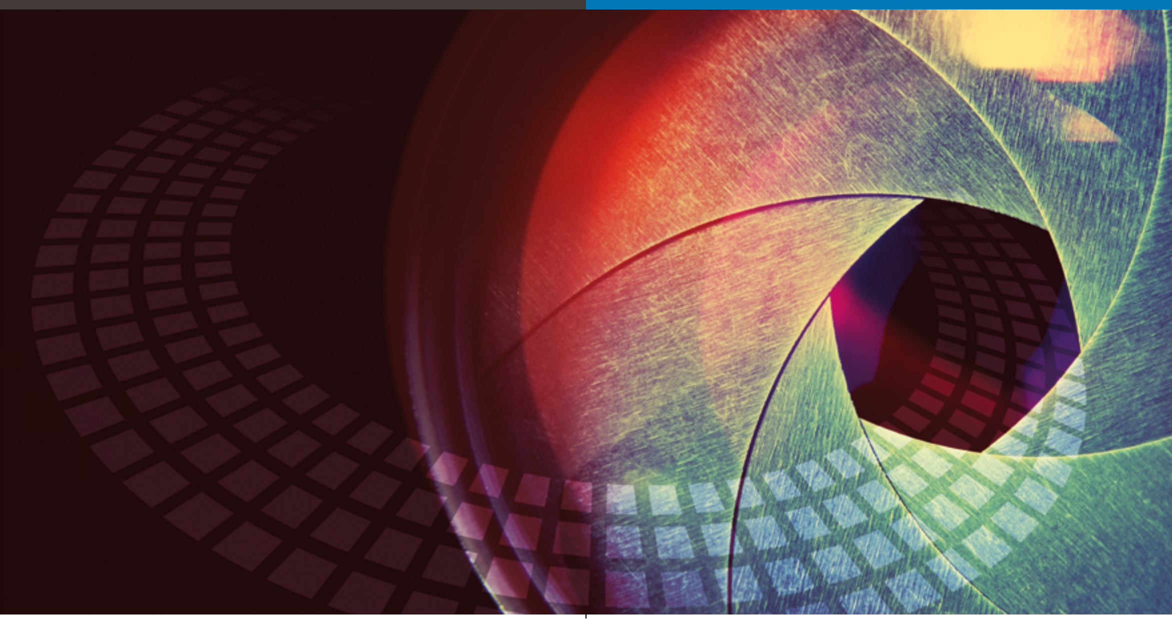
YEARBOOK 2017/2018
KEY TRENDS



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

European Audiovisual Observatory

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

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TABLE OF CONTENT

0

INTRODUCTION

Convergence, disintermediation and uberisation

Following the 2011 takeover of NBC Universal by cable company Comcast, the proposed acquisition of media conglomerate Time Warner by US telco giant AT&T has revived discussion around so-called "convergence" between the audiovisual and telecommunications industries. In Europe, telcos have also showed interest in direct investment in content, for e.g. by buying premium sports rights or producing film or TV series.

Convergence first happened in the 1990s, when cable company networks mainly focused on the distribution of TV channels, and telecommunications operators theretofore geared towards the provision of voice and Internet access services, gradually headed towards similar functionalities. This resulted in head-to-head competition over the provision of "triple-play" services: voice, Internet access and TV and on-demand services. Some telcos moved one step forward by vertically integrating the production and acquisition of exclusive content.

It is now the legacy "managed" television networks (cable, IPTV, satellite, DTT) that are converging with the open Internet. Virtually all categories of audiovisual service can be distributed over the Web, including live television, with an acceptable quality of service. This new phase of convergence has opened up competition in the audiovisual sector to Internet-native companies.

As in many sectors, the Internet has tended to simplify the value chain by disintermediating players, usually the legacy services distributors. In that regard, the audiovisual value chain remains complex. Producers entrust the management of their programmes to distributors who, in turn, license them to TV channels. Packagers assemble TV channels to sell subscriptions to consumers, sometimes using a third-party network.

Here's how disintermediation is already at work in the audiovisual sector:

- The increase in on-demand usage is challenging the role of television channels as providers of a programmed schedule.
- The Internet is enabling the direct distribution of services to consumers. Whereas telcos and cable operators acted as retailers of TV content, their future role could be the provision of network capacity to audiovisual services, whereby they would lose the commercial relationship with the client.
- Some film producers are testing direct-to-VOD with a view to increasing their cut of revenues at the expense of national film distributors.
- Certain sports organisations have made initial moves – albeit only for niche sports - into the direct online exploitation of their rights.
- TV channels are at risk of losing business relationships with advertisers as automated, "programmatic" advertising exchange platforms increasingly manage advertising inventories.

When the role of intermediaries is at stake, moving up the value chain is a logical step. In the case of the audiovisual sector, it translates into securing exclusive content as the key component of an audiovisual service value proposition. But here, the legacy players face the classical dilemma of vertical integration in the field of content:

- On the one hand, investing in content may be a way to bolster their role as distributor by delivering exclusively to customers.

The challenge is then to recoup investments by addressing only a portion of potential customers; international scale or an oligopolistic national market appear to be key success factors.

- On the other hand, financing original content may constitute acknowledgement that value lies in the production of content, and that the maximisation of revenue implies its exploitation on all platforms, possibly at the expense of legacy businesses.

The impact of audiovisual content distribution simplification is likely to extend beyond the risk of disintermediation for intermediaries. The direct-to-consumer strategy, through "over-the-top" Internet, appears to favour lower prices for subscription services and lower advertising tariffs for advertisers. This in turn can contribute either to more competition for existing free or pay services, or to market expansion: on the one hand, advertisers will dedicate more budget to video advertising, notably at the expense of print; on the other, low-cost pay audiovisual services will attract new consumers who cannot afford a subscription to traditional pay-TV services. Direct distribution may also result in an increase in the share of revenues that audiovisual services dedicate to content, and in particular to the financing of original production.

An even more radical disruption could be 'uberisation' of the audiovisual sector. The concept refers to the rise of intermediary peer-to-peer platforms that connect users with owners of goods (cars, housing) not fully used. To some extent, video sharing platforms or social networks (as regards the distribution of video) correspond to this definition. Both offer content producers a platform to make content available to selected users, without selecting specific content. They appear as a global distribution solution opened up to the general public, to 'creators', producers, rights holders or media groups. As they operate on a revenue-sharing basis, and do not ask for exclusivity (although the content creators can be linked to the platform through global agreements) they do not (significantly) invest in up-front financing of original programmes (unlike a traditional linear or, to an extent, an on-demand service). But the frontier between these new players and the audiovisual services is blurry, as they also, in parallel, acquire selected sports rights or other types of content.

These different evolution dynamics are occurring at a time when the consumption of video is increasing, driven by time-shifted TV consumption, more video-enabled devices and new content formats. But so far there is no indication about how or even if this will translate into additional revenue for the audiovisual sector. As regards TV services, TV advertising is stagnating, the growth of pay-TV is slowing, and public funding of public service broadcasters is decreasing in real terms. With respect to the consumption of individual content, the cinema box-office remains strong, but the growth of transactional video on-demand is not compensating for the loss of the physical video market. A pessimistic scenario for legacy players would see a decrease in total revenues for the market combined with a transfer of a share of these revenues to the new entrants. An optimistic one would combine the positive impact of the new non-linear services on advertising expenditures and consumer expenses with the capacity of traditional players to capture a significant share of the additional market.

1 PRODUCTION

1.1 Investment, budgets and production back on track

Feature fiction grows again

2016 saw a 4.4% interannual growth of production volume in Europe, i.e. 2 167 films produced (1 669 in the EU, accounting for even higher 5.2% y-o-y growth there). Most of the growth during the decade was due to a sharp increase in documentary production (from 550 films in 2011 to 711 in 2016 – a rise of 31.6%). There was also in 2016 a significant hike in feature fiction production (by 3.2% y-o-y, up to 1 456 films); EU feature fiction grew by 4% over 2015, after years of stagnation, increasing to 1 137 films in 2016. In addition, the number of majority co-productions decreased for the first time in three years (by -5.2%, down to 439 films in 2016), while the volume of purely national films grew by 2.4% over 2015, up to 1 652 productions.

The hike in production in Turkey and Russia since the beginning of the century appears to have come to a stand-still, with production volume consolidating in 2016. Overall production increased by 2.2% year on year in the former, up to 138 films, and decreased slightly (by -3.7%) in the latter, down to 131 productions. Spain topped the 2016 most prolific producers ranking with 241 films (half of them documentaries), while France was the leading producer of fiction, with 181 features in 2016.

Production volume in most relevant Eastern European countries grew at a rate above the European average, most notably in Bulgaria, where production figures almost tripled over a decade, with 34 features in 2016, and the Czech Republic, showing interannual growth of 61.9%, up to 68 features in 2016.

Zig-zagging film budgets

In eight of the 15 countries for which data were available, average budgets went up year on year in 2016 – with the exception of a flat Spain (-0.5%) and Portugal (-8.8%), the remaining countries with budgets decreasing year on year showed double-digit figures, with Latvia (-37.4%) and Hungary (-25.9%) accounting for the largest percentage share of decrease. All countries with figures on the up registered double-digit interannual growth, with British (66.7%), GBinc[1] (62.1%) and Swedish (60.6%) productions topping the list.

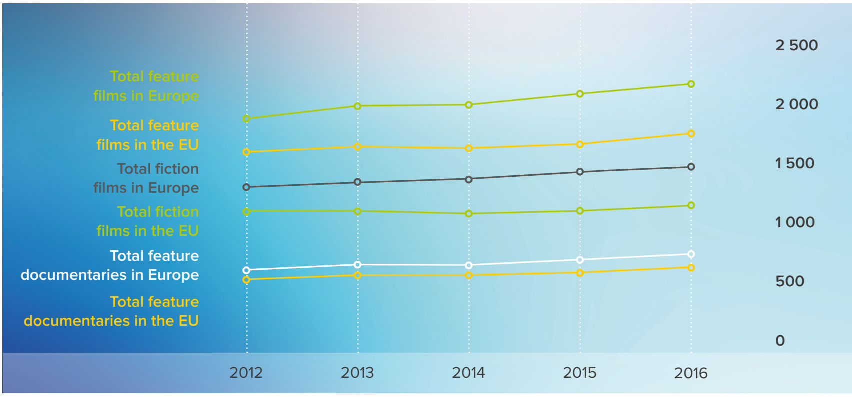
As ususal, GBinc productions had the highest average budget in Europe (EUR 13.1 million in 2016), followed by France with EUR 5.5 million. Although Germany surpassed France for two consecutive years between 2013 and 2014, it ranked third in 2016 with an average budget of EUR 3.9 million. Spain has seen a flat trend over the last three years (with budgets hovering around the EUR 2.8 million mark), recovering from plummeting figures earlier in the decade, yet still below pre-crisis levels. Italy was the only big producer in Europe to record an interannual average budget decrease, down to EUR 1.8 million in 2016.

Investment grew in 2016

The 10 countries for which data are available (including the UK, France, Germany and Italy) account for the bulk of investment in film production in the EU. Overall investment in the 10 grew in 2016 by 7.3% over 2015, to EUR 4 691.2 million. With the exception of the Netherlands (-26.2%) and Finland (-24.2%), the remaining eight countries saw an interannual upward trend, with the UK and Italy describing very timid growth.

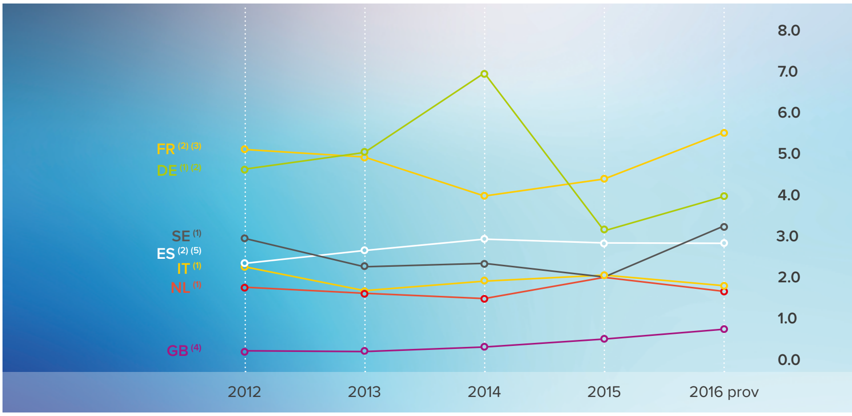
1 Films produced by companies based in the UK which belong to a US parent company.

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



Source: European Audiovisual Observatory

➜ Average budget in selected countries (2012-2016) - *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.
(5) Restated series.

Source: European Audiovisual Observatory

1.2 Focus on co-production

Production (and co-production) boomed from 2007-2016

Film production boomed in Europe by 47% over the 2007-2016 decade, from 1 444 feature films in 2007 to 2 124 in 2016, with the top 10 production countries accounting for 73% of total volume. At the pan-European level, the majority co-production share of the total production volume in Europe remained relatively constant over the period, accounting for 20.4% of the overall production volume on the continent between 2007 and 2016. Only Belgium (56%) and Luxembourg (53%) produced more films as majority co-producer than as fully national producer. In fact, the share of co-production was below average European levels in just 13 countries.

In absolute terms, the top producing countries in Europe were also the main co-producer countries: France topped the list, with 566 co-productions from 2007-2016, followed by Spain (460), Germany (411) and Switzerland (221). Only 11 countries, though, co-produced more than a yearly average of 10 films.

Most of the main film-producing countries in Europe shot an approximately even share of majority and minority co-productions over the period 2007-2016. Moreover, the share of minority co-productions out of the total number of co-productions in most European countries was between 35% and 55%, with just some small- and medium-size production countries shooting significantly more minority co-productions than majority co-productions (Belgium, Poland, Finland and Hungary).

European countries co-produced with 150 countries

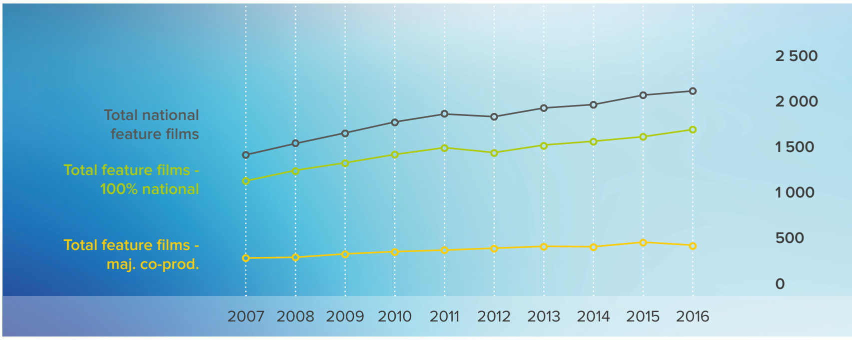
European film-producing countries interacted with 150 countries – 105 as majority co-producer and 142 as minority co-producer. However, only 11 European majority co-production countries interacted with more than 30 countries over the period 2007-2016. Overall, an average 40% of the interactions with other countries in the case of European majority co-productions were with non-European partners, with the US as the runaway lead non-European partner for European majority co-productions. In turn, French/Belgian co-productions emphatically topped the ranking for most frequent co-production, with 207 such films between 2010 and 2015. British-American, Italian-French, French-German and Belgian-French productions completed the list of the top five most frequent co-production tie-ups, with the involvement of at least one European partner, over this period.

In terms of diversity, only four countries participated in European co-productions with more than 25 countries: Germany (31), the US (30), France (29) and the UK (26). Moreover, only 36 of the 142 countries involved in a European production as minority co-producer were involved in projects in 10 or more countries over the period 2010-2015. The average number of co-production partners increased over the period covered; in the EU, it rose from an average 1.48 co-production partners in 2010, to 1.65 in 2015.

24.2% of European co-productions accounted for 50.3% of overall admissions to European films

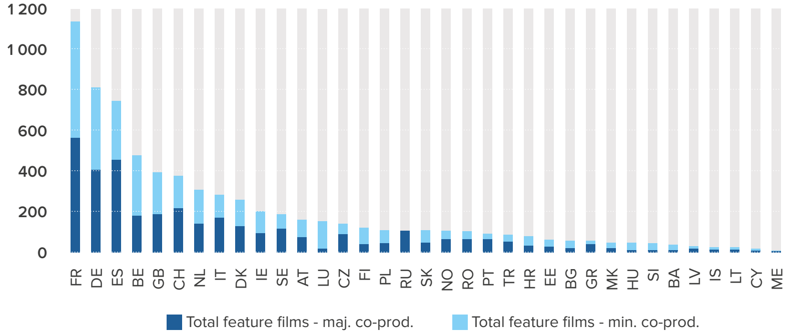
Co-productions accounted for 24.2% of overall film production volume in Europe over the period 2010-2015; however, they generated 1 576 million admissions, i.e. 50.3% of overall attendance for European films during the period examined. In addition, European co-productions generated three times as many admissions as European purely national films. On average, European co-productions circulated almost twice as widely as purely national productions.

→ **Evolution of production volume in Europe by type of production – total, 100% national and majority co-production (2007-2016)** - *In number of films*



Source: European Audiovisual Observatory after national film centres

→ **European countries by number of co-productions broken down into majority and minority co-productions (2007-2016)**



Source: European Audiovisual Observatory after national film centres

1.3 TV fiction production in Europe

More than 11 000 hours of TV fiction produced each year

Roughly 920 different titles representing over 16 400 episodes and more than 11 000 hours were produced each year in the European Union, in 2015 and 2016. But the term “TV fiction” represents very different categories of programmes: on the one hand, shorter formats, which can to an extent be considered high-end TV fiction with a certain potential for international co-production and export; on the other hand, long formats, typically soaps or telenovelas, with, generally speaking, lower production costs and stronger national backgrounds, and, probably, a lower potential for international exploitation.

The EU produced mostly short formats, including a significant number of TV films: 44% of all fiction titles in 2015 and 2016 were TV films (one or two episodes); and 90% of all fiction titles produced had 26 episodes or fewer produced per year, for about 3 700 hours produced. In turn, long format TV fiction programmes (i.e. titles with 26 or more episodes produced per year) represented only 10% of the number of titles produced; but they accounted for 67% of all TV fiction hours produced, i.e. close to 7 500 hours.

Continuing TV series represented about half of the TV series produced each year, the other half being new projects. As TV fiction programmes with the higher number of hours produced per year tended to be more systematically renewed than shorter formats, new TV series represented only 33% of the total number of hours produced.

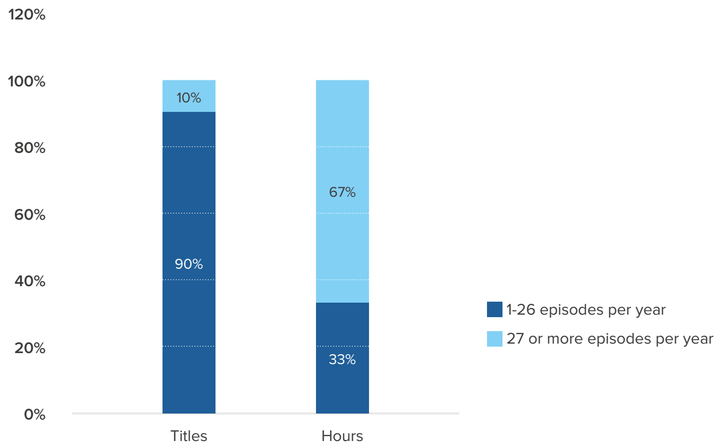
Germany leads production of TV fiction

Germany was the runaway lead producer of TV fiction in the EU from 2015 to 2016, in terms both of number of titles and of hours. But, for other major production countries, national market size was not the only criterion. The Netherlands, for example, produced more titles than Italy or Spain. Countries focusing on long formats accounted for a significant share of the total volume of TV fiction production. Spain and Portugal produced more hours than the United Kingdom or France; Greece, the Netherlands and Poland produced more hours than Italy, thanks to the number of long formats with more than 150 episodes produced per year. However, when looking only at short formats (TV fiction of 26 episodes or fewer produced per year), the largest markets were also the top fiction producers.

