



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)

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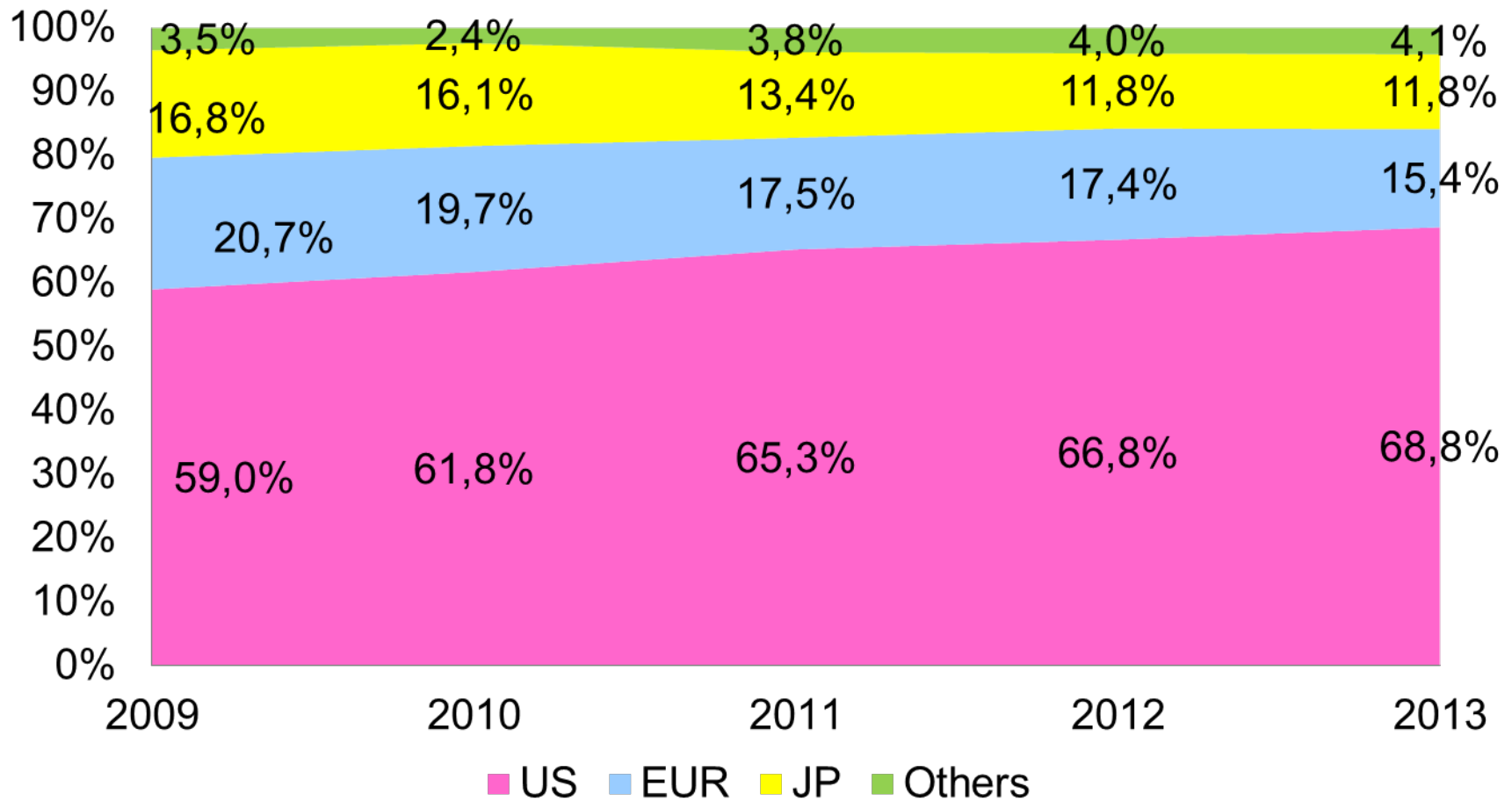
OBSERVATOIRE EUROPÉEN DE L'AUDIOVISUEL
EUROPEAN AUDIOVISUAL OBSERVATORY
EUROPÄISCHE AUDIOVISUELLE INFORMATIONSTELLE



