common audience group was "teens and older students", despite the exclusion of curricular-based projects. On the other hand, very few projects targeted "older people".

Under the current reform of the Audiovisual Media Services Directive media literacy was left out in the original proposal of the EU Commission, but the current compromise text of the European Council and the European Parliament requires member states to encourage the development of media literacy skills (Art 12(1b) and 28(6a)).

➜ Primary involved stakeholders in featured projects (December 2016)

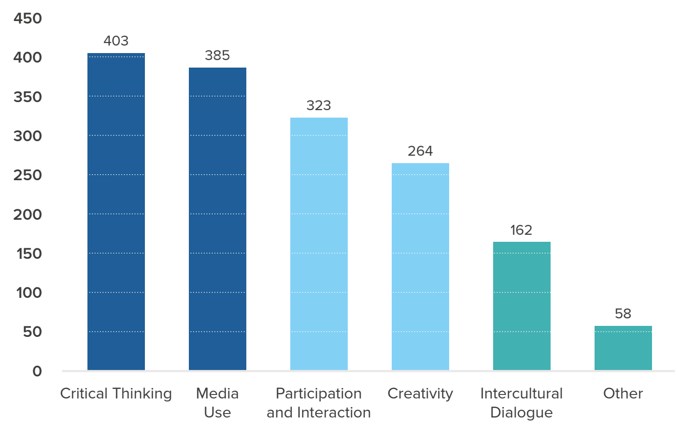
In absolute numbers (a stakeholder can belong to several categories)



Source: European Audiovisual Observatory, Mapping of media literacy practices and actions in EU-28, December 2016

➜ Primary addressed media literacy skills in featured projects (December 2016)

In absolute numbers (a project can belong to several categories)



Source: European Audiovisual Observatory, Mapping of media literacy practices and actions in EU-28, December 2016

3.2 A Digital Single Market... slightly watered down?

As part of its Digital Single Market Strategy, the European Commission is currently rolling out a self-proclaimed "ambitious modernisation of the EU copyright framework". A Communication on a modern and more European copyright framework adopted on 9 December 2015 set out the main political objectives and areas of action as well as the timeline, based on a step-by-step approach. The first step was a legislative proposal on cross-border portability of online content services. The draft Regulation aimed at ensuring that consumers who buy or subscribe to films, sport broadcasts, music, e-books and games can access them when they travel in other EU countries.

In this regard, early statements by Commissioners Ansip and Öttinger concerning the possible abolition of the principle of territoriality in EU copyright law had sent chills down the audiovisual industry's spine. Indeed, the legal question of territoriality is at the heart of the discussions at EU level for the audiovisual sector. On the one hand, the territoriality of copyright is being questioned and presented by certain stakeholders as an obstacle to access to audiovisual works in the Digital Single Market. On the other hand, territoriality of copyright plays a key role in the financing of the audiovisual sector, contributing directly to the financing of, for example, feature films through the pre-sale of rights in different countries.

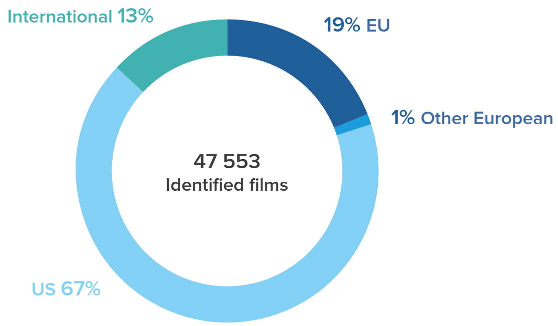
New proposals made by the European Commission in September 2016 clarified certain issues, although they did not dispel the industry's fears completely. On 14 September 2016, the European Commission proposed two directives and two regulations to adapt the EU copyright rules to the realities of the Digital Single Market.

Concerning the functioning of the copyright marketplace, the European Commission aimed at ensuring fair sharing of value in the online environment, notably through the introduction of specific obligations on certain types of online services or on those contracting with authors and performers.

In the area of access to content online, the European Commission proposed, in relation to online transmission by broadcasting organisations, the application of the country-of-origin principle to the clearing of rights for their online services, which are ancillary to their initial broadcasting. The ancillary online services covered by the proposed Regulation are those services offered by broadcasting organisations that have a clear and subordinate relationship to the broadcast (e.g. so-called catch-up services or services that give access to material that enriches or otherwise expands television and radio programmes broadcast). As for the digital retransmission of TV/radio programmes, the European Commission proposed in the Regulation the application of the mandatory collective management of rights to retransmission services provided over "closed" electronic communications networks.

For the licensing of video-on-demand (VOD) rights, the European Commission proposed a European stakeholders' dialogue and a new negotiation mechanism with a view to facilitating the conclusion of licensing agreements for the online exploitation of audiovisual works, and increasing the proportion of European works available on VOD platforms. Finally, for out-of-commerce works, the European Commission proposed enabling member states to put in place specific legal mechanisms for the conclusion of collective licensing agreements for the use of these works by cultural heritage institutions, and the introduction of a cross-border effect for such agreements.

→ The fictive composition of the 37 SVOD catalogues by films share of region of origin – *Volume of films (October 2016)*



Source: "Origin of films in Transactional and Subscription VOD catalogues in the EU - A sample study of 68 TVOD and 37 SVOD catalogues" (forthcoming), European Audiovisual Observatory

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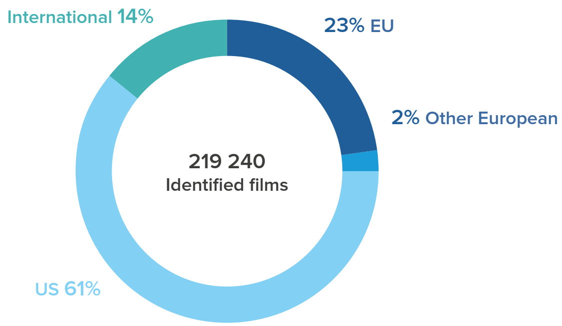


Source: "Origin of films in Transactional and Subscription VOD catalogues in the EU - A sample study of 68 TVOD and 37 SVOD catalogues" (forthcoming), European Audiovisual Observatory

3.3 TV channels in Europe: Towards market concentration and hubs

10 EU countries home to three quarters of all TV channels

In 2016, the European Union was home to a total of 4 110 television channels established in its 28 member states. Around one in 10 services was a public service broadcasting channel. Market size, different economic conditions and individual licensing regimes all play a part in explaining the sometimes significant differences between national television landscapes, particularly with regard to the total number of services based in a country. More than three quarters (78%) of all TV channels based in the EU were established in just 10 countries. The UK takes the lead with 1 389 TV channels established in its territory, followed by France (356), Germany (262), Italy (251), the Netherlands (222), Spain (207), the Czech Republic (168), Bulgaria (129), Sweden (111) and Romania (99). This concentration tendency can also be found in other areas of the European television landscape.

Sport, entertainment and film are top three genres of TV channels in the EU

The European television market is characterised by an array of thematic channels that cater for a variety of specialist interests and target audiences. Two-thirds (65%) of all TV channels established in the EU are divided between seven genres. The highest number of services is to be found in the category of TV channels covering live sports events and entertainment content. The main genres were sports (15%), entertainment (13%), film (9%), children (7%), documentary (7%), generalist (7%) and music (7%). A similar observation can be made for the 113 new TV services launched in the EU in 2016. Among these, the leaders were sports (28), entertainment (21) and generalist (11), followed by film (9), music (9), film and TV fiction (8) and lifestyle (7).

Access to foreign channels is the rule

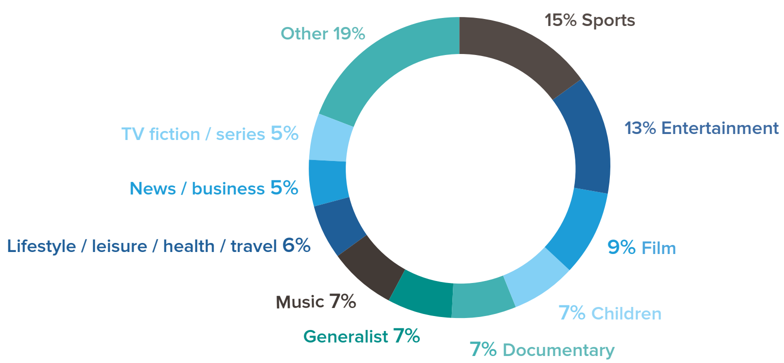
The scope and scale of the circulation of TV services in the EU has largely been facilitated by the digitisation and convergence of interactive platforms and European regulation. In half of all EU countries people were able to watch between 300 and 400 TV channels, most of which were TV offers from foreign-based services. The markets with the highest share of foreign-based services were Estonia, Ireland and Lithuania, where over 90% of TV offers available to the average audience were foreign services, while the share in Greece and the UK was below 15%.

UK is the leading establishment hub for TV channels targeting foreign markets

TV channels are not necessarily licensed and watched in the same country. A significant number of TV channels specifically target other national markets and this includes the numerous linguistic versions of pan-European branded channels (many of which are American). Major hubs for such channels include the United Kingdom with a total of 901 TV channels targeting foreign markets; 67% of channels established in the UK broadcast to other European countries. Other important centres for the establishment of television channels that target other countries include France (117), the Netherlands (101), the Czech Republic (99), Spain (90) and Luxembourg (70).

Note: The figures presented here exclude regional and local channels and windows. Please also note that HD simulcast of standard definition channels and time-shifted versions of a channel are only counted once. TV channels that target foreign markets are defined as follows: service broadcasts in the target country's main language(s) (e.g. sub-titling/dubbing), service license mentions target country; service is based in target country.

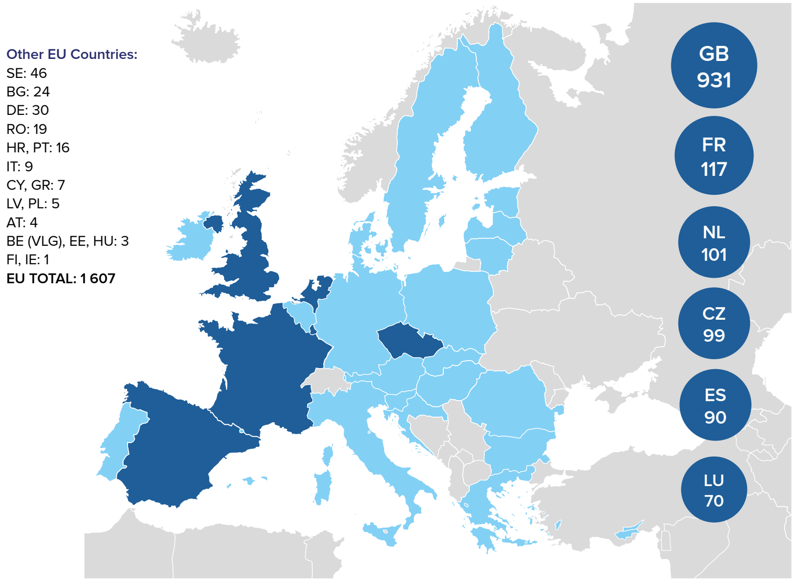
➔ Breakdown by genre of TV channels established in the EU 28 (2016)



Note: "Other" includes the following channel genres: Adult, Home shopping, International linguistic and cultural; Religious; Cultural/educational; Film and TV fiction; Parliamentary/government/administration; and those that could not be identified.

Source: European Audiovisual Observatory / MAVISE database

➔ Number of TV channels established in the EU 28 targeting foreign markets (2016)



Note: Excluding the 46 language versions of the Belgium-based Europe by Satellite TV information service of the European Commission

Source: European Audiovisual Observatory / MAVISE database

3.4 European works in on-demand services: Make 'em pay!

The Audiovisual Media Services (AVMS) Directive introduced in 2007 a graduated regulatory approach with a set of more stringent rules for traditional broadcasting and softer rules for on-demand audiovisual media services considered to be in competition with traditional television in certain specific areas. Thus, Article 13 of the AVMS Directive provides that on-demand audiovisual media services will promote the production of and access to European works. Such promotion could be effected, for example through financial contributions to the production and rights acquisition of European works or by ensuring a share and/or prominence of European works in the catalogue of programmes[1].

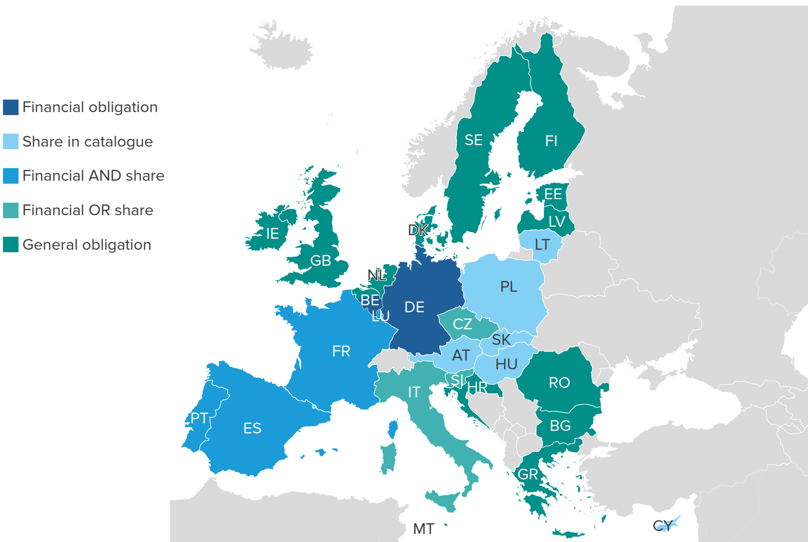
Due to the high degree of flexibility granted by the Directive, member states have taken highly diverse approaches, ranging from very extensive and detailed obligations to promote European works in their national legislation, including financial obligations and/or minimum shares in catalogues, to more general ones. Certain countries have even introduced obligations that go beyond the rules of Article 13 AVMSD, notably the obligation of on-demand AVMS to contribute to support funds (e.g. Germany and France). Different tools have also been implemented to give prominence to European works in on-demand catalogues which range from the identification of the country of origin of works in catalogues, to the creation of specific search tools for European works or special highlights linked to events and festivals on the homepage. However, despite the existence of these tools, the proportion of European films in catalogues is still limited, according to a study carried out in 2016 by the Observatory on catalogues of on-demand TVOD services accessible online (23%, compared to 61% for US films).