Public broadcasters were involved in the production of the vast majority (73%) of TV fiction titles. However, private audiovisual groups, generally speaking tended to focus their investments on a more limited number of long-running projects. An average TV fiction programme originated by a private broadcaster represented more than 25 hours produced each year vs. seven hours for a programme originated by a public broadcaster. Private broadcasters therefore accounted for 56% of the number of hours produced, vs. 44% for public broadcasters.

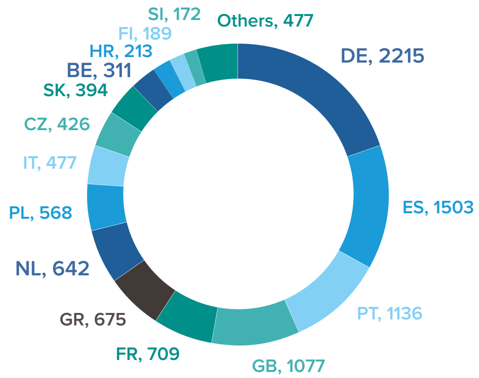
SVOD had a marginal role in TV fiction production. On average, subscription on demand services (SVOD) accounted for 1.2% of the fiction titles and 0.5% of the fiction hours (i.e. 52 hours) produced in 2015 and 2016. This was much lower than the SVOD share of total audiovisual services revenue.

→ **Breakdown of TV fiction production by number of episodes, average 2015-2016 (EU)**



Source: European Audiovisual Observatory

→ **Breakdown of number of hours of TV fiction produced by country of origin, average 2015-2016 (EU)**



Source: European Audiovisual Observatory

2 CIRCULATION

2.1 Export of films: European film exports declined in 2016

European film exports declined in 2016

The European Audiovisual Observatory estimates that in 2016 European films[1] cumulatively sold at least 423 million tickets in cinemas around the world[2]. This was the second lowest level in five years and 17 million tickets below the 2012-2016 average of 440 million admissions. The share of export admissions for European films dropped from an estimated 45% in 2015 to 40% in 2016 with 168 million tickets sold in non-European or non-national European markets, compared to 203 million in 2015.

19% of tickets to European films sold outside Europe

A total of 650 European films were screened in cinemas outside Europe[3] in 2016. This was the largest number of films exported outside Europe in five years in absolute terms. Admissions to European films outside Europe, however, declined from 108 million in 2015 to 82 million. An estimated 19% of worldwide admissions to European films were generated outside Europe in 2016 – well in line with results observed in 2013 and 2014 but significantly lower than in 2015 or 2012, when a comparatively large number (six films) of European “blockbusters” sold more than five million admissions outside Europe and boosted admissions to European films outside Europe to well above average levels.

Admissions to European films outside Europe were slightly less concentrated in 2016 compared to previous years, with 90% of admissions generated by the top 60 films (compared to 42 films in 2015). In 2016 the UK overtook France as Europe’s most successful film export nation. Cumulatively the UK and France exported by far the largest number of films to non-European territories, accounting, again cumulatively, for 49% of the total number of European films on release and 72% of total admissions to European films outside Europe.

US remained largest export market for European films, ahead of China

Despite a decline in admissions, the US remained the single largest market for European films in 2016, screening 174 European films which cumulatively sold 26.2 million tickets, and accounting for 36% of total admissions to European films outside Europe. Although there were only 37 European films on theatrical release in China in 2016 – with 21.2 million tickets sold – the country confirmed its position as the second largest non-European export market in terms of admissions, accounting for 26% of total admissions, ahead of Mexico (12%) and Australia (7%). In fact, the stable market volume for European films in terms of admissions outside Europe in recent years could only be achieved due to significant growth in admissions in the Chinese market, which contributed 15.5 million admissions in 2014 and over 21 million admissions in both 2015 and 2016. Without China the annual base line market volume for European films would have been between 60 and 67 million admissions, and the 2016 results would have actually been the lowest in five years.

1 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.

2 The terms “world“ or “worldwide“ refer to cumulative data for the 33 European and 12 non-European markets for which comprehensive title-by-title admissions data was obtainable for the Observatory’s LUMIERE database http://lumiere.obs.coe.int/ in 2016.

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

Worldwide cinema admissions to European films (2012-2016) - *In million*

Estimated. "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 2016, data is provisional.

Admissions (in mio)	2012	2013	2014	2015	2016 prov	Avg
"Worldwide"	474	397	458	447	423	440
On national market	227	237	277	244	255	248
On non-national market	247	160	181	203	168	192
% share national	48%	60%	60%	55%	60%	57%
% share "export films"	52%	40%	40%	45%	40%	43%
- Non-nat. in Europe	116	80	99	95	86	95
- Non-nat. outside Europe	131	80	82	108	82	96
% share export within Europe	24%	20%	22%	21%	20%	22%
% share outside Europe	28%	20%	18%	24%	19%	22%

Source: European Audiovisual Observatory / LUMIERE, comScore

Top 20 European films ranked by admissions outside Europe (2016)

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.

#	Original title	Prod. year	Countries of origin	Director(s)	# of release markets	Adm. 2016 outside Europe
1	Nine Lives	2016	FR / CN / CA	Barry Sonnenfeld	9	7 230 958
2	Bridget Jones's Baby	2016	GB / US / FR	Sharon Maguire	11	6 404 369
3	Sherlock...	2016	GB	D. Mackinnon	4	5 557 542
4	Florence Foster Jenkins	2016	GB	Stephen Frears	9	3 933 381
5	Robinson Crusoe	2016	BE / FR	V. Kesteloot, ...	11	3 449 340
6	Eddie the Eagle	2016	GB inc / US	Dexter Fletcher	12	3 263 533
7	Brooklyn	2015	GB / IE / CA	John Crowley	10	3 147 119
8	The Danish Girl	2015	GB / US / BE / DK / DE	Tom Hooper	11	3 144 131
9	Eye in the Sky	2015	GB	Gavin Hood	11	2 952 025
10	The Lady in the Van	2015	GB	Nicholas Hytner	6	2 089 887
11	Carol	2015	GB / US / AU	Todd Haynes	10	1 912 841
12	Love & Friendship	2016	GB / IE / FR / NL	Whit Stillman	8	1 896 813
13	On - drakon	2015	RU	I. Dzhendubaev	1	1 838 258
14	Absolutely Fabulous...	2016	GB inc / US	Mandie Fletcher	4	1 253 617
15	Bastille Day	2016	GB inc / US	James Watkins	10	1 213 284
16	Le Paon de Nuit	2015	FR / CN	Sijie Dai	1	1 164 095
17	Hardcore Henry	2015	RU / US	Ilya Naishuller	6	1 154 006
18	Sing Street	2016	IE / GB / US	John Carney	6	1 042 558
19	The Lobster	2015	IE / FR / GB / NL / GR	Yorgos Lanthimos	4	1 033 371
20	Ekipazh	2016	RU / KH	Nikolay Lebedev	2	884 116

Source: European Audiovisual Observatory / LUMIERE, comScore

2.2 EU non-national films *do* circulate

In a world in which audiovisual content, including films and TV series, is becoming increasingly abundant, one of the main questions for EU policymakers and audiovisual professionals is how to enhance circulation of EU content inside the EU. The European Audiovisual Observatory in 2017 undertook a research project for the European Commission on the circulation of EU non-national films in EU member states, for films in cinemas, on TV and in TVOD catalogues. The aim was to quantify the share of EU non-national films in the available film offerings for these three distribution methods.

EU non-national films trail only international films in EU cinemas, on TV channels and in TVOD catalogues

The primary finding of the report was that EU non-national films do travel. They represent on average 31% of films in EU cinemas, 19% in EU TVOD catalogues and 15% on EU TV channels. Also, it was found that the exchange of films was enhanced by cultural proximity and/or by the sharing of languages between countries. EU non-national films, in most of the countries examined, made up a higher share than national films, with the exception of countries with a high film production volume, such as France, Italy, Germany or the United Kingdom – and even in these countries, the exception did not hold for every distribution method.

Films produced in the EU-5 made up the lion's share of EU non-national films; volume not the sole measure of efficiency

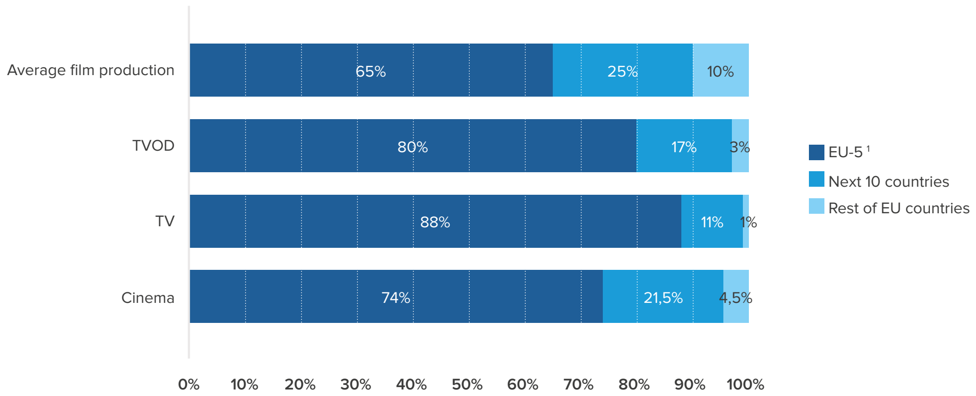
Unsurprisingly, the countries with the highest yearly average film production, the EU-5 countries[1], were also those that exported the most EU films to other EU countries. While they produced 65% of the 1 600 feature films produced yearly on average in the EU, they represented 74% of EU non-national films in cinemas, 80% in TVOD catalogues and 88% on EU TV channels. However, when relative export efficiency was measured against film production, smaller producing countries appeared to better export their films. Belgian, Swedish, Danish and Irish films had no trouble finding their place in the programme offerings of EU cinemas, TV channels and TVOD catalogues.

EU co-productions travelled better

Finally, one of the main findings of the report was that EU co-productions travelled significantly better than 100% national productions. On average, co-productions represented 22% of yearly EU film output. However, they represented 55% of EU non–national films in cinemas, 51% on TV channels and 41% in EU TVOD catalogues. This shows that when EU films involve co-production between several countries, they tend to travel more. The importance of co-productions for intra-EU film exchanges becomes even clearer when only films that did not manage to leave their national markets are considered; here, co-productions represented only 23% of national films in cinemas, 19% on TV and 28% on TVOD. Co-productions are therefore a strong enabler of intra-EU circulation for EU films.

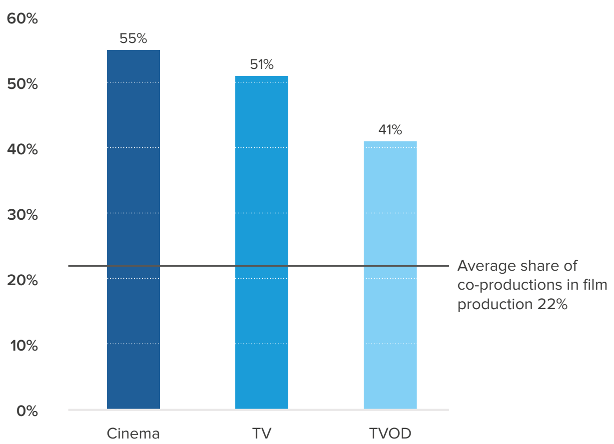
1 The EU-5 countries are France, Germany, Italy, Spain, and the United Kingdom.

→ Comparison between country clusters for film production and exports of EU non-national films in cinemas, on TV and for TVOD - *in % of total*



Source: European Audiovisual Observatory / LUMIERE, Yearbook 2016, analysis of Eurodata TV data

→ Share of co-productions among EU non-national films, by distribution - *in % of total*



Source: European Audiovisual Observatory / LUMIERE, analysis of Eurodata TV data

2.3 Films on TV: 28% are European

The European Audiovisual Observatory analysed the films programmed by a sample of 131 TV channels from 18 EU countries, during the 2015-2016 season.

Over 100 000 broadcasts comprising roughly 39 000 films

The 131 TV channels in the sample broadcast 100 611 films (including repeats) during the 2015-2016 season, which amounts to more than 2.1 films broadcast, on average, per day. Excluding repeats by the same TV channels, the 100 611 broadcasts of the sample correspond to 39 082 films, indicating that a film was broadcast on average 2.6 times by the same TV channel. The number of broadcasts by film was globally stable, compared to the 2011-2012 season, but obviously varied significantly between free TV channels (1.4 broadcasts per film, on average) and pay-TV channels (6.1 broadcasts per film, on average).

The majority of films broadcast were relatively recent: films produced less than 10 years ago accounted for 53% of all broadcasts, and 58% of broadcasts during prime-time. Pay-TV channels tended to broadcast more recent films than free-TV channels.

Out of the 15 504 unique titles broadcast, 47% were produced in Europe, 47% in the US and 6% in another region of the world. Out of the 47% European films, the top five production countries[1] accounted for 66%, and the top 10[2] for 87%.

European films made up 28% of all film broadcasts on TV in Europe

Films produced in Europe accounted for 28% of film broadcasts by the TV channels of the sample. This share was lower (23%) for prime-time only. The 28% European film share breaks down into 14% national films and 14% European non-national films, indicating a significant circulation of European films. The share of European films remained stable compared to the 2011-2012 season, both for all broadcasts and prime-time broadcasts.

Public TV channels tended to broadcast more European films than private TV channels. European films accounted for 44% of the films broadcast by public channels throughout the full day (vs 24% for private TV channels), and for 39% of films broadcast in prime-time (vs 19% for private TV channels).

Two-thirds of films broadcast only in one country

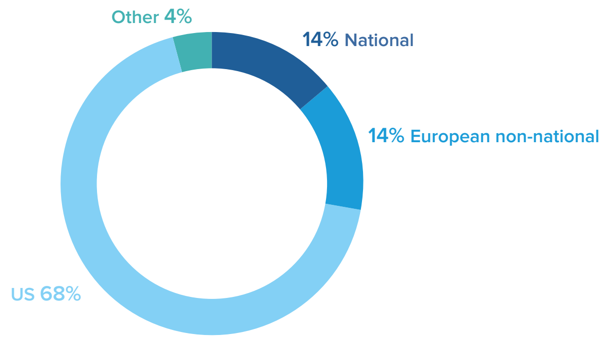
On average, a film was broadcast in the same year in two countries. However, most of the films (67%) were broadcast in only one country. And European films were broadcast in 1.4 countries, on average, in the same year, while US films were broadcast in 3.1 countries, on average, in the same year. This circulation difference between European and US films explains why European films represented 47% of unique films broadcast while accounting for only 28% of cumulated films broadcast.

The majority of broadcasts of films produced in Ireland, Belgium, Denmark, France, Germany and the United Kingdom occurred outside the country of production.

The full report can be downloaded from the European Audiovisual Observatory website.
See: www.obs.coe.int/industry/television.

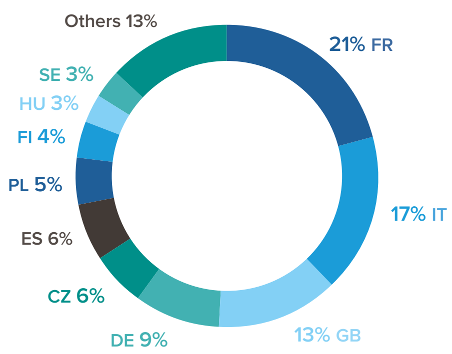
1 Czech Republic, France, Germany, Italy, United Kingdom.
2 Top 5 plus Finland, Hungary, Poland, Spain and Sweden.

→ Number of films broadcast by region of origin – all day – during the 2015-2016 season



Source: European Audiovisual Observatory analysis of Médiamétrie Eurodata TV data

→ Production countries of unique European films broadcast during the 2015-2016 season



Source: European Audiovisual Observatory analysis of Mediamétrie Eurodata TV data

2.4 17% to 30% of EU films in pan-European and multi-country TVOD catalogues

In 2017, the European Audiovisual Observatory undertook a study on the region of origin of films in TVOD and SVOD catalogues. The study focused on four pan-European and multi-country TVOD services, representing 47 country catalogues.

17% to 30% of EU films on pan-European and multi-country TVOD services

The four TVOD services included in the study were Apple's iTunes in 25 countries, ChiliTV in five countries, Microsoft's Film & TV series in 12 countries and Rakuten TV in five countries. The percentage of EU films in these catalogues ranged from 17% for the 12 Microsoft catalogues, to 30% for the five ChiliTV catalogues.

The study showed that the catalogues of ChiliTV and Rakuten TV had similar characteristics regarding the share of EU films (respectively, 30% and 29%) as well as the weight of national films among the EU films (45% and 48%, respectively). This result indicates that these services tend to adapt their film offerings to each national market.

Apple's iTunes and Microsoft's Film & TV TVOD services on the other hand had a lower share of EU films in their catalogues (24% and 17%, respectively). However, while iTunes accounted for, on average, only 4% of national films among EU films, Microsoft's TVOD services comprised an average share of 35% of national films among EU films.

This tends to indicate that while a pan-European service such as iTunes carries a lower share of national films on average (although for high-volume film-producing countries such as France, the United Kingdom or Germany, the share of national films is higher) it can achieve a certain share of EU films by including films from a given EU country in several catalogues, thus enhancing the circulation of EU films.

Sizes and composition of catalogues varied, EU co-productions travelled better

Pan-European and multi-country TVOD catalogues were heterogeneous regarding size and composition of films. Each of these TVOD services had catalogues with several thousand film titles in a given country, while carrying 'only' hundreds of film titles in another country.

Also, catalogues in countries with a well-developed film industry tended to have a higher share of national films. The highest share of national film titles was found in catalogues in France, the United Kingdom, Germany, Italy and Spain, and this for each TVOD service. Smaller film-producing countries were more inclined to import EU film titles, in order to hit a certain share of EU film titles in their catalogues.

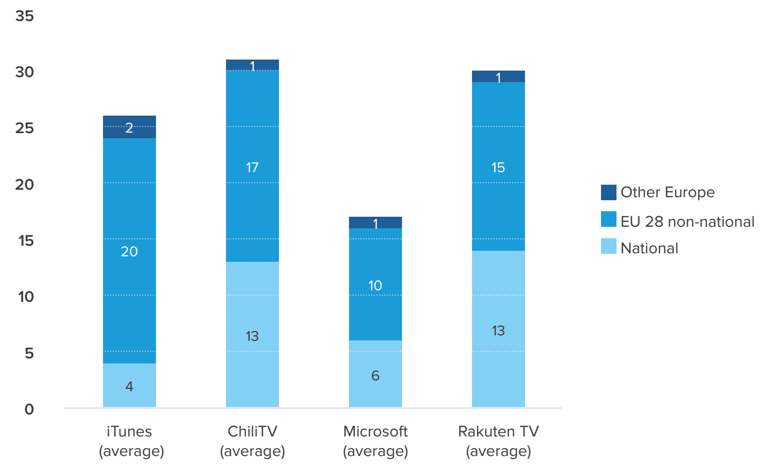
Another interesting result was that EU non-national films in the catalogues were often EU co-productions. While EU co-productions represented on average 22% of yearly EU film production, they represented between 38% of films in iTunes catalogues and 57% in the catalogues of Microsoft. These shares were even higher when only EU non-national films were considered – see graphic.

Differences in the circulation of film titles according to their region of origin

With regard to the circulation of films, on average a given film title was available in 5.7 iTunes catalogues (out of 25), in 1.3 ChiliTV catalogues (out of 5), in 1.8 Rakuten TV catalogues (out of 5) and in 2.3 Microsoft catalogues (out of 12).