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

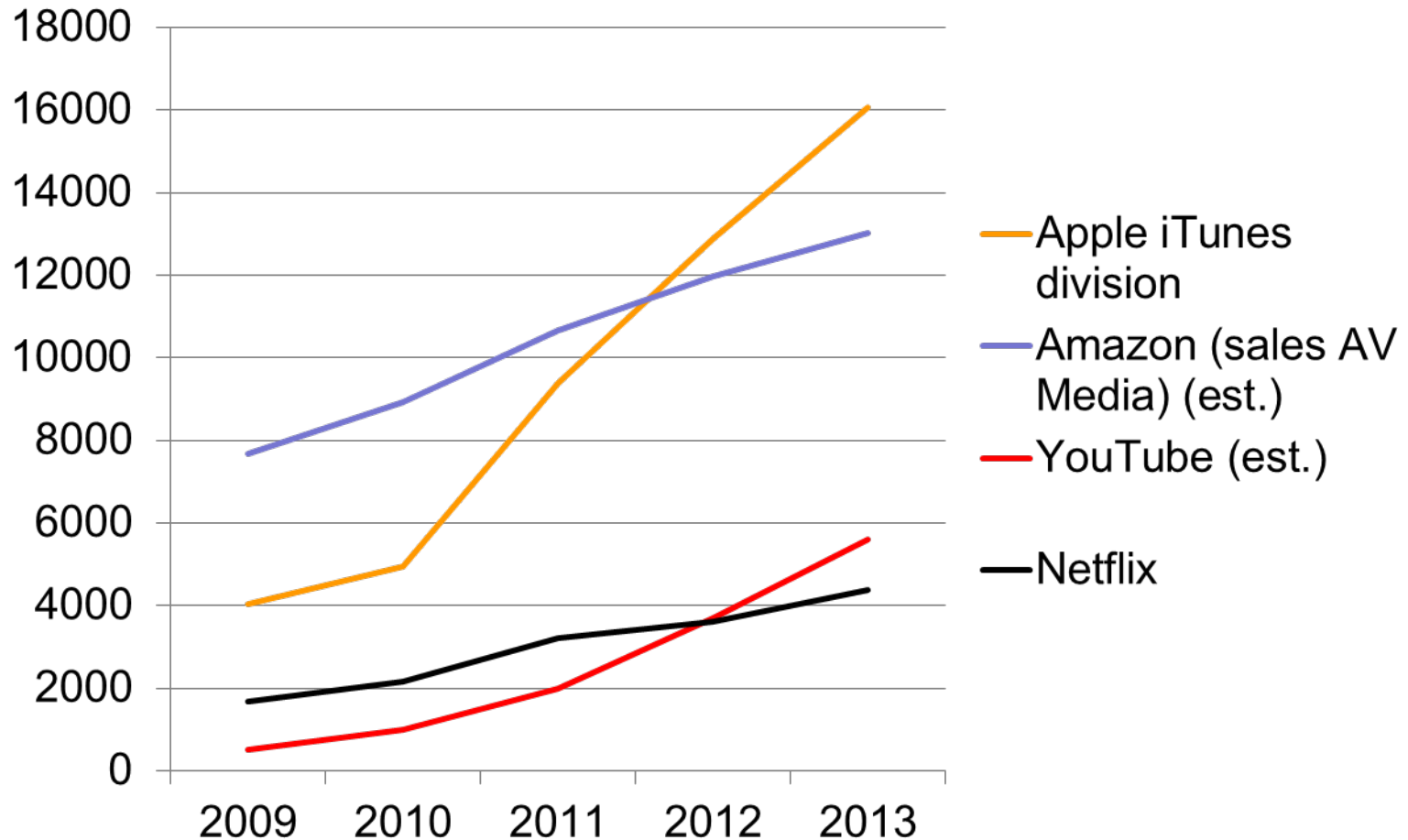
Film-TV-Radio-Recorded Music – Video games