Aware of the Directive's shortcomings, on 25 May 2016 the European Commission published a proposal to amend the AVMS Directive. Two fundamental issues were addressed concerning the promotion of European works by on-demand services: the material scope of the Directive and the so-called "country-of-origin" principle. The material scope of the AVMS Directive is crucial in order to establish which audiovisual service providers will be subject to the special rules laid down therein, the main question being how to deal with the distribution of audiovisual content on Internet platforms. The "country-of-origin" principle facilitates the EU-wide circulation of broadcasts and online transmissions of audiovisual programmes by imposing on service providers a single set of rules to be respected: those of the EU member state where they were established.

The proposed new rules concerning European works include a strengthening of the current rules for on-demand services, also with regard to targeting countries. A two-tier regulatory approach is maintained between traditional linear services and on-demand audiovisual media services. However, more stringent requirements can be seen for non-linear providers, which will have to comply with new obligations in terms of a minimum share of 20% of European works and prominence obligations in catalogues. Member states may also set out financial contribution obligations related to European production, which may include direct investment in content and contributions to national funds. The financial obligations would also concern, if approved, the providers established outside the jurisdiction of the state in question in the case of targeting services.

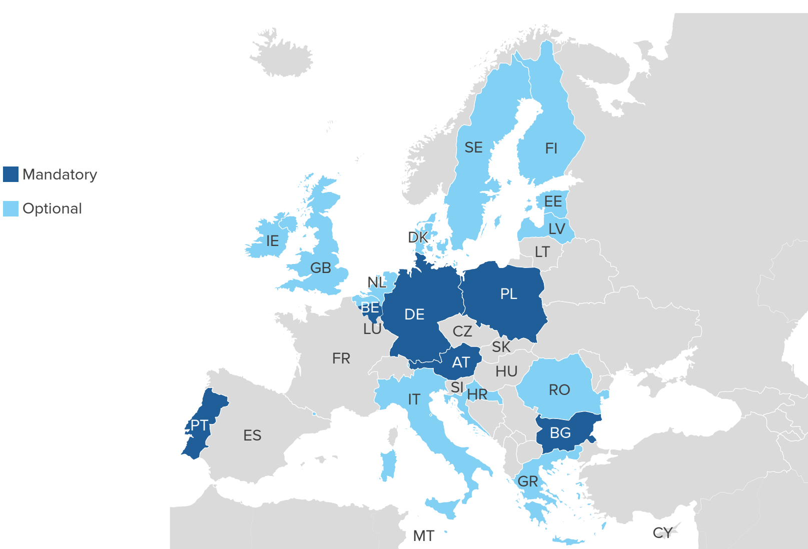
1 For more information on the promotion of European works in on-demand services, see Cabrera Blázquez F.J., Cappello M., Grece C., Valais S., VOD, platforms and OTT: which promotion obligations for European works, IRIS Plus, European Audiovisual Observatory, Strasbourg, 2016.

Map of implementation of obligations for promotion of European works by on-demand audiovisual media services in the EU



Source: European Audiovisual Observatory

Map of implementation of obligations related to prominence of European works in on-demand audiovisual media services in the EU



Source: European Audiovisual Observatory

3.5 Revising the AVMSD: Towards the end of the world wild web?

The European audiovisual market has been facing huge transformations in recent years with the arrival of new players and business models that are re-shaping the overall picture. Over-the-top players and online platforms providing access to aggregate or user-uploaded content (or video-sharing platforms) are offering their services in various forms and are increasingly popular among viewers.

So far, from a regulatory perspective, audiovisual media services, whether linear or non-linear, have been regulated under the Audiovisual Media Services (AVMS) Directive, while services that do not fall under the editorial responsibility of their providers, such as video-sharing platforms, have remained outside the full scope of the obligations set by this Directive. Despite the fact that some of these online platforms are used for purposes similar to those of traditional on-demand audiovisual services, they are assimilated from a regulatory point of view into "Information Society" services, i.e. mere technical intermediaries with neither knowledge of nor control over the information transmitted or stored through their services. As such, they benefit from a special limited liability regime under the e-Commerce Directive[1].

However, these new players may directly influence or control the content on offer and the choice of the consumer; the question is therefore whether a revised audiovisual regulatory framework should extend beyond the current focus on editorially responsible audiovisual media service providers and introduce a new set of rules for certain online platforms in order to secure certain public policy goals. This was one of the conclusions reached by the European Commission, as reflected in the proposal for a Directive amending the AVMS Directive issued in May 2016.

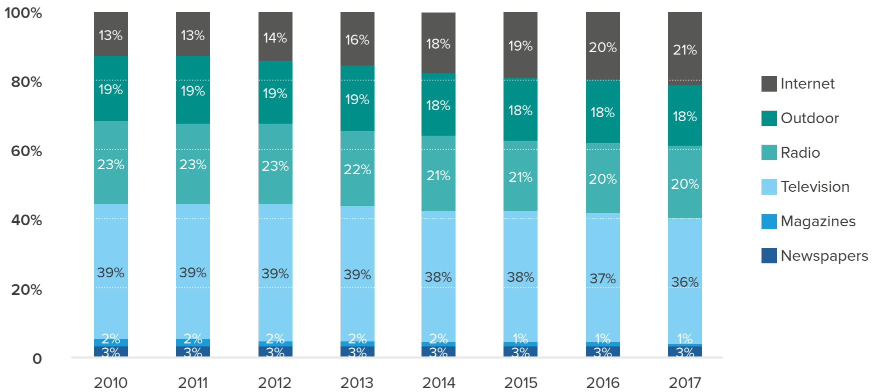
The proposal introduces a legal definition of video-sharing platforms and "user-generated video", as well as a set of new obligations in relation to the content delivered through these platforms. In particular, it stipulates that video-sharing platforms shall take appropriate measures to protect minors from content that may impair their physical, mental or moral development, and the general public from content and audiovisual commercial communications containing incitement to violence or hatred based on sex, racial or ethnic origin, nationality, religion etc. This would involve the application of clear concepts in the terms and conditions of these platforms in relation to such content, as well as an increased empowerement of users, through reporting and flagging mechanisms (including the provision of feedback regarding user requests), age-verification systems, parental control and rating systems. For the purpose of the implementation of these measures, member states would be free to encourage co-regulation initiatives.

As a general rule, social media, such as Facebook or other services, would not be included in the definition of video-sharing platforms, as they do not have as a "principal purpose" the provision of programmes or "user-generated videos to the public". Of course, this may evolve with time and if a particular social media provider meets all the characteristics of a video-sharing platform, they would be covered as such.

As with any Directive, the revised rules, once adopted would need to be implemented in national law. On the basis of the criteria set out in the Directive, national audiovisual regulators would determine which players are covered. The Commission's monitoring of the implementation of the Directive would ensure a consistent approach.

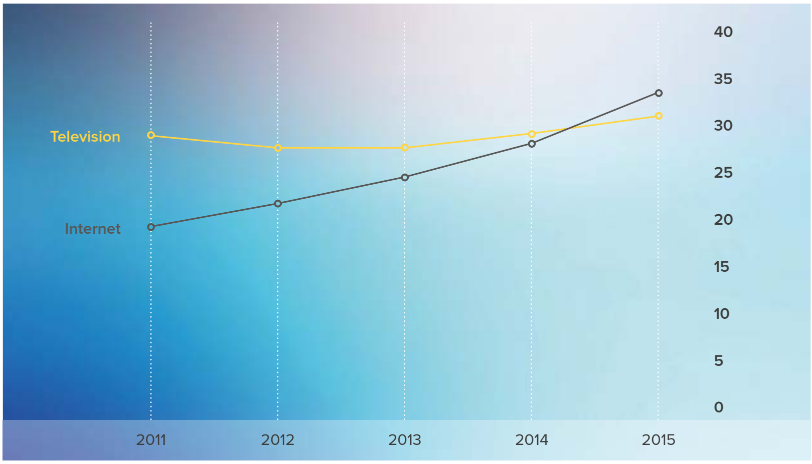
1 For more information on the material scope of the AVMSD, see F.J. Cabrera Blázquez, M. Cappello, G. Fontaine and S. Valais, On-demand services and the material scope of the AVMSD, IRIS Plus, European Audiovisual Observatory, Strasbourg, 2016.

➜ Average media consumption per user, Western Europe, minutes per day, all media (2010-2017)



Source: ZenithOptimedia Media Consumption Forecasts 2015

➜ EU 28 TV and online advertising expenses (2011-2015) *– In EUR billion*



Source: Warc

3.6 On-demand services in Europe: the rise of international services

In the online space, networks effects are at play, first mover advantages exist and size matters, granting economies of scale to international and pan-European players. The past years witnessed the expansion into new territories of players of an international dimension, and this for each business segment in the on-demand audiovisual services market.

Free-on-demand and sharing platforms: a market dominated by two players?

The Observatory estimates that 16 significant sharing platforms for videos and 19 free-on-demand (FOD) services are available on a pan-European level. On average, Europeans have access to 36 FOD services and 16 sharing platforms in their home countries. In the advertising-financed on-demand market, encompassing FOD and sharing platforms, Google's YouTube is the clear leader, according to comScore data, with a developed ecosystem of digital creators and influencers competing for eyeballs and advertising revenues. YouTube is challenged only by Facebook, as viewers watch increasingly short videos posted on the social network, which is increasingly taking the form of a media platform. Estimations in the US suggest that for each new dollar spent on digital advertising in the first quarter of 2016, YouTube and Facebook took 85 cents, leaving a meagre 15 cents for all other players; in other words, YouTube and Facebook took 85% of digital ad growth. The new kid on the block in this ecosystem appears to be Snapchat, the instant messaging platform on which users' appetite for video content is exploding, and which enjoys popularity with younger audiences.

Over-the-top pay-VOD ecosystem: SVOD services emerge as the clear winner

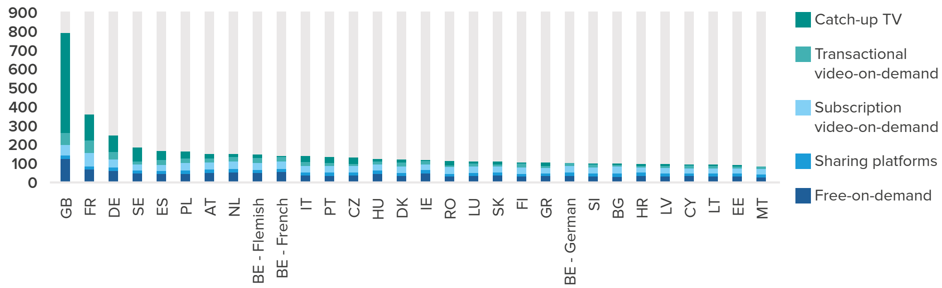
For paid video-on-demand (VOD) services, the business model that most tests consumer preferences is subscription-video-on-demand (SVOD). SVOD services can be generalist (à la Netflix, offering mainstream TV shows and films), niche (focusing on a specific type/category of content, such as documentary, horror, etc.) or based on a direct-to-consumer model from rights holders such as DisneyLife – a trend that emerged in 2015-2016. This expansion of possibilities for reaching different audiences for SVOD services has led to an increase in the number of service launches by national, pan-European and international players. As a result, Europeans can subscribe to an average of 35 SVOD services in their countries. According to estimated over-the-top (OTT) subscriber figures for SVOD services, Netflix emerges as the winner on the European SVOD market, competing with one or two national or pan-European SVOD services in most of the national markets.

Transactional VOD services (such as Apple's iTunes), allowing for the purchase or rental of films and TV content, have lost their momentum, be it in yearly growth of revenues or launches of new services. Transactional video-on-demand (TVOD) services are replacing the video store for rentals and DVD/Blu-ray retailers for purchases; however, consumers appear to be more willing to spend their money on monthly subscriptions to access video content. As a result, TVOD services have the lowest average for country availability, with 21 TVOD services on average per EU country.

Catch-up TV services becoming mainstream

Time-shifted TV viewing, mainly through catch-up services such as the BBC iPlayer, is becoming mainstream. EU citizens are increasingly expecting to be able to watch their TV programmes on their own schedule, and this is reflected by the high number of channels offering catch-up viewing.

➜ EU - On-demand audiovisual services available by country and by business model (2015)
– In number of services



Source: MAVISE, European Audiovisual Observatory, December 2016

➜ Main OTT SVOD groups by estimated number of subscribers (2016) *– In units*

COUNTRY	MAIN OTT SVOD PLAYERS
AT	Netflix (276 350) , Amazon (182 520)
BE	Netflix (468 820)
BG	Voyo (30 480), Netflix (29 590)
CY	Netflix (7 210)
CZ	Netflix (92 860), Voyo (38 940)
DE	Amazon (5 166 600), Netflix (2 401 780), Maxdome (975 750), Sky Online (536 940)
DK	Netflix (725 480), TV2 Play (306 170), HBO (172 000), Viaplay (170 350)
EE	Netflix (9 870)
ES	Netflix (922 837), Yomvi (714 133), WuakiTV (505 105), Total Channel (153 000)
FI	Netflix (609 294), HBO (91 500) Viaplay (12 115)
FR	Netflix (1 978 838), CanalPlay (568 500)
GB	Netflix (5 976 490), Amazon (2 283 889), NowTV (1 059 067), DisneyLife (409 500)
GR	Netflix (88 389)
HR	Netflix (22 490), Voyo (12 030)
HU	Netflix (66 584)
IE	Netflix (213 613)
IT	Netflix (1 253 321), TIM Vision (745 941), Mediaset (387 000)
LT	Netflix (25 796)
LU	Netflix (32 249)
LV	n.a.
MT	Netflix (4 578)
NL	Netflix (1 362 582)
PL	IPLA (462 843), VOD.pl (366 594), Player.pl (253 039), Netflix (203 518)
PT	Netflix (205 352)
RO	Voyo (294 297), Netflix (96 926)
SE	Netflix (1 053 366), C More (359 870), TV4 Play (312 441), HBO (269 000), Viaplay (169 829)
SI	Voyo (47 071), Netflix (16 278)
SK	Voyo (42 023), Netflix (35 019)
CH	Netflix (491 610)
MA	icflix (59 017), Netflix (22 952)
NO	Netflix (816 599), HBO (255 500), TV2 Sumo (253 746), Viaplay (110 248)
RU	Netflix (573 141)
TR	Tivbu (1 538 664), Turkcell (614 041), Netflix (188 898)

Source: Ampere Analysis, December 2016.

4 DISTRIBUTION

4.1 Television networks: 80% of TV households are digital

Methodological complexity

Assessing the market share of each of the main television networks – digital terrestrial television (DTT); satellite; cable; IPTV over DSL or fibre – is complex as households often use several networks (e.g. for main and additional TV sets). Reliable figures, to an extent, usually only take into account the main TV set ("primary reception"), and may lead to an underestimation of the actual market share of certain networks, in particular DTT.