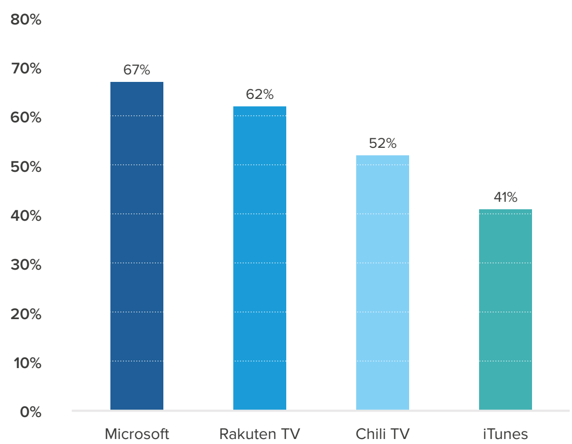
However, US film titles had a significantly higher circulation rate in catalogues of each TVOD service than EU film titles, on average; 6.7 catalogues for US films versus 3.7 for EU films, for iTunes, 2.1 versus 1.3 for ChiliTV, 2.6 versus 1.8 for Rakuten TV and finally 2.7 versus 1.7 for Microsoft's catalogues. This underlines the fact that national film titles still struggle to cross their borders; 44.5% of national film titles in ChiliTV's catalogues were only available in their home country, 51% for Rakuten TV, 44% for Microsoft and 20% for iTunes.

→ Share of EU films in the catalogues of pan-European TVOD services (November-December 2017)



Source: European Audiovisual Observatory

→ TVOD services compared – Share of EU non-national co-productions (November-December 2017)
in %



Source: European Audiovisual Observatory

2.5 20% of EU films in SVOD catalogues - mostly EU non-national films

In 2017, the European Audiovisual Observatory undertook a study on the region of origin of films in TVOD and SVOD catalogues. The section on SVOD services covers nine services representing 37 different country catalogues, including 27 Netflix country catalogues.

On average, 20% of EU films in SVOD catalogues, with big differences between SVOD services

In a stark illustration of differences among SVOD services, 200 films were available in the catalogue of Horizon Poland, compared to more than 1 800 films in the catalogue of the Austrian service Flimmit, for national services. Netflix offered 3 228 films to its subscribers in the United Kingdom, and 1 236 to its Greek ones.

The average share of EU films for the 37 SVOD country catalogues was 20%. However, significant differences among services appeared. Whereas the share of EU films in Sky Now's and Netflix's 27-country catalogues hovered at around 15% and 17%, respectively, the catalogues of C More had an EU film share of 53%, and Flimmit 84%.

The differences in EU film shares can also be seen in the weight of national films among EU films. On average, national films represented 12% of EU films in Netflix's catalogues, 30% in the Nordic catalogues of C More, 59% for Flimmit and 67% in the catalogue of the French service Canalplay.

These variations in the share of national films among EU films show the different specialisations of the SVOD services. A pan-European service like Netflix relies more on the circulation of EU non-national films in its catalogues to attain a certain level of EU films in its catalogues whereas national/regional services such as Canalplay, C More or Flimmit, available only in their home countries (or home region for C More) and with the backing of a large national media group (Canal+, TV4 Gruppen/Telenor and ORF Enterprise, respectively), rely more on national productions for their offerings of EU works.

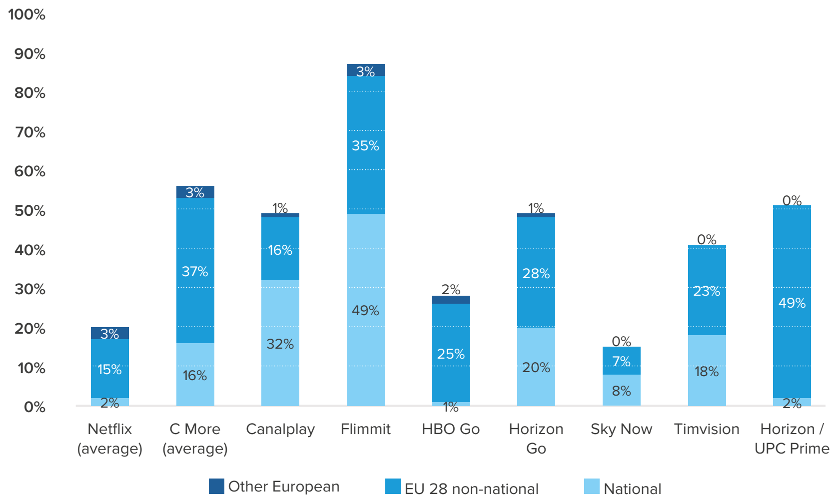
A developed film industry impacts the share of national films in catalogues

As these national and regional services have, through their link with national media groups, relationships with their national film industries, these findings are not surprising. However, the biggest share of national films in the 27 Netflix country catalogues was to be found in the five biggest EU countries (Germany, France, Italy, Spain and the United Kingdom), showing that in bigger film-production countries, a developed film industry translates into more national productions in the country catalogues, whereas smaller film-producing countries rely more on the import of EU non-national films (with the notable exception of the national Netflix catalogues of Denmark and the Netherlands, 19 country catalogues have a 0% national film share).

EU non-national co-productions again over-represented, demonstrating better circulation

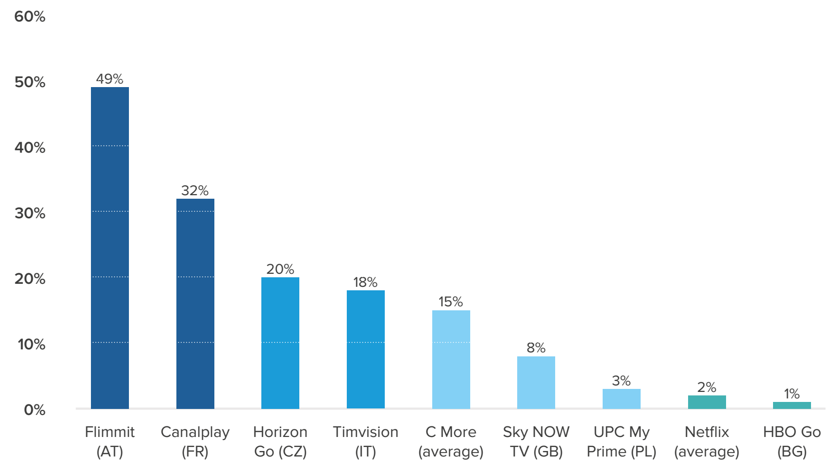
These differences in the share of national works were reflected in another finding of the report. On average, national films represented 15%, and EU non-national films 85%, of the EU film offerings of all catalogues. EU non-national co-productions comprised a larger portion of EU non-national films in the catalogues. On average, 22% of films produced yearly in the EU were co-productions, ranging from 24% in the catalogue of Flimmit to 53% in the catalogues of Horizon/UPC Prime. In the 27 Netflix catalogues, 36% were, on average, co-productions.

Share of national, EU 28 non-national and other European films in SVOD catalogues (November-December 2017)



Source: European Audiovisual Observatory

All SVOD services – Share of national films (November-December 2017) - *In %*



Source: European Audiovisual Observatory

2.6 TVOD: European films get 23% of promotion

In an on-demand world the prominence of European works cannot be guaranteed only through the European films included in the catalogues of the various services. Equally important is the way films are promoted. One of the ways to promote films in on-demand services is to make them visible on the services' homepages. The European Audiovisual Observatory, in a research commissioned by the European Commission and based on data provided by AQOA, analysed the visibility of films in October 2017 using a sample of 39 transactional on-demand services from five European countries (Belgium, France, Germany, the Netherlands and the United Kingdom).

A small number of films promoted

In October 2017, 260 different films were promoted, on average, in each of the five countries of the sample, meaning that only a small minority of films in catalogues were actually promoted. A total of 68% of these films were recent films (produced in 2016 or 2017), and these recent films were allocated, on average, 90% of all available promotional spots.

The allocation of promotional spot was heavily concentrated: the 10 most promoted films accounted, on average, for 32% of all available spots, with figures varying from 27% in Belgium (French Community) to 41% in the United Kingdom.

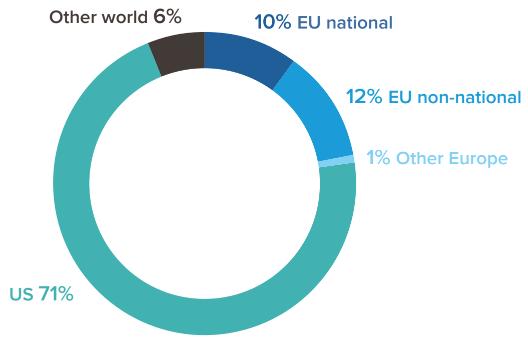
23% of promoted films were European

European films were allocated, on average, 23% of promotional spots, with figures varying from 34% (in France) to 13% (in the United Kingdom). Among promotional spots allocated to European films, the majority were allocated to national films in France, the United Kingdom and Germany, whereas in the Netherlands and Belgium the majority were allocated to European non-national films.

Significant differences between players

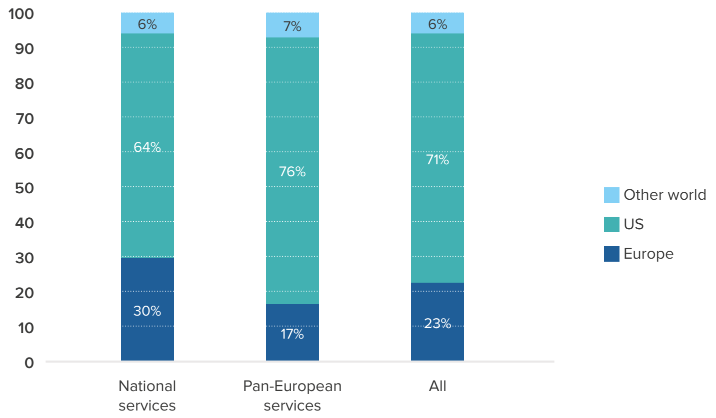
The promotion of European films varied not only by country but also between players. Generally speaking, national transactional video on demand (TVOD) services tended to promote a significantly higher share (30%) of European works than national versions of pan-European TVOD services (17%). However, the situation was not homogeneous within each category. Among pan-European TVOD services, iTunes (average of all national versions tracked in the sample) accounted for 30% of promotional spots allocated to European titles, vs 4% for Xbox Live.

→ Breakdown of promotional spots by origin of content (2017)



Source: European Audiovisual Observatory for the European Commission

→ Origin of films promoted by national and pan-European TVOD services (2017)



Source: European Audiovisual Observatory for the European Commission

2.7 On-going reform of copyright rules

Discussions took place in 2017 at the EU level (and were still on-going at the time of publication) on the copyright rules reforms package published by the European Commission in September 2016 (the so-called "copyright package"), one of the objectives of which was to reassess copyright exceptions in light of today's technological realities, as well as guarantee a fairer online environment for creators and the press.

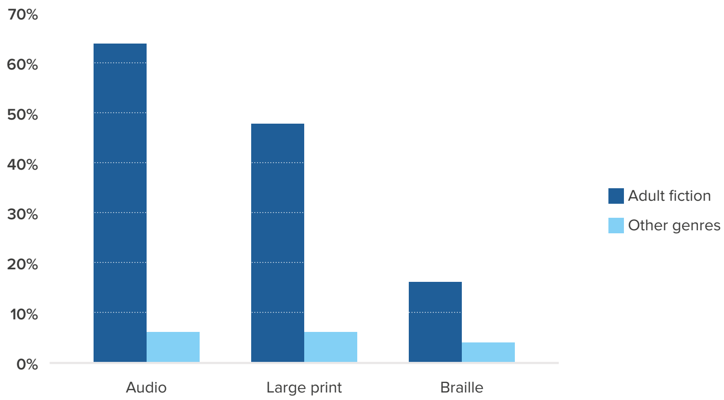
In particular, the Commission points out that most of the copyright exceptions under EU law are currently optional and do not apply across borders. The objective of the proposed *Directive on copyright in the digital single market*[1] is to modernise certain copyright exceptions, focusing on digital and cross-border uses, through new mandatory exceptions. In the area of teaching, a new exception is proposed to allow educational establishments to use material for illustration through digital tools and in online courses. Another proposed exception is aimed at facilitating the use by researchers of text and data mining (TDM) technologies to analyse large sets of data. Finally, the Commission envisages the introduction of a new mandatory exception to allow cultural heritage institutions to preserve works digitally. In parallel to this process, the Commission on 25 September 2017 transposed the Marrakesh Treaty into EU law, with a view to facilitating access to published works for persons who are blind, visually impaired, or otherwise print disabled.

The proposed Directive also aims to reinforce the position of rightsholders with respect to negotiation and remuneration related to online exploitation of their works on video-sharing platforms. Such platforms will have to use filtering and content tracking techniques, to help detect works that rightsholders have identified and that are to be either authorised or removed, by agreement with the platforms (Article 13). In addition, the proposal introduces a new ancillary right for publishers of press publications, with a view to allowing them to better negotiate the digital use of their press publication with online services using or enabling access to it and to be able to fight piracy (Article 11). Finally, the proposal requires publishers and producers to be more transparent and to inform authors or performers of the profits they have made from their works. It provides for the introduction of a new mechanism to help rightsholders obtain a fair share in the negotiation of remuneration with producers and publishers. This will increase confidence among all players in the digital value chain.

After more than a year of discussions amongst the EU institutions, divisions are still pronounced in relation to some of the provisions of the proposed Directive, in particular as regards the new right in favour of publishers of press publications, and the expected increased responsibility of platforms and intermediaries with respect to content. Representatives from the IT industries, and some public stakeholders, believe that the use of filtering and content tracking techniques would be incompatible with Article 15 of the e-Commerce Directive, which provides for a limited liability regime for certain intermediaries, and that this obligation would go against fundamental rights and freedoms of platforms and users.

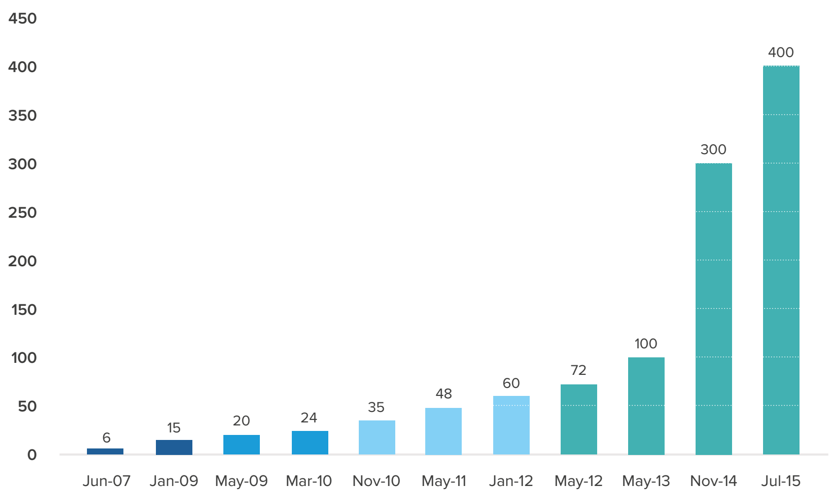
1 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52016PC0593.

→ **Share of 2013 50 top-selling books accessible for visually impaired people, in June 2014 (France)**



Source: IDATE

→ **Hours of video uploaded to YouTube every minute (June 2007-July 2015)**



Source: Statista

2.8 Film heritage in the context of education and research

As moving images represent a significant pillar of our cultural heritage, film can be a powerful tool for teaching and research. To explore crucial aspects of, and challenges in, accessing film heritage for educational purposes (as opposed to commercial exploitation), the European Audiovisual Observatory circulated a survey targeting members of the Association des Cinémathèques Européennes (ACE). The resulting report[1] assessed the volume of film works in the collections of European Film Heritage Institutions (FHIs) available for research and education, taking into consideration both consultations by individual researchers and educational screenings.

Digitisation is key

The digital era has opened up new opportunities to improve access to film works for education and research. However, digitisation rates are still low: only 15% of all film works in FHI collections were, at the time of our survey, available in digital format (16% for feature films). Overall, the capacity of FHIs to provide access to their collections largely depends on the availability of digital copies – dealing with analogue prints requires trained staff as well as dedicated and costly equipment, and very few institutions are today equipped with analogue film projectors, limiting the possibility of programming screenings outside the premises of FHIs.

Copyright trouble

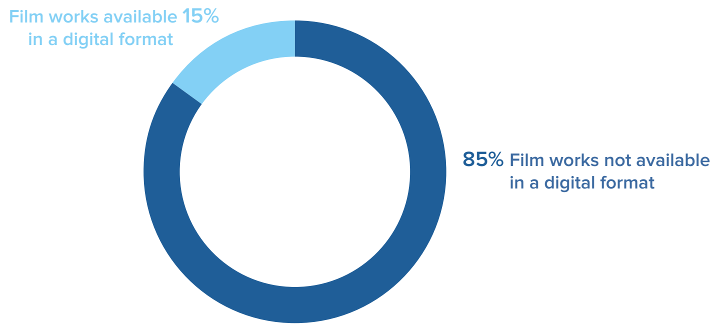
The lack of digital copies is not the only obstacle to access to film heritage for educational purposes, as issues related to copyright can also represent a major barrier. Our survey indicated that only 23% of feature films were in the public domain, while the vast majority of works were under copyright (76%). Furthermore, due to the lack of a centralised registry on rights, investigating the copyright status of a film can be challenging and time-consuming, and many FHIs do not have the resources to verify ex-ante. As for content under copyright, identifying the rightsholders can be equally problematic, since in some cases they cannot be located or reached. Based on the survey, it was estimated that orphan works represented at least 8% of feature films in the collections of FHIs.

Gray zones

Another hurdle concerns the possibility of providing remote online access to film heritage (e.g. through a secure digital network only accessible by eligible users), a solution that would greatly improve access to films, making them available to a considerably larger audience. In this case, researchers, teachers and FHIs could face legal uncertainties and copyright-related restrictions, as national legislations in the EU do not specifically mention online access in the context of copyright exceptions. Also, FHIs operate in very different frameworks, often defined by customary practices. While the vast majority (94%) of the FHIs surveyed provided researchers with the option of consulting films on their premises (in situ), only about 20% actually allowed for films in their collections to be consulted through a remote connection.

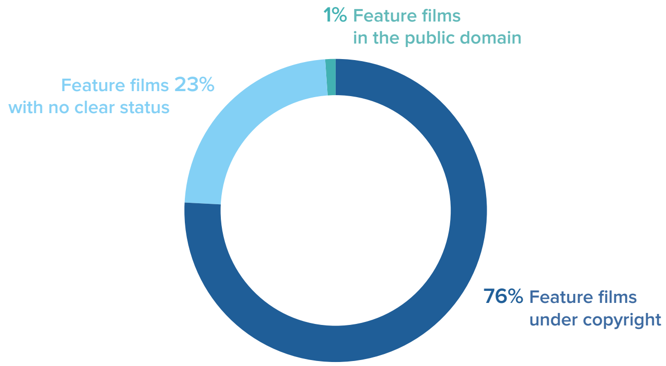
1 The full report can be downloaded from the European Audiovisual Observatory website. See: http://www.obs.coe.int/industry/film.

→ Films in the collections of European FHIs available in a digital format – average (2016)



Source: European Audiovisual Observatory based on a survey targeting ACE members

→ Copyright status of the feature films in the collections of European FHIs (2016)



Source: European Audiovisual Observatory based on a survey targeting ACE members

3 AUDIOVISUAL SERVICES

3.1 Reform of the AVMSD

No revolution

On 25 May 2016, the European Commission adopted a legislative proposal amending the *Audiovisual Media Services Directive* (AVMSD) 2010/13/EU. The aim of this reform was to bring the Directive in line with the new realities of the market. The proposal and the amendments made by the European Parliament introduced important changes but nevertheless the main principles of the AVMSD remain unchanged.

A wider scope

According to the proposal, the AVMSD will have a wider scope: video-sharing platforms such as YouTube and Dailymotion will be regulated by the Directive. Such platforms will be obliged to protect minors from harmful content and to protect all citizens from incitement to hatred. This will be implemented by co-regulation. The Parliament amendments imposed the obligation on video-sharing platforms to take corrective measures when users flag content as inciting violence, hatred, or terrorism.

Protection of minors

The Commission proposed simplifying the obligation to protect minors against harmful content. Everything that 'may be harmful' should be restricted on all services, and the most harmful content will be subject to the strictest measures, such as PIN codes and encryption. This will apply also to on-demand services. Moreover, member states will have to ensure that audiovisual media service providers provide sufficient information to viewers about harmful content to minors.

The European Parliament proposed prohibiting advertising and product placement for tobacco, electronic cigarettes, and alcohol in children’s TV programs and on video-sharing platforms. Self and co-regulation was also established as a first measure before the direct imposition of rules by the member state authorities.

