TRENDS OF THE EUROPEAN AUDIOVISUAL MARKET

Contribution to the Conference of the Italian Presidency of the Council of the European Union

Audiovisual Market and Regulations: an Industry at the Crossroad

(Rome, 23-24 October 2014)

André LANGE

Head of Department for Information on Market and Financing

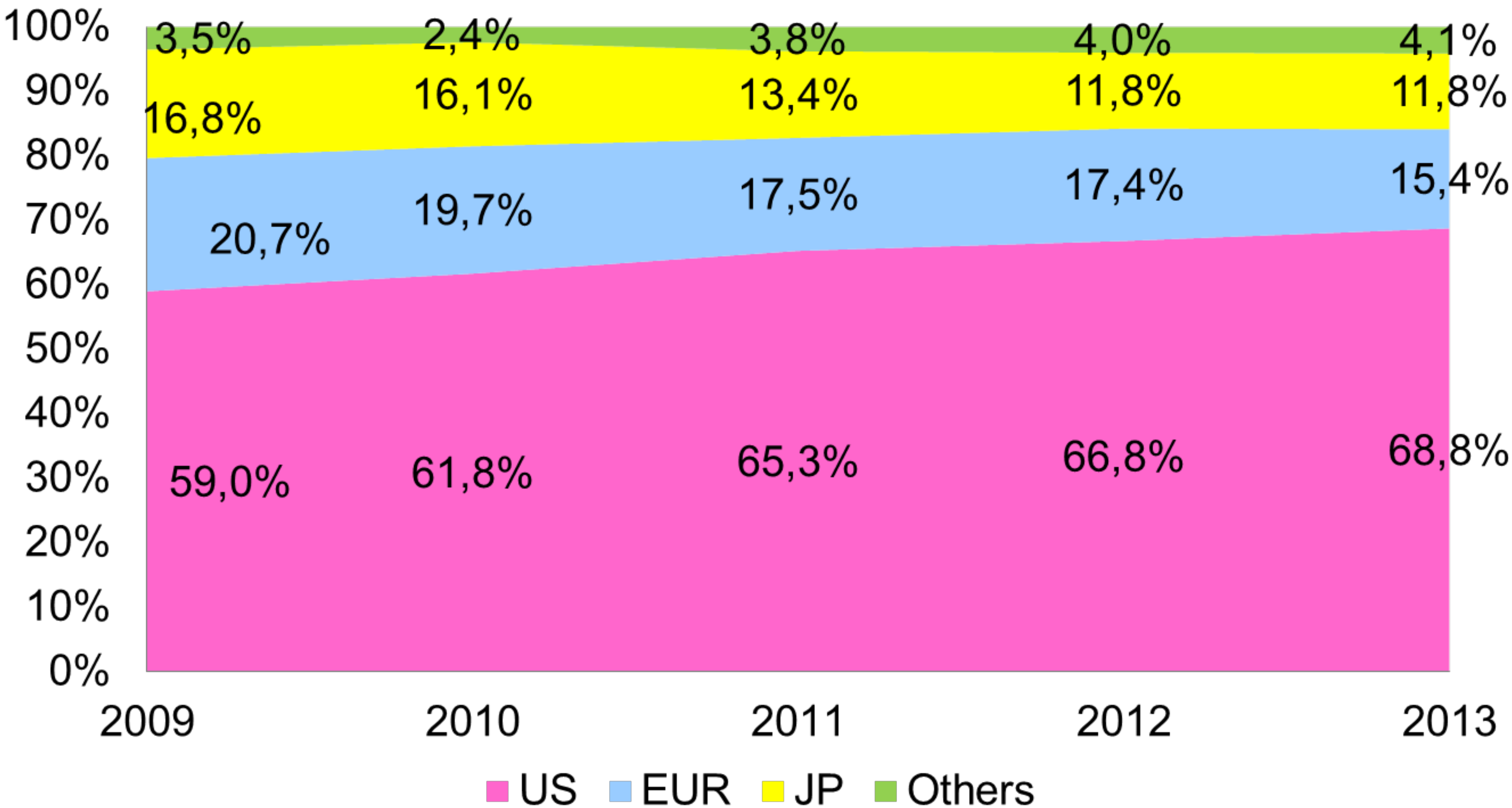
OBSERVATOIRE EUROPÉEN DE L'AUDIOVISUEL
EUROPEAN AUDIOVISUAL OBSERVATORY
EUROPÄISCHE AUDIOVISUELLE INFORMATIONSSTELLE

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

BREAKDOWN OF THE AUDIOVISUAL WORLDWIDE MARKET (2009-2013): EU COMPANIES HAVE LOST 5,3 % OF MARKET SHARE IN 5 YEARS

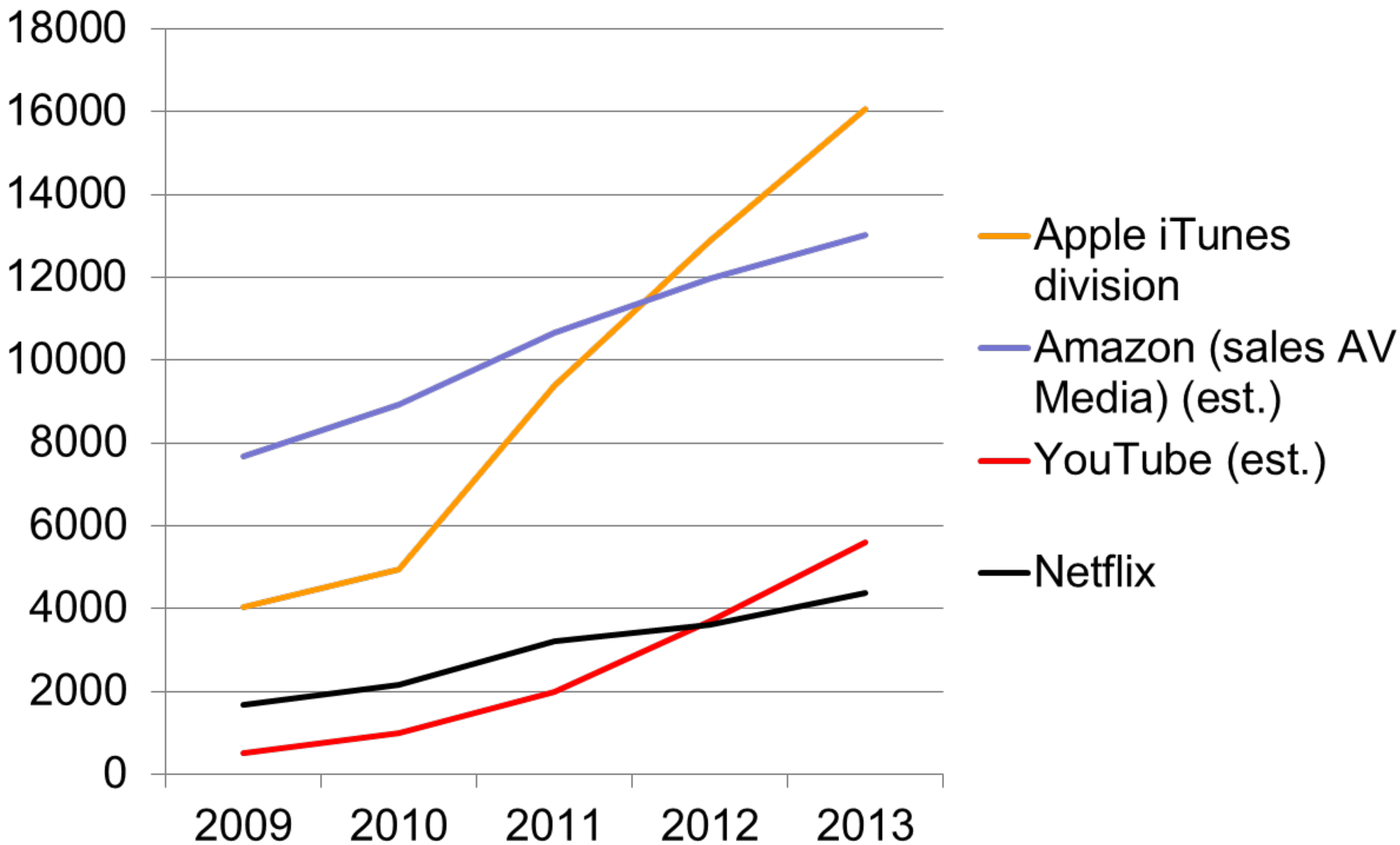
Film-TV-Radio-Recorded Music – Video games