Four networks competing for delivery of television

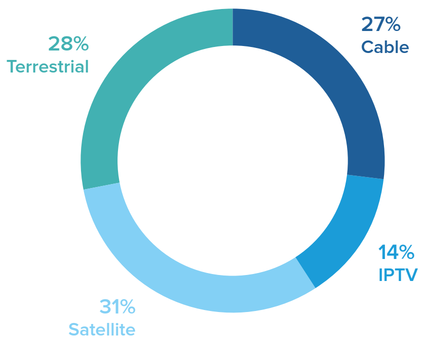
In Europe, satellite is the leading TV reception network with a 31% share of TV households, followed by DTT (28%), cable (27%), and IPTV (14%). But these average figures do not reflect the strong heterogeneity of the television transmission landscape in Europe. Differences in terms of reception modes result from, among other factors: the history of the roll-out of the TV networks; the appetite of consumers for national and foreign channels; and the regulatory framework. Television networks don't, though, only compete in serving television channels; they also cooperate. Hybrid television networks combine two different networks to deliver more efficiently linear television channels or on-demand services: IPTV set-top-boxes may include a DTT tuner allowing access to the most popular TV channels without saturation of the DSL network, thereby freeing more bandwidth for Internet services. Satellite services may similarly use hybrid set-top-boxes connected to the Internet to deliver on-demand services (e.g. catch-up TV services) to their viewers.

Over 80% of European households access digital television

By the end of 2015, 90% of European Union TV households and 81% of European TV households had access to digital television through DTT, digital satellite, digital cable or IPTV. Satellite television has been fully digital for several years; the transition from analogue to digital terrestrial television has been completed in the European Union and will be soon in most other European countries; IPTV, i.e. the distribution of television programming over a DSL or fibre network, is natively digital. For the most part, the full digitisation of television in Europe will therefore depend on the migration from analogue cable to digital cable. As of the end of 2015, the digitisation rate of cable households was 60% in the European Union and 49% in Europe. This comparatively low figure results from the very different structure of cable networks in Europe. In certain countries, cable networks were initially designed, in the 1950s, as a super-'collective antenna' to serve a mix of national and foreign channels. This scheme was specially developed in countries where, for linguistic reasons, consumers had an interest in foreign channels (e.g. Scandinavia, Austria, Belgium, etc.). Marketed at a very low tariff, this first generation of cable networks reached a high level of penetration among households. The local cable networks were (and still are to an extent) managed by a myriad of local companies, sometimes privately, sometimes in partnerships between private small companies and local authorities.

EU 28 +AL, CH, IS, ME, MK, NO, RU, TR

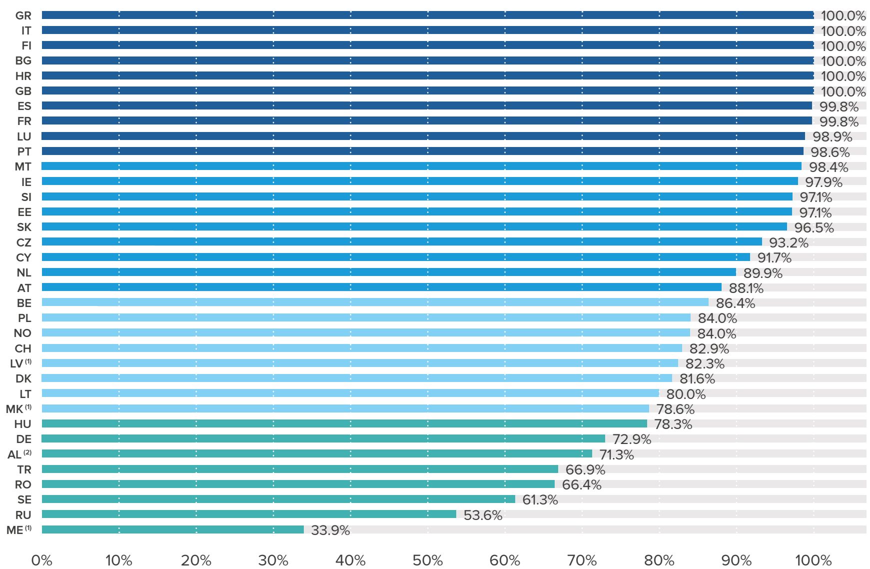
➔ Market shares of television networks for primary TV sets in Europe (2015)



Europe: EU 28 +AL, CH, IS, ME, MK, NO, RU, TR

Source: European Audiovisual Observatory analysis of Ampere Analysis data

➔ Share of TV households accessing digital television (end 2015)



(1) End 2014 (2) End 2013

Source: European Audiovisual Observatory analysis of Ampere Analysis data

4.2 Distribution of OTT video on the rise

Video increasingly consumed OTT: video traffic projected to represent 80% of all Internet traffic in Europe by 2020

Internet traffic is increasing worldwide, and Internet video consumption, referred to as over-the-top (OTT), is the main driver of this growth. Audiences around the world are complementing their traditional audiovisual consumption with online content, and more and more online content is online video for a majority of Internet users. From social networks, video sharing platforms and video-on-demand (VOD) service providers, to newspapers and magazines, and web sites of broadcasters, the majority of players in the media sector are attempting to satisfy the appetite of their audiences with OTT videos. More European Internet users are watching videos and films on-demand or on linear OTT services, Office of Communications (OFCOM) research shows, and the trend is towards OTT video viewing. This can be seen in the projected increase of OTT video as a share of total Internet traffic in Europe. Already representing 63% of European Internet traffic in 2015 according to Cisco, online video is expected to rise to nearly 80% of European Internet traffic by 2020; as a result, Internet traffic is projected to increase threefold within the five-year period leading up to 2020. It is anticipated that by 2020, the equivalent of a million minutes of video content will be exchanged every second on the global Internet; the world is becoming an Internet TV world.

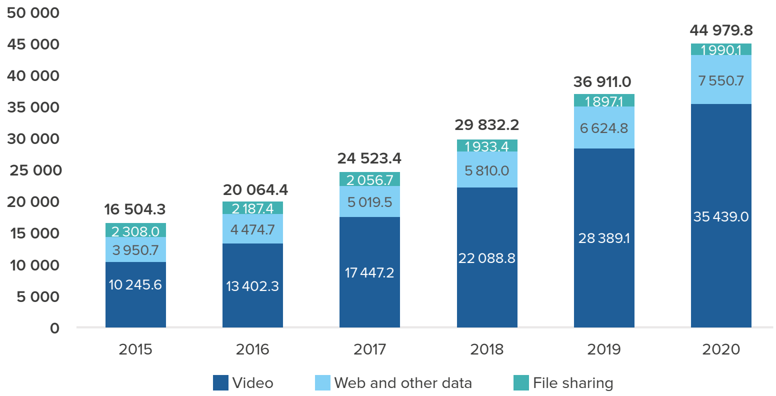
A multitude of screens and devices for OTT video: Screen agnosticism?

With the rise in the consumption of OTT video, on which devices are consumers watching their online content? Figures drawn from Ooyala's Global Video Index Report Q3 2016 indicate that 54% of all online videos watched in Western Europe in 2016 were watched on mobile devices. Audiences are apparently becoming screen-agnostic, meaning they no longer discriminate between screens when watching online video. Mobile broadband speeds, larger mobile screens, media players and connected TVs have rendered video a fluid medium, watched on any screen size. Of course, for long-form content (such as films), viewers still prefer bigger screens like connected TVs; short-form content is more often consumed on smartphones and tablets. However, the trend of watching video anytime, anywhere and on any device has led to a surge in time spent watching content on mobile devices. The proliferation of media players and dongles, and the continued presence in European households of connected TVs, have made watching OTT videos on the TV screen possible for a large share of European households. OTT videos can be, and are, consumed in a multitude of ways and on various screens; this trend is here to stay.

OTT video consumption impacts video preferences: Premium, Niche and Pro-Am content valued by audiences, typical mid-tier content projected to lose audience favour

The shift towards OTT video consumption also entails a shift in content preferences on the audience side. As viewers choose proactively which content to watch and to engage with, premium content (high-end scripted series, feature films and live sports and events) and niche Pro-Am content will thrive in this changing environment. However, traditional mid-tier content of broadcasters, aimed at the lowest common denominator of mass audience, will find it harder to federate a significant audience in this fragmented environment. In an ecosystem where content is abundant and audience attention scarce, content producers and broadcasters have to engage their viewers; this is typically done through premium content or niche content aimed at viewers' specific interests. The players that adapt to this shift in content preference in an online world, will benefit from these evolutions. The others will see their audiences slowly erode.

→ Western Europe and CEE - Monthly Internet traffic (fixed, managed IP, mobile) by application in Petabytes (2015-2020)



Source: Cisco Visual Network Index (VNI) 2015-2020 and Cisco VNI Forecast Widget, June 2016

→ TV/film and video content viewed by Internet users in selected countries in Western Europe, by method, on % of respondents (October 2016)

	DE	ES	FR	GB	IT	SE
Live TV/films on free-to-access channels	72%	73%	76%	60%	66%	67%
Recorded TV/films	41%	44%	43%	51%	46%	32%
Catch-up or on-demand TV/films from free-to-access broadcaster services	40%	42%	40%	61%	39%	34%
Video content from other sites or providers	47%	54%	36%	44%	55%	42%
Live TV/films on paid channels, including subscription channels and pay-per-view	16%	31%	27%	33%	25%	39%
Downloaded, rented or purchased video / films	19%	42%	20%	21%	47%	23%
TV/films on subscription video-on-demand services	25%	21%	16%	35%	23%	34%
TV/films using VOD services through a pay TV provider	15%	10%	14%	33%	23%	8%

Note: France: n=1 008; Germany: n=1 010; Italy: n=1 032; Spain: n=1 016; Sweden: n=1 000; United Kingdom: n=1 000; ages 1+

Source: Office of Communications (OFCOM) – United Kingdom, "International Communications Market Report 2016", 16th December 2016 (as published by eMarketer "UK Still Tops for Catch-up TV Viewing")

5.1 Focus on the Observatory Presidency country: Poland

Satellite is the leading delivery network for television

Television reception is almost fully digitised in Poland: by the end of 2015, 84% of TV households had access to a digital television service. Satellite was the primary form of access on the main television set for 48.2% of households; cable served 34.1% of households, but was not fully digitised: 18.1% of TV households still subscribed to analogue cable. Digital terrestrial television (DTT) served 15.1% of the population, offering a combination of free channels and a pay-package; television over IP (IPTV) only served 2.6% of TV households.

Strong level of TV viewing and high penetration of pay-TV

With 4h23mn per day in 2015, television viewing in Poland is significantly higher than the European Union average (3h42mn) and has increased since 2011. Three main broadcasting groups lead the audience market:

- The public service broadcaster Telewizja Polska (TVP) operates 13 TV channels (including TVP1, the most viewed channel in Poland). TVP scored a daily audience share of over 29.4% in 2015.
- The pay-TV provider and telecom operator Cyfrowy Polsat Group manages Polsat (the 2nd most popular TV channel in terms of audience) and a portfolio of thematic channels, and accounted for 21.6% of the daily audience share.
- The US-based Scripps Networks operates TVN, the 3rd-ranking TV channel in terms of audience, also holds a portfolio of thematic channels, and accounted for 18.6% of the audience in 2015.

In 2015, 82.5% of Polish TV households subscribed to a pay-TV service, primarily through satellite and cable. The main pay-TV providers are Polsat (satellite and DTT), NC+ (Groupe Canal+, satellite), UPC Polska (cable), Vectra (IPTV) Multimedia Polska (IPTV), and Orange (IPTV and satellite).

Over 100 on-demand services

By the end of 2016, there were 107 major on-demand services available in Poland, including 35 pay-TVOD or SVOD services. The main players were the national versions of iTunes, Netflix and HBO, the VOD services of satellite platforms NC+ and Cyfrowy Polsat, and the VOD services of cable or IPTV distributors Multimedia Polska, UPC, Netia and Orange.

Consumer expenses are the primary source of revenues of the audiovisual sector

The Polish audiovisual market experienced a healthy growth of an average of 4.8% per year between 2011 and 2015. Consumer expenses for pay-TV services are the primary source of funding for the audiovisual sector (61% in 2015, stable when compared with 2011).

TV and radio advertising accounted for 34% of total audiovisual revenues in 2015, down from 36% in 2011. TV advertising captured 41.4% of all advertising expenditures, a significantly higher share than the European Union average (31%).

Public funding accounted for only 4% of the sector's total revenues in 2015, up from 3% in 2010. Only 32.3% of the resources of public service broadcaster TVP came from public funding.

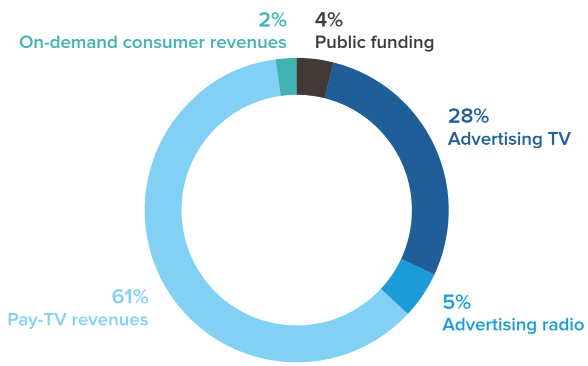
Pay on-demand revenues represented 2% of the audiovisual sector's revenues in 2015.

Growth in admissions to films

A total of 49 feature films were produced in Poland in 2015 (including minority co-productions), of which 39 were 100% national films. Admissions have been growing since 2013 and reached 44.7 million in 2015. Box-office revenues followed the same path, reaching EUR 196.7 million in 2015. The average market share of admissions for national films was 22.4% between 2011 and 2015.

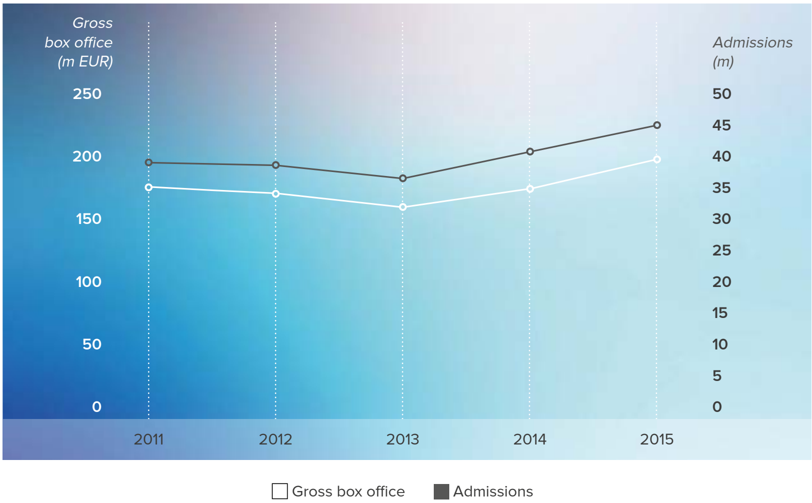
Sources: Ampere Analysis, WARC, EBU/MIS, LUMIERE.