Quotas for VoD and the country of origin principle

The country of origin principle is a cornerstone of the Directive and was maintained in the proposed AVMSD, which also reinforced transparency obligations and simplified the procedures for assessing jurisdiction. However, the proposal also introduced what some people consider an exception to the country of origin principle concerning the promotion of European works in on-demand services. The proposed AVMSD introduced minimum quota obligations (a 20% share of the audiovisual offering of catalogues, rising to 30% in the amendment adopted by the European Parliament) for on-demand services. It also introduced an obligation to give prominence to European works in catalogues and allowed member states to impose financial contributions on providers of on-demand services established in other member states (but only in association with the turnover generated in the imposing country).

A more liberal approach to advertising

The Directive proposed a relaxation of rules concerning commercial communications, and a reinforcement of the role of self- and co-regulatory codes. The limit of 20% of broadcasting time was maintained between 7:00 and 23:00, but broadcasters will be able to choose freely when to show ads throughout the day. Broadcasters and on-demand service providers will also have greater flexibility to introduce product placement and sponsorship.

The European Parliament passed an amendment so that that the proportion of television advertising spots and teleshopping spots between 20:00 and 23:00, i.e. prime-time, does not exceed 20%. Later the Council General Approach of 23 May 2017 found a middle way in that sense.

New role for audiovisual regulators

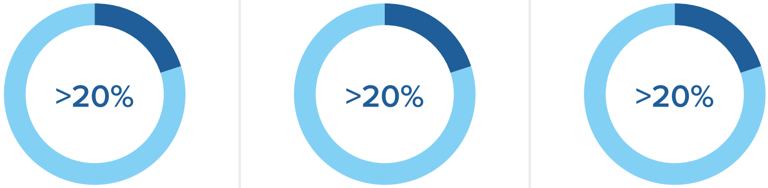
EU law will ensure that audiovisual regulators are legally distinct and functionally independent from the industry and government, operate in a transparent and accountable manner which is set out in a law and have sufficient powers. The European Regulators Group for Audiovisual Media Services (ERGA) will have a bigger role in shaping and preserving the internal market, for example in assessing EU co-regulatory codes, and in providing opinions on jurisdiction.

→ Short overview of the timeline of the AVMSD revision

06 July-30 Sep. 2015	Public consultation on AVMS Directive
25 May 2016	Commission proposal
18 May 2017	European Parliament plenary
23 May 2017	The Council of the EU's General Approach
From January 2018	Inter-institutional trilogue negotiations under the Bulgarian Presidency of the EU

Source: European Audiovisual Observatory

→ Amended Article 23 AVMSD - Rules on advertising and teleshopping



European Commission's proposal	European Parliament's amendment	Council of the EU's General Approach
Between 7:00 and 23:00	Daily proportion AND **During prime-time hours**	Between 6:00 and 18:00 AND Between 18:00 and 00:00

Source: European Audiovisual Observatory

3.2 Audiovisual services in Europe: A snapshot

Four countries home to half of all EU-based audiovisual media services

The EU was in 2017 home to a total of 4 208 television services and 2 270 on-demand audiovisual media services; a total of 5 530 television services and 2 785 on-demand services were established in 40 European countries, plus Morocco[1]. Half of television services established in the EU were concentrated in four countries: the United Kingdom (UK), Germany, France and Italy. The vast majority of these were private networks, with public service channels holding 7%. Overall, one third of services were available in HD format. The main establishment hubs for on-demand audiovisual services were based in the UK, France, Germany and the Netherlands (cumulative 53%), the latter of which is home to Netflix and its over 40 country-specific versions serving the European market.

Sports, film and TV fiction gaining relevance

Three quarters of all TV channels established in the EU in 2017 comprised eight genres: the most common genres were generalist (15%), sports (14%) and entertainment (13%), followed by film (8%), children (7%), music (7%), documentary (6%) and lifestyle/leisure/health/travel (5%). Among the top seven genres, representing 76% of on-demand services established in the EU, film and TV fiction were more popular than among TV channels. Together they made up 23% of all EU-based on-demand services, putting them in second and third place, respectively, just behind generalist services (24%). Other significant genres of on-demand services included children (9%), entertainment (8%), documentary (7%) and sports (5%). The figures were similar for the 40 European countries covered by the Observatory, plus Morocco.

Premium TV and pay on-demand dominate

Around 15% of television services established in the EU were accessible via digital terrestrial television (DTT), and the rest via cable, satellite, or Internet protocol television (IPTV). The majority of television channels were pay and/or premium services while one third were available free-to-air. The majority of on-demand audiovisual services based in the EU were accessible via online access only (73%), followed by managed access through set-top box (16%) and managed access through set-top box complemented by over-the-top (OTT) applications (11%). The most common business models of these services were transactional video-on-demand and subscription video-on-demand, together representing nearly two thirds of the total number of services. Free-on-demand and sharing platforms made up the remaining 38% share.[1]

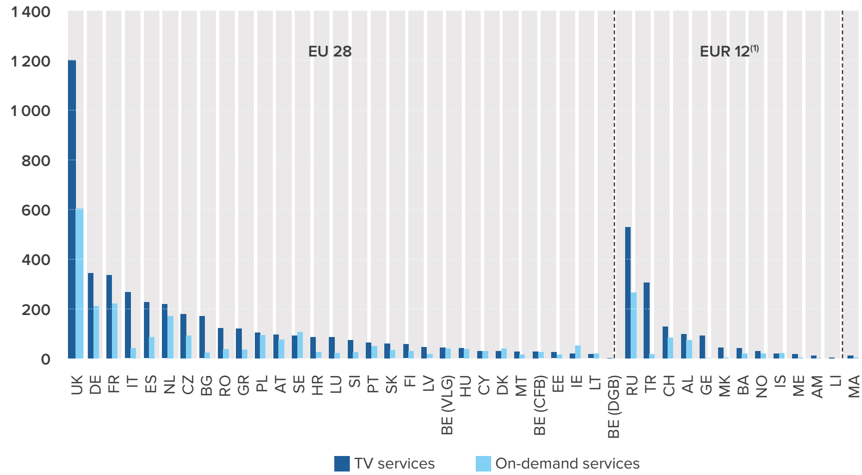
Big US players operating from Europe

On the pay on-demand services market, a number of major US players have created European-based subsidiaries out of which they operate their services across Europe. These include Amazon (UK), Netflix (NL) and iTunes (IE) with a combined service offering of 110 country-specific versions in various different languages. Other important US players on the European market, such as Google and Microsoft, operate from the United States.

1 Figures for on-demand services exclude catch-up TV.

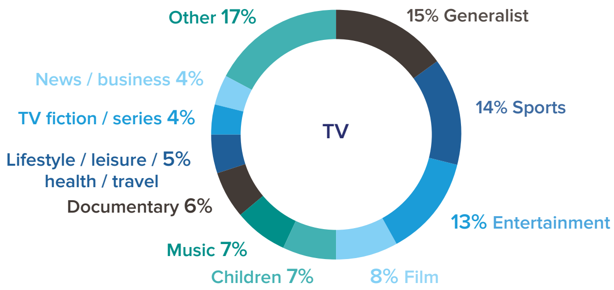
TV channels and on-demand audiovisual services established by country (2017)

In number of services

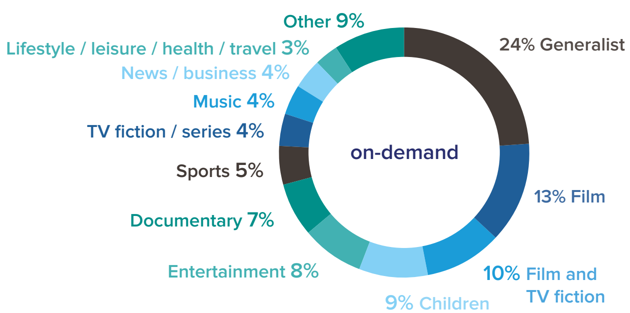


(1) Other European countries covered by the European Audiovisual Observatory.
Note: Excluding local audiovisual services.
Source: European Audiovisual Observatory analysis of MAVISE database.

TV channels and on-demand audiovisual services in the EU 28, by genre (2017)



Note: For TV, "Other" includes the following genres: Adult, Home shopping, International linguistic and cultural, Religious, Cultural/educational, Film and TV fiction, Parliamentary/government/ administration, Other, and those without known genre; for on-demand, "Other" includes the genres: Adult, Cultural/ educational, Religious, Other and those without known genre; on-demand figures include catch-up TV services.



Source: European Audiovisual Observatory analysis of MAVISE database

3.3 Cross-border circulation and territorial licensing of audiovisual works

In 2017, the "principle of territoriality" was at the centre of EU-level discussions on the cross-border circulation of audiovisual works in the Digital Single Market. While some stakeholders consider the territoriality of copyright as an obstacle to access to audiovisual works, many in the industry highlight the key role of territorial licensing in ensuring a diversified cultural offering.

Towards the cross-border portability of online content services in the internal market

The first "adjustment" of the territoriality principle was achieved on 8 June 2017, through the adoption of the *EU Regulation on the cross border portability of online content services in the internal market*[1], which allows subscribers of paid online content services in their country of residence to access such services when temporarily abroad in another EU member state without having to pay any additional charges. Free-to-air services may also benefit from the Regulation provided that they verify the country of residence of their subscribers.

Exclusion of audiovisual services from the new rules on addressing geo-blocking

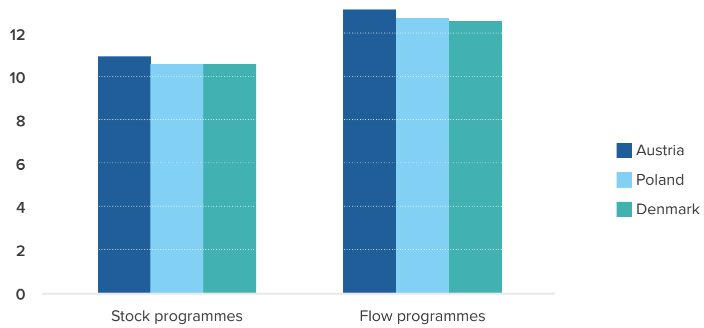
The principle of territoriality has also been at the heart of negotiations on the draft *EU Regulation on addressing geo-blocking* and other forms of discrimination based on customers' nationality, place of residence or place of establishment within the internal market[2]. One of the key aspects under discussion related to the possibility of an extension of the scope of the Regulation to audiovisual services, based on a proposal from the European Parliament. After more than a year of discussions and the mobilisation of the audiovisual sector – concerned about the potential undermining of the principle of territoriality with regard to film financing – EU co-legislators eventually agreed in November 2017 to exclude copyrighted materials from the Regulation. However, the battle may continue soon, as a further assessment by the Commission is foreseen within two years.

Towards more online TV content across borders: Territorial licensing under scrutiny

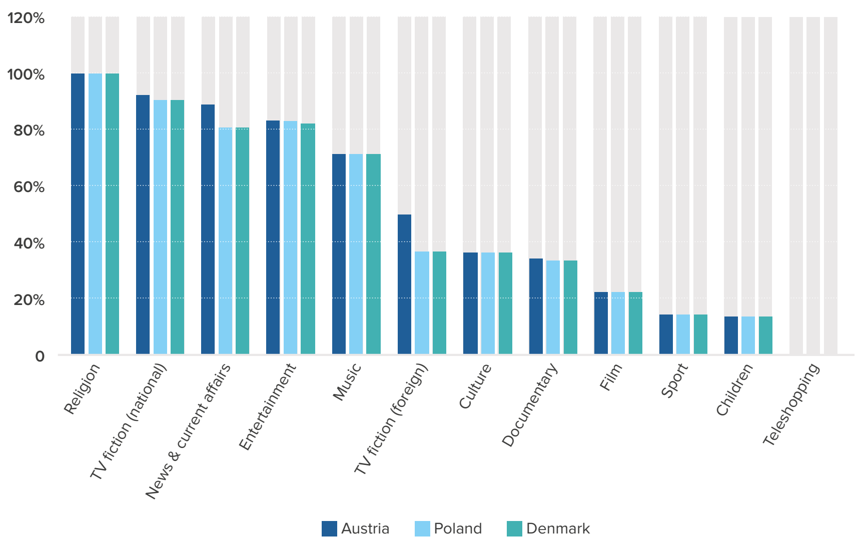
Last but not least, territorial exclusivity has been the cornerstone of the negotiations - still on-going at the time of publication - on the draft *Regulation laying down rules on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions*[3] ("sat-cab regulation"). The proposal aims to make it easier for broadcasters to offer some of their online programmes, such as streaming and "catch-up" services, in other member states by allowing them to clear the related online rights in their country of establishment. The topic is very divisive though, considering the potential impact this could have on current film industry business models. After one year of discussions, the European Parliament proposed in November 2017 to limit the scope of the proposal to news and current affairs programmes. In order to facilitate the digital retransmission of TV/ radio programmes, the proposal also allows operators who offer packages of channels to obtain more easily the rights for programmes from other member states through collective management organisations who represent the rightsholders.

1 http://data.consilium.europa.eu/doc/document/PE-9-2017-INIT/en/pdf.
2 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016PC0289
3 http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016PC0594

➜ Availability in Austria, Poland and Denmark of catch-up services of a selection of non-national broadcasters (2017) - *in % of programmes*



➜ Availability by genre in Austria, Poland and Denmark of catch-up services of a selection of non-national broadcasters (2017) - *in % of programmes*



3.4 Services targeting other countries: A growing trend?

European citizens enjoy an ever-wider offering of audiovisual services accessible via TV and mobile devices. Most are foreign services, reflecting a trend whereby an increasing number of services are targeting a particular national market from abroad. Typically, they tend to be delivered by a series of recently-emerged hubs from which broadcasters and on-demand service providers circulate services – which in some cases constitute a significant market power in the respective target countries. The groups managing these services are usually large international broadcasting and entertainment corporations based in Europe and the United States.

How many audiovisual services target foreign markets?

At the end of 2016, around one third of all television channels and on-demand services established in the EU were specifically targeting foreign markets. Three quarters of them were concentrated in just three countries. The major establishment hubs for TV channels and on-demand services tend to overlap, with the United Kingdom the leading European hub for audiovisual services targeting foreign markets. Other major hubs for both types of services include the Czech Republic, the Netherlands and Luxembourg.

Which are the groups and target countries?

The EU was in 2016 home to at least 44 major groups owning a significant number of linear and on-demand services targeting foreign markets: 26 were of European origin; 15 were US-based; and three had been established in other territories. Several internationally-operating, US-based entertainment companies had multiple European bases where their TV services were licensed. Those with services established in at least three European countries included: 21st Century Fox, AMC Networks, Discovery Communications, Time Warner, Viacom and Walt Disney – the latter established in four European countries. The Modern Times Group and RTL were European examples of companies with multiple bases from which they broadcast their services. As is the case for TV, several pay on-demand services established in the United States have created European-based subsidiaries from which they operate their services targeting other national markets. These include major players such as Amazon (UK), Netflix (NL) and iTunes (IE).

A typical target country tended in 2016 to fall into one of the following categories: a) clusters of audiovisual markets in regions with cultural proximity (Nordic, Baltic, Central European countries and countries that share a joint language with targeting countries); b) larger national audiovisual markets such as Germany, France and Poland.

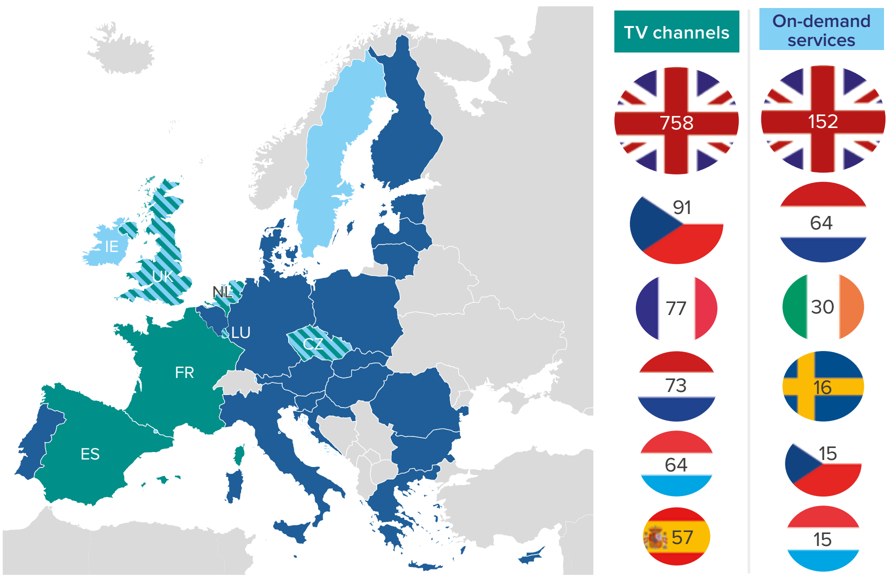
What market power do foreign services hold?

The market power of foreign services specifically targeting a national market can be significant. In seven European countries (5 EU Members – HU, NL, SE, BE (CFB) and DK – plus the French-speaking part of CH and NO) the cumulated audience market share for targeted TV services was greater than 20% of the overall audience market share. Among subscription video-on-demand (SVOD) services targeting foreign markets, one player is the front-runner: Netflix leads by number of subscribers in 21 EU Member States, as well as in Switzerland, Norway, and the Russian Federation (Ampere Analysis 2016).

The full report can be downloaded from the European Audiovisual Observatory website. See: "Audiovisual services in Europe - Focus on services targeting other countries" https://www.obs.coe.int/industry/television

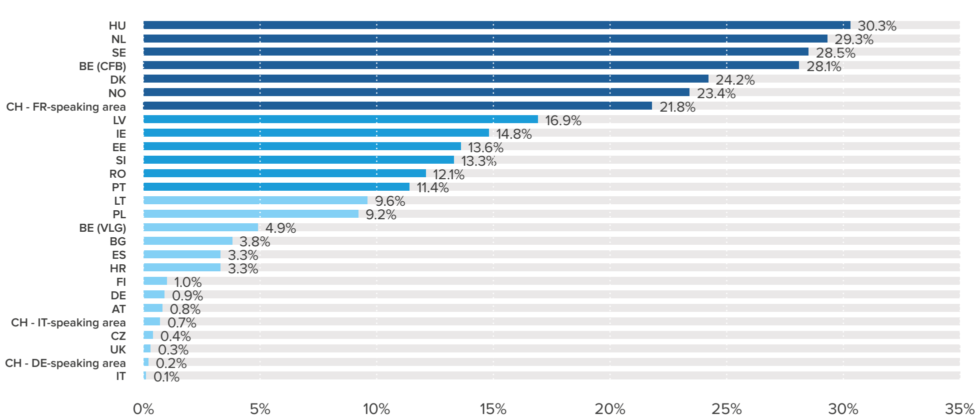
→ Central hubs of audiovisual services established in the EU targeting foreign markets (2016)

- In absolute numbers of services



Note: Data includes the various language versions of pan-European brand channels and on-demand audiovisual services; local audiovisual services not included
Source: European Audiovisual Observatory analysis of MAVISE database

→ Breakdown by country of audience market share for TV channels targeting other European countries (2015) - *In cumulated % share*



Source: European Audiovisual Observatory analysis of Mediamétrie Eurodata TV data

3.5 Catch-up TV services and online simulcasts in Europe

Television without catch-up TV and online simulcasts is almost impossible to imagine and has become an integral modern viewing characteristic. To analyse content and availability, the European Audiovisual Observatory conducted a pilot study for the European Commission examining catch-up TV offered by a sample of 21 TV channels from seven EU countries, over a seven-day period. The analysis also included an assessment of the availability of online TV simulcasts in a sample of three countries.

Different patterns of catch-up TV and simulcast offers

Whether or not catch-up TV and online simulcasts are offered by a TV network is largely a question of genre – certain types of channel are less likely to provide it (home shopping, music, sport, film <20%) than others (generalist, documentary, children ≥50%). In fact, fewer than a third (27%) of TV channels established in the EU at the end of 2016 offered such a service. Catch-up TV and online simulcasts also come in different forms and sizes: either as a classic model with a majority catch-up offer, an on-demand video library or a subscription video-on-demand (SVOD) service. Just as the business models differ, so do the periods of availability. Whereas pure simulcast and catch-up services tend to follow a relatively homogeneous pattern (7 to 30 days), on-demand video libraries are likely to keep most of the programmes online for a significant time period after the broadcast.