Source: European Audiovisual Observatory



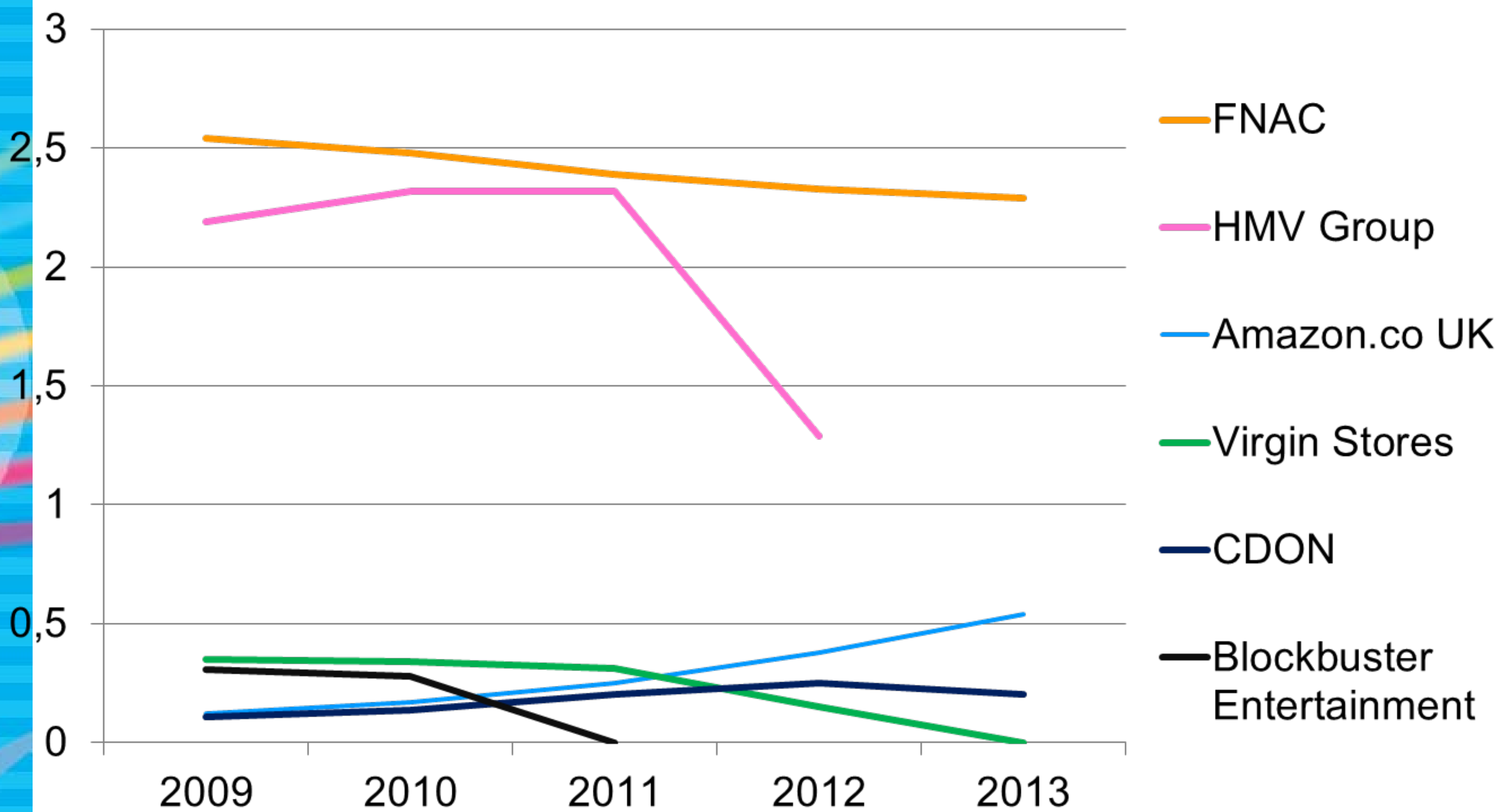
WORLDWIDE AUDIOVISUAL REVENUES OF 4 LEADING US INTERNET PLAYERS (2009-2013) – USD million

Source: European Audiovisual Observatory



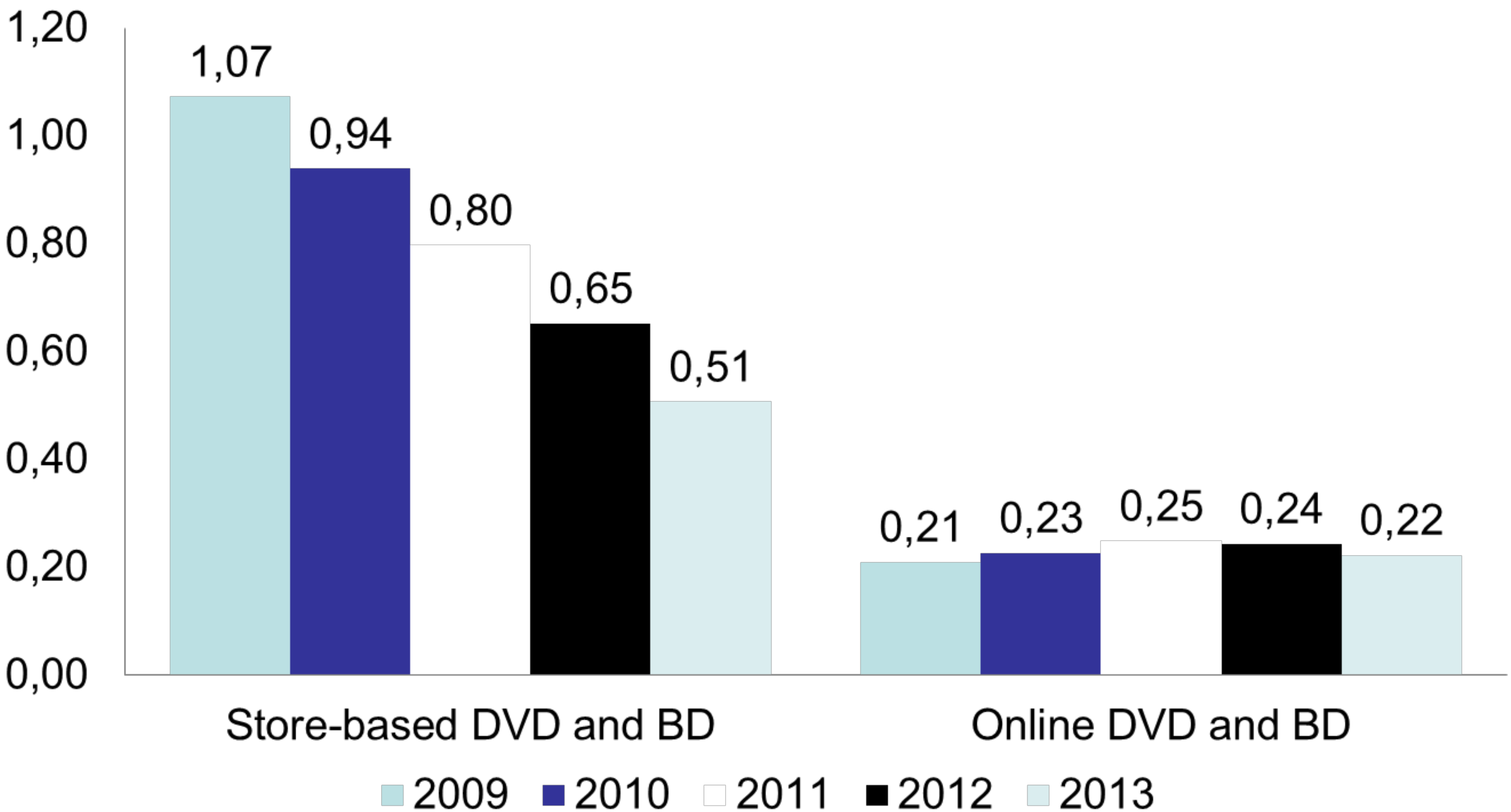
« BRICK AND MORTAR » vs ONLINE DISTRIBUTION OF CULTURAL GOODS