➔ Breakdown of revenues of audiovisual services (2015)



Source: European Audiovisual Observatory from Ampere Analysis, EBU/MIS and Warc data

➔ Admissions and box-office in Poland (2011-2015) *– In millions and EUR million*



Source: European Audiovisual Observatory from Polski Instytut Sztuki Filmowej data

5.2 Back to growth?

Strong growth in 2015

In 2015, the European Union audiovisual market showed obvious signs of recovery, with a healthy 4.6% increase in revenues over 2014. The growth was driven by TV and radio advertising (+5.8%), pay-revenues for television and on-demand services (+5.2%) and cinema box-office revenues (+14.1%). The only segment declining was video (-4%), where the growth of transactional digital video (i.e. the purchase or rental of films and TV programmes) did not compensate for the decrease of physical video revenues (-8.3%). Audiovisual revenues have grown at only 1.9% per year on average between 2011 and 2015, and at only 0.7% in constant euros.

Several factors account for the strong 2015 performance:

- Advertising is recovering from the 2007-2008 economic downturn, even if revenues in 2015 were still lower than in 2007.
- TV advertising is resisting better than other media (e.g. newspapers and magazines) the migration of advertising expenditures towards the Internet.
- The on-going digitisation of cable and the roll-out of television over IP (IPTV) enlarge the services offered to the consumers and therefore drive an increase in revenues per subscriber.
- Subscription video-on-demand (SVOD) appears to be globally enlarging the market for pay-services rather than cannibalising it. In 2015, SVOD accounted for 46% of the increase in consumer spending for pay-services.

Different market structures

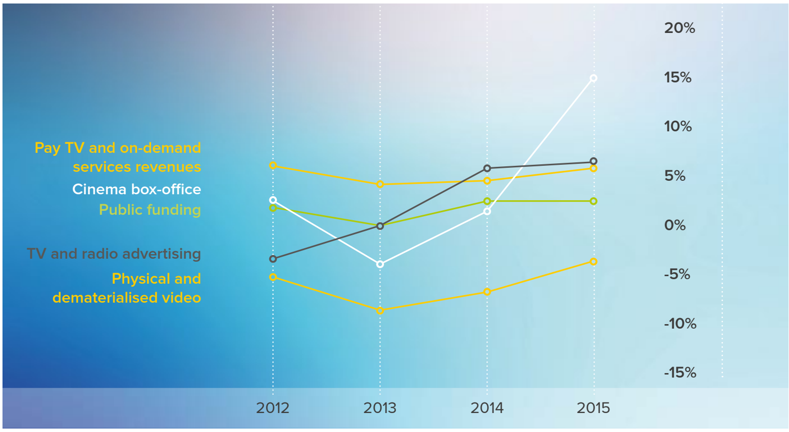
When looking specifically at audiovisual services (excluding radio advertising, cinema and video), strong differences appear between countries with regard to the mix of revenues. On average, pay revenues (including SVOD), TV advertising and public funding represent, respectively, 39%, 33% and 28% of total revenues. Consumer expenses for pay-TV and SVOD are the primary source of revenues in Belgium, Denmark, Estonia, Finland, France, the United Kingdom, Hungary, Ireland, Lithuania, Luxembourg, Latvia, Malta, the Netherlands, Poland, Romania and Sweden. TV advertising leads in Austria, Bulgaria, Cyprus, the Czech Republic, Spain, Greece, Italy, Portugal, Slovenia and the Slovak Republic. And public funding is the main source of funding of the audiovisual services in Germany and Croatia.

Only time will tell

Will the recovery of the audiovisual sector last? On the one hand, the proliferation of TV channels and competition with the Internet may harm TV advertising revenues; the new low-cost subscription on-demand services may put the pay-TV tariffs under pressure; states suffer from budgetary constraints that hamper the funding of public service broadcasters. On the other hand, TV advertising could regain competitiveness, introducing more targeted advertising; and subscription on-demand services could contribute to an expansion of the global pay market.

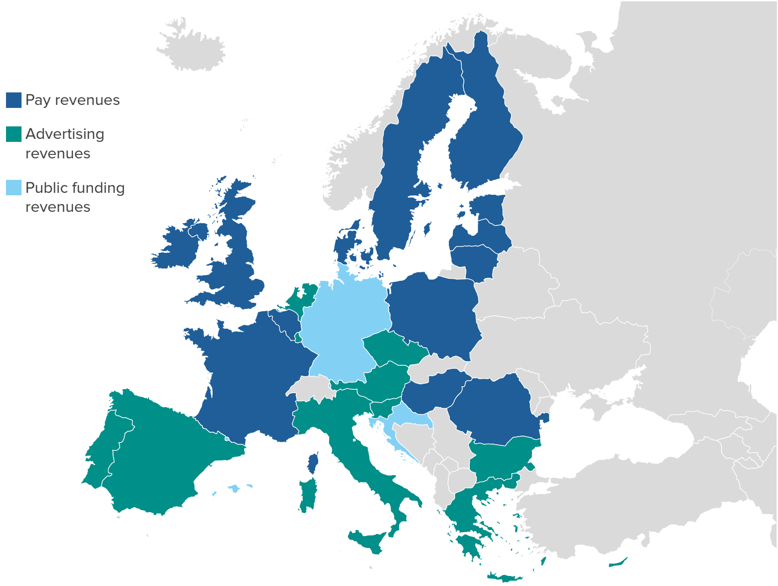
Even if the global market grows again, a key question remains: To which extent will the broadcasters manage to capture the share of resources that will migrate from the linear world, i.e. Internet advertising and on-demand pay revenues?

➔ Compared growth rates of the audiovisual market segments in the European Union (2012-2015) – *In %*



Source: European Audiovisual Observatory from EBU/MIS, WARC, Ampere Analysis, IHS

➔ Main source of funding of audiovisual services in the European Union (2015)



Source: European Audiovisual Observatory from EBU/MIS, WARC, Ampere Analysis, IHS

5.3 Advertising: Television still holds strong

Internet advertising growing at the expense of printed media

In 2015, the Internet became for the first time the leading advertising platform in the European Union with a 34% market share of advertising expenditures, up from 21% in 2011. This impressive growth took place mainly at the expense of advertising in printed newspapers (16% of advertising expenditure in 2015, down from 23% in 2011) or in print magazines (7%, down from 11% in 2011). Other platforms (television; radio; cinemas; outdoor) kept their market shares.

Beyond the averages, the structure of advertising varies strongly between countries. Print remains strong in Austria, Germany, Finland and Luxembourg. The Internet accounts for more than 40% of advertising expenditure in Denmark, the United Kingdom, the Netherlands and Sweden, but for less than 10% in Bulgaria, Cyprus, Romania and Luxembourg. Outdoor advertising expenditure shares vary between 2% in Bulgaria and 12% in Slovakia.

Television remains the leading advertising platform in 17 of the 28 European Union countries, although with notable differences between countries. Schematically, countries with the highest advertising expenditure per capita are also those where television has a lower share of those expenditures. And, conversely, television has captured a high share of advertising in countries with the lower advertising expenditure per capita levels.

Television advertising: Still no full recovery from the 2007-2008 crash

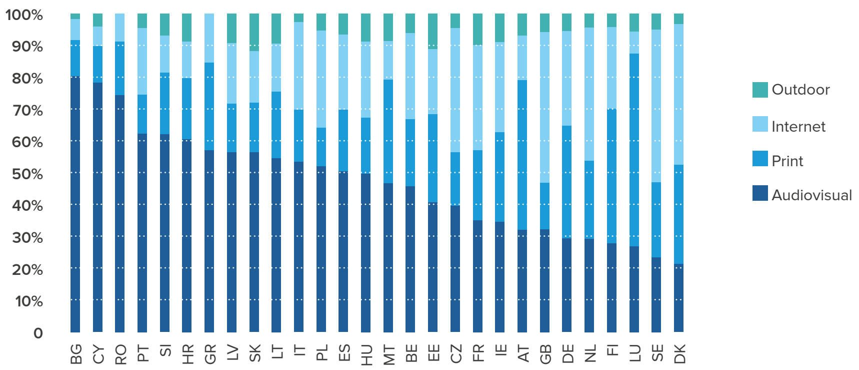
The total advertising television market amounted to EUR 30.8 billion in 2015 in the European Union and to EUR 35.8 billion in Europe (including the European Union, Bosnia and Herzegovina, Switzerland, Georgia, "the former Yugoslav Republic of Macedonia", Norway, Russia and Turkey). Despite a 6% growth in 2015 in the European Union (partly due to the impact of the exchange rate of the British Pound), the revenues were still lower than in 2008, before the economic downturn. The convalescence process is therefore not over, as structural causes continue, probably, to have a greater impact than direct competition with the Internet for advertising: Europe's economy remains weak; television viewing time is no longer growing, and is even decreasing among young viewers; the proliferation of TV channels has led to competition over advertising tariffs and has increased the market power of advertisers.

Keeping TV advertising relevant

The Internet provides a mix of advertising solutions of great appeal to advertisers, through the combination of mass media with large audience reach, and direct marketing with targeted advertising. The relevance of television advertising is challenged by a limited knowledge of customers bases, due to the inheritance of analytics from the analogue world, and to the impossibility of discrimination among targets, with advertising messages sent to all viewers.

Broadcasters and TV distributors have, however, started to implement the logic of Internet 'programmatic advertising' into linear television: advanced set-top-boxes gather more data on viewers and allow for addressable advertising, adapted to a subgroup of customers on the basis of their profiles, using a largely automated process to match audiences and the advertisers' criteria. Big data-intensive, programmatic advertising implies scale, a challenge for broadcasters when competing with the major Internet platforms.

→ Advertising market shares by media in the European Union (2015)

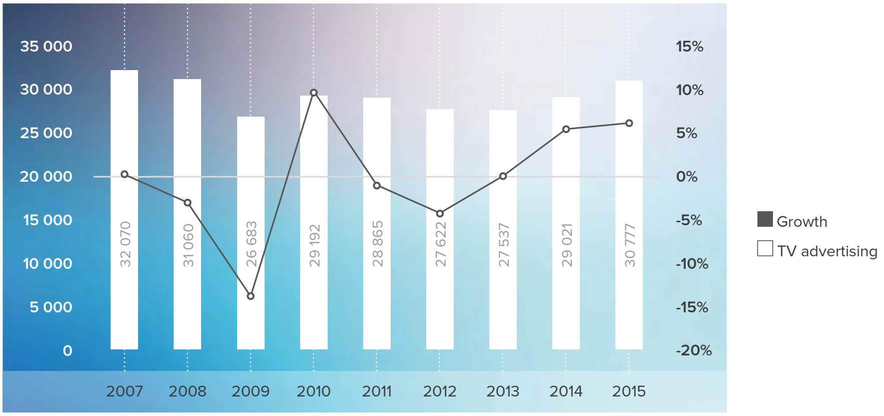


Audiovisual: television + radio + cinema.

Source: European Audiovisual Observatory analysis of WARC data

→ Evolution of the television advertising market in the European Union (2007-2015)

– in EUR million and %



Source: European Audiovisual Observatory analysis of WARC data

5.4 Pay-TV: Growth slowing

New on-demand services, a challenge to legacy pay-TV players

In 2015, the number of pay-TV subscribers increased by 2.7% in Europe[1], compared with 3.6% in 2013 and 3.4% in 2014. Taking only the European Union into account, the number of subscribers increased by 1.9% in 2015. Only five countries saw a decrease in the number of subscribers: Denmark; the Czech Republic; Austria, Slovakia and Sweden. The growth of pay-TV is driven by the digitisation of cable, the introduction of new advanced services, and the competition between cable operators and telecommunications operators. But, on average, the European market remains less developed than in the USA, and tariffs are lower. Therefore, in Europe, the new competition from on-demand services distributed on the Internet may, in the short term, contribute to a further expansion of the market for pay-TV services; however the legacy players will be strongly challenged by the new entrants in terms of access to the new revenue streams generated by on-demand services.

Cable services challenged

Cable networks remained the first distributor of pay-television services in Europe, in 2015, with an approximate market share of 42%, but down from 50% in 2011, probably as a result of the digitisation process and its impact on tariffs. Cable remains significantly analogue in countries such as Russia, Sweden or Lithuania.

Satellite was still on the up in 2015, but at a slower pace, with the highest growth rates in Croatia, Germany and Greece. IPTV surged with an increased roll-out, and was particularly strong in 2015 in Spain, Ireland and Turkey. Digital terrestrial television's market share of pay-TV decreased, as several services stopped their activities in recent years.

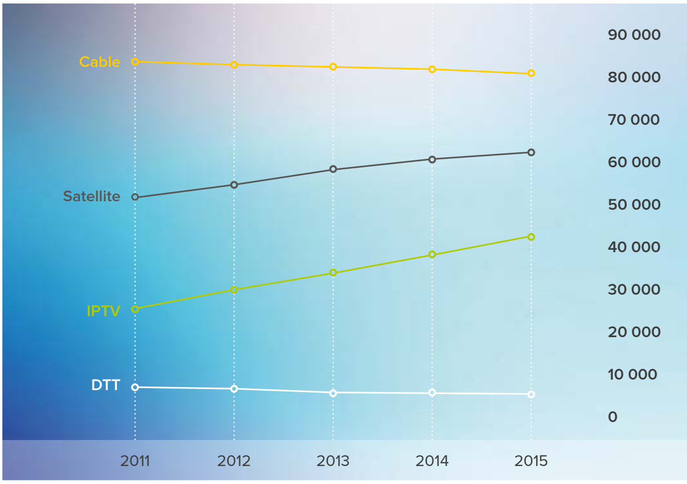
Different models

The pay-TV market in Europe is heterogeneous and has evolved from two different models: broad roll-out of cable, initially used as a low-cost 'collective antenna'; or mainly high-end premium pay-TV serving a limited proportion of consumers. The level of development of free-TV services, including the weight of public service broadcasting, has obviously also impacted the development of the pay-TV market. The monthly average revenue per unit (ARPU) therefore varies significantly, from EUR 2, to nearly EUR 43.