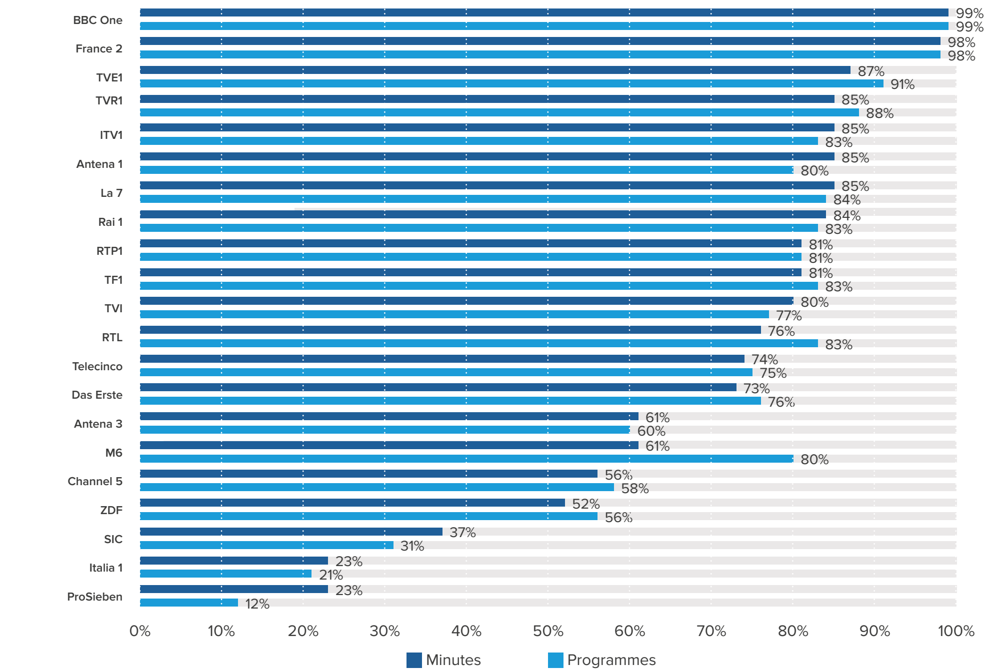
What TV content goes online?

The share of programmes made available in catch-up by the sample of TV channels varied between 23% and 99% of the linear schedule (in minutes). These variations can be linked to several factors, including the programming of the TV channel (more foreign TV series may imply less availability in catch-up); the share of programmes for which the broadcaster owns the rights (self-produced programmes are more likely to be available in catch-up); negotiations with the rights holders (different rights holders can grant different rights; repeats may or may not be taken into account for catch-up); the editorial and financial decisions of a broadcaster as regards its catch-up offering (catch-up rights may be too expensive). The lion's share (82%) of catch-up TV content comprised programme genres that tend to quickly lose their exploitation potential after the first broadcast (news). Other programming genres (TV fiction), which can be reused multiple times, were less likely to be available.

Are catch-up TV and simulcast offers accessible from abroad?

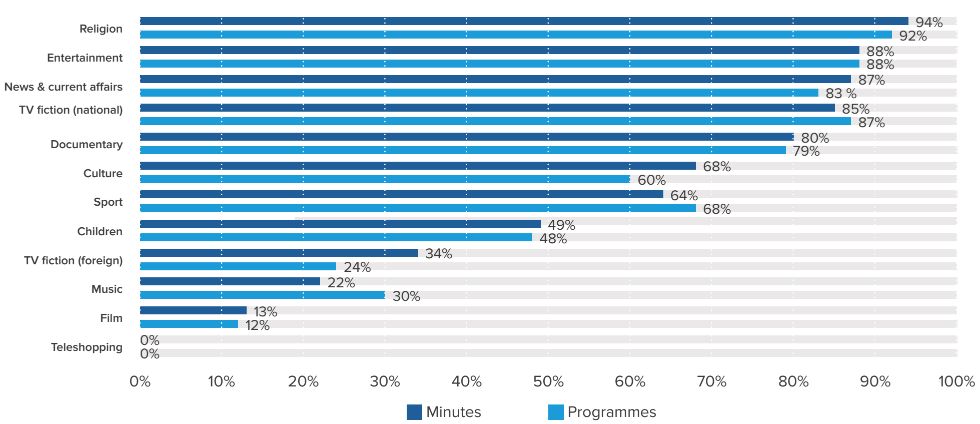
The majority of TV channels included in the study that provided an online simulcast offering (14 out of 20) made it available abroad. Access to the online simulcasts was either geo-blocked or only available for pay. Examples of international pay-versions of simulcast and catch-up offers include UK-based ITV Essentials (available in 13 European countries), Altresplayer Premium Internacional by Spanish Antena 3 (all countries) and German RTL TV NOW PLUS (all countries). With regard to availability abroad, some programme types of catch-up TV (game shows, talk shows, news etc.) are more likely to be available than others (fiction, documentaries, animation). Among the programmes with a higher exploitation potential, national fiction is more often made available abroad on catch-up TV than foreign aquired fiction, and films are almost never accessible.

➜ Share of linear programmes available on catch-up TV by TV channel (2017) - *In %*



Note: Figures for % share are based on number of programmes and duration of programmes in minutes
Source: European Audiovisual Observatory for the European Commission

➜ Consolidated share of programmes available on catch-up TV by genre (2017) - *In %*



Note: Figures for % share are based on number of programmes and duration of programmes in minutes
Source: European Audiovisual Observatory for the European Commission

3.6 Audiovisual services and the financing of audiovisual works

As the audiovisual industry remains dominated by American productions, the need for promotion tools and remedies is vital for the sustainability of the European audiovisual industry. Audiovisual production relies on many different sources of financing. Some are market-driven from the producer's revenues, collaboration agreements like co-production, private equity, in-kind investments and the pre-sales of rights; and some are legal – and public policy-driven, guaranteed by a series of legislations and public policy measures, enforced by assigned institutions at national, regional and European levels, such as public support, fiscal incentives[1], quotas and investment obligations.

Quotas and investment obligations are covered by the Audiovisual Media Service Directive (AVMSD), which provides rules regarding a share in transmission time for European works (Art. 16 AVMSD), and either a share in the programming or an investment obligation for the benefit of works of independent producers (Art. 17 AVMSD). The Directive also lays out a general obligation for member states to set up promotion rules on on-demand services, through either a financial contribution to the production and rights acquisition, or a minimum share or prominence of European works in catalogues (Art. 13 AVMSD).

Regarding linear audiovisual media services, where member states were given a 50% objective to attain, all of them have opted for a minimum share obligation in broadcasting time – only France and Italy have set higher quotas (a minimum of 60% instead of 50%) – resulting in a rather homogeneous level of implementation.

As to non-linear services, the general obligation under the current AVMSD has seen different levels of implementation across the EU. Moreover, and as the market reality has changed, the European Commission has opted for more stringent rules to promote European works on VOD services.

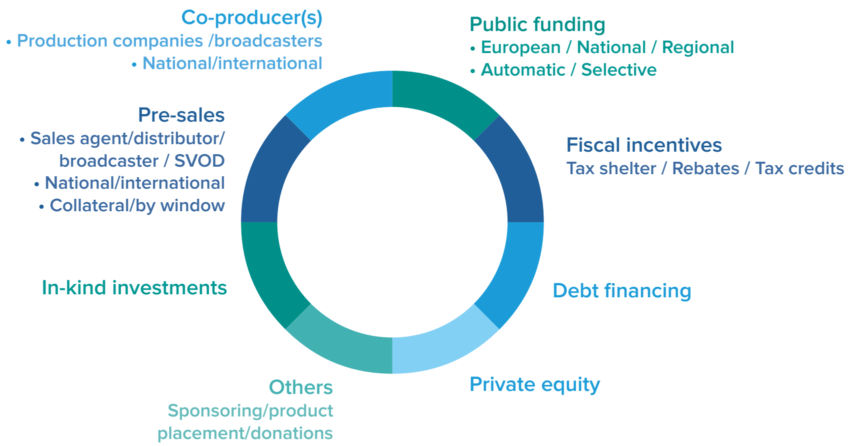
At this stage of the negotiations, the revision would introduce a 30% minimum share in VOD catalogues and would allow member states to impose financial contributions on targeting services established in another member state, both linear and non-linear, based on the revenues earned in the targeted member states, with an exception for services with a low turn-over.

Meanwhile, on a national level, the European Commission has already approved measures concerning targeting services:

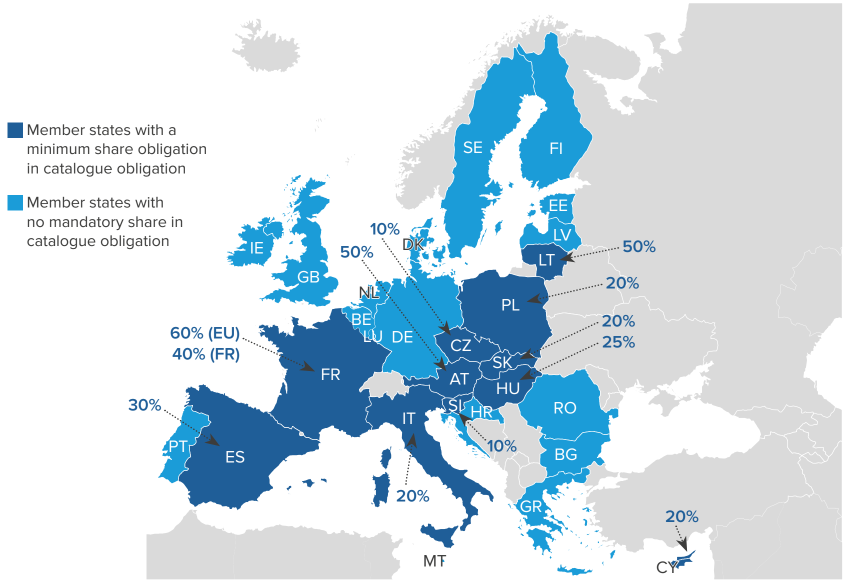
- In France, the extension of the 2% tax on revenues of VOD providers to SVOD services and to video-sharing platforms established outside the country, and to their turnover and advertising revenues in France (YouTube tax), for the benefit of the French film fund (Decree No. 2017-1364).
- In Germany, the imposition of a levy on VOD providers established outside the country with an annual turnover above EUR 500 000 by a series of legislations and public policy measures, to the benefit of the German film fund – 1.8 to 2.5%, depending on the turnover (Article 66a of the German Film Support Act (FFG)).

1 The three main schemes are: tax shelters, rebates and tax credits. For definitions, see Jonathan Olsberg and Andrew Barnes, "Impact analysis of fiscal incentive schemes supporting film and audiovisual production in Europe", European Audiovisual Observatory, Strasbourg, 2014.

→ The ecosystem of the financing of audiovisual works



→ The share of European works in VOD catalogues under the current AVMS Directive



3.7 Media coverage of elections

An election-heavy year with plenty of 'fake news'

In 2017, numerous elections were held throughout Europe at all levels of government. At the same time, there was significant public debate about the influence on elections of so-called 'fake news'.

Diversity of regulation and regulators

An analysis of the rules concerning the media coverage of elections shows a diversity of sources. While broadcasting or media legislation often sets out the relevant rules, many other rules are contained in election and referenda legislation. Media are under the supervision of a number of regulators and commissions during election time, including media regulators, press councils, election commissions, polling commissions and data protection commissions.

Less regulation for TV broadcasters?

The task of broadcasters covering elections and referenda is quite complicated because they have to abide by a host of complex rules. The task of media regulators and election bodies appears equally challenging for the same reasons. Despite this, there are some important examples of laws or regulations being reformed to allow more discretion for broadcasters. Two examples of this are the French law reforms in 2016 concerning the allocation of airtime for candidates, and new rules in the UK in 2017 on the allocation of party-political broadcasts.

Print media still regulated

Traditionally, print media enjoy considerable editorial freedom, but many rules exist in member states regulating the content of newspapers during elections and referenda. The legislation of some member states imposes, in particular, numerous obligations on newspapers concerning "silence periods", the publication of opinion polls and exit polls, political advertising, and "false information".

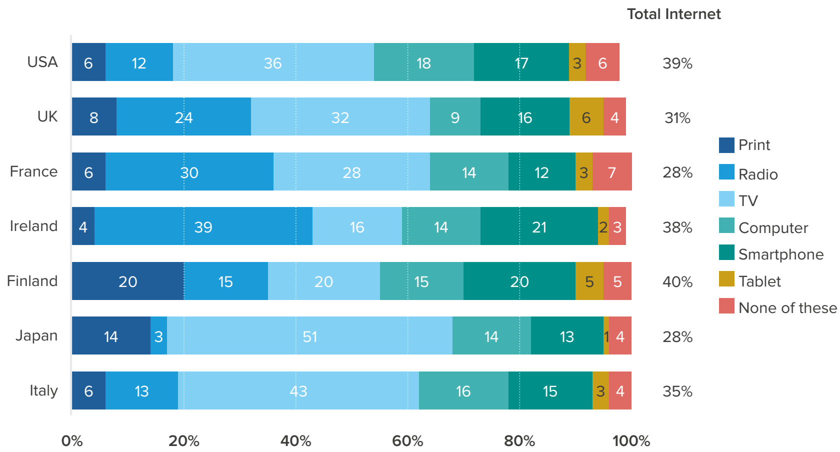
Increased regulation for online media

There is a clear trend towards extending regulation to online media, including rules governing silence periods, opinion polls, exit polls, and political advertising. Notably, rules on data protection are also being applied during election periods. Such rules can, however, be easily circumvented, do not apply to foreign media and appear less and less in touch with the reality of Internet.

What to do with 'fake news'?

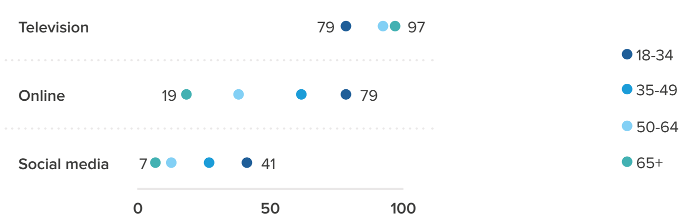
There is growing awareness concerning the significance the issue of 'fake news. While no new laws related to 'fake news 'have been passed, both Poland and the UK have existing laws that address the issue of the dissemination of "false information" during elections. Social media are also seeking to address the issue. Research on the role of "false information" during elections is also growing, but international bodies are warning about the risks associated with the introduction of rules restricting freedom of expression.

➔ First way of accessing news (selected countries)



Q9c_new2016 What is the FIRST way you typically come across news in the morning?
Base: Total sample in each country.
Note: Due to rounding, total figures for each country do not always add up to exactly 100%, and combined figures for online access methods do not always add up to the total internet figure.
Source: Reuters Institute for the Study of Journalism

➔ TV most popular way voters watched election night returns; younger voters as likely to follow along online as on TV *- Among voters who followed election returns on Nov. 8, % who say they followed them on...*



Source: Voter callback survey conducted Nov. 10-14, 2016
Pew Research Center

4.1 Focus on the Observatory presidency country: France

IPTV primary delivery network for television

Television reception is fully digitised in France. By the end of 2016, IPTV constituted the primary form of access on the main television set for 57.5% of households; satellite served 20% of households; DTT served 20% of the population (46% including all TV sets), offering a combination of free channels and a pay-package; and cable served 6% of households.

High level of TV viewing and strong penetration of pay-TV

With 3:43 per day in 2016, television viewing in France was close to the European average (3:42) and had decreased by 4 mn since 2011. Three main broadcasting groups led the audience market:

- The public service broadcaster France Télévisions, including the second-most viewed TV channel, France 2, scored a daily audience share of over 28.6% in 2016.
- TF1, including the leading TV channel, TF1, accounted for 28.3% of the total audience.
- M6, a subsidiary of RTL Group, gathered 14.8% of the daily audience.

Other significant broadcasting groups on the free-to-air market were Canal+ (Vivendi Group) and Next Radio TV (SFR Group).

The main pay-TV services were managed by Canal+, Orange and BeIN. The main TV packagers were CanalSat (a subsidiary of Canal+) and the four main telecommunications operators: Orange, Free, SFR and Bouygues.

Over 300 on-demand services

By the end of 2017, there were over 300 major on-demand services available in France, including 120 pay TVOD or SVOD services. The main players were the national services of Canal+ (TVOD and SVOD), Orange (TVOD), TF1 (TVOD), SFR (TVOD and SVOD), France Télévisions (TVOD) and the local versions of iTunes, Netflix and Amazon.

Consumer expenses are the leading source of revenue for the audiovisual sector

The French audiovisual market has been stagnating since 2011, with average annual growth of 0.9%. Consumer expenses for pay-TV services were in 2016 the primary source of funding for the audiovisual sector (39% in 2016, vs 36% in 2011).

TV and radio advertising accounted for 31% of total audiovisual revenues in 2016, down from 35% in 2011. TV advertising captured 28% of all advertising expenditures, a lower share than the European Union average (31%).

Public funding accounted for 27% of the sector's total revenues in 2016, stable when compared with 2011. A total of 82% of the resources of public service broadcasters came from public funding.

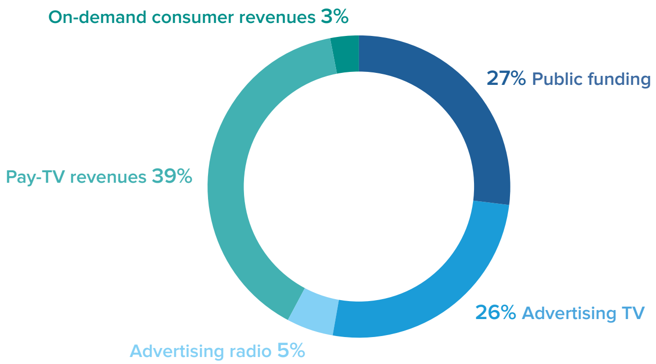
Pay on-demand revenues represented 3% of audiovisual sector revenues in 2016.

Growth in admissions to films

A total of 283 feature films were produced in France in 2016 (including minority co-productions), of which 159 were 100% national films. Admissions reached 207 million on average between 2011 and 2016, the highest number in the European Union. Box-office revenues have been increasing since 2013, reaching EUR 1 387 million in 2016. The average market share of admissions for national films was 38% between 2012 and 2016.

Sources: Ampere Analysis, WARC, EBU/MIS, European Audiovisual Observatory / LUMIERE, CSA.

➜ Breakdown of revenues of audiovisual services (2016)



Source: European Audiovisual Observatory analysis of Ampere Analysis, EBU/MIS and WARC data

➜ Admissions and box-office in France (2011-2016) - *In million and EUR million*

Source: European Audiovisual Observatory analysis of CNC data

4.2 Maturity... at best

The European audiovisual market grew by a modest 1.3% in 2016. After a 4.3% growth in 2015, due to the on-going recovery of TV advertising revenue, the figure shows that television in Europe has entered a phase of – at best – maturity. Between 2011 and 2016, the market registered an average annual growth of 1.7%.

Pay-services drive the market

- Pay-services, which include both linear pay-TV and subscription video on demand services (SVOD) remained the fastest growing segment, with 4.3% growth both in 2016, and, on average, since 2011. While in 2016 SVOD still only represented 7% of consumer spending on pay-TV services, it accounted for close to 60% of the total growth of the segment.
- TV advertising has resisted better than other media (e.g. newspapers and magazines) the migration of advertising expenditure towards the Internet. Still, growth in 2016 (1.5%) as well as average growth since 2011 (1.7%) have been only slightly above the rate of inflation.
- Public funding for public media broadcasters is under pressure, decreasing by 0.6% in 2016, following average annual growth since 2011 of only 0.7%.
- Transactional video on demand has not compensated for the loss of the physical video market. Combined, they decreased by of 6.3% per year, on average, between 2011 and 2016.
- Box revenues decreased in 2016 (-2.3%), but the average growth rate between 2011 and 2016 was 1.8%.