OPERATING REVENUES OF THE 5 EU LEADING RETAILERS (2009- 2013) – EUR billion



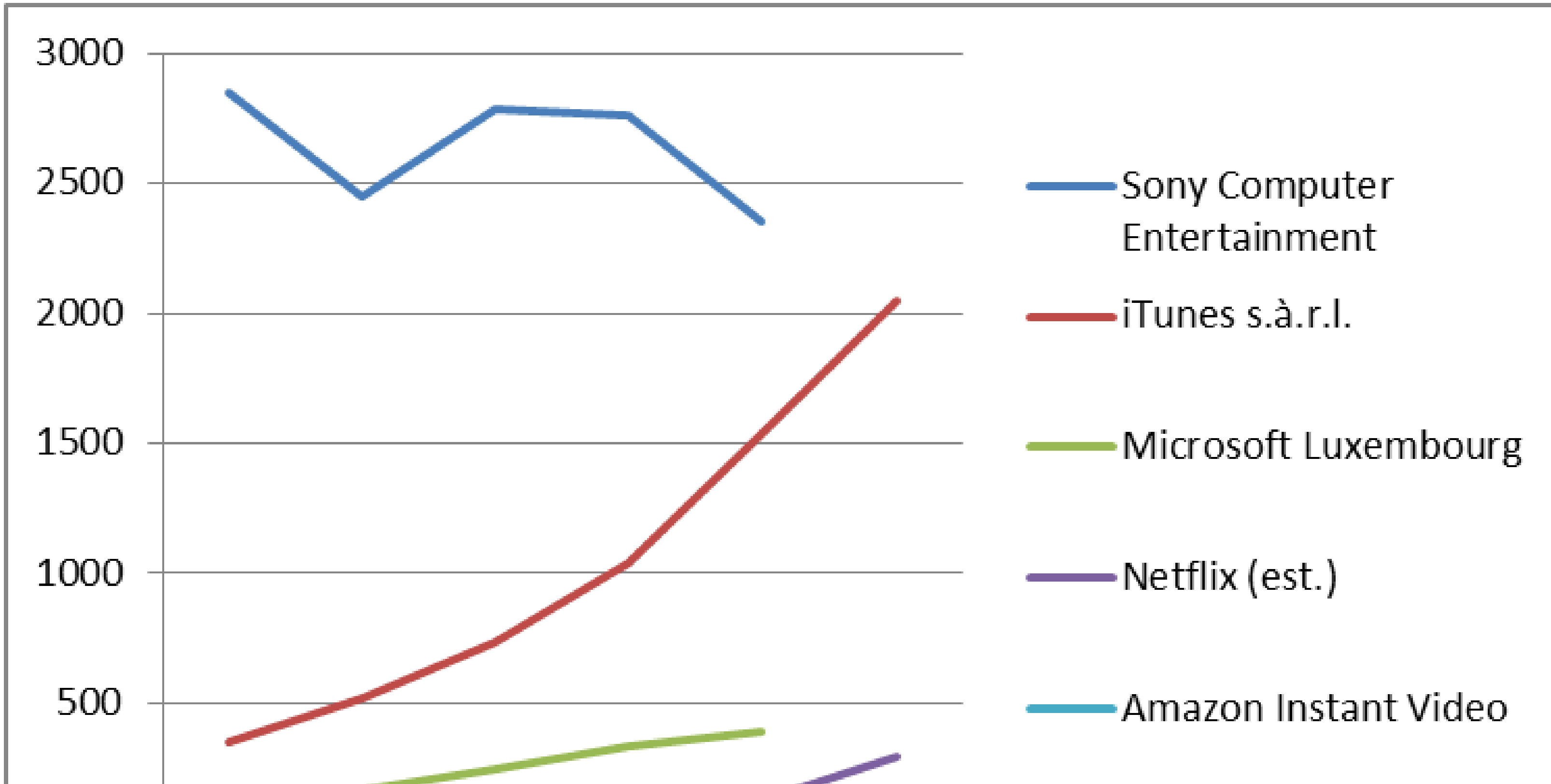
"BRICK AND MORTAR" vs ONLINE SALES OF DVD/BD IN THE EU (2009-2013) – EUR billion