Differences in ARPU also appear between the competing distribution networks. Satellite and digital terrestrial television (DTT) score a relatively similar level of revenue per subscriber, whereas cable or IPTV are much lower due, on the one hand, to the still significant share of analogue cable subscribers and, on the other, the bundling of TV services with Internet access by telecommunications operators.

1 EU28 + AM, CH, MK, NO, RU and TR

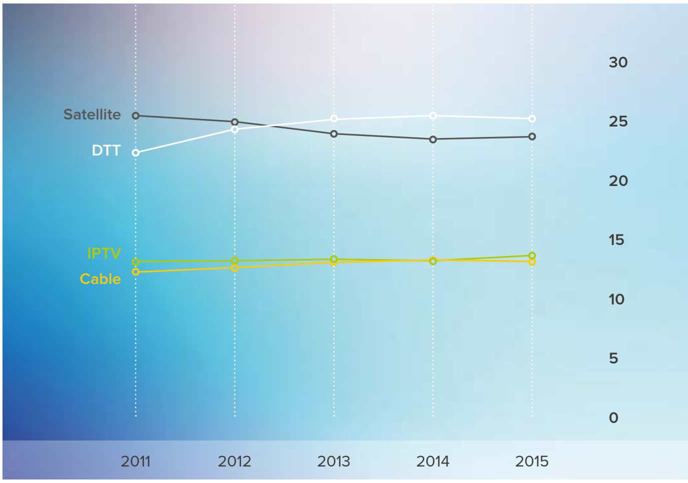
→ Pay-TV subscribers in Europe by network (2011-2015) – *In thousands*



Europe: EU28 + AM, CH, MK, NO, RU and TR.

Source: European Audiovisual Observatory analysis of Ampere Analysis data

→ Monthly average revenue per unit per distribution network in Europe (2011-2015) – *In EUR*



Europe: EU28 + AM, CH, MK, NO, RU and TR.
Not all distribution platforms are available in all countries.

Source: European Audiovisual Observatory analysis of Ampere Analysis data

5.5 On-demand revenues continue to increase, driven by SVOD services

SVOD services: the main growth driver of pay on-demand revenues

Over-the-top (OTT) subscription video-on-demand (SVOD) services, such as Netflix, Sky Now or Amazon Prime Video, are emerging as the winning business model in the pay OTT video landscape. The appeal for consumers of SVOD services lies in access to unlimited consumption of video content, film and TV, for a flat monthly subscription fee. This on-going shift from ownership of content (such as buying a film on DVD or Blu-ray) towards access to content in consumer preferences is one of the bigger changes ushered in by the online on-demand world and can also be seen in the success of music streaming services such as Spotify or Apple Music.

It is therefore no surprise that in 2015, OTT SVOD revenues represented the lion's share of pay on-demand revenues in Europe, with 59% of the EUR 3.2 billion generated through the pay on-demand market, and by far the category of on-demand services growing the fastest. Throughout Europe, consumers spent EUR 1.9 billion on SVOD services in 2015, an increase of 87% compared to 2014. In just five years, the SVOD market gained EUR 1.8 billion in value, passing from EUR 74.6 million in 2011 to EUR 1.9 billion in 2015.

Are we witnessing the emergence of an oligopoly in the European SVOD market?

The year 2016 started with the global expansion of the world leader of SVOD services, Netflix, and ended with the announcement of worldwide availability of its main global competitor, Amazon, and its Amazon Prime Video SVOD service. The services of these two players have become available throughout Europe and may therefore dominate the European and global SVOD market in the years to come, by investing heavily in original content and exclusive licences and taking advantage of economies of scale. European players operating SVOD services will face an uphill battle in the competition for subscribers, as an increasing number of consumers will start to diversify their audiovisual menu by adding SVOD services to their consumption.

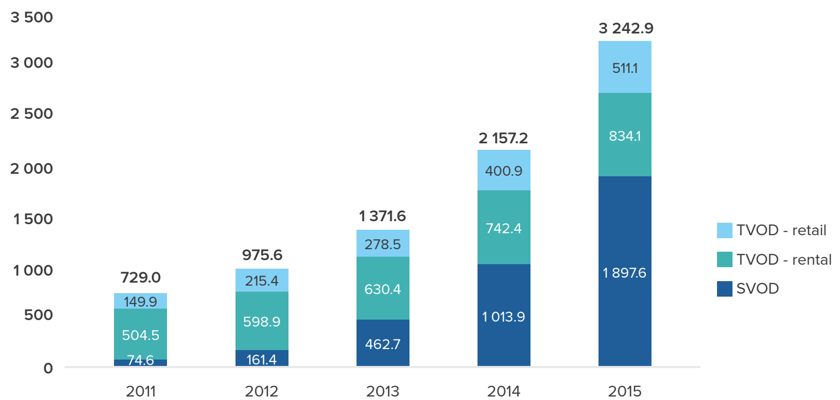
Revenues of rental and retail transactional video-on-demand experience decrease in growth

As consumer preferences shift from ownership of content towards access to content, the share of transactional video-on-demand (TVOD) revenues out of overall on-demand revenues in Europe is declining rapidly. In 2011, transactional VOD revenues (retail and rental) represented, with EUR 654.4 million, 90% of the EUR 729.5 million pay VOD market; in 2015, the share of transactional VOD revenues fell to 41% of the market.

Historically, the transactional VOD market has been the most important in terms of revenues in Europe and was only surpassed in 2015 by SVOD revenues. In 2015, TVOD rentals still represented the majority of TVOD revenues, with 62% (EUR 834.1 million), whereas TVOD retails increased in relative importance, representing 38% of TVOD revenues in 2015 (EUR 511.1 million), up from only 23% in 2011.

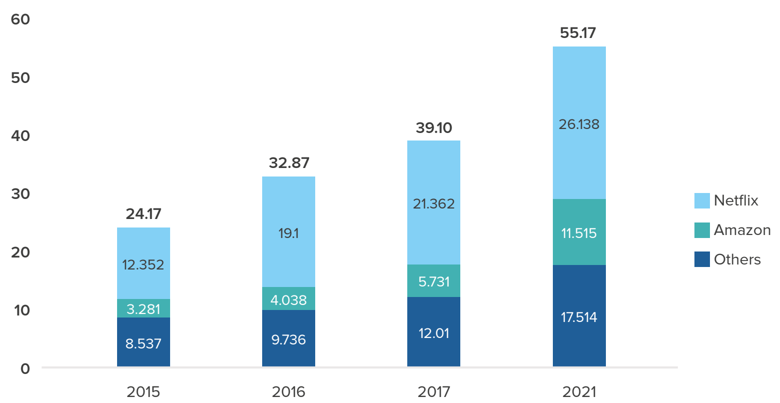
The levelling off of TVOD revenues is being provoked by several possible factors such as abundance of free content in the OTT space, consumers not seeing the added-value in paying the same amount for one film as for an entire month of SVOD streaming (even if films on TVOD are more recent) or consumers becoming disinterested in digital ownership in an OTT space where a huge number of entertainment options can be accessed anytime, anywhere and on any device, often at a lower cost.

→ **Consumer revenues for pay on-demand audiovisual services in Europe (2011-2015)**
– In EUR million



Source: Ampere Analysis

→ **Forecast of Western European SVOD subscribers (2015-2021)** *– In millions of subscribers*



Source: Digital TV Research, Western Europe SVOD Forecasts

5.6 Number of EU screens grows again

After years of stagnation, the number of cinema screens in the EU grew by 1.7%, year on year, to 30 450 in 2015. This can be explained by two factors: sustained growth in most large Eastern European countries over the last five years – Bulgaria (45.6%), Romania (40.7%) and Poland (19.9%); the end of a trend of very low, even negative, growth in several large Western European markets.

A timid upward trend at the European[1] level in recent years sharpened between 2014 and 2015 (2.3% year on year growth, to 38 206 screens), mainly due to a surge in theatrical infrastructure in Turkey (a 26.5% increase from 2011 to 2015) and, most notably, Russia, where the number of screens increased by 48.1% over the same period (4 005 screens in 2015).

The number of cinema sites in the EU grew in 2015 for the first time this decade, by 2.3%, to 9 686 theatres. At the broader European level, growth between the two years came in at 2.1%, up to 12 033 theatres). However, it should not be concluded that cinema sites were up in each European country again, as the hike was very much due to growth in a few large and medium-size markets (Bulgaria, Greece, Italy and Turkey).

The 'mark of Zorro'

The 2011-2015 evolution of screens, digital screens and 3D screens the EU (same as in the US and Japan), respectively forms the letter 'z' when combined in a graph (see the first graph on next page): the upper stroke depicts the flat trend of overall screens; the lowest stroke, rising gradually from left to right, shows the evolution of 3D screens; and the middle stroke, rising rapidly from left to right, describes the growth of digital screens, ascending from a position close to that of 3D screens in 2011 (early 3D-driven digital roll-out) to near-convergence with the overall screens trend by 2015.

Digitisation: Mission accomplished

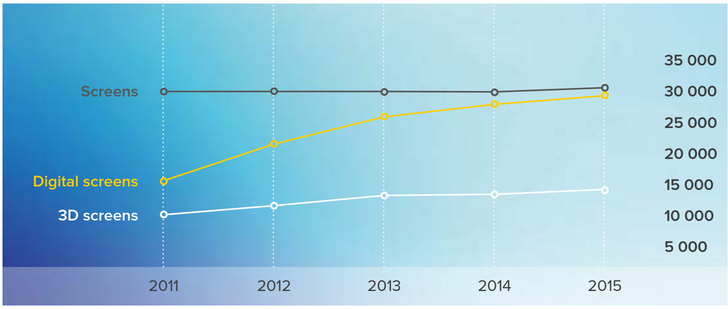
Fourteen of the 34 countries[2] tracked were fully digitised by the end of 2015; another 14 countries showed a digital penetration rate above 85%, leaving only six countries below this threshold, with Czech Republic (55%), Latvia (61%) and Estonia (69%) still having a long way to go to complete the process. By year end 2015, the overall EU digital penetration rate was 96% – 29 210 screens. At the broader European level, digitisation made a great step forward in 2015 (7.5% year on year growth), reaching a 98% penetration rate (36 508 screens).

3D screens up again

3D screens accounted for almost half of the digital screens in the EU, with 14 183 screens, in 2015 (51% at the broader European level, with 18 622 screens). After years of deceleration, the number of 3D screens in Europe surged again in 2015. Moreover, for the first time since the 3D-led early stage of digitisation, the number of new 3D screens (766) was higher in 2015 than that of new non-3D digital screens (481). With most large Eastern European markets fully (or almost fully) digitised, it is mostly in certain Eastern EU countries as well as Russia and Turkey that the digital roll-out is still underway and there is still leeway for 3D screens. The hike in 3D equipment can thus be ascribed to these countries' catching up, rather than an overall trend.

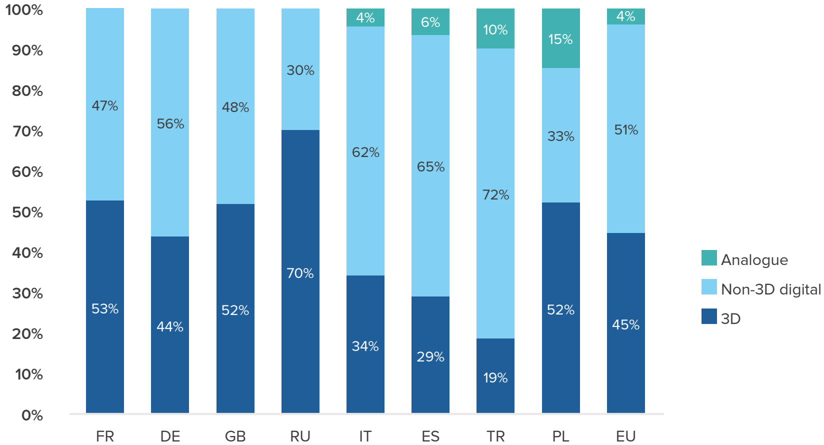
1 EU countries plus Bosnia and Herzegovina, Iceland, Liechtenstein, "the former Yugoslav Republic of Macedonia", Norway, Russia, Switzerland and Turkey.
2 EU countries, plus Iceland, Liechtenstein, Norway, Russia, Switzerland and Turkey.

→ Number of screens, digital screens and 3D screens in the EU (2011-2015)



Source: Media Salles, European national film institutes, European Audiovisual Observatory

→ Share of screens, digital screens and 3D screens by country in the main European markets (2015)



Source: Media Salles, European national film institutes, European Audiovisual Observatory

5.7 Cinema: Market share of European films dropped in 2015

Market share of European films dropped in 2015

After a record high of 33.3% in 2014, the market share of European films [1] in the EU dropped to an estimated 26.5% in 2015. This was at the lower end of the commonly observed spectrum of European films accounting for 26% to 29% of total admissions in the EU.

The exceptionally strong performance of European films in 2014 was caused, *inter alia*, by the runaway success of a couple of European blockbusters, in particular *Lucy* (17.5 mio admissions) and *Qu'est-ce qu'on a fait au Bon Dieu* (15.1 million). The lack of comparatively successful films in 2015 partly explains the decline in cumulative admissions and consequently the drop in market share of European films: the best-performing European film in 2015 – excluding European films produced with incoming US investment (EUR inc) – was French action thriller *Taken 3*, which sold 'only' 8.9 million tickets in the EU, and the German comedy *Fack ju Göhte 2* (8.6 million).

Nevertheless, European films continued to perform well in their home markets, achieving high national market shares, e.g. in France (35.5%), Finland (29.9%), Denmark (29.8%) or Germany (27.5%). Boosted by the success of UK qualifying films such as *Star Wars* or *Spectre*, UK films even captured a record market share of 44.5%, making the UK the EU market with the highest national market share in 2015. UK independent films, as defined by the British Film Institute (BFI) (i.e. excluding films with US studio backing), accounted for only 10.6% however.