Uneven levels of growth between countries

The European Union countries grew at very different paces between 2011 and 2016. Hungary, Slovenia, Bulgaria, Portugal and the Slovak Republic led the pack with annual growth above 6%. Italy, Spain and Cyprus, on the other hand, registered – on average – negative growth rates. Germany and the United Kingdom grew by 7% and 3.4%, respectively.

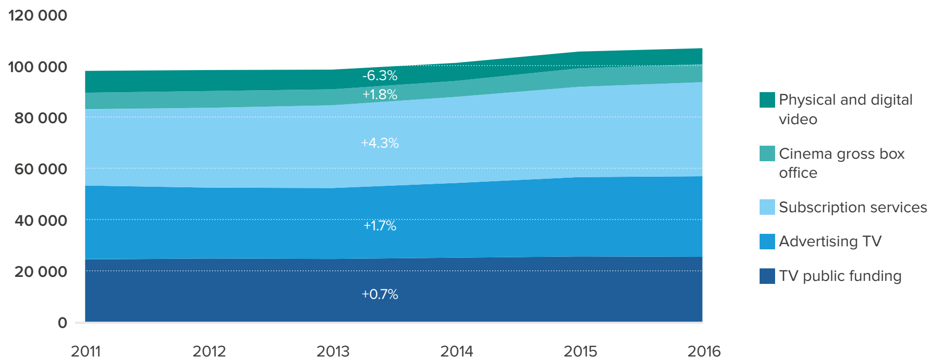
Further pressure on the market

The future of the European Union's audiovisual market may be shaped by new challenges:

- Increasing competition for TV advertising from Internet services in general and video sharing platforms and social networks in particular, as they further include professional content in their offerings.
- The development of SVOD, which may lead to a degree of cord-cutting (consumers switching from pay-TV to Internet on demand services) or cord-shaving (consumers giving up pay-TV premium options to complement basic pay-TV services with Internet services).
- Budgetary constraints may hamper the funding of public service broadcasters.

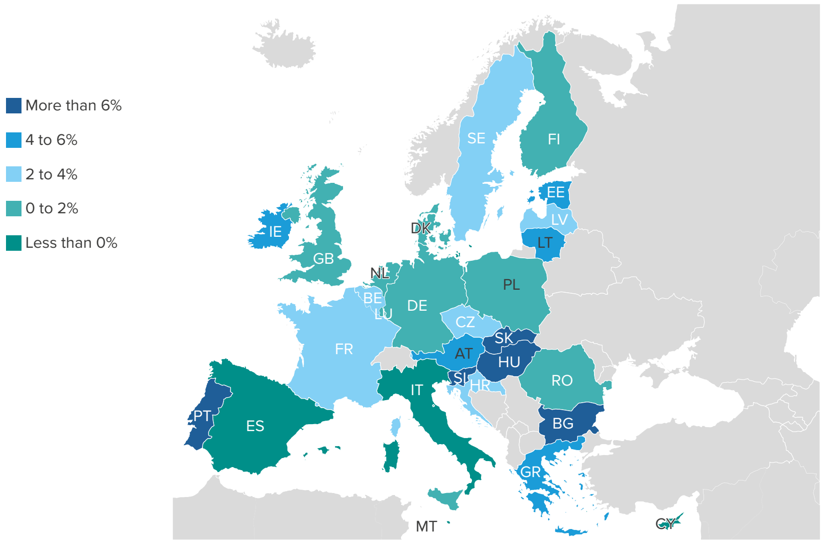
On the other hand, however, TV advertising could regain competitiveness with the introduction of more targeted advertising; and subscription on demand services could contribute to an expansion of the global pay market. Should the market grow again, a key question will remain: to what extent will broadcasters manage to capture a share of resources that will migrate from the linear world, i.e. Internet advertising and on demand pay revenue?

→ The audiovisual market in the European Union and average annual growth rates (2011-2016)
In million EUR and %



Source: European Audiovisual Observatory analysis of EBU/MIS, WARC, Ampere Analysis and IHS data

→ Average annual growth rate of the audiovisual markets in the European Union (2011-2016)



Source: European Audiovisual Observatory analysis of EBU/MIS, WARC, Ampere Analysis and IHS data

Notes:
LV: part of data missing for 2015 and 2016.
GR: public TV funding not included.
Variations in exchange rates may impact the data.

4.3 TV advertising: the erosion

Internet advertising grows at the expense of newspapers and magazines

Internet is the top advertising medium in the European Union, with a 36.4% market share in 2016, up from 21% in 2011. This impressive growth has taken place mainly at the expense of advertising in newspapers (14.3% share in 2016, down from 23% in 2011) and in magazines (6.6% share in 2016, down from 11% in 2011). Other platforms (television, radio, cinemas, outdoor) have however retained their position.

The structure of advertising varies significantly between countries. Print remains strong in Austria, Finland and Luxembourg. Internet accounted, in 2016, for more than 50% of advertising expenditure in Denmark, the United Kingdom and Sweden but for less than 10% in Bulgaria, Cyprus and Luxembourg. Outdoor varied between 2% in Bulgaria and 12% in Estonia.

Television has also shown resilience: it was the dominant advertising platform in 2016 in 18 of the 28 European Union countries, with notable differences between countries. Schematically, countries with higher advertising expenditure per capita are also those where television has a lower share. And, conversely, television has captured a high share of in countries with lower advertising per capita levels.

Television advertising is decreasing in real terms

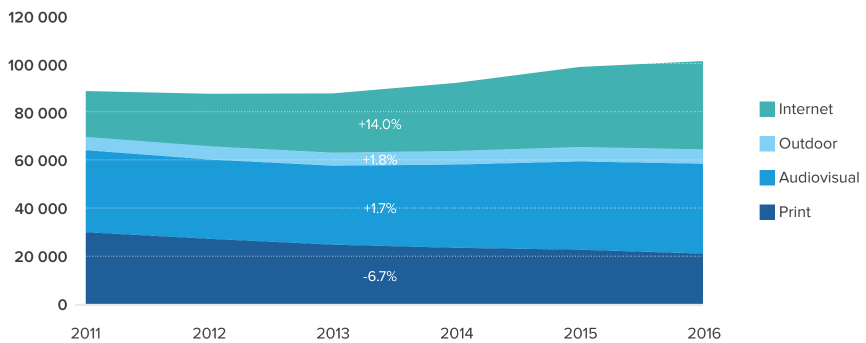
The total television advertising market was valued at EUR 31.4 billion in 2015 in the European Union and EUR 36.7 billion in Europe (including the European Union, Bosnia and Herzegovina, Switzerland, Georgia, "The Former Yugoslav Republic of Macedonia", Norway, Russia and Turkey). Discounting inflation, the size of the television advertising market in the European Union decreased by 8% between 2008 – before the economic downturn – and 2016. Beyond the economic climate, several factors affected the market: Internet has increasingly become a video medium; television viewing time is no longer growing, and is even decreasing among young viewers; the proliferation of TV channels has led to competition around advertising tariffs and has increased the market power of advertisers.

Keeping TV advertising relevant

Internet provides a mix of advertising solutions of great appeal to advertisers: the combination of mass media with the ability to reach large audience, and of direct marketing with targeted advertising. The relevance of television advertising has been challenged: through limited knowledge of the evolved customer base, due to the inheritance of analytics from the analogue world; and due to the impossibility of addressing the 'right' targets, since TV advertising messages are sent to all viewers.

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

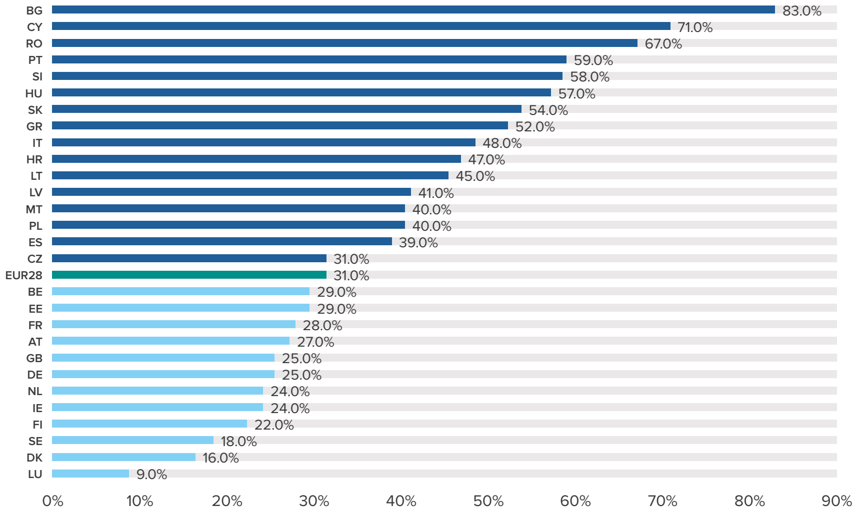
→ The advertising market in the European Union in million EUR and average growth rate (2011-2016)



Audiovisual: television + radio + cinema

Source: European Audiovisual Observatory analysis of WARC data

→ Television share of advertising expenditure (2016) - *In %*



Source: European Audiovisual Observatory analysis of WARC data

4.4 Pay-services: growth driven by SVOD

Still growth despite new on-demand services

In 2016, the number of pay-TV subscribers increased by 2.1% in Europe[1], compared to 3.2% in 2015 and 2.8% in 2014. Four countries saw a decrease of the number of subscribers: Ireland, Lithuania, Malta and Sweden. The growth of pay-TV remains driven by the digitisation of cable, the introduction of new advanced services, and the competition between cable operators and telecommunications operators. On the whole, however, the market remains less developed than in the USA, and tariffs are lower. In Europe, therefore, the new competition from on demand services distributed on the Internet may, in the short term, contribute to further expansion of the global market for pay-TV services; but the legacy players will be strongly challenged by the new entrants over access to the new streams of revenues generated by on demand services.

Cable networks challenged

Cable networks remained the primary distributors of pay-TV services in Europe, in 2016, with an approximate subscriber 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 is still on the up, but at a slower pace, with the highest subscriber growth rates in 2016 in Croatia, Germany and Belgium. Internet Protocol TV (IPTV) surged on increased roll-out, and was particularly strong in 2016 in Turkey, Ireland, Malta, Greece and Poland. Digital terrestrial television's (DTT) share of pay-TV subscribers continued decreasing, as several services have pulled the plug in recent years.

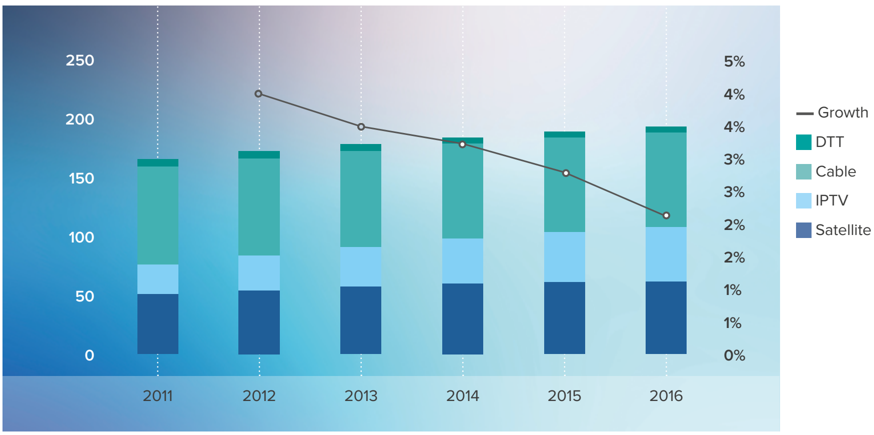
Here comes SVOD

Pay-TV revenue increased by 2.8% in Europe in 2016, the lowest growth rate since 2012. Cable (+1.0%), satellite (-0.2%) and DTT (+0.7%) revenues stagnated whereas IPTV (+8.8%) revenue grew further on the back of continued services roll-out. SVOD still only accounted for 7% of pay-services revenue, as its tariffs are much lower than legacy pay-TV services. But it generated 60% of the increase in the segment's revenues.

SVOD is not a direct substitute for pay-TV, as it does not (yet) offer a full package of television channels. So far, the impressive increase in the number of SVOD subscribers (+54.2% in 2016) appears not to have triggered a significant level of "cord-cutting" (consumers switching from pay-TV to Internet on demand services) in Europe. But the multiplication of over-the-top offers may, in the medium term, further slow down the growth of legacy pay-TV services.

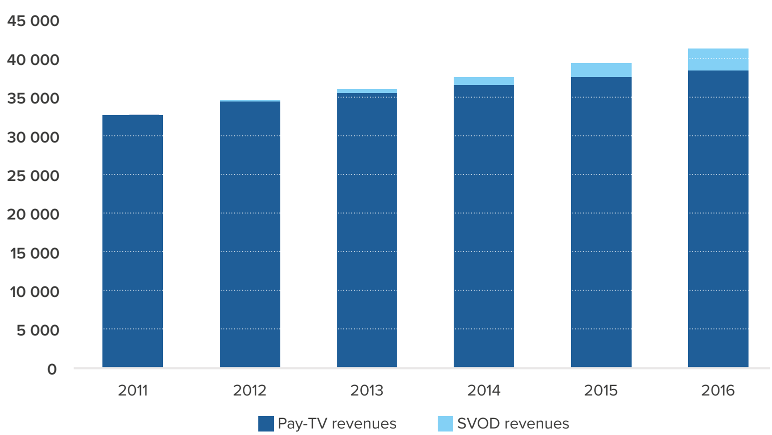
1 EU28 + Armenia, Switzerland, "the former Yugoslav Republic of Macedonia", Norway, the Russian Federation and Turkey.

➔ Pay-TV subscribers in Europe[1] by network and growth rate (2011-2016)
In million subscribers and %



Source: European Audiovisual Observatory analysis of Ampere Analysis data

➔ Pay-services revenue in Europe[1] (2011-2016) - *In million EUR*



Source: European Audiovisual Observatory analysis of Ampere Analysis data

4.5 Sustained growth fuelled by Eastern Europe and Turkey

After years of stagnation, the number of cinema screens in the EU grew for the second consecutive year in 2016, by 1.7% year on year, to 30 619, with only six countries closing down venues. This was mainly due to sustained growth in most Eastern European countries over the five years leading into 2016 (11.8%), but also to the end of a trend of very low, even negative, growth in several large western European markets until 2014, with above 1% interannual growth for the second consecutive year (1.5% in 2016).

A timid upward trend at the European[1] level in recent years sharpened between 2014 and 2016 (2.8% year on year growth, to 38 929 screens), mainly due to an expansion in theatrical infrastructure in Turkey (35% increase from 2012 to 2016) and, most notably, Russia, where the number of screens increased by 41% over the same period (4 372 screens in 2016).

The number of cinema sites in the EU grew in 2016, by 2.1%, to 9 885 theatres. At the broader European level, 2015-2016 growth came in at 3.4%, up to 12 412 theatres. With the number of cinema sites up in most European countries, the overall hike was primarily due to growth in Turkey, Greece, France, Italy and, in particular, Russia.

Almost full digitization

The 2011-2016 evolution of screens and digital screens in Europe shows the acceleration of conversion to digital since 2013, with only 1 247 analogue screens left in Europe by the end of 2016 -i.e. 2.5% of overall stock; or, a 97.5% digital penetration rate and 37 682 digital screens (29 848 of them in the EU). In addition, 15 countries out of 34 were fully digitised by the end of 2016; another 11 boasted a digitisation rate above 95% and only five countries presented digital penetration figures below 80% – with the Czech Republic (53%), Lithuania (64%) and Estonia (71%) still quite a way from completing the process.

3D screens up again

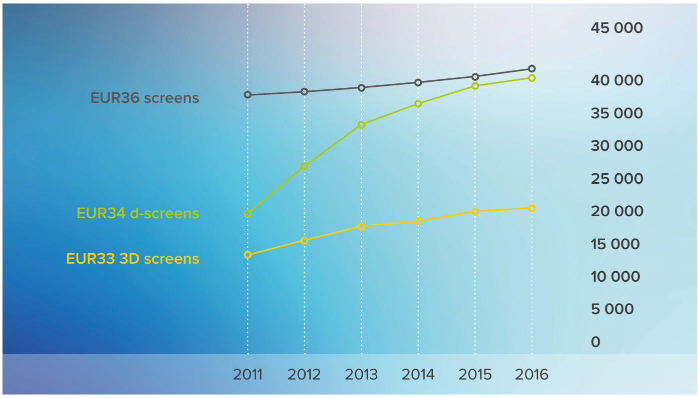
3D screens accounted for almost half of the digital screens in Europe, with 19 024 screens in 2016. The proportion was slightly lower at the EU level (47%, with 14 364 3D screens), mainly due to the high number of 3D screens in Russia and despite the low 3D screen penetration rate in Turkey.

After a surge in 2015, the number of 3D screens in Europe grew more timidly by 2.3% from 2015 to 2016, up to 19 024 screens (by 1.3% at the EU level, up to 14 364 screens), with only a fraction of the newly unveiled digital screens 3D-capable.

With most large western European markets fully (or almost fully) digitised, it is mostly in certain Eastern EU countries where the digital roll-out is still underway, as well as in Turkey, where 3D penetration is well below average, and where there is thus much scope for growth. The hike in 3D equipment uptake can therefore be ascribed to these countries' catching up, rather than an overall trend.

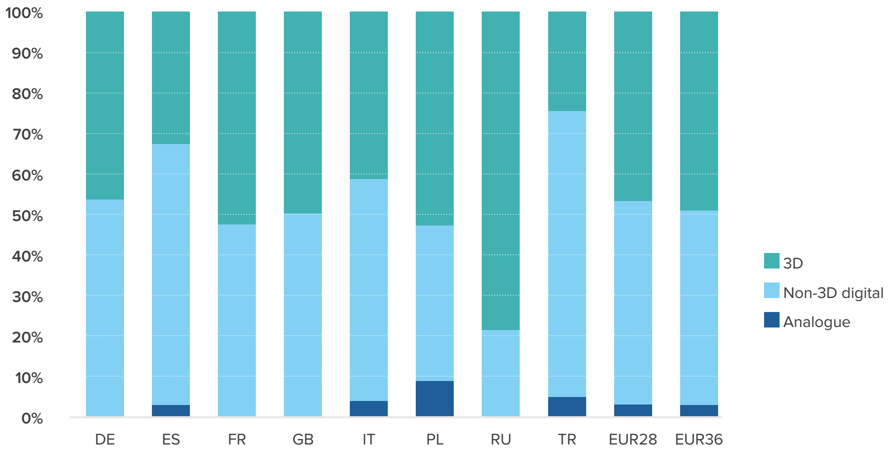
1 EU countries plus Bosnia and Herzegovina, Iceland, Liechtenstein, "the former Yugoslav Republic of Macedonia", Norway, Russia, Switzerland and Turkey.

→ Number of screens, digital screens and 3D screens in Europe (2011-2016)



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 (2016)



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

4.6 Cinema: US market share in the EU increased in 2016

US market share in the EU increased while market share of European films remained stable

EU admissions growth in 2016 was driven primarily by US films as their cumulative admissions increased by at least 50 million tickets sold. US market share in the EU consequently climbed from an estimated 63.1% to 67.5%. This was the second highest level in five years.

After performing exceptionally well in 2015, European films produced in Europe with incoming US investment (EUR inc) registered a decline in admissions in 2016 as *Fantastic Beasts and Where to Find Them* was the only UK incoming investment film to make it into the top 20. The estimated market share of European films produced in Europe with incoming US investment (EUR inc) consequently fell from 7.1% to 3.5%.

Cumulative admissions to European films[1] in the EU increased marginally in 2016 but did not match the growth rate of the overall market. The estimated market share of European films thus decreased slightly from 27.0% to 26.8%. Although that was the second lowest level for five years, it was well aligned with the commonly observed spectrum of European films accounting for 26% to 29% of total admissions in the EU. At the same time, European films continued to perform well in several national markets, particularly in France (35.8%; top film: *Les Tuche 2 - Le rêve américain*), the Czech Republic (29.5%; top film: *Anděl Páně*), Italy (29.1%; top film: *Quo vado?*), Finland (28.5%; top film: *Risto Räppääjä ja yöhaukka*), Poland (25.0%; top film: *Pitbull. Niebezpieczne kobiety*) and Norway (23.9%; top film: *Kongens nei*).