Source: IHS / IVF



OPERATING REVENUES OF MAIN DIGITAL CONTENT PROVIDERS IN EUROPE (2008-2013) – EUR million

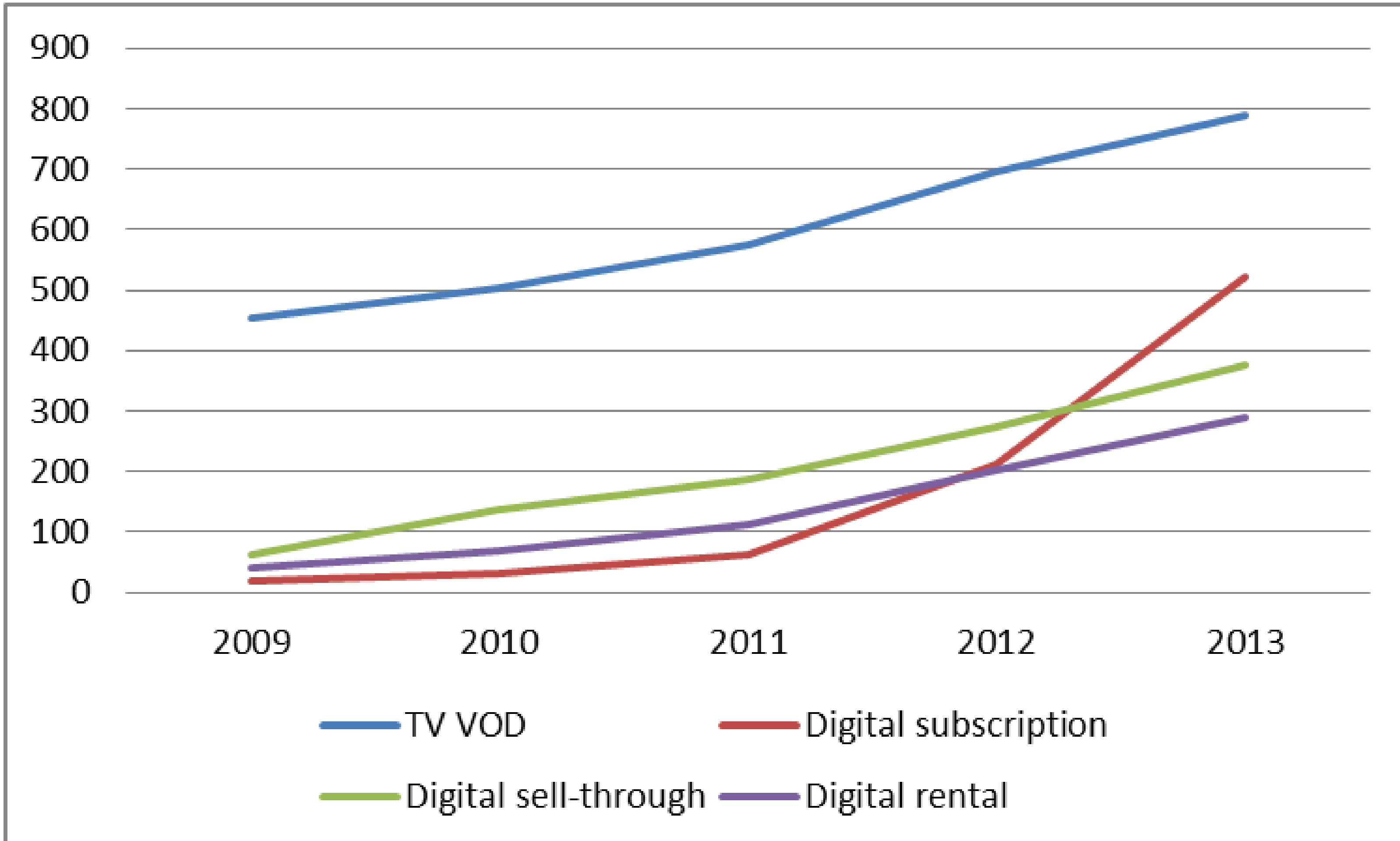
Source: AMADEUS database / OBS



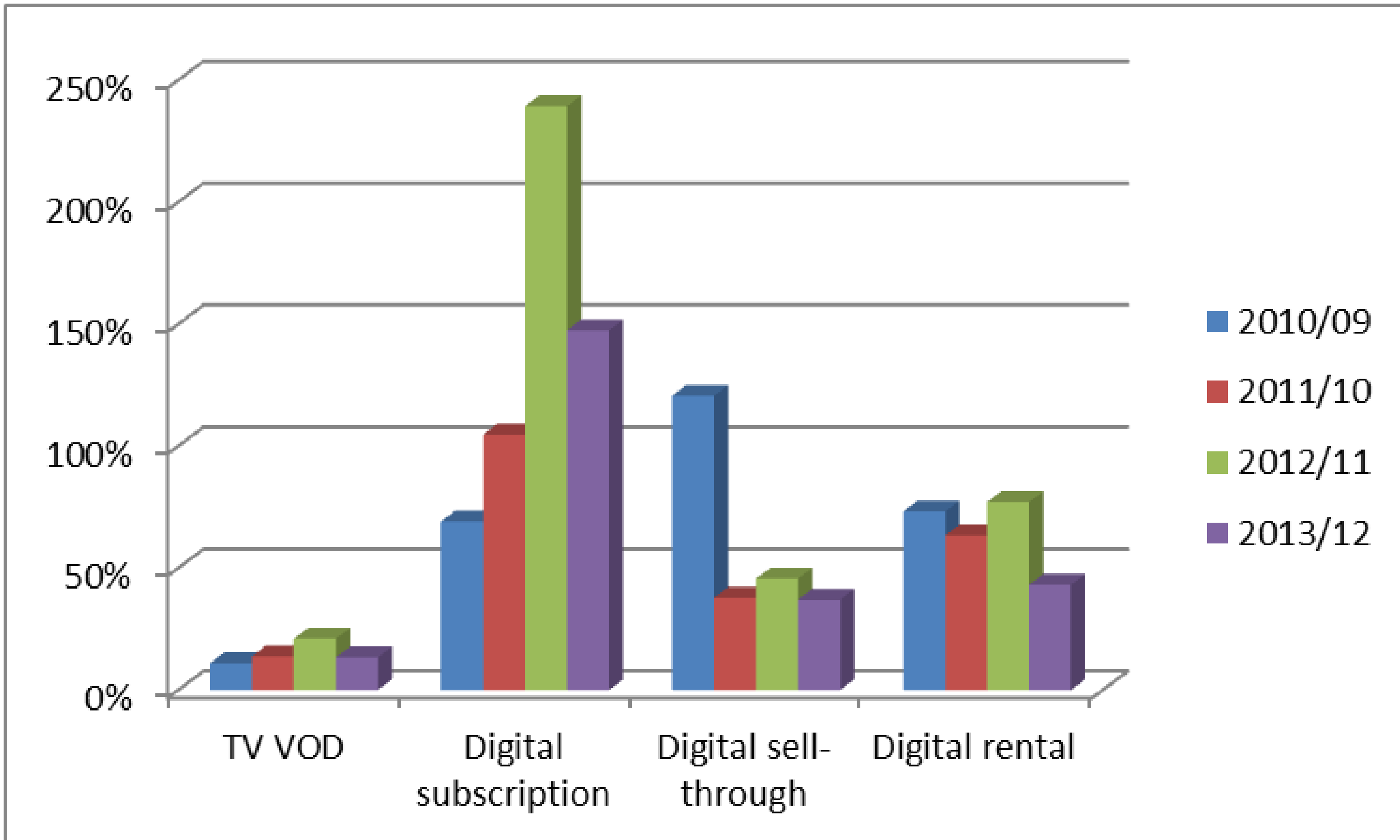
Not available: Google (YouTube, Google Play Movies)