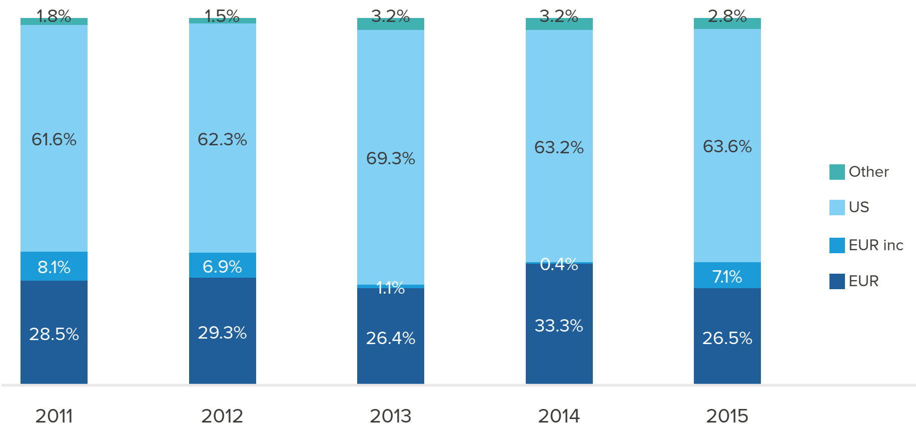
Reflecting the increase in admissions to US blockbusters, the estimated market share for US films increased from 63.1% to 63.6%, while the biggest box office boost came from the renewed strength of UK films produced with incoming US investment (GB inc) whose market share rose from 0.4% to 7.1%, led by the success of *Spectre*, which sold more than 37.7 million tickets in the EU in 2015.

European films lost audiences in both national and non-national markets

In 2015, admissions to European films decreased both in domestic as well as in non-national markets. The Observatory estimates that EU films sold about 174 million tickets in their domestic markets (down from 214 million in 2014) and generated 67 million admissions in non-national EU markets (down from 82 million). National admissions continued to represent the lion's share of admissions to European films, accounting for 72% of cumulative admissions to European films in the EU, compared to 28% for non-national admissions.

1 Films that were majority-financed in a European country excluding so-called "incoming investment" films, i.e. films that are produced in Europe with incoming investment from US studios (EUR inc).

→ **Breakdown of EU admissions by origin of films (2011-2015)** – *Estimated*



Source: European Audiovisual Observatory / LUMIERE, Rentrak

→ **Top 20 European and EUR inc films ranked by admissions in the EU (2015)**
Estimated admissions for calendar year, in millions; 'EUR inc films' refers to films produced in Europe with incoming investment from US studios.

Rank	Original title	Prod. Year	Country of origin	Director	Total admissions in the EU 2015
1	Spectre	2015	GB inc / US	Sam Mendes	**37 714 726**
2	Taken 3	2014	FR	Olivier Megaton	**8 871 899**
3	Fack ju Göhte 2	2015	DE	Bora Dagtekin	**8 640 137**
4	Kingsman: The Secret…	2014	GB inc / US	Matthew Vaughn	**7 299 202**
5	Honig im Kopf	2014	DE	T. Schweiger, L. Gmehling	**6 549 967**
6	Shaun the Sheep Movie	2015	GB	M. Burton, R. Starzak	**6 536 579**
7	The Theory of Everything	2014	GB inc / US	James Marsh	**6 500 340**
8	Ocho apellidos catalanes	2015	ES	Emilio Martínez Lázaro	**5 134 311**
9	Paddington	2014	GB / FR	Paul King	**4 770 913**
10	Les nouvelles aventures…	2015	FR / BE	Arthur Benzaquen	**4 377 528**
11	Les profs 2	2015	FR	P-F. Martin-Laval	**3 494 230**
12	The Little Prince	2015	FR / IT	Mark Osborne	**3 439 101**
13	The Second Best Exotic…	2015	GB inc / US	John Madden	**3 157 413**
14	Papa ou maman	2015	FR / BE	Martin Bourboulon	**3 038 717**
15	Legend	2015	GB inc / US / FR	Brian Helgeland	**2 944 548**
16	Listy do M. 2	2015	PL	Maciej Dejczer	**2 874 420**
17	Er ist wieder da	2015	DE	David Wnendt	**2 712 179**
18	Pourquoi j'ai pas mangé…	2015	FR / IT / BE / CN	Jamel Debbouze	**2 478 630**
19	Qu'est-ce qu'on a fait au…	2014	FR	Philippe de Chauveron	**2 416 048**
20	Babysitting 2	2015	FR	N. Benamou, P. Lacheau	**2 398 519**

Source: European Audiovisual Observatory / LUMIERE

5.8 Cinema: EU box office hit record high in 2015

Gross box-office record broken in the EU in 2015

The Observatory estimates that cumulative gross box-office (GBO) takings in the 28 EU member states rocketed to around EUR 7.2 billion in 2015. This was 14% higher than in 2014 and represented – not adjusted for inflation – the highest level on record. GBO growth was driven both by an increase in admissions as well as rising ticket prices: the estimated pan-European average ticket price – measured in euros – increased from EUR 6.9 to around EUR 7.4.

It is worth noting that in 2015, GBO – measured in local currencies – increased in all EU markets, with the exception of France, where it decreased marginally by 0.1%. This represented the most homogeneous growth trend across territories observed in the previous 10 years. The growth in cumulative EU GBO was particularly boosted by strong year-on-year performances in the UK, which registered – also thanks to an appreciation of the British pound against the euro – an increase of almost EUR 400 million (+30%), and in Germany (+EUR 187 million, +19%).

EU cinema attendance hit second major peak of the decade in 2015

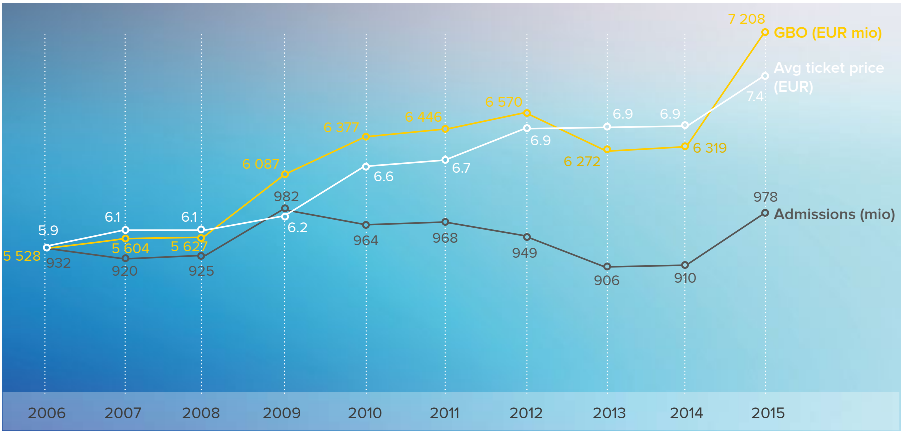
The Observatory estimates that total admissions in the European Union increased in 2015 by 7.5% to 978 million tickets sold, 68 million more than in 2014. This was the second-highest level registered in the EU over the previous 10 years. Only in 2009 – boosted by *Avatar* and the novelty factor of 3D – did cinemas in the EU sell marginally more tickets. Geographically speaking, the growth in EU cinema attendance was primarily driven by the strong year-on-year performance of Germany (+17.5 million, +14.4%) and the UK (+14.4 million, +9.3%), followed by Italy (+8.7 million, +8.9%), Spain (+8.1 million, +9.3%) and Poland (+4.2 million, +10.5%). Including non-EU European territories, 2015 actually saw the highest admission levels since 2004, with estimated record admissions of over 1.2 billion tickets sold.

Box office growth driven by renewed strength of US studio titles

In contrast to 2014, box-office growth in the EU was driven primarily by the strong performance of a number of US studio titles, which accounted for 18 out of the top 20 performing films in the EU in 2015. The charts were topped by *Star Wars: The Force Awakens* (39.6 million admissions), *Minions* (39.2 million), *Spectre* (37.7 million) and *Jurassic World* (30.3 million). It is interesting to note that all of these four top films sold more than 30 million tickets in the EU in 2015 while not a single film managed to reach this benchmark in 2013 or 2014. As in previous years, the box-office was dominated by sequels / prequels or spin-offs, which accounted for eight out of the top 10 titles.

→ Cinema attendance, GBO and average ticket price in the EU (2006-2015)

Estimated indexed development (base year =2006)



Source: European Audiovisual Observatory

→ Top 20 films ranked by admissions in the European Union (2015)

Estimated admissions for calendar year, in millions

Rank	Original title	Prod. Year	Country of origin	Director	Total admissions in the EU 2015
1	Star Wars: Episode VII...	2015	US	J.J. Abrams	39 626 014
2	Minions	2015	US	K. Balda, P. Coffin	39 200 994
3	Spectre	2015	GB inc / US	Sam Mendes	37 714 726
4	Jurassic World	2015	US / CN	Colin Trevorrow	30 302 097
5	Fifty Shades of Grey	2015	US	S. Taylor-Johnson	27 103 917
6	Inside Out	2015	US	Pete Docter,...	26 751 449
7	Furious Seven	2015	US / JP / CN	James Wan	26 734 625
8	Avengers: Age of Ultron	2015	US	Joss Whedon	22 254 965
9	The Hunger Games: Part 2	2015	US / DE	Francis Lawrence	16 960 595
10	Hotel Transylvania 2	2015	US	G. Tartakovsky	14 939 254
11	The Martian	2015	US / GB	Ridley Scott	13 601 265
12	American Sniper	2014	US	Clint Eastwood	12 449 178
13	Mission: Impossible...	2015	US / CN / HK	C. McQuarrie	11 999 934
14	Cinderella	2015	US / GB	Kenneth Branagh	11 588 328
15	Big Hero 6	2014	US	D. Hall, C. Williams	9 618 719
16	Home	2015	US	Tim Johnson	9 440 253
17	Taken 3	2014	FR	Olivier Megaton	8 871 899
18	Mad Max: Fury Road	2015	AU inc / US	George Miller	8 732 394
19	Fack ju Göhte 2	2015	DE	Bora Dagtekin	8 640 137
20	The Good Dinosaur	2015	US	Peter Sohn	8 472 496

Source: European Audiovisual Observatory / LUMIERE

5.9 Home video: Blu-ray stable, DVD plummets

Blu-ray penetration slightly up

While the median DVD penetration rate in the EU [1] was still much higher in 2015 than the equivalent for Blu-ray – 65.9% compared to 24.3% – the number of households with a Blu-ray disc player continued to grow in most EU countries and across the EU as a whole (by 3.8% year on year, up to 45.1 million households in 2015). In turn, the number of EU households with a DVD player decreased by 5.2% year on year, down to 137 million households in 2015.

All quiet on the pricing front

DVD retail prices remained stable from 2011-2015 (at an average of EUR 9.4 per DVD in Europe[2] in 2015) with just a few countries showing a notable change in 2015 over 2014 (France, 14.6%; UK, 12.9%; Switzerland, 11.8%; Spain, 11.7%; Belgium, -14.1% and Russia, -25.5%, although in the latter case this was mostly due to currency depreciation against the Euro). In turn, Blu-ray retail prices decreased by 4% over 2014, down to an average of EUR 13.7 per Blu-ray. Both DVD and Blu-ray rental prices were rather flat over this decade, showing just 1% interannual growth in 2015, rising to an average of EUR 2.9 per DVD and EUR 3.2 per Blu-ray, respectively.

Days of DVD rental numbered

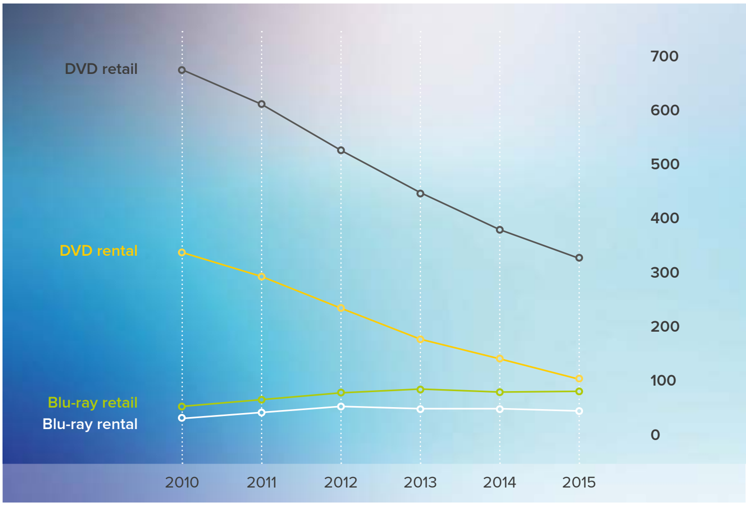
The aggregate number of rental and retail transactions (DVD and Blu-ray combined) decreased by half between 2011 and 2015 in Europe[2] (541.5 million in 2015), mostly due to the dramatic decline of DVD transactions. Most countries experienced an acute, constant drop in DVD sales, with only three – Italy, Czech Republic and Slovakia – showing positive year on year growth in 2015. DVD rentals indicated an even sharper trend, with total transactions in 2015 (100 million in Europe[3]), accounting for around one third of the 2011 level. Moreover, transactions did not increase year on year in 2015 in any country, and in 13 countries the decrease came in at more than 25% (-64% in the Netherlands; -51% in Finland; -50% in Norway; and -44% in the UK).

Blu-ray income consolidates while DVD revenues sink

The aggregate turnover of DVD and Blu-ray rentals and sales in Europe [2] was in constant decline for almost a decade. While Blu-ray revenues kept growing until 2013 (mostly thanks to sales), this was by no means enough to compensate for the DVD market's plummeting at double-digit levels year on year throughout the same period (-11% in 2015, down to EUR 3.85 billion). In fact, Blu-ray revenues appear to have stabilised in 2015 after two years of timid decrease (-1% on 2014, down to EUR 1.33 billion in 2015 in Europe). In both formats, retail has always represented the lion's share of the market, even more so in recent years, with DVD rental turnover sinking to slightly more than one third of its value in Europe in 2011 (EUR 301.7 million in 2015). Although varying in magnitude, these trends are common to the vast majority of countries, with the only remarkable exception of Italy, where revenues from DVD retail (+40%) and Blu-ray retail (+47%) indicated considerable interannual growth in 2015.