Source: European Audiovisual Observatory



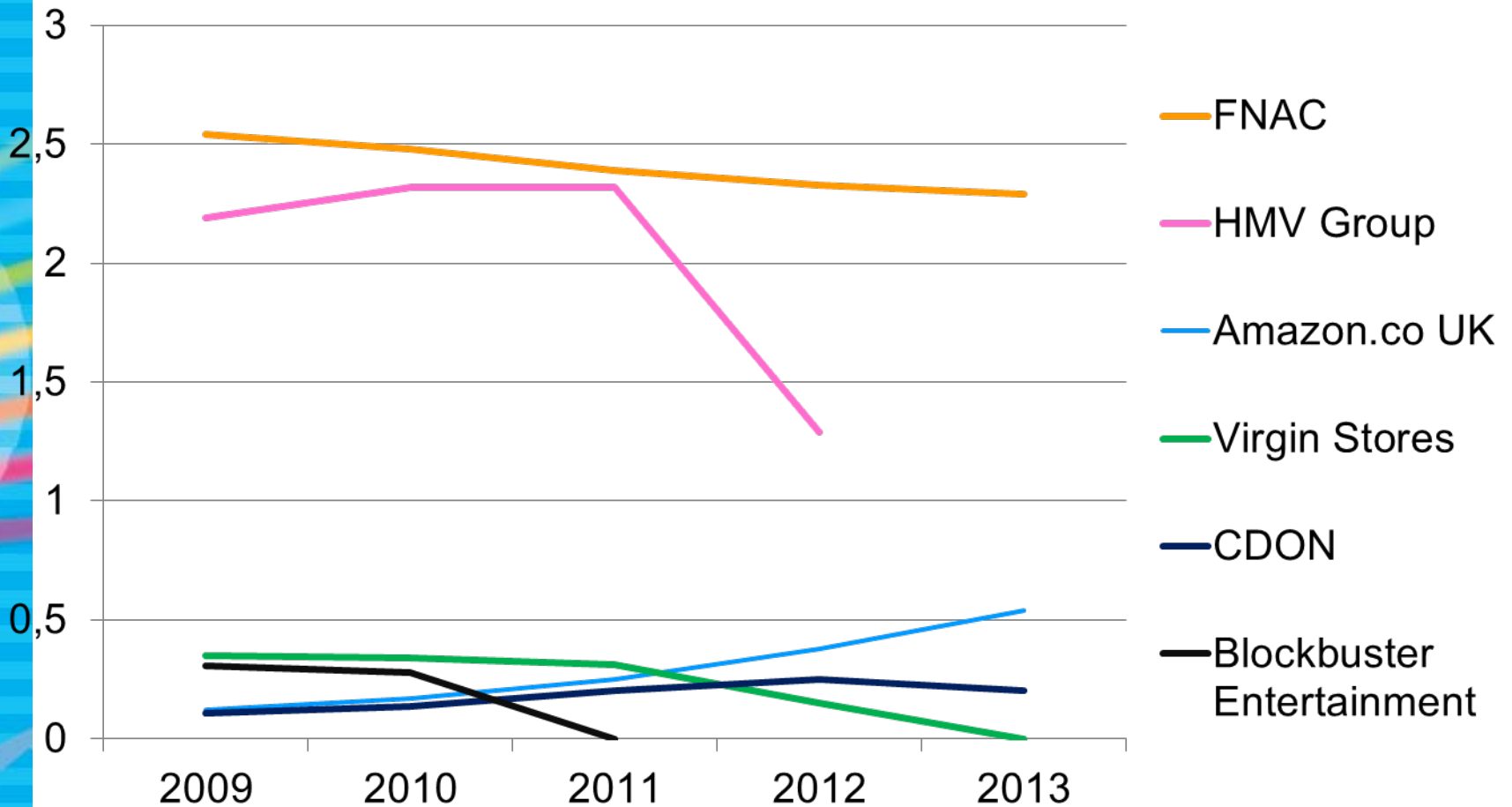
WORLDWIDE AUDIOVISUAL REVENUES OF 4 LEADING US INTERNET PLAYERS (2009-2013) – USD million