Including UK qualifying films such as *Rogue One: A Star Wars Story*, UK films captured a market share of 35.9%, making the UK once again the EU market with the highest national market share in 2016. UK independent films, as defined by the British Film Institute (BFI) (i.e. excluding films with US studio backing), accounted for only 7.4% however.

Finally, admissions to films originating from other parts of the world decreased in 2016 and their market share dropped accordingly from an estimated 2.8% to 2.1%.

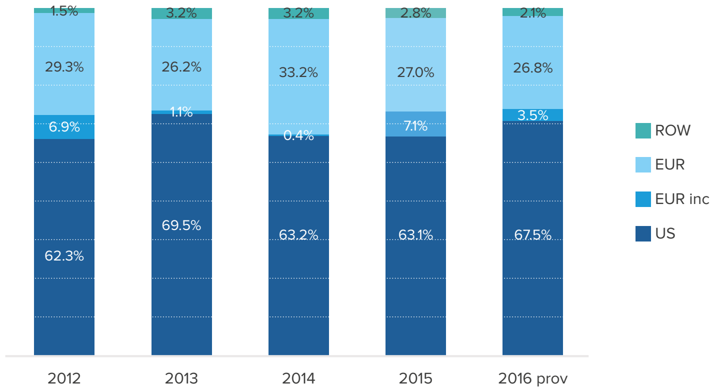
EU films grew audiences in national markets but lost audiences in non-national EU markets

The Observatory estimates that about 5 200 European films were on release in at least one EU market in 2016. On a cumulative basis these films sold about 187 million tickets in their domestic markets (up from 179 million in 2015) and generated 76 million admissions in non-national EU markets (down from 88 million).

Taking into account admissions to European films in all 45 markets worldwide for which the Observatory was able to collect admissions data, European films in 2016 generated 60% of their worldwide admissions in their respective domestic markets, while 40% of tickets were sold in non-national markets within and outside Europe.

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 (2012-2016) *- Estimated*



Source: European Audiovisual Observatory / LUMIERE

→ Top 20 European and EUR inc films ranked by admissions in the European Union (2016)
Estimated admissions for calendar year. 'EUR inc films' refers to films produced in Europe with incoming investment from US studios.

#	Original title	Prod. year	Countries of origin	Director(s)	Total admissions in the EU 2016
1	Fantastic Beasts and...	2016	GB inc / US	David Yates	23 428 478
2	Bridget Jones's Baby	2016	GB / US / FR	Sharon Maguire	16 474 544
3	Quo vado?	2016	IT	Gennaro Nunziante	9 519 023
4	Les Tuche 2 - Le rêve...	2016	FR	Olivier Baroux	4 882 816
5	A Monster Calls	2016	ES / US	J.A. Bayona	4 646 428
6	The Danish Girl	2015	GB / US / BE / DK / DE	Tom Hooper	4 225 127
7	Camping 3	2016	FR / BE	Fabien Onteniente	3 295 215
8	Willkommen bei den...	2016	DE	Simon Verhoeven	3 215 065
9	Radin !	2016	FR	Fred Cavayé	3 157 743
10	Pitbull. Niebezpieczne...	2016	PL	Patryk Vega	2 901 238
11	Perfetti sconosciuti	2016	IT	Paolo Genovese	2 783,673
12	Heidi	2015	DE / CH	Alain Gsponer	2 542 513
13	Absolutely Fabulous...	2016	GB inc / US	Mandie Fletcher	2 515 328
14	Robinson Crusoe	2016	BE / FR	V. Kesteloot, ...	2 500 788
15	Retour chez ma mère	2016	FR	Eric Lavaine	2 465 585
16	Les Visiteurs: La Révolution	2016	FR / BE / CZ	Jean-Marie Poiré	2 358 964
17	Chocolat	2016	FR	Roschdy Zem	2 267 211
18	Florence Foster Jenkins	2016	GB	Stephen Frears	2 239 512
19	En man som heter Ove	2015	SE / NO	Hannes Holm	2 178 780
20	Julieta	2016	ES	Pedro Almodóvar	2 161 850

Source: European Audiovisual Observatory / LUMIERE

4.7 Cinema : EU admissions up but GBO revenues slightly down

EU cinema attendance approached the 1 billion mark in 2016 while GBO revenues dropped slightly

An estimated total of over 990 million cinema tickets were sold in the 28 EU member states in 2016 – 12 million more than in 2015, and the highest level registered in the EU since 2004. The majority of EU markets actually surpassed, to varying degrees, the strong admission levels achieved in 2015. Geographically speaking, the growth in EU cinema attendance was primarily driven by strong year-on-year performances in France (+7.4 million / +3.6%), Poland (+7.4 million / +16.6%), Spain (+7.2 million / +7.5%) and Italy (+5.8 million / +5.4%). Only two EU markets registered a significant decline in admissions: in Germany cinema attendance dropped by -18.1 million (-13.0%), partly due to a drop in admissions to local films, and the UK registered a 2.1% decline, losing 3.7 million ticket sales compared to 2015.

Cumulative gross box office (GBO) revenues measured in euros, however, declined slightly by 2.3% from a record high in 2015, but remained above the EUR 7 billion level for the second consecutive year, at an estimated EUR 7.04 billion. Not adjusted for inflation, this is the second highest level on record. The drop in GBO reflects a decline in average ticket prices in selected markets including Italy, Spain and Belgium, as well as declining box office results in Germany and – amplified by the depreciation of the British pound – the UK. The overall average ticket price in the EU consequently fell for the first time in five years, decreasing from EUR 7.4 to EUR 7.1.

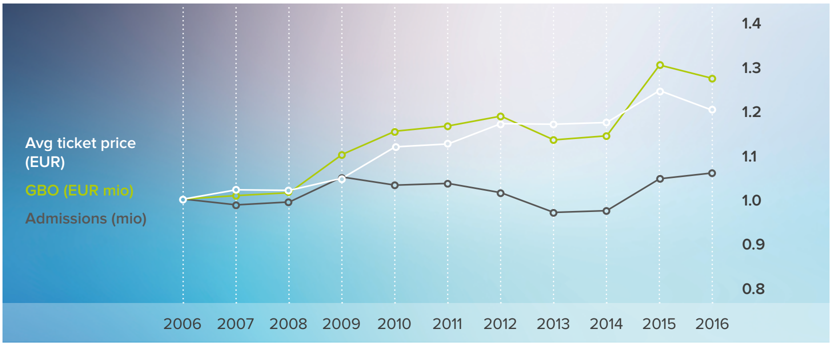
US films continue to drive admissions growth

As in 2015, admissions growth was driven primarily by US films whose cumulative admissions increased by at least 50 million. In contrast to 2015, when a rather limited number of US studio titles drove the growth in admissions, 2016 was characterised by solid box office performances of a comparatively broad range of productions. While in 2015 three individual breakout hits (*Star Wars VII, Minions* and *Spectre*) sold more than 38 million tickets each in the EU, in 2016 no single title reached the 30 million ticket benchmark, with the two top-performing films, *The Secret Life of Pets* and *Finding Dory* selling 26.5 million and 24.7 million tickets across the EU, respectively. It is worth observing, too, that family animation films performed particularly well in the EU in 2016, accounting for nine titles among the top 20. Besides the top two films, other successful animation films included *Zootopia* (22.3 million admissions), *The Jungle Book* (21.0 million) and *Ice Age: Collision Course* (15.7 million). Another significant characteristic of the EU box office is the dominance of franchise films, with seven out of the top 10 and 15 out of the top 20 being sequels, prequels, spin-offs or reboots, such as *Fantastic Beasts and Where to Find Them* (23.4 million admissions), *Rogue One* (21.7 million), *Deadpool* (19.8 million) and *Suicide Squad* (17.0 million).

Leaving aside European films financed with incoming US investment (EUR inc), *Bridget Jones's Baby* was the most successful European film in 2016, selling 16.5 million tickets. It was the only European film to feature in the top 20, with Italian comedy *Quo vado?* (9.5 million) at 21, and no other European film succeeded in selling more than five million tickets in the EU in 2016.

→ Cinema attendance, GBO and average ticket price in the EU (2006-2016)

Estimated indexed development (base year = 2006)



Source: European Audiovisual Observatory

→ Top 20 films ranked by admissions in the European Union (2016)

Estimated admissions for calendar year

#	Original title	Prod. year	Countries of origin	Director(s)	Total admissions in the EU 2016
1	The Secret Life of Pets	2016	US / JP	C. Renaud, Y. Cheney	26 512 930
2	Finding Dory	2016	US	A. Stanton, A. MacLane	24 648 654
3	Fantastic Beasts and...	2016	GB inc / US	David Yates	23 428 478
4	Zootopia	2016	US	B. Howard, R. Moore, J. Bush	22 252 201
5	Rogue One	2016	US	Gareth Edwards	21 673 593
6	The Jungle Book	2016	US / GB	Jon Favreau	21 046 740
7	Deadpool	2016	US	Tim Miller	19 817 124
8	The Revenant	2015	US	Alejandro González Iñárritu	18 968 912
9	Suicide Squad	2016	US	David Ayer	17 007 013
10	Bridget Jones's Baby	2016	GB / US / FR	Sharon Maguire	16 474 544
11	Ice Age: Collision Course	2016	US	M. Thurmeier, Galen T. Chu	15 699 407
12	Batman v Superman...	2016	US	Zack Snyder	15 467 938
13	Star Wars: Episode VII...	2015	US	J.J. Abrams	15 011 552
14	Captain America: Civil War	2016	US	Anthony Russo, Joe Russo	13 532 124
15	Trolls	2016	US	Walt Dohrn, Mike Mitchell	13 200 570
16	Doctor Strange	2016	US	Scott Derrickson	11 802 116
17	Moana	2016	US	R. Clements, D. Hall, J. Musker, ...	11 498 073
18	Kung Fu Panda 3	2016	US / CN	A. Carloni, J. Yuh Nelson	10 987 637
19	Inferno	2016	US / HU	Ron Howard	9 878 849
20	Alvin and the Chipmunks...	2015	US	Walt Becker	9 639 950

Source: European Audiovisual Observatory / LUMIERE

4.8 Blu-ray down, DVD plummets

Penetration: Blu-ray up, DVD down

While the average DVD penetration rate in the EU[1] remained much higher in 2016 than the Blu-ray equivalent – 39.6% compared to 17.4% – 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 6% year on year, up to 42.4 million households in 2016) but the number of EU households with a DVD player decreased, however, by 1.9% year on year, down to 133.3 million households in 2016.

No major price changes

DVD retail prices decreased after two years of mild growth (down to an average of EUR 10.6 per DVD in Europe[2] in 2016), with just the Netherlands and Spain recording a year on year increase of more than 1%, compared to the double-digit growth experienced by some countries from 2014 to 2015. Blu-ray retail prices decreased by 3.7% over 2015, down to an average of EUR 14.8 per unit. Both DVD and Blu-ray rental prices were rather flat over the 2007-2016 decade, the former showing just 1% interannual growth in 2016, rising to an average of EUR 3.1 per DVD, while the latter rose by 1.9% – up to an average of EUR 3.2 per Blu-ray.

Days of DVD rental numbered

The aggregate number of rental transactions (DVD and Blu-ray combined) in Europe[2] was almost four times lower in 2016 (95 million) than at the beginning of the decade and retail transactions more than halved over the same period, down to 344 million in 2016.

With the exception of Italy and Slovakia, all countries experienced a drop in DVD sales, most of them showing a double-digit year-on-year decrease. DVD rentals exhibited an even sharper trend, with total transactions in 2016 (60.7 million in Europe[3]), down 39% over 2015. Only in Iceland did the number of transactions increased year on year in 2016, and in 14 countries the decrease was over 30%.

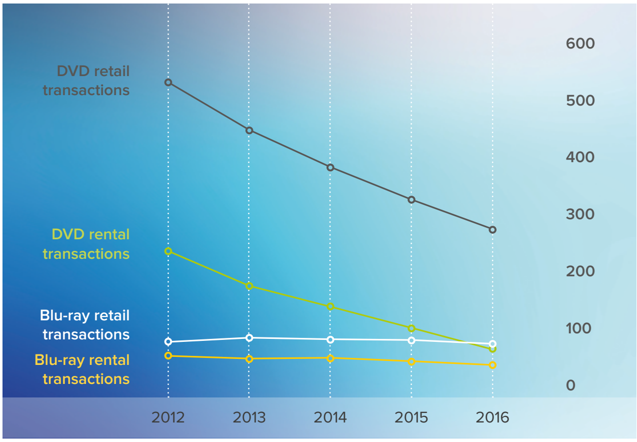
Blu-ray income down while DVD revenues sink

The aggregate turnover of DVD and Blu-ray rentals and sales in Europe[2] was in near-constant decline from 2007-2016. 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 (-20% in 2016, down to EUR 3.1 billion) – the DVD retail market represented more than two thirds of the aggregated DVD/Blu-ray market in 2016.

After two consecutive years of timid decrease, Blu-ray revenues sank by 12% over 2015, down to 1.16 billion in 2016. In both formats, retail has always represented the lion's share of the market, even more so in recent years, with DVD rental turnover decreasing in 2016 to 26% of its value in Europe in 2012 (EUR 185.6 million in 2016). Although varying in magnitude, these trends are common to the vast majority of countries. When it comes to Blu-ray, rental accounted for approximately 10% of the market (EUR 109.3 million in 2016), with both retail and rental experiencing a 12% and 15% year on year decrease in 2016, respectively.

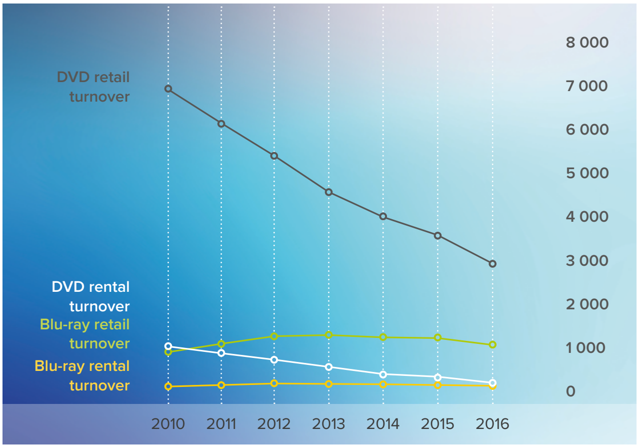
1 In the 19 countries for which data were available: EU28, minus Bulgaria, Cyprus, Luxembourg, Malta, Romania, Slovenia and the three Baltic republics.
2 In the 23 countries for which data were available: 19 EU countries, plus Iceland, Norway, Russia and Switzerland.
3 In the 22 countries for which data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

→ Transactions in Europe by market sector (2012-2016) - *In million*



Source: IHS

→ Turnover in Europe by market sector (2010-2016) - *In EUR million*



Source: IHS

4.9 SVOD on the rise, a new component of the European audiovisual ecosystem

SVOD - Fast-growing, but still a relatively small market in the EU

At the end of 2017, SVOD services made a further step towards becoming an established part of the European audiovisual ecosystem, recruiting new subscribers at a fast pace. At the end of 2016, 37.7 million customers were subscribed to SVOD services in the EU, with yearly growth rates in the two or even three digits depending on the country, and an average annual growth rate of 55.5% between 2011 and 2016. Subscribers in the EU-5 countries[1] accounted for two-thirds of SVOD subscribers in the EU.

This rapid growth of subscribers translated into revenues of EUR 2.5 billion in 2016 for SVOD services, up by +55% compared to the EUR 1.6 billion generated in 2015, and growing at an annual average growth rate of +128% per year in the period 2011 to 2016. The top five countries by SVOD revenues (the United Kingdom, Germany, Sweden, Denmark and France) accounted for 76.5% of EU SVOD revenues at the end of 2016.

Despite this rapid growth in revenues and subscribers, SVOD still represents only a relatively small market compared to traditional pay-TV; SVOD revenues accounted for 6.8% of all pay services revenues (pay-TV and SVOD combined) and 18% of all subscriptions to pay services. In 2016, the average penetration of SVOD among TV households in the EU was 17%, varying between 50% in Denmark and 1% in Estonia.

A blossoming offering of SVOD services in the EU, dominated by US SVOD players

With the arrival of SVOD giants Netflix and Amazon throughout the EU, at the end of 2016 and beginning of 2017, and the launch of several SVOD services by established TV players, a total of 197 different SVOD services were available in 2017 in the EU, representing 330 linguistic versions. Around 52% of these services offer mainly film and TV fiction to their subscribers.

Also, while Netflix, Amazon and HBO only accounted for 2% of services in Europe, they represented 28% of services when linguistic versions are considered.

This translates into market dominance when only OTT SVOD services are taken into account. Netflix comprised 47% of OTT SVOD subscribers in the EU, and the e-commerce giant Amazon with its Amazon Prime SVOD service for 20% of all OTT SVOD subscribers. These figures reflect the situation at the end of 2016, before the European-wide roll-out of Amazon's Prime SVOD service.

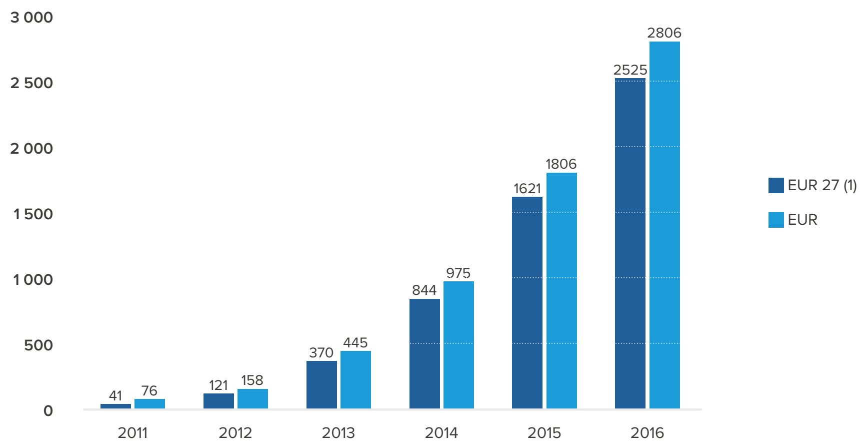
The SVOD service of the US pay-TV channel HBO, HBO Go, despite a wide European presence, had fewer subscribers than local services operated by traditional players, such as Maxdome in Germany, Timvision in Italy or Canal Play in France.

A majority of SVOD services delivered 'over-the-top'

Broadly, the supply of SVOD services can be segmented into three categories: pure over-the-top (OTT) services, services provided by cable or IPTV distributors on a managed network and cases in which a SVOD service is delivered on both networks. A total of 75% of all SVOD services in the EU are delivered over-the-top, with 14% distributed on managed networks and 11% accessible both on managed networks and over-the-top. Netflix, initially only accessible OTT in the EU has entered international distribution agreements with telecom players Orange and Deutsche Telekom, thus expanding its potential reach by being included on set-top boxes of these operators.

1 The EU-5 countries are France, Germany, Italy, Spain, and the United Kingdom.

SVOD revenue in Europe (2011-2016) - *In million EUR*



(1) No data for LV.

Source: European Audiovisual Observatory analysis of Ampere Analysis data

Main SVOD services active in EU 27[2] (2016)

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

(2) No data for LV.

Source: European Audiovisual Observatory analysis of Ampere Analysis data

5

PLAYERS

5.1 Audiovisual groups in Europe: More concentration?

Analysis of a list of the top 100 groups active in Europe, by audiovisual revenue, involves several methodological challenges: identifying the exact share of audiovisual revenues accounted for by the large telecommunications and cable companies, examining the split between broadcasting and distribution activities, and – more difficult still – ascertaining the share of US groups' revenues generated in Europe. Nonetheless, these angles offer useful insights into the structure of the audiovisual industry in Europe.