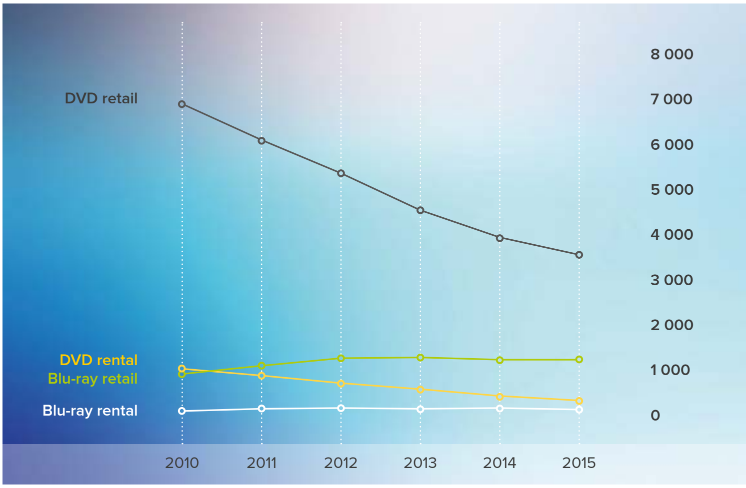
1 In the 19 countries for which data were available: EU28, minus Bulgaria, Cyprus, Luxembourg, Malta, Romania, Slovenia and the three Baltic republics.
2 In the 23 countries for which data were available: 19 EU countries, plus Iceland, Norway, Russia and Switzerland.
3 In the 22 countries for which data were available: 19 EU countries, plus Iceland, Norway and Switzerland.

➜ Transactions in Europe by market sector (2010-2015) – *In million*



Source: IHS

➜ Turnover in Europe by market sector (2010-2015) – *In EUR million*



Source: IHS

6.1 Audiovisual groups: Integrated US players lead the pack

Top groups growing faster than the market

In 2015, eight out of the top 10, and 29 out of the top 50, major world audiovisual groups[1] were US-based. US groups accounted for 72% of cumulated top 50 revenues, vs. 63% increase in 2011 due to a continuing consolidation trend. This consolidation process has fuelled the growth rate for the top 50 players' cumulated revenues that is much higher than the growth rate of the overall market itself: 13%, on average, between 2011 and 2015. Within the top 50, the revenues of the top 10 companies represented, in 2015, 59% of the revenues of the top 50 companies, up from 50% in 2011. Further consolidation lies ahead, with the takeover of cable operator Time Warner Cable by Charterhouse and the projected acquisition of Time Warner by AT&T.

Content does matter, as groups controlling one of the six major Hollywood studios (Universal; Disney; 20th Century Fox; Warner Bros.; Columbia; Paramount) all rank within the top 12 worldwide audiovisual companies and represent together 37% of the top 50 global audiovisual companies' revenues. But the major content producers are increasingly integrated in larger groups (Comcast/Universal; AT&T/Time Warner; Sony/Columbia) whose main activities are either the operation of networks or the manufacturing of consumer electronics. This revival of the convergence concept may have been triggered more by the need for new sources of revenues than by vertical integration strategies.

In comparison, new entrants in the television sector – video pure-players such as Netflix (now no. 20 among global audiovisual companies in terms of revenues), and groups diversifying into the video and video games business (e.g. Apple, Microsoft or Google) – still only account for 11% of top 50 revenues.

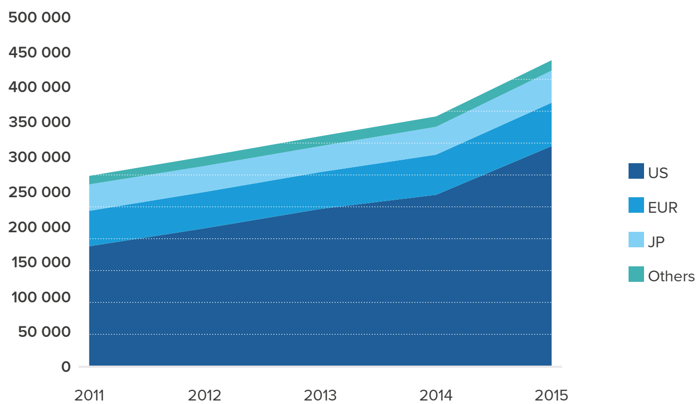
The video game industry is well represented among the major audiovisual groups, with companies simultaneously involved both in the manufacturing of games consoles and the publishing of games (Sony; Microsoft; Nintendo), and with companies involved only in publishing (Activision Blizzard; Electronic Arts) and in mobile app-stores (Apple).

10 European groups in top 50

Ten European companies made it, in 2015, into the world's top 50 audiovisual companies: six were private (Sky[2] and ITV [both based in the United Kingdom]; Vivendi [based in France]; the RTL Group [based in Luxembourg]; ProSiebenSat1 [based in Germany]; and Mediaset [based in Italy]). Four were public service broadcasters: ARD (Germany); the BBC (United Kingdom); France Télévisions (France); and Rai (Italy). Whereas in the US the leading audiovisual companies tend to be diversified groups (e.g. Comcast is both the leading cable operator and the owner of Hollywood studio Universal; Twenty First Century Fox is an integrated production and television group, active both in commercial and pay-TV), the major European players tend to an extent to remain focused on their initial line of business: free-to-air TV; pay-TV; pay-TV distribution. Also, consolidation has not taken place in Europe to the same extent as in other markets, with the notable exception of the full takeover of Sky Italia and Sky Deutschland by Sky.

1 Includes television, music and video games
2 Sky is considered here as European, as US-based 21st Fox owned in 2015 less than 50% of the stakes (approximately 39%)

→ Breakdown of revenues of the worldwide top 50 audiovisual players by region of origin (2011-2015) *– In EUR*



Includes television, music and video games.
Revenues of US and UK groups have benefited from the evolution of exchange rates of USD and GBP vs. EUR.

Source: European Audiovisual Observatory analysis of EBU/MIS data and annual reports

→ European groups in the global top 50 groups by audiovisual revenues (2011-2015) *– In million EUR*

Top 50 rank	Company	Country	2011	2012	2013	2014	2015
9	Sky	GB	8 072.9	8 779.5	9 143.8	13 119.2	15 833.8
13	Vivendi	FR	9 083.2	9 602.6	10 255.7	10 105.0	10 762.0
17	ARD	DE	6 374.5	6 353.3	6 426.8	6 941.7	6 780.8
18	BBC	GB	5 860.8	6 292.4	5 965.2	5 960.8	6 650.2
21	RTL Group	LU	5 771.5	6 001.4	5 824.0	5 808.0	6 029.0
30	ITV plc.	GB	2 466.3	2 559.0	2 852.7	3 216.4	4 092.2
33	Gruppo Mediaset	IT	4 250.2	3 720.7	3 414.7	3 414.4	3 524.8
35	France Télévisions	FR	3 251.1	3 313.9	3 159.9	3 157.3	3 139.3
36	ProSiebenSat.1 Media AG	DE	2 756.0	2 969.0	2 605.3	2 875.6	3 260.7
46	RAI	IT	2 825.0	2 625.0	2 562.0	2 594.8	2 493.1

Includes television. music and video games.
Revenues of US and UK groups have benefited from the evolution of exchange rates of USD and GBP vs. EUR.

Source: European Audiovisual Observatory analysis of EBU/MIS data and annual reports

6.2 Public broadcasters: Pressure on revenues

Pressure on public broadcasters revenues

The level of revenues of public service broadcasters (PSBs) varies strongly between countries, not only in absolute terms, but also per household: Revenues per inhabitant in Switzerland were EUR 182.7 in 2015, compared to EUR 8.6 for Lithuania.

PSBs revenues decreased on average by 0.2% per year in the European Union between 2011 and 2015[1]. Excluding Germany, whose television public service is by far the most well-funded in Europe, and where a new licence fee scheme boosted the revenues of the public broadcasters – the decrease was as significant as 0.7% per year. Portugal, Spain and Italy experienced the strongest declines.

Both pressure on public funding and the advertising crisis can explain this downward trend, as PSBs generally rely on these two resources, although in different proportions: on average in the European Union, public funding accounts for 77.1% of PSB resources (up from 75.8% in 2011) but this share varies between more than 95% in Finland, Greece, or Sweden and less than 50% in Poland or Malta.

Different trends in viewing shares

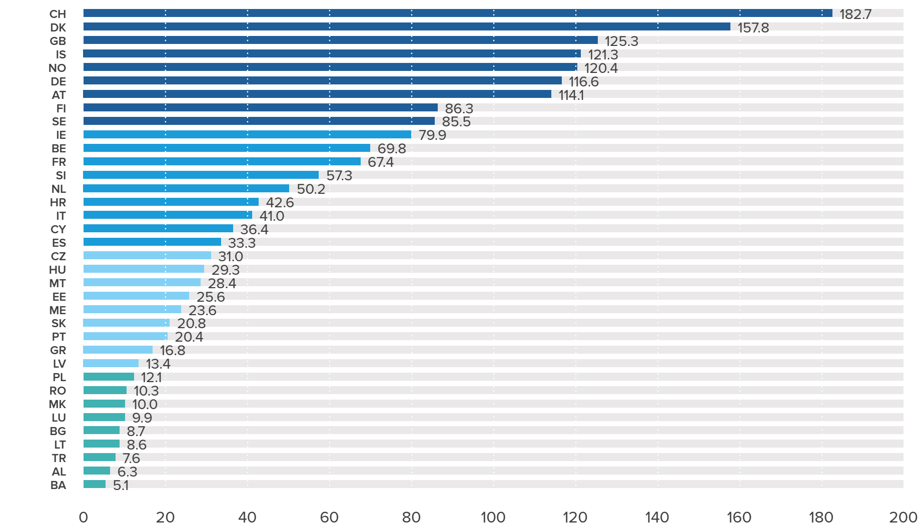
The differences in level of funding are one of the key factors explaining why European countries' national PSB audience shares range from less than 10% to more than 60%. Whatever their audience shares, PSBs, just like their commercial competitors, are facing an increasing fragmentation of the audience, due to the multiplication of digital television channels. Most of them have reacted by expanding their portfolio of channels. However, their audience share has generally been decreasing since 2010, with notable exceptions: Denmark; Hungary; Germany; Estonia; the Czech Republic; Sweden; and French-speaking Belgium.

Challenges ahead for access to key programming?

The pressure on PSB revenues comes at a time when investing in the online distribution of programmes is becoming mandatory for broadcasters as they seek to address the new consumption patterns, in particular of young viewers. The concentration of private broadcasters is another challenge, as it may hinder the competitiveness of PSBs in the advertising market. Initial signs of cross-border consolidation may also give the private broadcasters the scale to compete with the Internet giants, although PSBs remain essentially national, despite cooperation in the field of sports rights purchases. The successful Discovery/Eurosport bid for the European rights of the Olympic Games from 2018 to 2024, previously held by the European Broadcasting Union (EBU) – the organisation of European public broadcasters – is a clear warning sign. And whereas certain PSBs have strong internal production arms (e.g. the BBC), others could be threatened by the ongoing integration process between commercial broadcasters and production companies.

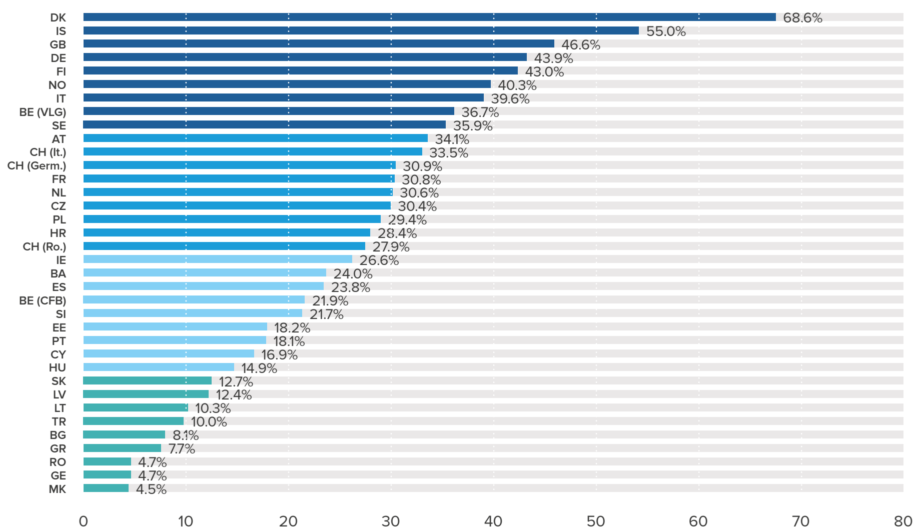
1 After neutralisation of the impact of the evolution of the British Pound vs. the Euro.

→ Revenues per inhabitant of public service broadcasters in Europe (2015) – *In EUR*



Source: European Audiovisual Observatory from EBU/MIS and company reports

→ Audience market share of public service broadcasters in a selection of European countries (2015) – *In %*



Source: European Audiovisual Observatory from Médiamétrie/Eurodata TV

6.3 Audiovisual groups in Europe: More concentration

The analysis of the list of the top 100 groups active in Europe by audiovisual revenues faces several methodological issues. These include, in particular: identifying the exact share of audiovisual revenues of the large telecommunications and cable companies; the split between broadcasting and distribution activities; and, even more complex, the share of audiovisual revenue generated by US groups in Europe. Nonetheless, such analysis still provides useful insights into the structure of the audiovisual industry in Europe.

Revenues of top 100 groups growing faster than the market

With a 4.6% average growth rate between 2011 and 2015, the major European groups grew faster than the market (2.6%), indicating a concentration process. The top 10 groups grew even more (6.8%), due in particular to the merger of Sky in the United Kingdom, Italy and Germany, and to the consolidation process in the cable industry.

Among the top 100 companies, distributors enjoyed more sustained growth (11.6%) than broadcasters (4.0%)[1]. This stems from the fact that the pay-TV market is more dynamic than the free-to-air one, and could indicate the growing role of network operators in the distribution of television, and their ability to capture an increasing part of the added value of the sector. Globally, distributors capture close to 28% of the top 100 groups' revenues, vs. 72% for broadcasters.

Only one 'new player', Netflix, has made its way into the top 100. Based on estimates, Netflix is no. 24 among audiovisual groups active in Europe, in terms of revenues. This positions it higher than legacy US broadcasting companies' subsidiaries such as HBO or the Fox channels.

Public broadcasters account for close to 34% of the revenues of the top 100 audiovisual groups active in Europe. But their revenues (public funding plus additional commercial resources) have increased more slowly since 2011 (1.2% per year on average, factoring in both the positive reform of the licence fee in Germany and the impact of the favourable exchange rate of the British Pound) than their private competitors.