EVOLUTION OF THE VoD MARKET IN THE EU (2009-2013) EUR million

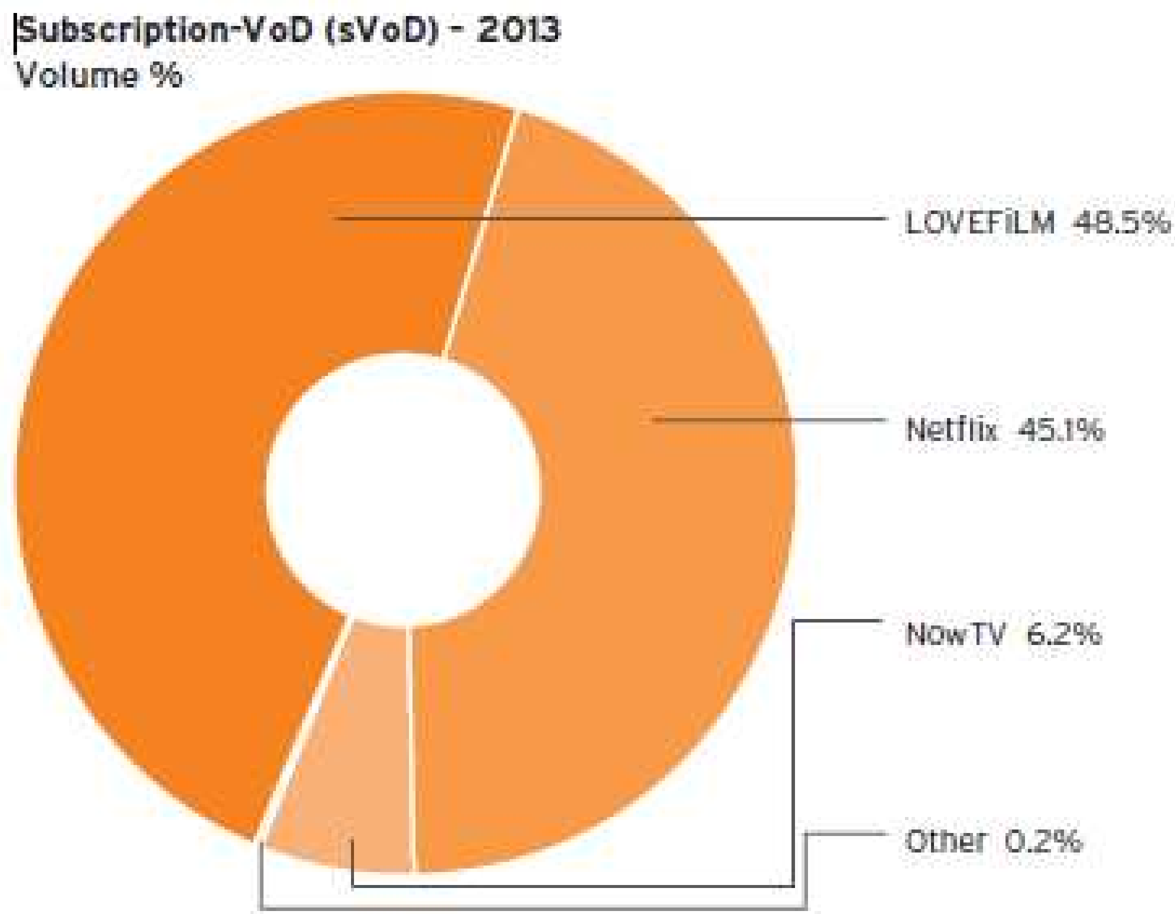
Source: IVF/IHS



RATE OF GROWTH OF THE VARIOUS VoD SEGMENTS IN THE EU (2009-2013)
Source: IHS / IVF / OBS



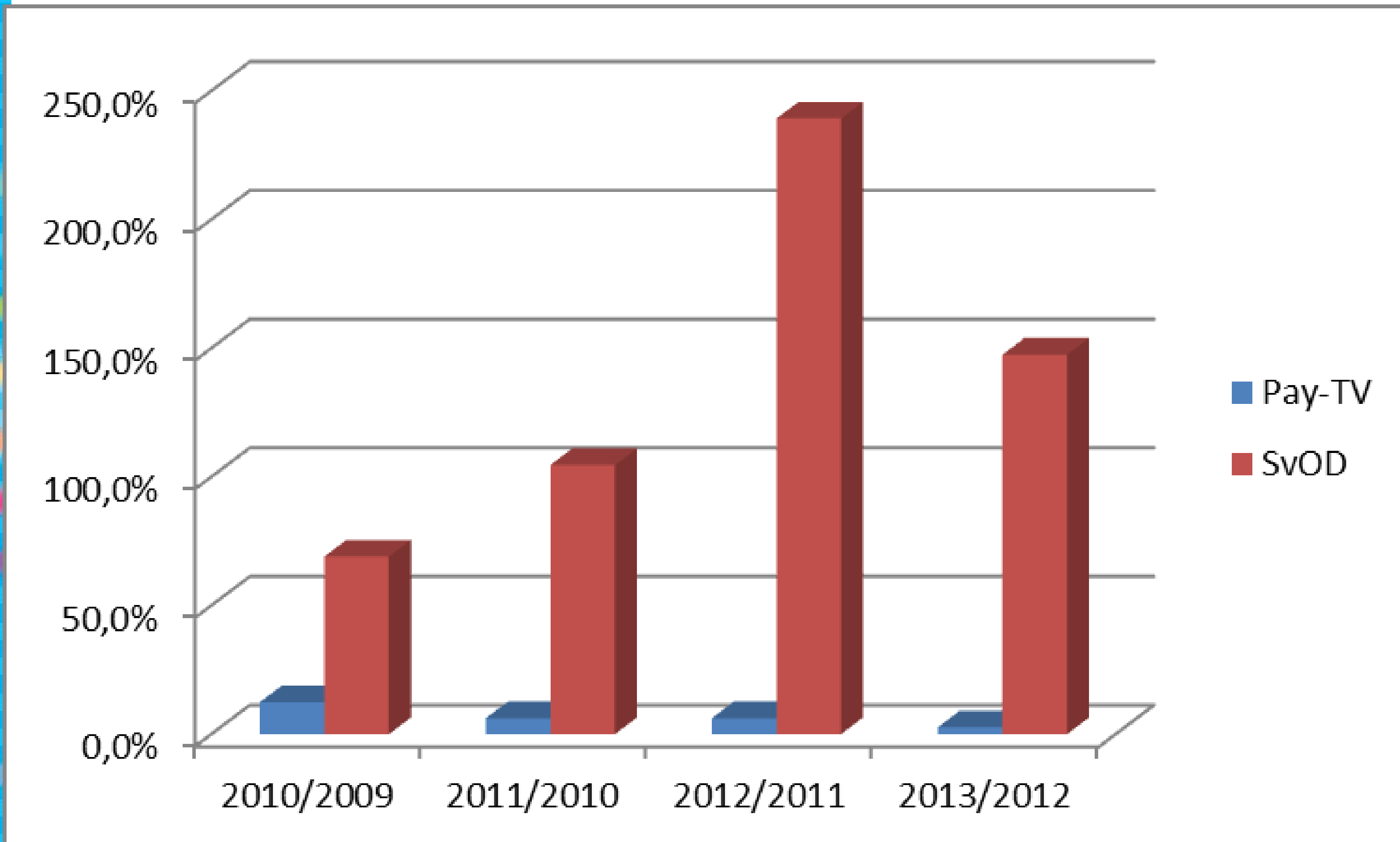
SVoD MARKET SHARE IN THE UK (2013)
Source: BVA



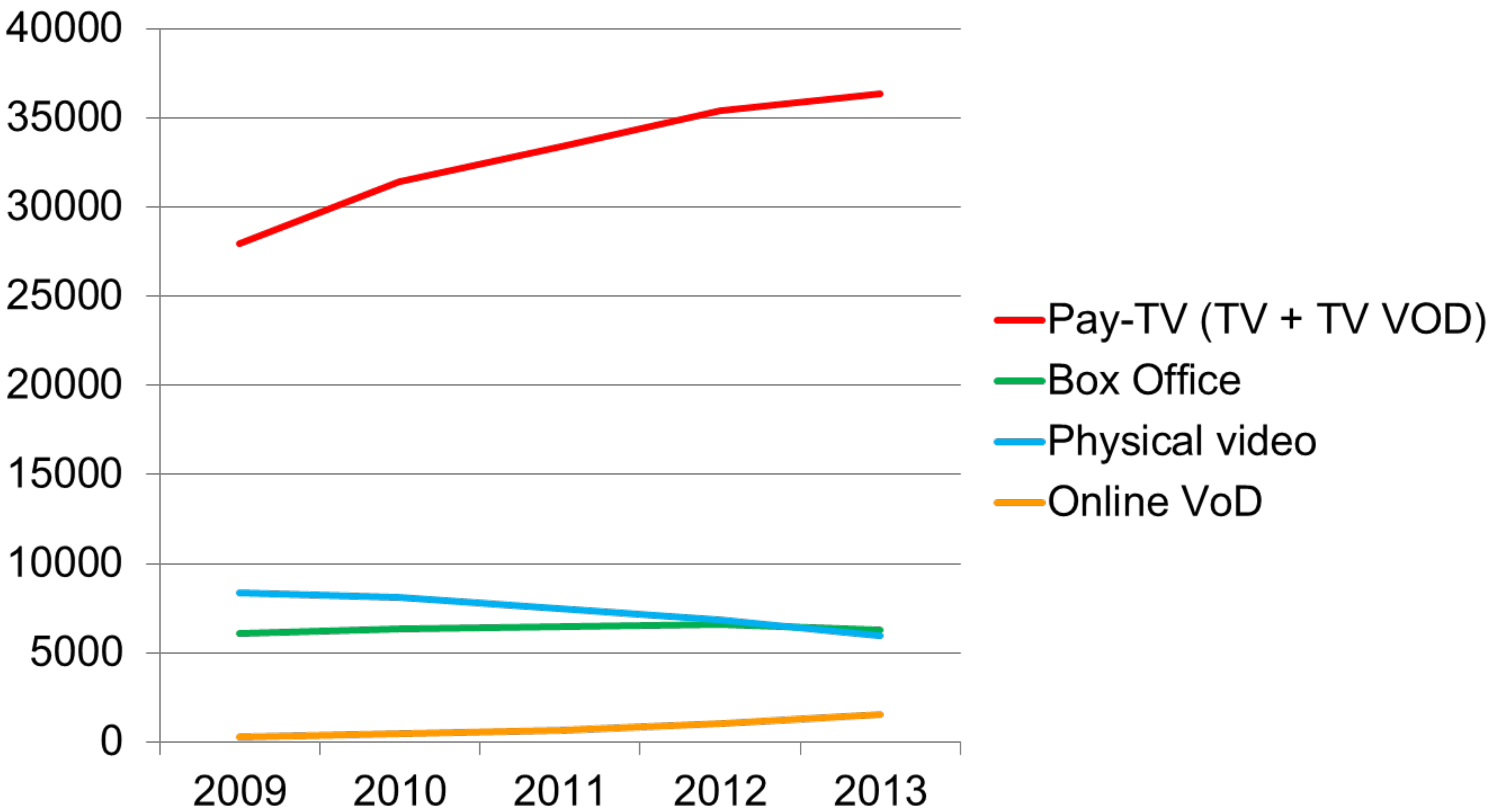
QUESTIONS

- Will the market allow various major players on the SVoD segment?
- Will SVoD cannibalize other segments of the VoD market, in particular the TV VoD?
- Will SvOD cannibalize linear TV pay channels?