Revenues of 'top 100' growing faster than the market

With a 4.9% average growth rate between 2012 and 2016, the major European groups grew faster than the market (2.4%), pointing to a concentration process. The top 10 groups grew at an even greater clip (5.2%), 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, the distributors enjoyed more sustained growth (9.6%) than broadcasters (4.3%)[1] because the pay-TV market has proved more dynamic than the free-to-air one, a possible indication of the growing role of network operators in the distribution of television, and their ability to capture an increasing portion of the added-value of the sector. Globally, distributors accounted for close to 27% of top 100 revenues, vs 73% for broadcasters.

Only one new player, Netflix, made its way into the top 100. Based on estimates, Netflix was the 15th audiovisual group active in Europe in 2016 in terms of revenues, already higher than legacy US broadcasting company subsidiaries such as HBO or the Fox channels.

Public broadcasters accounted for roughly 34% of the revenues of the top 100 audiovisual groups active in Europe. But public broadcaster revenue (public funding plus additional commercial resources) increased much more slowly after 2012 (0.3% per year on average, due in part to the positive impact of the licence fee reform in Germany) than their private competitors (7.8%).

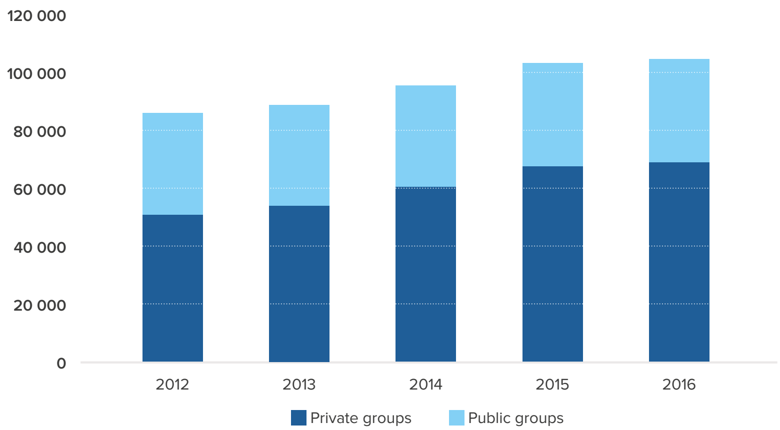
US groups slowly made their way into the top 100

Not surprisingly, the major European TV groups tend to be established in the biggest countries, as they benefit from a large internal market to develop their activities. Companies based in the United Kingdom, France, Germany, Italy and Spain accounted for close to 61% of the revenues of the top 100 in 2016.

US-based groups still generated a limited share of the revenues (11.0%) 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, whereas the export of content was once the preferred strategy. Many US television channel brands (e.g. Disney, Fox, National Geographic, Discovery, and Nickelodeon) are now active all over 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).

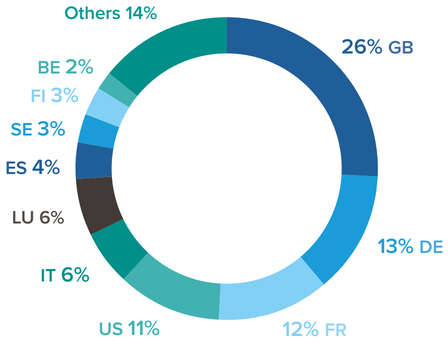
1 Groups such as Sky or Canal+, active both as broadcasters and distributors, are double-counted in each category.

→ Audiovisual revenues of the top 100 companies active in Europe (2012-2016)
In EUR million



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

→ Breakdown of the revenues of the top 100 audiovisual groups active in Europe by country of origin (2016) - *In %*



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

5.2 Public broadcasters: Pressure on revenues

Pressure on public service broadcaster revenues

The level of revenues of public service broadcasters (PSBs) strongly varies between countries, not only in absolute terms, but also per household: For example, the per-inhabitant revenue of SSR-SRG (Switzerland) was EUR 180.7 in 2016, compared to EUR 11.4 in Lithuania or EUR 9.8 in Romania, for their respective public broadcasters.

PSB revenues increased on average by a modest 0.4% per year in the European Union between 2011 and 2016. Excluding Germany, which has by far the most well-funded television public service, and where a new license fee scheme boosted the revenues of the public broadcasters, the increase was 0.2% per year. Portugal, Spain, Romania and Poland experienced a significant decline of their revenues.

Both pressure on public funding and the advertising crisis explain this stagnation (a downward trend in real terms), as PSBs generally rely on these two resources, although in different proportions: on average in the European Union, public funding accounted for 77.7% of PSB resources in 2016 (up from 75.8% in 2011) but the share varied between over 95% in Finland, Greece, Estonia and Luxembourg, and less than 50% in Poland or Malta.

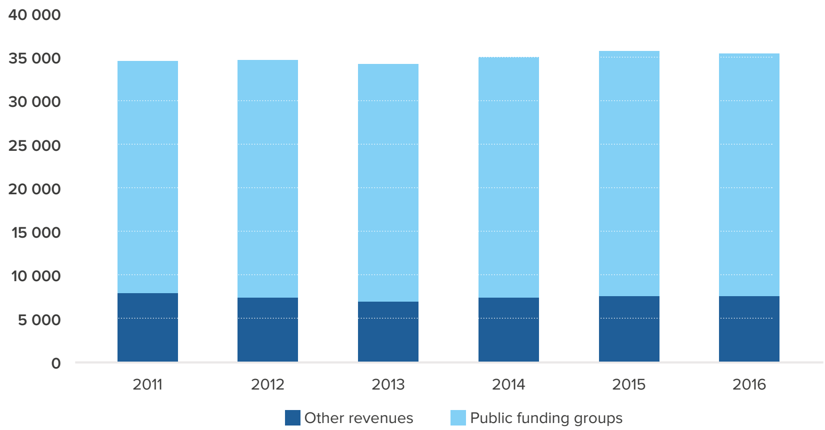
Different trends in viewing shares

The differences in level of funding constitute one key factor explaining why European PSB audience shares range from below 5% to more than 70%. Irrespective of audience share, though, PSBs, just like their commercial competitors, face increasing audience fragmentation due to the multiplication of digital television channels. Most of them have reacted by expanding their channels portfolio. However, their audience share has generally decreased since 2010, with notable exceptions: Denmark, Hungary, Germany, the Czech Republic, Sweden and the French community of Belgium.

Significant investments in content production

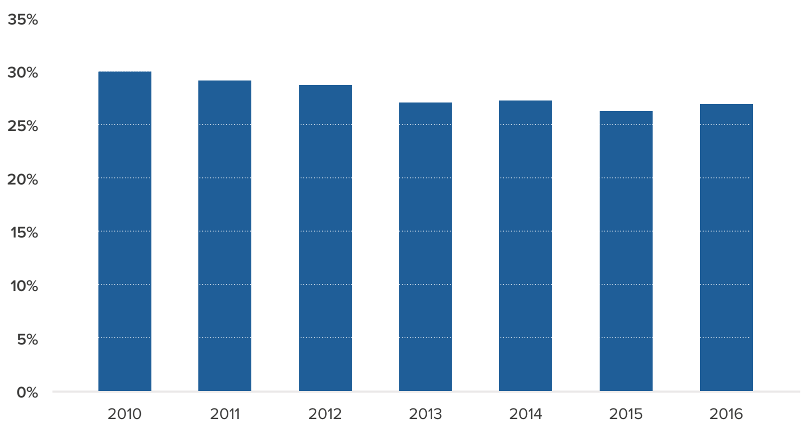
PSBs originated 73% of TV fiction and 44% of TV fiction hours produced each year in Europe. They focus in particular on short formats (TV films and TV series with 26 or fewer episodes), for which they contribute to 66% of hours produced. Moreover, seven public groups appear in the ranking of the top 15 broadcasters involved in the production of TV fiction in the European Union: ARD (Germany), ZDF (Germany), RTVE (Spain), BBC (United Kingdom), France Télévisions (France), RAI (Italy) and RTP (Portugal).

→ Revenues of public service broadcasters in the European Union (2011-2016)
In EUR million



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

→ Average market share of public service broadcasters in Europe (2010- 2016) - *In %*



Source: European Audiovisual Observatory analysis of Médiamétrie Eurodata TV data

5.3 New intermediaries in film distribution: VOD aggregators

Barriers to VOD distribution

The rise of video-on-demand (VOD) has brought about significant changes to the European film landscape, resulting in a surge of new players and distribution models. While VOD is generally seen as a valuable opportunity, rights holders can face barriers when trying to place their content on VOD platforms. Since big VOD retailers prefer to strike deals over sizeable amounts of content, requiring a minimum volume threshold, it can be challenging for distributors with small film catalogues to negotiate with them directly. In addition, the access to VOD platforms is subject to compliance with specific technical standards. Finally, the VOD window has become more competitive, making it increasingly difficult to secure visibility for content. These factors have led to the emergence of so-called film aggregators1, intermediaries that deliver film content from rights holders to VOD services.

A broad portfolio of activities

Aggregators have made inroads by engaging in a diverse set of activities revolving around two main pillars. They ensure delivery of the digital file to VOD platforms in accordance with specific standards, providing a range of relevant technical services. They also collect and license digital rights, acting as gatekeepers to big VOD services: resorting to an intermediary that gathers large film catalogues (aggregation) can be the only way for some rights holders to place their content on global platforms. Finally, some aggregators have extended their activity to related areas such as marketing, helping design distribution strategies across different platforms and advising on curatorial aspects.

Business model and value chain

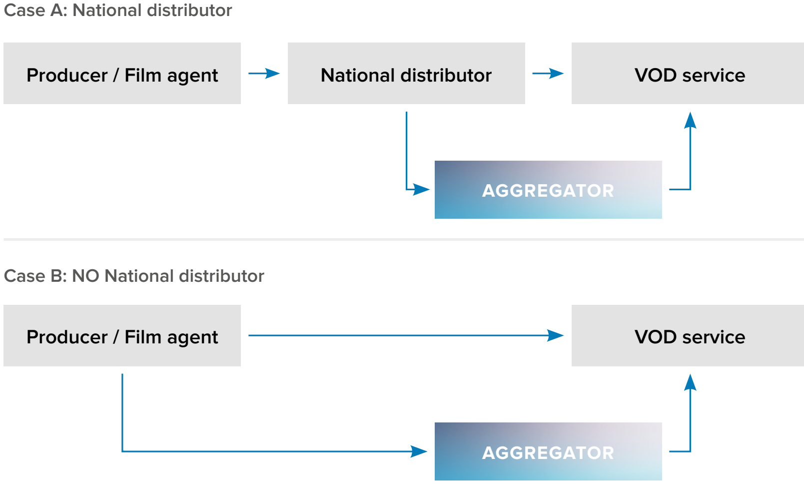
Aggregators typically work with distributors, but they may also deal with producers directly, especially for VOD-only releases. Most of them work on a revenue-sharing basis, functioning as sub-distributors and retaining a royalty from rights holders. However, they may also operate on a flat-fee model, without retaining IP rights; they may choose to apply either of the two models depending on the type of service provided.

Improving the cross-country circulation of films on VOD

In targeting multiple platforms, aggregators help streamline the VOD pipeline, narrowing down the administrative burden while helping distributors seek out unexplored business opportunities. Moreover, they can contribute to the development of straight-to-VOD release strategies. In particular, they can enhance the cross-country circulation of small (European) films that are only distributed in their national markets, by making them available on VOD in countries where they are not released in cinemas. However, it is still difficult to assess the demand for this segment of the market, as straight-to-VOD releases represent only 14% of total releases (both TVOD and theatres). The data also suggest a strong link between the theatrical and the TVOD windows: when a film is released on TVOD in a given country, it has, in 73% of cases, also been released in cinemas (not necessarily simultaneously).

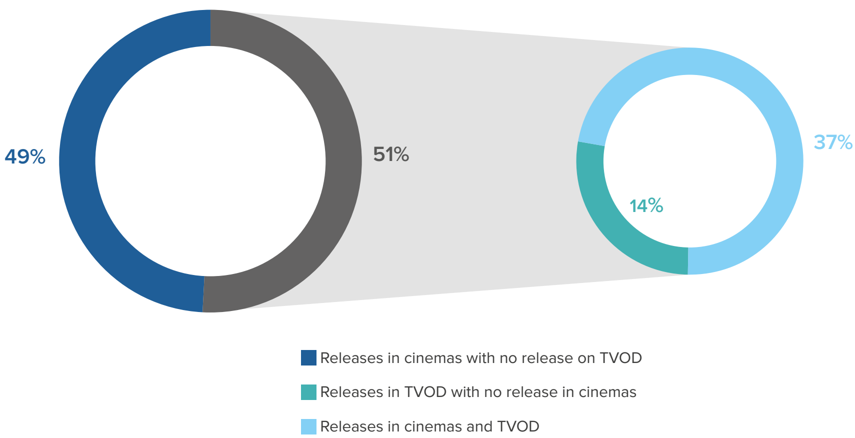
1 In this context “aggregators” does not indicate video hosting websites and VOD platforms such as YouTube or Netflix but refers to companies that serve as intermediaries between rights holders and VOD platforms, providing technical and marketing services.

Aggregators in the VOD distribution chain



Source: European Audiovisual Observatory

Link between theatrical and TVOD release



Source: European Audiovisual Observatory

5.4 Children's channels: Local PSBs vs. pan-European US groups

Children's TV channel supply in Europe: Main market players

A European Audiovisual Observatory analysis of children's TV channels operating in Europe shows that 127 TV networks and 329 children's TV channels (including the various linguistic versions) operate in Europe, and represent 6% of all TV channels established there. A full 26% of TV networks are of US origin (33 out of 127), and nonetheless comprise 70% of the total number of children's channels at the pan-European level (225 out of 329). Indeed, while 70% of US networks boast multiple linguistic versions, only 1% of European private and national public networks feature multiple language versions.

Mostly private channels; for half, UK is country of establishment

Around 85% of the children's TV networks established in Europe are owned by the private sector, with 58% controlled by the private European sector. The top 10 children's TV channels in Europe offer free access in one of the top six markets by population, while half are national public channels. The countries with a strong domestic public children's channel, such as Germany and Sweden, have fewer US groups present in the market.

A total of 56% of the children's TV channels were established in the United Kingdom. Other main countries of establishment are the Czech Republic (9%), Russia (7%), the Netherlands (6%), Italy (5%) and Germany (5%).

Expansion of US brands

Just nine US groups control all of the US children's TV channels established in Europe, with the top four groups (Walt Disney, Viacom, Time Warner and AMC) accounting for over 85% of the US channels and almost 60% of all children's TV channels in Europe.

Walt Disney and Viacom, established in up to 10 countries, have the most heterogeneous establishment structure, while Time Warner and AMC are licensed in six and seven licensing territories, respectively.

While the top three US groups have portfolios mainly formed of US brands launched in the European market, AMC stands out due to its fully European-branded children's TV channel portfolio (Jim Jam and Minimax were conceived, launched and developed especially for the European market).

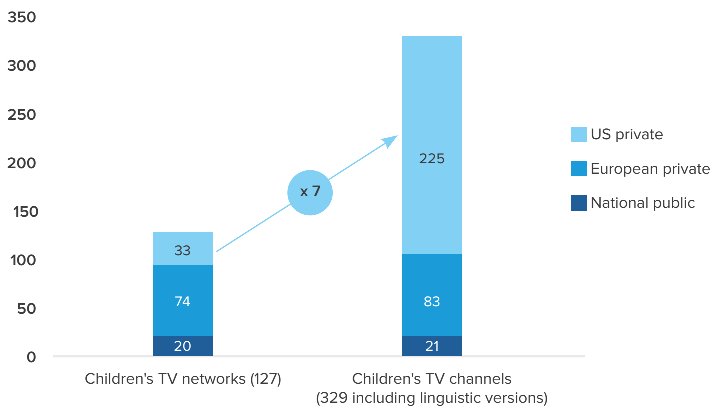
Children's TV channel audiences: One in four Europeans tuned in to a public children's channel

Children's TV channels reached an average 5% daily audience share at the pan-European level, close to the 6% supply share of children's channels in Europe.

Accounting for only 6% of children's channels in Europe, the national public channels in 2015 captured 25% of total audience market share. Moreover, they held half of the top 10 children's TV channel ratings in Europe in an indication that national public channels perform strongly in the markets in which they are present. Also, when compared to the other two categories, the public sector portfolio of children's channels stands out as the most efficient in fostering and developing its audiences.

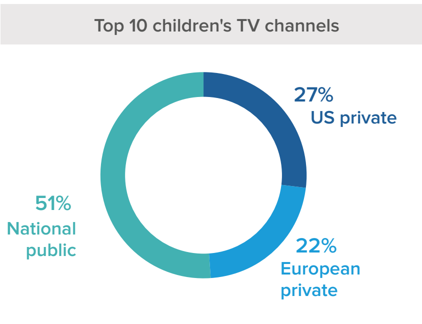
On the other hand, US private children's TV channels build up their audiences by applying an extensive rather than intensive approach. They are bolstering their pan-European ratings mainly by diversifying and expanding their portfolios rather than by aiming to boost the audiences for existing channels in a given market. US private children's channels managed in 2015 to capture audiences from 23 markets as opposed to national public channels, for which ratings were recorded in only 12 markets.

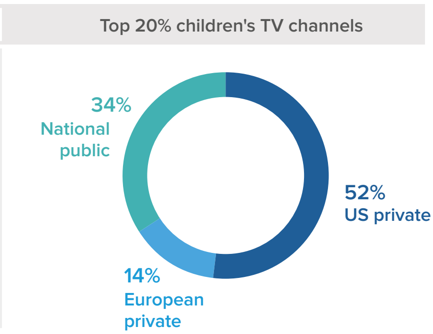
➜ Average number of linguistic versions per US children's TV network (2016)

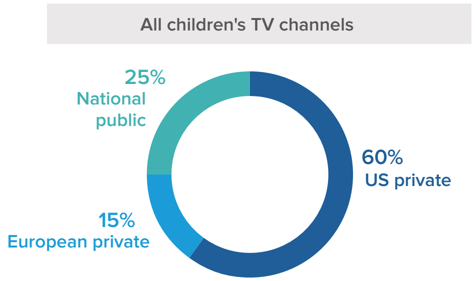


Source: European Audiovisual Observatory / MAVISE Database

➜ Breakdown of children's TV channel audiences in Europe by type of ownership (2016) - *In %*







Source: European Audiovisual Observatory / Eurodata TV Worldwide

Free access

4 Databases

1

MAVISE

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More than 13 000 television channels, 3 000 on-demand audiovisual services and 9 000 companies!

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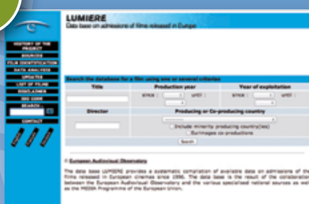
2



LUMIERE

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http://lumiere.obs.coe.int

3

IRIS MERLIN

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European Audiovisual Observatory

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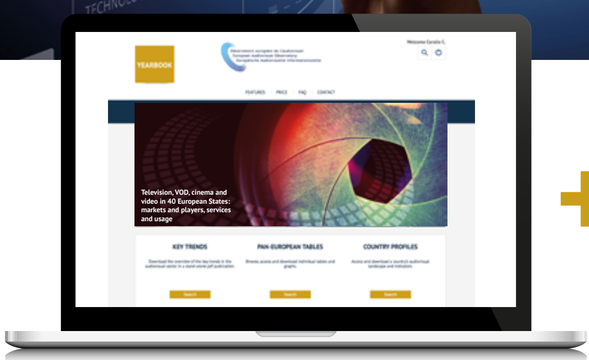

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European Audiovisual Observatory

Set up in December 1992, the European Audiovisual Observatory's mission is to gather and distribute information on the audiovisual industry in Europe. The Observatory is a European public service body comprised of 41 member states and the European Union, represented by the European Commission. It operates within the legal framework of the Council of Europe and works alongside a number of partners and professional organisations from within the industry and with a network of correspondents.

Major activities of the Observatory are

- the online-Yearbook, the online service for data and analysis on television, cinema, VOD and home video in 40 countries
http://yearbook.obs.coe.int/

- the publication of newsletters and reports
www.obs.coe.int/publications

- the provision of information through the Observatory's Internet site
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- contributions to conferences
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