

Global watch on culture and digital trade

ONLINE PLATFORMS AND CULTURE: THE WINNING ACTORS OF THE GREAT LOCKDOWN?

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The great lockdown due to the global pandemic of the COVID-19 has a major impact on the functioning of cultural markets and the global flows of digital cultural content. Regarding the online platforms and their place in the audiovisual ecosystems, the great lockdown could have some crucial effects: consolidating the dominant place of some US video on demand platforms in the global cultural market; giving the economic and technological advantage to these global players to establish their leading position in the global trade of digital cultural content; developing oligopolistic conditions of strong competition among few US multinational firms in the digital audiovisual market; strengthening the material and symbolic resources of these platforms in order to become irreplaceable global actors for culture professionals, the cultural economy and flows of cultural expressions. This issue seeks to explore whether some US online platforms, such as Netflix or Disney Plus, are the winning actors of the great lockdown. In addition, this issue highlights the new European approach to Artificial Intelligence.

Netflix: consolidating an ephemeral dominance?

Netflix is one of the companies benefiting from the great lockdown due to the global COVID-19 pandemic. The subscription video on demand (SVOD) platform doubled its forecasts with respect to new subscribers in the first quarter of 2020.



In its quarterly report, published on April 22, Netflix confirmed this record: in the first three months of 2020, 15.77 million new paying subscribers worldwide (+ 9.4%) compared to a forecast of 7 million new subscribers. Today, the Californian SVOD platform has 182.9 million subscribers compared to 167.1 million at the end of January. Moreover, the multinational firm also hired an additional 2000 customer support staff to handle the higher demand. However, despite the impressive increase in subscriptions, Netflix's revenue remains stable at 5.77 billion USD in the first quarter. This amount was in line with its forecasts, following a stronger dollar and sharp decline in the value of many currencies, which hurt Netflix's international revenue growth.

In his letter to shareholders, Reed Hastings, Netflix CEO, mentioned that “during the first two months [of 2020], our membership growth was similar to the prior two years, including in the US and Canada. Then, with lockdown orders in many countries starting in March, many more households joined Netflix to enjoy entertainment”. However, he stated that even though “we’re seeing temporarily higher viewing and increased membership growth”, we expect “viewing to decline and membership growth to decelerate as home confinement ends, which we hope is soon”.

It is worth noting that before the COVID-19 crisis, Netflix's growth in the United States had started to drop, while the international market started to occupy a key place in the company's strategy: between 2018 and 2019, Netflix saw a 55% decrease in net adds in the United States, only bringing in 2.6 million new subscribers. Last quarter of 2019, Netflix added 420 000 subscribers domestically, but it saw an additional 8.33 million subscribers internationally. Moreover, during the lockdown period, most of the new subscribers come from outside the US. Netflix signed up 2.31 million subscribers in the US and Canada, while the California-based company signed up 7 million new paid subscribers in the region Europe, Middle East and Africa, followed by a major increase in Asia-Pacific with more than 3.6 million new membership additions. Regarding the high jump in Asia-Pacific, it is important to take into account that by the end of 2019, this region accounted only for 8% of the company's total revenue.



Popularity of Netflix's programs

With respect to the popularity of some of Netflix's programs in the latest quarter, action-comedy movie "Spencer Confidential" was watched by 85 million households worldwide in its first four weeks, followed by Spanish-language hit "La Casa de Papel" (Money Heist), Season 4, with 65 million households, the documentary series "Tiger King: Murder, Mayhem and Madness" sampled by 64 million since its March 20 debut, "Love is Blind", 30 million and "Ozark", Season 3, 29 million member households. According to Netflix metrics, viewership counts if someone watches two minutes of a title.

In addition, following the global COVID-19 pandemic, new content Netflix production has ground to a halt. "Almost all filming has now been stopped globally, with the exception of a few countries like Korea and Iceland". On the post-production side, Netflix has been able to get more than 200 projects going remotely. Besides, unlike Hollywood studios such as Disney, Universal, Paramount, Sony and Warner Bros, Netflix does not release its films into cinema theaters and its business model is not impacted by the fact that movie theater screens fade to black in several countries during the COVID-19 pandemic.

Finally, the company anticipates its growth to return to normal by the end of June, forecasting that it would add 7.5 million subscribers in the second quarter. But Netflix warned: "Given the uncertainty on home confinement timing, this is mostly a guesswork".

A Netflix fund for the COVID-19 crisis

In March 2020, Netflix created a 100 million USD fund to help with hardship in the cultural industries, starting with the crews on Netflix's productions. In Netflix's efforts to consolidate its place as a major player in cultural sectors, this fund includes also donations of 1 million USD each to the SAG-AFTRA Foundation COVID-19 Disaster Fund, the Motion Picture and Television Fund and the Actors Fund Emergency Assistance in the US and 1 million USD between the AFC and Fondation des Artistes in Canada.