RATE OF GROWTH OF PAY-TV CONSUMERS' EXPENSES AND OF SVoD EXPENSES (2009-2013)
Source: IHS / IVF / OBS



CONSUMERS' EXPENSES IN THE EU (2009-2013)
EUR million
Source: IHS and OBS



PAY-TV vs SVoD

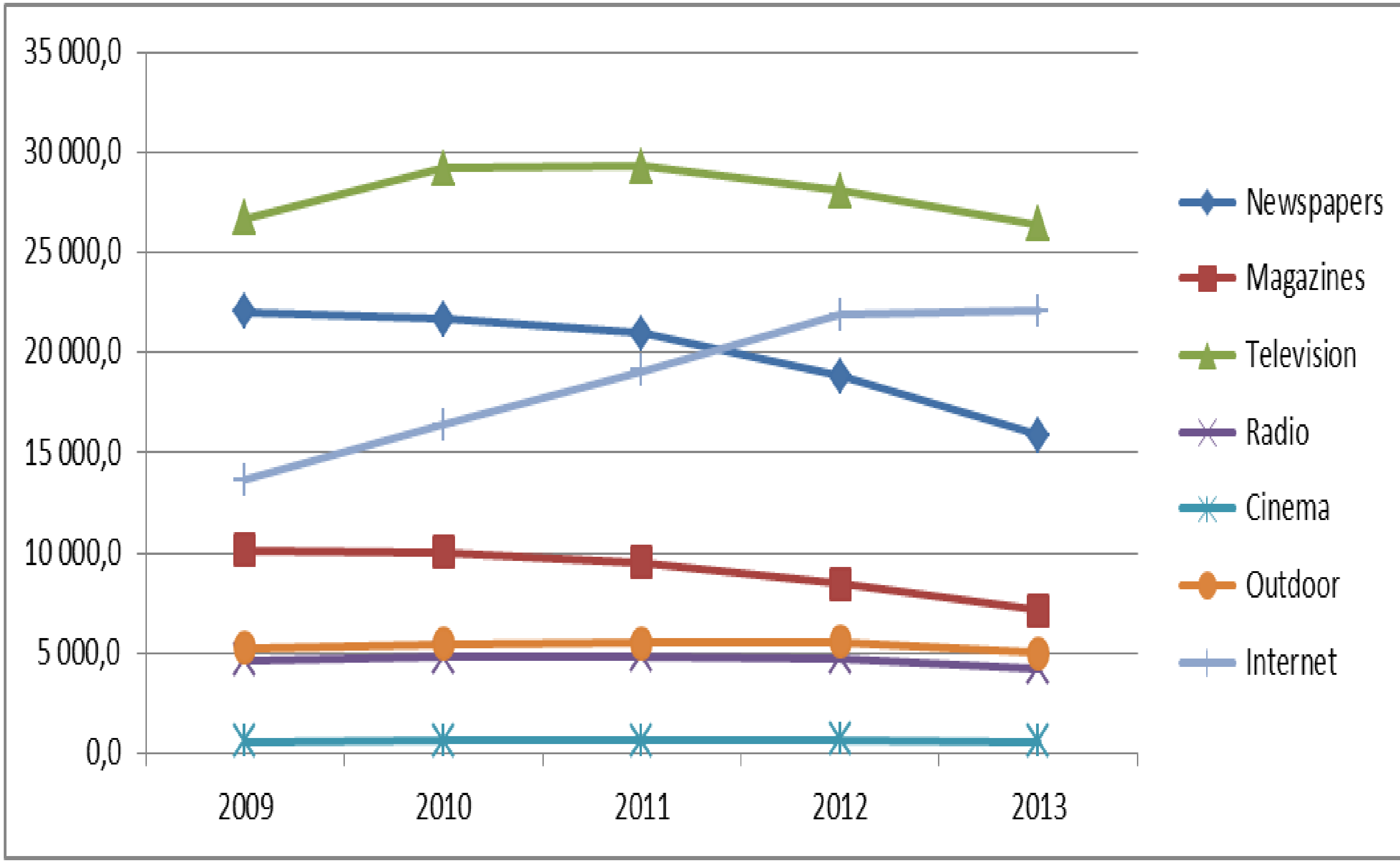
- Some pay-TV distributors try to compete with Netflix on the SVoD market:
  - BSkyB > Sky Now
  - Canal Plus > Canal Infinity
  - but Vivendi wishes to sell Watchever in Germany
- Most of the pay-TV distributors will look for deals with Netflix, but they will probably continue to provide their own transactional VoD service or third services (France, Nordic countries)
- Arrival of other major SvoD players (HBO, CBS,…)?

QUESTIONS ON THE TRANSACTIONAL VoD MARKET

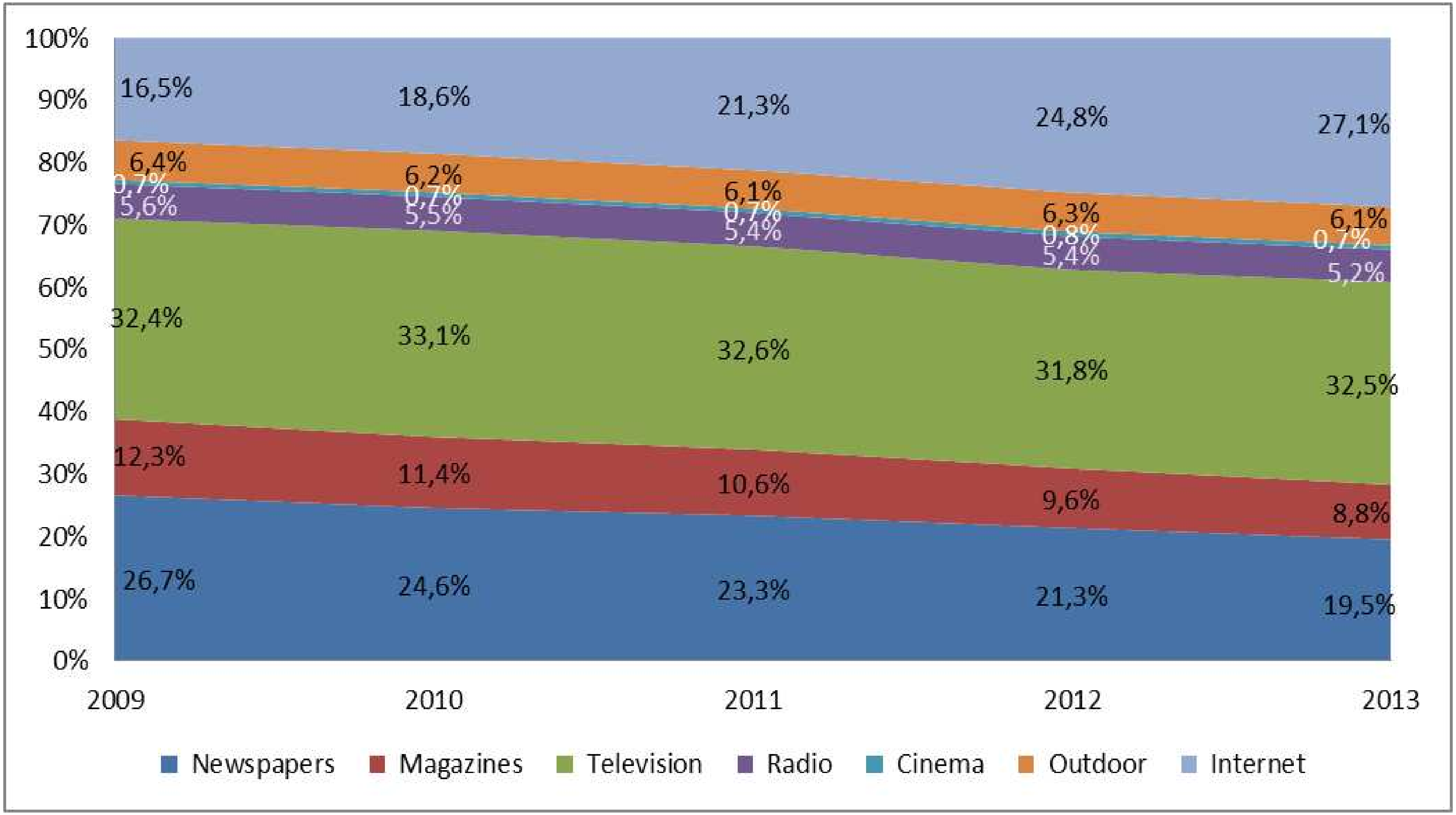
- Strategy of Apple / iTunes?
  Will iTunes go on the SVoD?
- Will Google Play Movies and Microsoft Xbox take advantage of their first choice position on tablets?
- What role for the video game consoles?
- What audience through Apps for Smart TV and tablets?
- What access for the various VoD services specialising in national/European films to the distribution platforms?