Source: European Audiovisual Observatory



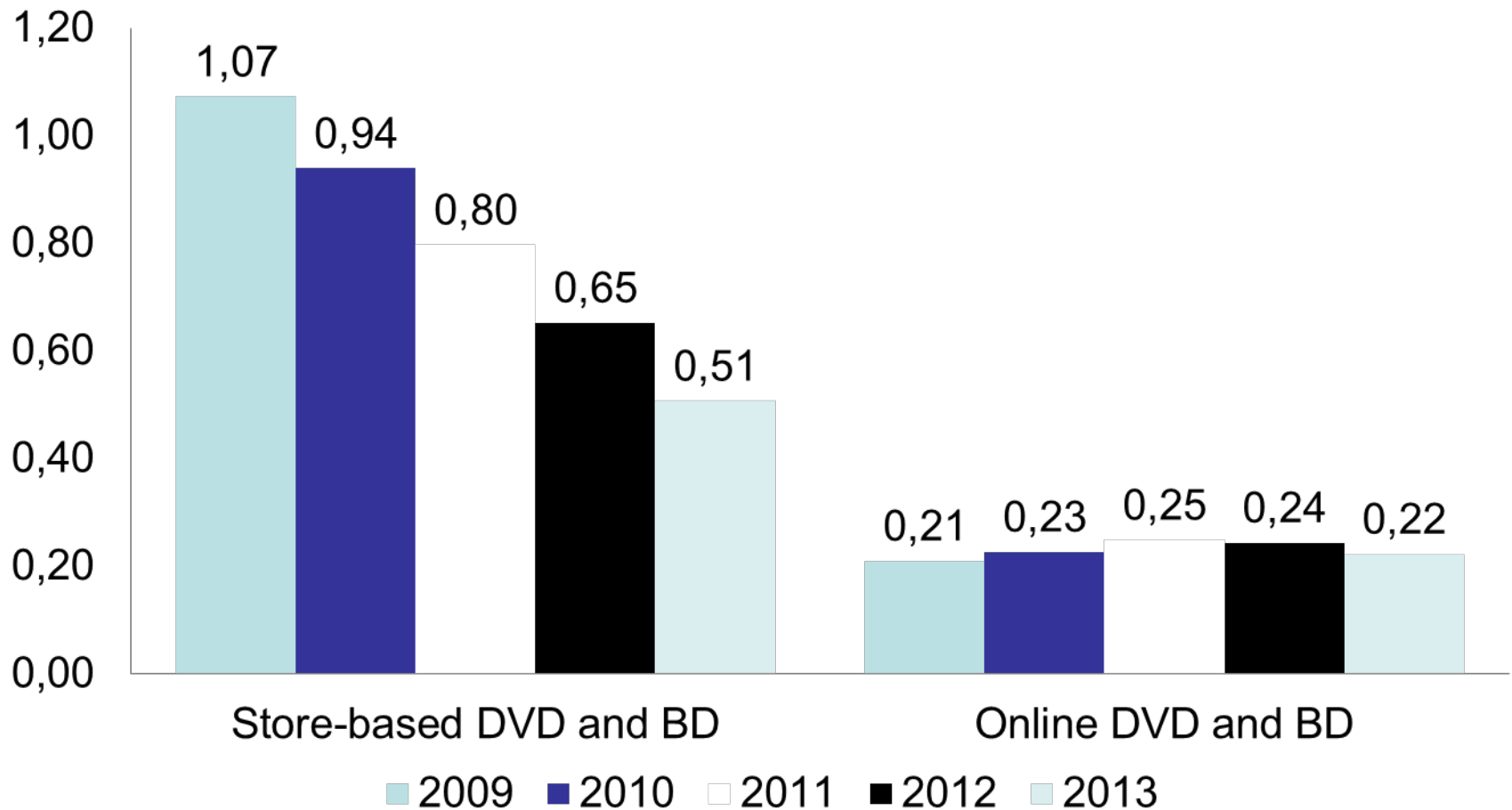
« BRICK AND MORTAR » vs ONLINE DISTRIBUTION OF CULTURAL GOODS