In addition, Netflix supported the British Film Institute (1 million sterling), the Italian Film Commission (1 million EUR), Audiens in France (1 million EUR), the Brazilian Institute of Audiovisual Content (5 million R\$), the Mexican Academy of Film Arts and Sciences (1 million USD), the Instituto de la Cinematografía y de las Artes Audiovisuales, Acción Cultural and the Film Academy (1 million EUR) in Spain, as well as the Netherlands Film Fund (1 million EUR).

Film heritage strategy

In April 2020, in order to strengthen its film heritage catalogue, Netflix established a new partnership with MK2 Films, the Paris-based film sales and distribution company. A selection of French and international films from the MK2 catalogue will become available on Netflix throughout 2020. It will cover a catalogue of 50 films directed by François Truffaut, David Lynch, Michael Haneke, Xavier Dolan, Charlie Chaplin, etc.

Following the exploitation of its film heritage works strategy, in January 2020, Netflix acquired exclusive streaming rights to the full film catalogue of the Japanese animation house Studio Ghibli for all territories in the world outside North America and Japan. All 21 Ghibli films - including Hayao Miyazaki's animation films among others - will be made available via streaming on a worldwide basis. HBO Max - upcoming US SVOD service from WarnerMedia Entertainment - already picked up US streaming rights to Ghibli's works, but the agreement with Netflix represents a key step for its international growth goals.

Disney Plus, a global challenger

Netflix's dominance is notably challenged by the launch of Disney Plus, Disney's new video streaming service. Disney Plus was launched on November 12, 2019 in the United States, Canada and the Netherlands. In early April, Disney Plus reached more than 50 million subscribers. This figure is impressive taking into account that Disney last reported 28.6 million Disney Plus paid subscribers, as of February 03. It means Disney Plus added around 22 million new subscribers in two months. Clearly, Disney Plus is a key beneficiary of cultural consumption changes and growing in-home streaming practices due to the COVID-19 outbreak and the great lockdown.



The new SVOD got a major boost in late March and early April, when it launched in eight Western European countries – the United Kingdom, Ireland, Germany, Italy, Spain, Austria, France (following a government-mandated two-week delay) and Switzerland. Moreover, Disney Plus subscription figures were also boosted by its launch in India on April 3. In India, Disney Plus is offered in conjunction with the existing Hotstar service. The country already accounts for approximately eight million of the company's 50 million paid subscribers. It is worth noting that Disney Plus originally set a target of 60 million to 90 million subscribers by the end of 2024.

According to Kevin Mayer, chairman of Walt Disney Direct-to-Consumer & International, later in 2020, Disney plans to continue expanding Disney Plus throughout Western Europe, Japan and across Latin America. Disney Plus will pursue its European rollout this summer in Belgium, the Scandinavian countries and Portugal.

According to the [2019 Report](#) from the Motion Picture Association of America (MPAA), the number of subscriptions to online video services around the world increased to 836.9 million in 2019, a 28 percent increase from 2018.

Besides, Disney Plus is not expected to launch in the Middle-East region in the near future, but will licence its original content exclusively to regional pay TV and streaming company [OSN](#) (Orbit Showtime Network). Regional entertainment network OSN broadcasts into 24 countries across the Middle East and North Africa, including Egypt, Saudi Arabia, Morocco and Algeria. OSN's corporate headquarters are based in Dubai, United Arab Emirates.

The overwhelming presence of Netflix in SVOD will also be challenged by the launch of HBO Max on May 27 and the launch of NBC Universal's Peacock on July 15. Finally, Hulu, Disney's other streaming service, which only operates in the United States, reaches today 30 million subscribers. Disney is looking at an international rollout beginning in 2021.

To conclude, despite their competition with each other, US online platforms are connected by strong strategic interdependence, benefiting from technological advantages, large base of consumers, economies of scale, popularity of English language, as well as strong market capitalisation. In the light of the global COVID-19 pandemic, [US online platforms](#) contribute increasingly to the progressive economic integration of national audiovisual markets and to the dynamic convergence of audience's time and preferences.



A European approach to Artificial Intelligence

The European Commission published in February 2020 a “White Paper on Artificial Intelligence - A European approach to excellence and trust”, as part of the launch of its digital strategy for the next five years. Its digital strategy is set out in four separate papers: two on Artificial Intelligence (AI): the White Paper on Artificial Intelligence, the Report on the safety and liability implications of Artificial Intelligence, the Internet of Things and robotics; one each on Europe's digital future and the data economy: Communication on shaping Europe’s digital future, and Communication on a European strategy for data. The digital strategy emphasizes the necessity to strengthen the “European technological sovereignty”, which enables the EU to define its own rules and values in the digital age.

The AI White Paper deals with technological, ethical, legal and socio-economic aspects regarding the AI, its human-centric use and the EU industrial capacity. The White Paper highlights the importance of establishing a consistent approach to AI in the EU in order to avoid barriers to the EU's single market and it discusses various risks related to the use of AI. The European Commission puts forward a European approach based on three pillars: being ahead of technological developments and encouraging AI uptake by the public and private sectors; prepare for socio-economic changes brought about by AI; ensure an appropriate ethical and legal framework.

The White Paper is open for public consultation until 19 May 2020.

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