EVOLUTION OF ADSPEND IN THE EU (2009-2013) EUR million

Source: Warc

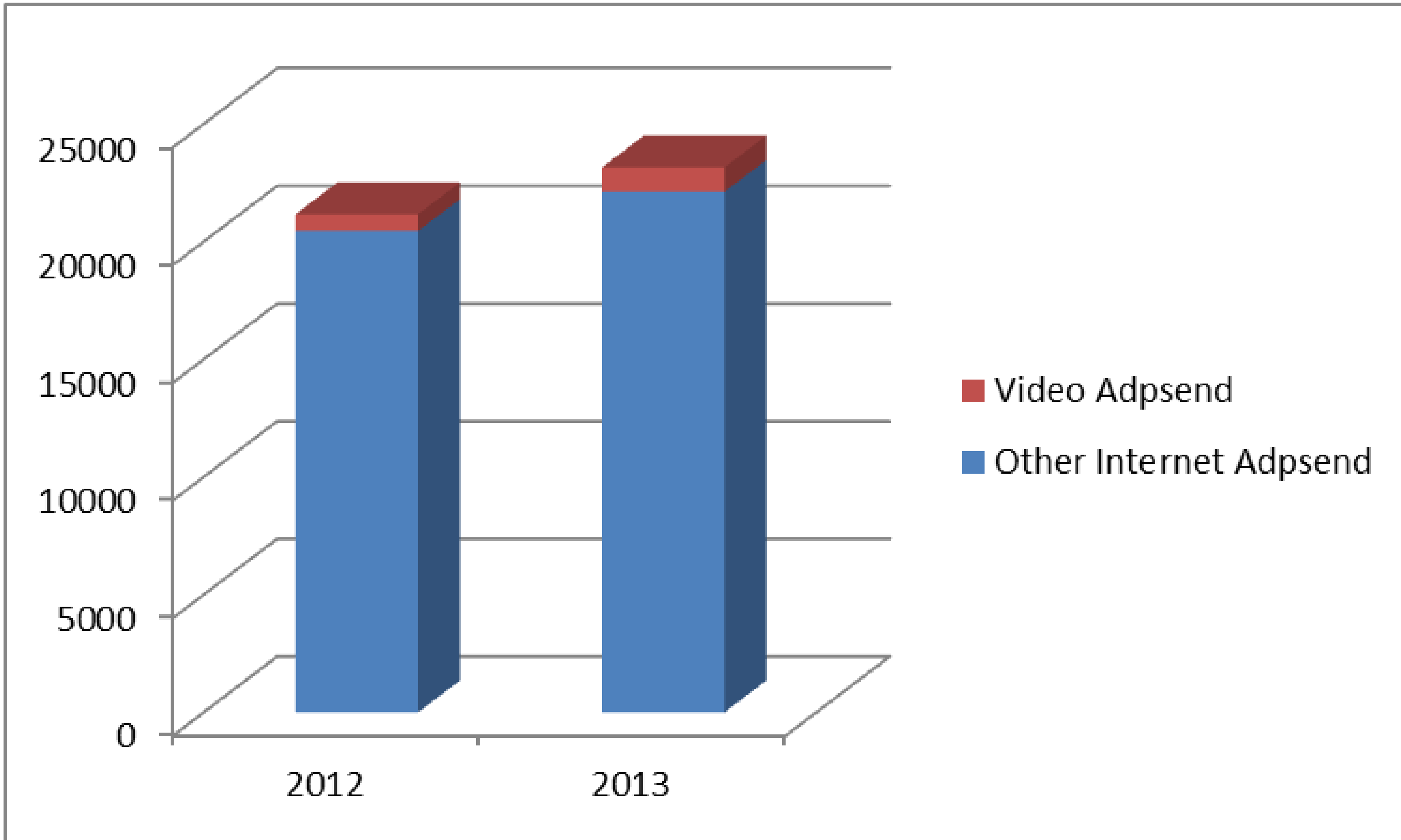


BREAKDOWN OF ADSPEND IN THE EU (2009-2013)
In %
Source: Warc / OBS



IN EUROPE, VIDEO ADSPEND IS STILL A TINY PART OF INTERNET ADSPEND: 3,4 % in 2012, 4,5 % in 2013

Source: OBS on eMarketer and Warc data



QUESTIONS ON THE AV ON DEMAND SERVICES FINANCED BY ADVERTISING

- What are video adpsend market shares between the various players?
  - Youtube, DailyMotion
  - Facebook
  - Broadcasters websites
  - Newspapers websites with video
  - Portals (MSN, Yahoo,…)
  - Free VoD (Viewster)
- Level playing field between free TV and Ad financed online services?
- Role of those services in financing the production?

THE ROLE OF THE ON-DEMAND AUDIOVISUAL SERVICES AND PLATFORMS IN THE PROMOTION AND PRODUCTION OF EUROPEAN WORKS

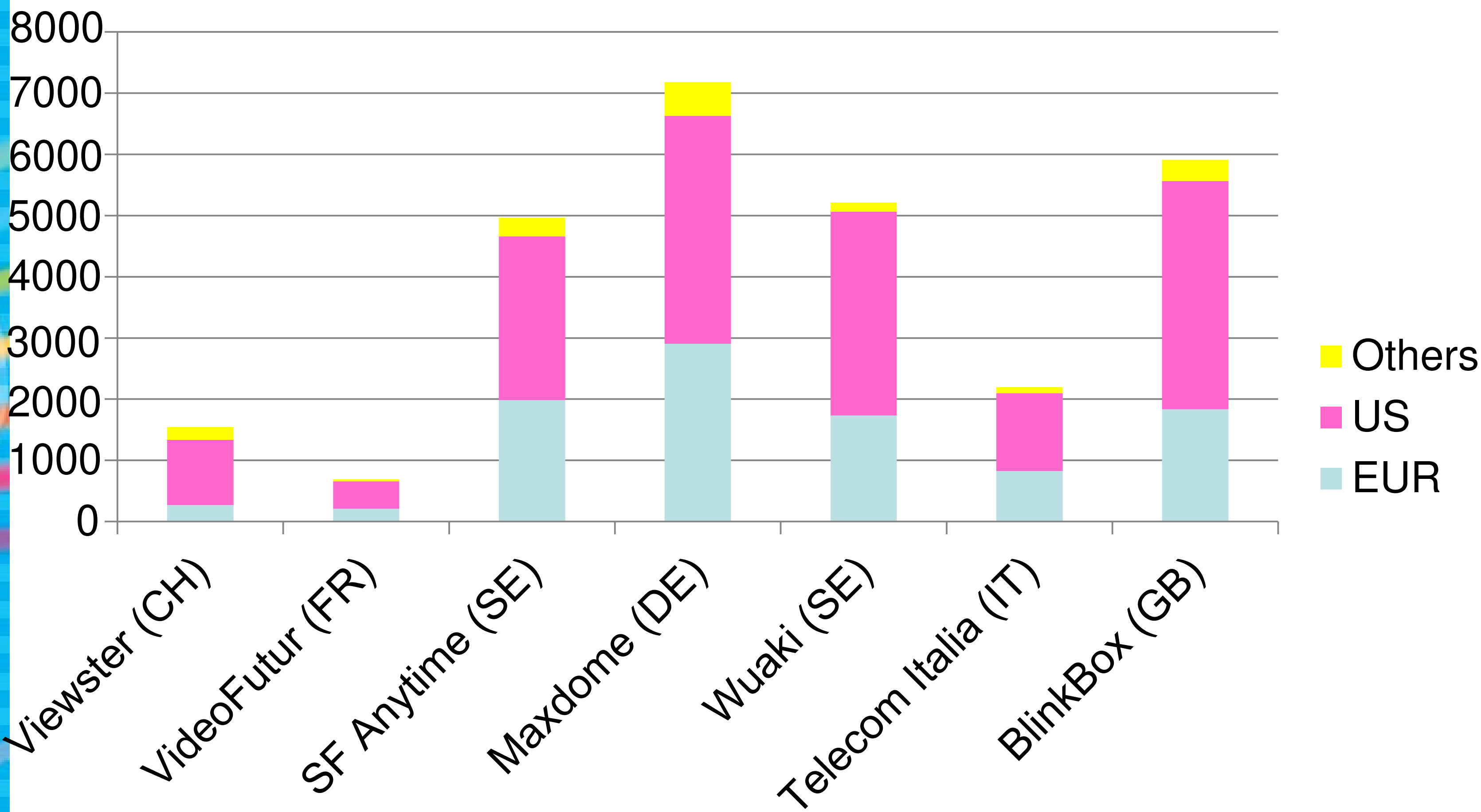
- **The European Audiovisual Observatory is currently handling a questionnaire send to providers of operators: around 60 answers received so far**

- **"15 to 20% of programmes are local; 80 to 85% are provided by Hollywood studios or other international sources" (Ted Sarandos, MIPCOM, 14 October 2014)**

- **A report on the role of providers of VoD services and distribution platforms in the financing of production is also in preparation**

ORIGIN OF FEATURE FILMS IN THE CATALOGUE OF 7 VoD SERVICES (October 2014)

Source: ROVI / European Audiovisual Observatory



MANDATORY CONTRIBUTIONS TO FILM FUND

	Exhibitors	Public broadcasters	Private broadcasters	Services distributors	Distributors video	Providers VoD	Open video platforms
BE (CFR)			X (or co-prod invest.)	Cable X (or co-prod invest.)			No
CZ			X				No
DE	X		X		X	X	No
FR	X	X	X	X	X	X	No
GR		X	X				No
HR	X	X	X	Cable, IPTV (fixed and mobile), ISP	X		No
PL	X	X	X	Cable, digital platforms	X		No
PT	X	X	X	\	X	X	No
RO	X	X	X	X	X		No
SE		X					No
SI		X	X				No
SK			X				No

MANDATORY INVESTMENTS BY PROVIDERS OF VoD SERVICES IN France (2011)

Source: CSA

Tableau 5 : dépenses déclarées par les SMAD
soumis aux obligations financières pour l'exercice 2011

	Montants déclarés en M€					
	Œuvres audiovisuelles		Œuvres cinématographiques			
services	*européennes*	*dont EOF*	*européennes*	*dont EOF*	*Total œuvres européennes*	*dont œuvres EOF*
Canal Play VOD	0,422	0,377	2,098	1,633	2,520	2,010
SFR Club Vidéo	L'éditeur n'établit pas de distinction entre les types d'œuvres				3,371	2,503
Vidéo à la demande d'Orange	2,661	0,645	7,563	5,745	10,224	6,390
Total					16,115	10,903

(Source : CSA).