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



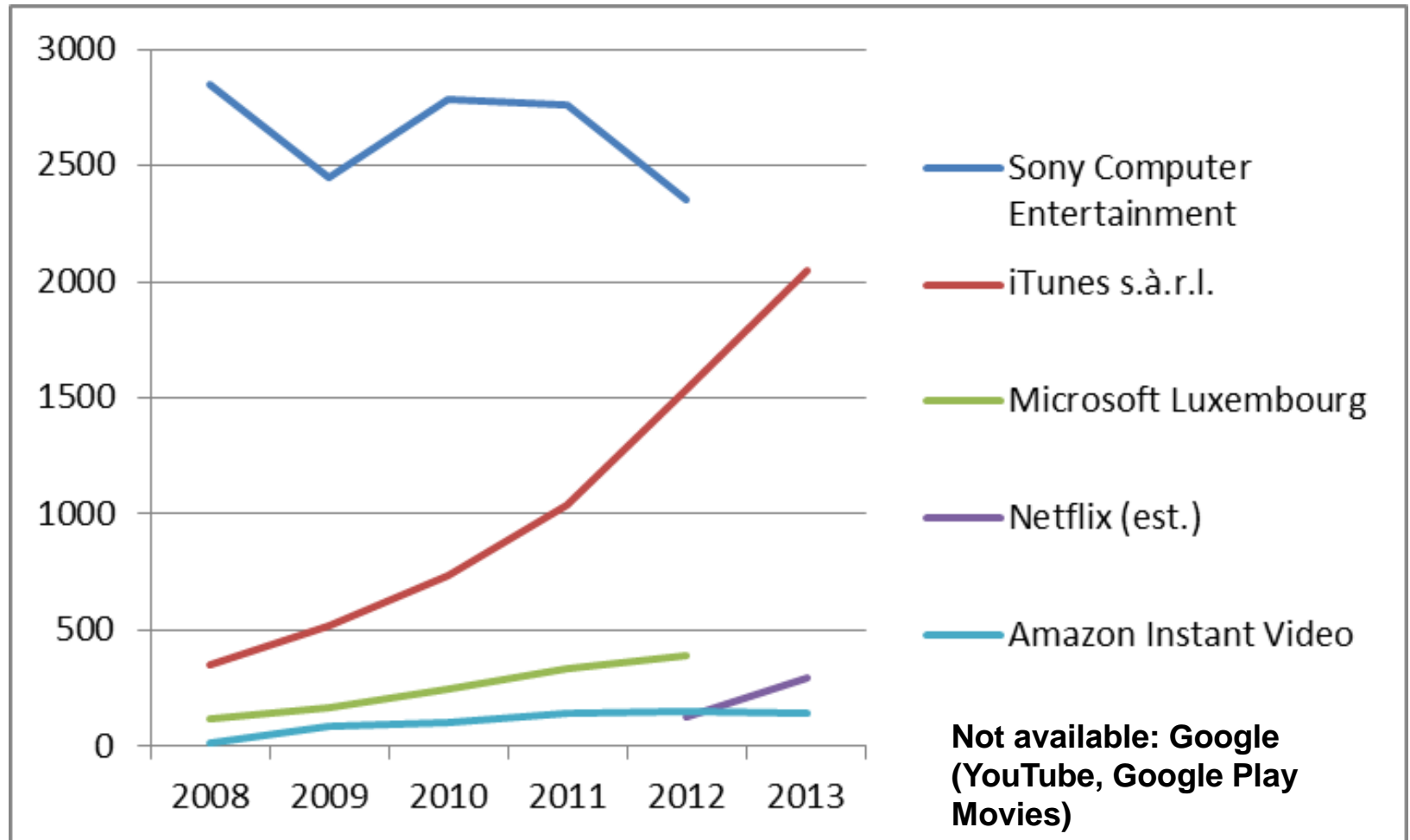
"BRICK AND MORTAR" vs ONLINE SALES OF DVD/BD IN THE EU (2009-2013) – EUR billion