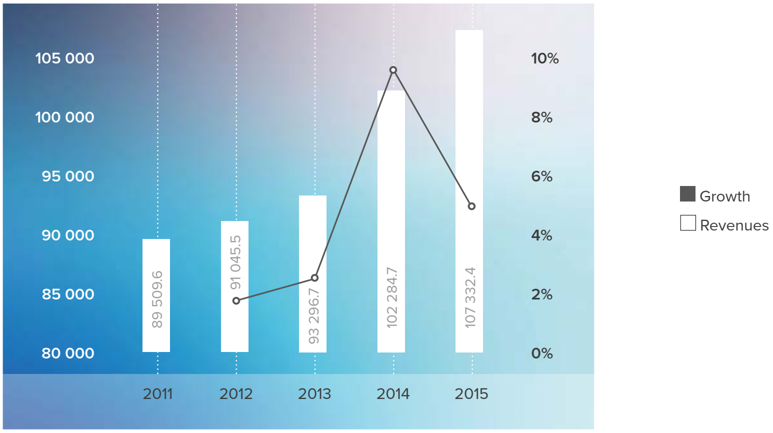
US groups slowly make their way into the top 100

Not surprisingly, the major European TV groups tend to be established in the biggest countries, as they benefit from a large internal market for the development of their activities. Companies based in the United Kingdom, France, Germany, Italy and Spain account for close to 64% of the revenues of the top 100.

US-based groups still accounted, in 2015, for a limited share of the revenues (10%) of the top 100 audiovisual groups active in Europe. But this share was up from 6.6% in 2011, showing that US broadcasters and TV distributors may be increasingly opting for a direct presence in Europe. Many US television channel brands (e.g. Disney; Fox; National Geographic; Discovery; Nickelodeon) are now active across Europe with localised versions. US groups also took steps to acquire major European channels (e.g. Viacom/Channel 5) or TV groups (e.g. Time Warner/CEME).

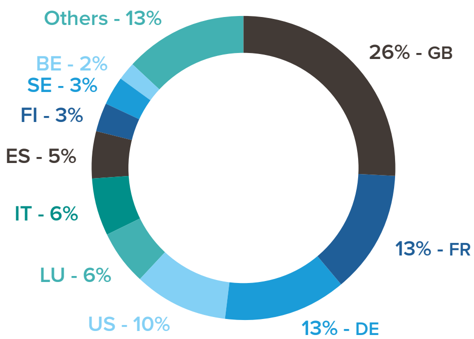
1 Groups such as Sky or Canal+, active both as broadcasters and distributors, are double-counted in each category.

→ Audiovisual revenues of the top 100 audiovisual companies active in Europe (2011-2015)
– In EUR million and %



Source: European Audiovisual Observatory analysis of EBU/MIS, Amadeus, company reports data

→ Breakdown of the revenues of the top 100 audiovisual groups active in Europe by country of origin (2015)



Source: European Audiovisual Observatory analysis of EBU/MIS, Amadeus, company reports data

6.4 The significance of pan-European broadcasters

Pan-European broadcasters: a typology

Recent research from the Observatory identified two different types of broadcaster (according to strategy) as being pan-European: the "multi-country" broadcasters and the "pan-European brand" broadcasters. Here, we look at some of the main players in pan-European television.

Multi-country broadcaster groups: Just four groups are major players in 19 countries

Multi-country broadcasters have a range of channels that play an important role in the national markets where they operate, for example Central European Media Enterprises (CEME); RTL; the Modern Times Group (MTG); and Sanoma. These four are major players in 19 European countries with regard to the audience share for their channels. They have also developed niche channels which may be available via free-to-air or pay-TV. Some are "home-grown" European companies, while others are the subsidiaries of US groups.

The strategic reasons for the development of such groups include: the privatisation of TV in Western Europe and the opening of markets in Eastern and South-Eastern Europe; the possibility of operating on a regional level (Nordic; Baltic; Benelux; Balkan; Eastern Europe, etc.) and taking advantage of linguistic/cultural links between audiences; and potential economies of scale regarding efficiencies in production, content acquisition, rights acquisition and advertising sales. In response to the current challenges linked to changing consumer habits and the revolution in the advertising market, these companies have enhanced online presence, have launched on-demand services (often regional brands), and have bought into TV production companies, and acquired interests in companies in the new advertising environment.

"Pan-European brand channel" broadcasters

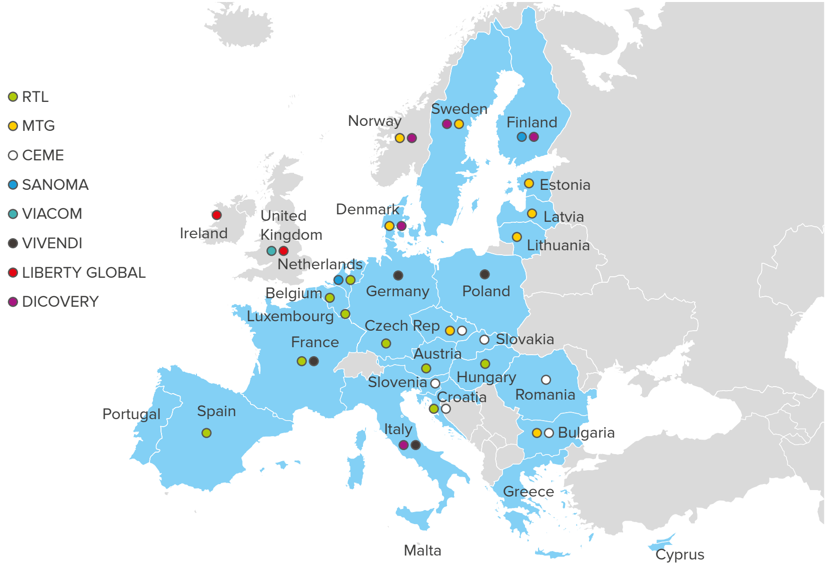
Pan-European broadcasting groups own those well-known niche TV brands that are available throughout Europe (for example AMC Networks; Discovery; Viacom; Time Warner; The Walt Disney Company; NBC International; Scripps Networks International; Sony; and 21st Century Fox) and are most often subsidiaries of the major US media groups. In contrast to the multi-country broadcasting groups, pan-European groups tend to establish themselves in one or two European countries as a hub from which to license their channels for broadcast throughout Europe. Such hubs include the UK, the Czech Republic, the Netherlands, Sweden, Spain and Bulgaria.

Further development opportunities for such groups include the development of cable and satellite distribution services in Europe removing capacity scarcity (from the mid-1980s), and creating demand for new content. The links between these companies and the US players have ensured a supply of desirable content that fills this space. These companies have recently been: developing joint ventures with powerful distribution companies (Sky plc and Viacom in the UK); investing in European production companies; and entering significant content markets such as sports rights (Discovery). Several have also begun to follow the "multi-country group model" regarding free-to-air TV in some countries (for example Discovery in Italy and the Nordic states).

The tables overleaf illustrate the main players and their market coverage. For a full overview of pan-European media groups, see the Observatory report: *Media ownership: Towards pan-European groups?* [1]

1 See www.obs.coe.int/industry/tv

➜ 'Multi-country' broadcasters and their European footprints (2016)



Source: European Audiovisual Observatory / MAVISE database / websites and annual reports of companies

➜ Pan-European brand broadcasters and their establishment hubs in Europe (2016)

Source: European Audiovisual Observatory / MAVISE database / websites and annual reports of companies

6.5 Distribution of audiovisual media services: Towards pan-European groups?

Pan-European distribution groups have emerged due to circumstances including: market liberalisation; easing of regulation of concentration to allow for economies of scale to promote digitisation of networks, which is a costly business; the slow development of free-to-air DTT in several countries, which has opened the way for growth in the pay satellite sector; liberalisation and privatisation of national telecommunications markets; digitisation and convergence, and the development of broadband networks. Recent Observatory research showed that there are 15 major companies with a presence in three or more markets in Europe and serving 68% of pay-TV homes in the EU. This list includes: Altice; Deutsche Telekom AG; Liberty Global Group; M7 Group; Orange (France Telecom); RCS/RDS; Sky plc; Telefonica; Telekom Austria Group; Telenor; TeliaSonera; United Media Group; VIASAT; Vivendi; and Vodafone Group plc. These include cable and satellite operators, and telecommunications operators involved in the IPTV sector (and often also cable and satellite markets).

Consolidation in national markets and move towards pan-European groups

The market for distribution of audiovisual services has seen major consolidation in recent years. At the national level, significant mergers have included: UPC NL (Liberty Global) and Ziggo in the Netherlands (2014); Unitymedia (Liberty Global) and Kabel BW in Germany (2011); Orange España and Jazztel in Spain (2015); and Ziggo (Liberty Global) and Vodafone in the Netherlands (August 2016). Out of a sample of 27 European countries, the two main TV groups gather on average 42% of subscribers, and the three main groups 68%, of the sample's national markets.

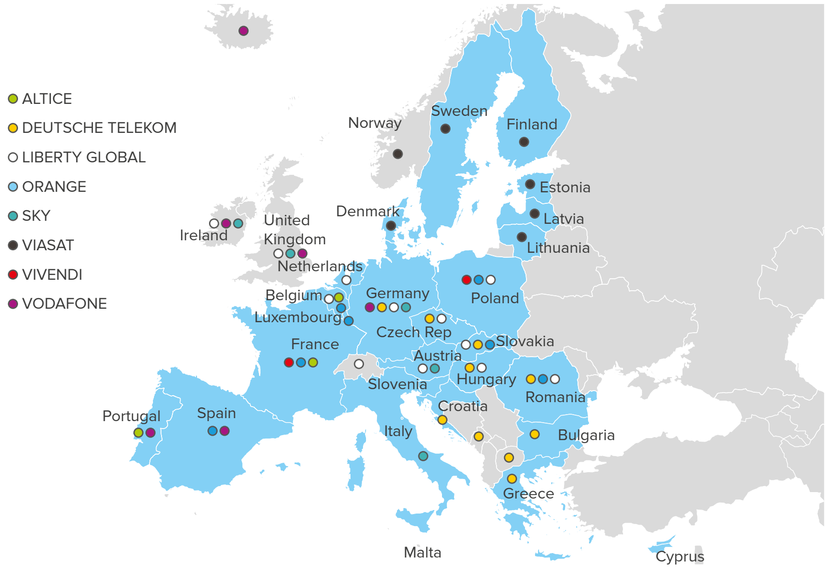
At the European level, players have expanded their geographical scope and acquired major national players: prime examples are the Liberty Global takeover of Unitymedia in Germany (2010) and the Kabel BW (2011) takeover of Virgin Media in the UK (2013). There has also been cross-consolidation between telecommunications and cable companies. The Vodafone takeover of Kabel Deutschland (2013) followed by Spanish operator ONO (2014) is a major example. Also significant was the Numéricable takeover of SFR in France (2014).

These companies can benefit from specific economies of scale: wider geographical spread, implying more subscriber revenues and the possibility of developing infrastructure; the opportunity to create synergies in technology development such as set-top boxes; and the harmonisation of devices and their functionalities, leading to a certain harmonisation of services. The majority of distribution companies are also strongly vertically integrated into the value chain of audiovisual services – they are producing and packaging (TV channels and/or on-demand services) as well as distributing content. Where the companies are vertically integrated and have their own brand channels (or production), they benefit from guaranteed distribution. Vertical integration moves have included: entering into joint ventures with significant content companies; development of 'own channels' with premium content (film and sport); acquiring (or investing in) national broadcasters; extending or buying interests in TV production companies; and developing regional on-demand brands.

For a full overview of pan-European media groups, see the Observatory online report: *Media ownership: Towards pan-European groups?* [1]

1 See www.obs.coe.int/industry/tv

→ Pan-European TV distribution companies and geographical reach



Source: European Audiovisual Observatory / MAVISE database / websites and annual reports of companies

→ Concentration of national TV distribution and pay-TV markets

EUROPEAN MEDIA MARKETS: CONCENTRATION OF THE PAY-TV/ DISTRIBUTION MARKETS (SUBSCRIBER SHARES) IN A SELECTION OF COUNTRIES	
Top distribution group has a market share of:	Top two groups combined have a market share of:
60-70%: GB, IE, IT	**90-100%:** PT, MT, IT, IE, GR
50-60%: CZ, GR, HR, MT, RO, TR	**80-90%:** GB, HR
40-50%: BE, DK, PT, SK	**70-80%:** BE, CY, CZ, RO, TR
30-40%: BG, CY, DE, EE, ES, NL, PL, SE, SI	***60-70%:*** *DK, ES, SI, SK*
20-30%: AT, FI, FR, HU, LT	***50-60%:*** *BG, DE, EE, FI, HU, NL, PL, SE*

Source: European Audiovisual Observatory based on analysis of data from Ampere Analysis on subscriber shares

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Database on television and audiovisual services and companies in Europe
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European Audiovisual Observatory

76 Allée de la Robertsau 67000 Strasbourg - France
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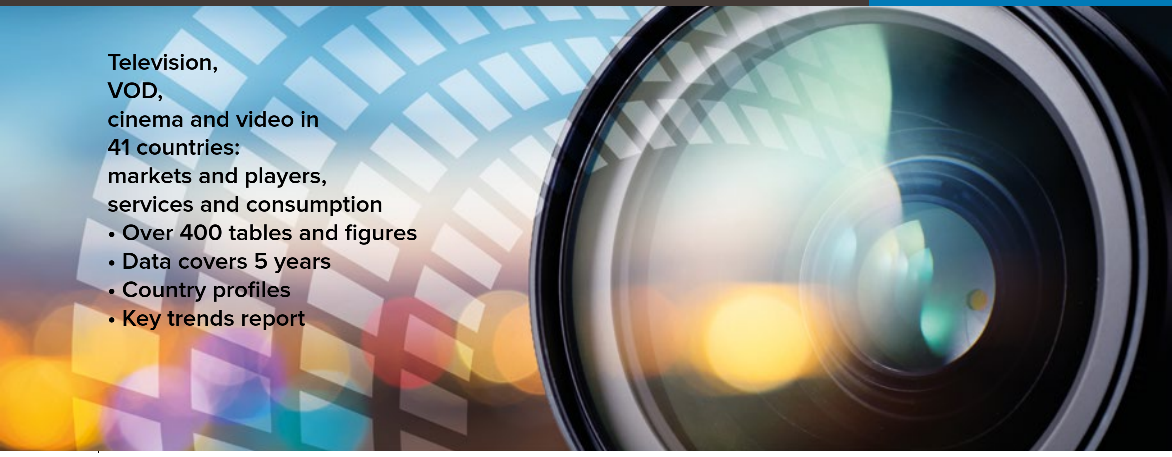

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The profiles provide analysis of: the principal characteristics of the national television market - household equipment - breakdown of adspend - main national players - funding of the public audiovisual media - number of audiovisual services - market trends - audiences - catch-up TV and video-on-demand - cinema market - domestic video market.

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www.yearbook.obs.coe.int

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European Audiovisual Observatory
76 Allée de la Robertsau – 67000 Strasbourg – France
Tel: +33 (0) 3 90 21 60 00 – Fax: +33 (0) 3 90 21 60 19
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