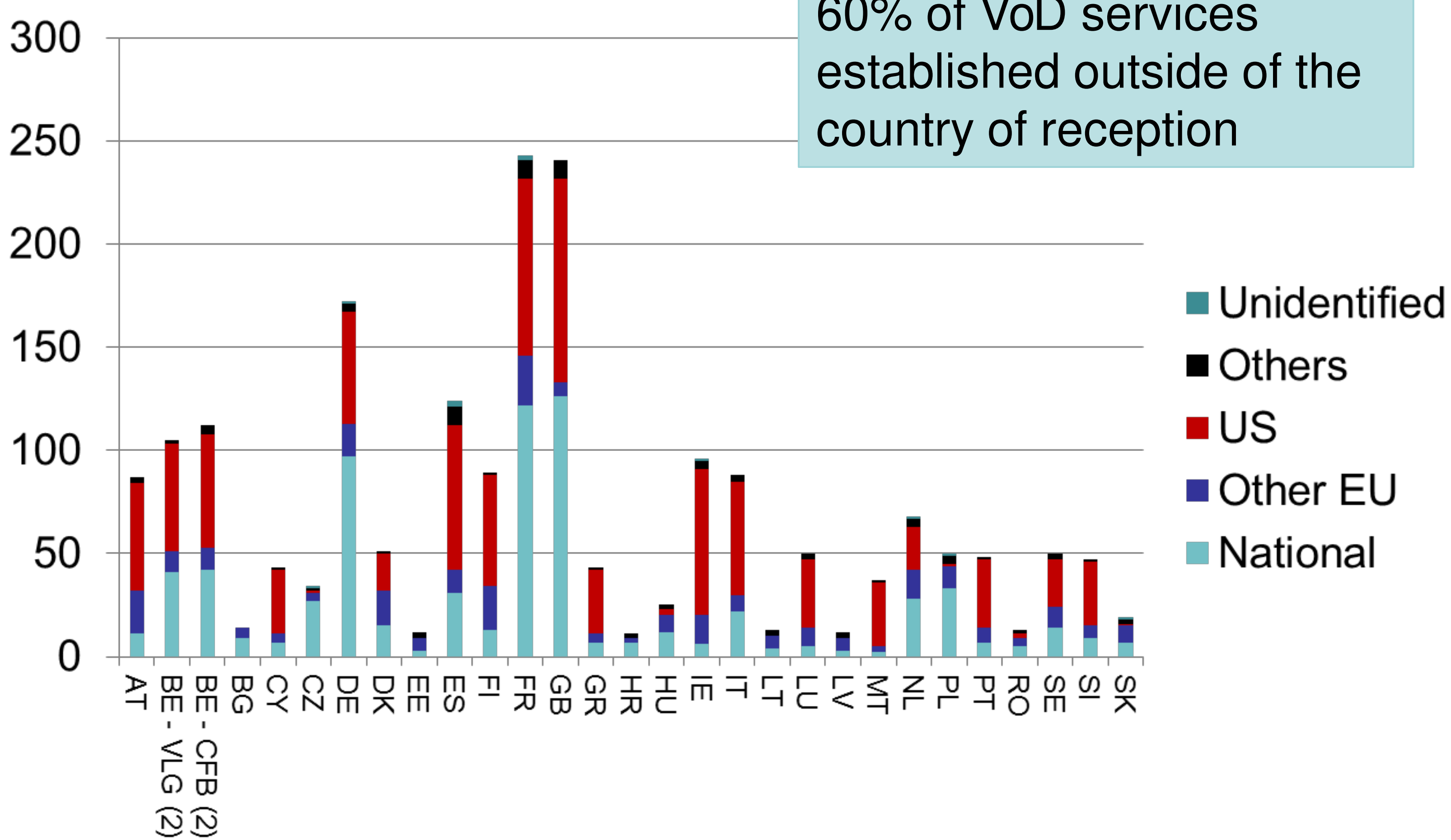
THE ISSUE OF DE-LOCALISATION vs FREE CIRCULATION OF SERVICES

- **TV services, i.e.: RTL-TVi established in LU, but targeting the French Community of Belgium**
- **Distribution platforms, i.e.: Télésat, established in LU, but targeting the French Community of Belgium**
- **VoD services:**
  - **iTunes and Xbox, established in LU**
  - **Netflix established in NL**
  - **Google Play Movies established in the US**
  - **Viewster established in CH**
- **Open platforms:**
  - **YouTube established in the US**
  - **Facebook established in the US**

ESTABLISHMENT OF AVAILABLE VoD SERVICES IN EU COUNTRIES (2013)

Source: European Audiovisual Observatory / MAVISE database

60% of VoD services established outside of the country of reception



THE ISSUE OF THE LEVEL PLAYING FIELD

EXAMPLE: PRIVATE BROADCASTERS USE THE ARGUMENT OF EXTERNAL COMPETITION TO OBTAIN REVIEW OF THE OBLIGATIONS

- **Mid-February: Letter of the 3 Presidents of major private TV groups (TF1, M6, Canal+) to the Minister asking review of the regulation**

- ***« Comment appréhendez-vous l'arrivée de Netflix, qui en s'implantant au Luxembourg, contournera la réglementation française ?***
- ***Je lui souhaite la bienvenue ! En nous percutant, l'iceberg Netflix révèle à quel point notre réglementation est obsolète et qu'il est urgent de l'adapter. »***

  (Nonce Paolini, CEO, TF1, Interview in *Le Film Français*, 23 mai 2014)

THE OBJECTIVE TO ENSURE THE CONTINUED EXISTENCE OF PUBLIC FUNDING:THE HYPOTHESIS OF ASKING TO FOREIGN SERVICES TO CONTRIBUTE TO THE FINANCING OFTHE NATIONAL FILM FUND

- **Germany: draft amendement to the Film Law; proposal of a levy on foreign services revenues if they do not contribute in the country of establishment (decision taken by the EC on 17 October 2014, but not yet made public).**

- **France: Tax proposed by the Lescure report and recommanded by the CSA (December 2013).**

Projet de loi de finances rectificative pour 2014 :
market share of foreign companies (physical and digital video: 25%.
Revenues estimated of the tax for 2015: 1.5 million EUR
Notification to the Commission (October 2014).

To be discussed in panel 2.

TRANSPARENCY ISSUES FOR UNDERSTANDING THE MARKET ANALYSIS AND FOR ENHANCING A REAL LEVEL PLAYING FIELD

- ***Identification of the services and of the providers***
- ***Catalogue analysis***
- ***Potential audience of services: number of subscribers to distribution platform***
- ***Households' expenditures***
- ***Modalities of access by platforms and screens***
- ***Audiences***
- ***Companies' revenues for on-demand services***
- ***Analysis of revenue flows between distributors, providers of services and content providers***
- ***Success of individual titles***
- **Need for a European regulation on transparency of the AV activities?**

THANK YOU !

- http://www.obs.coe.int
- http://mavise.obs.coe.int
- http://www.ivf-video.org/

- ➢ European Audiovisual Observatory Report published by the European Commission in July 2014
- ➢ Yearbook 2013
- ➢ Yearbook 2014 (forthcoming)

- andre.lange@coe.int