Source: IHS / IVF



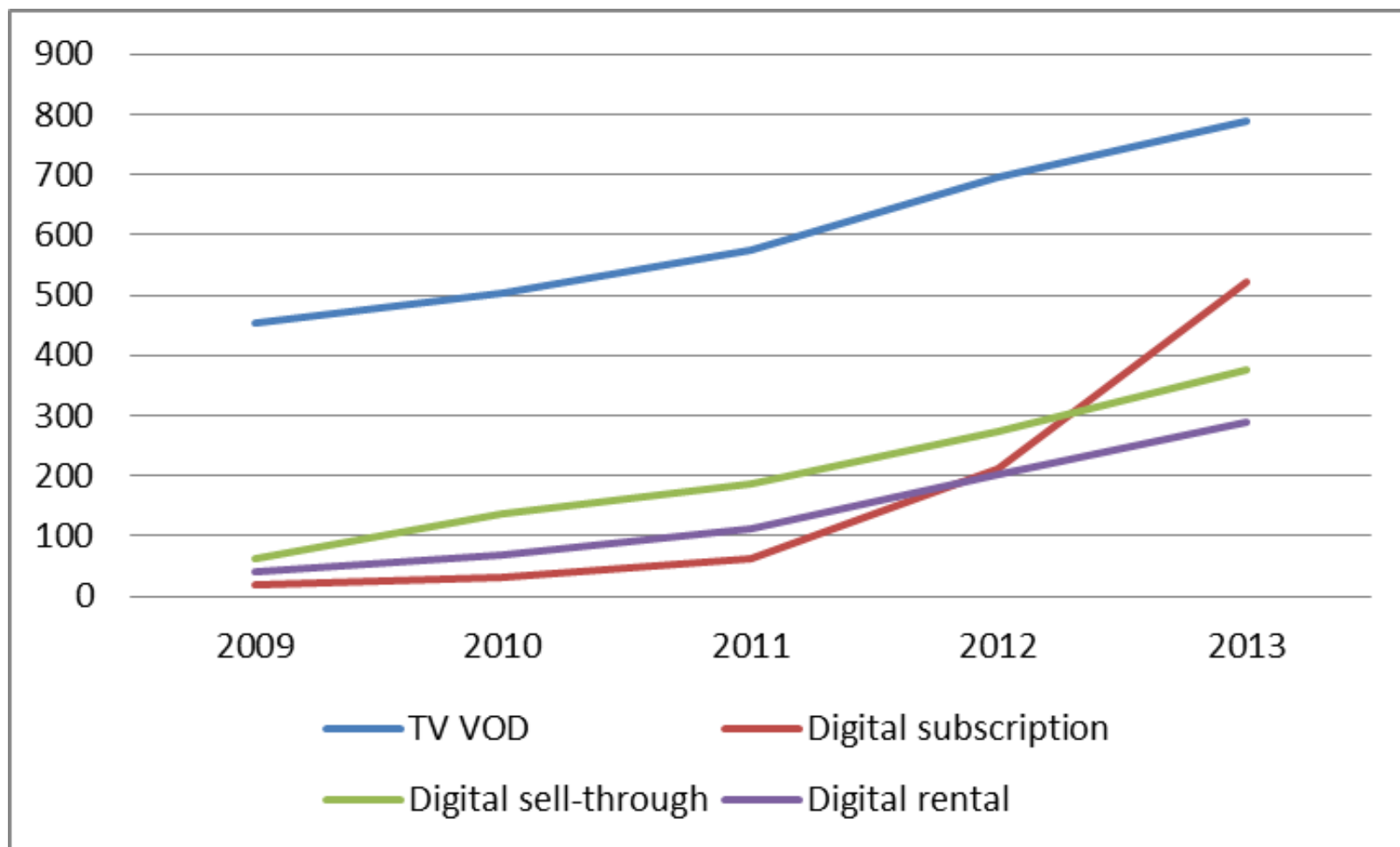
OPERATING REVENUES OF MAIN DIGITAL CONTENT PROVIDERS IN EUROPE (2008-2013) – EUR million

Source: AMADEUS database / OBS



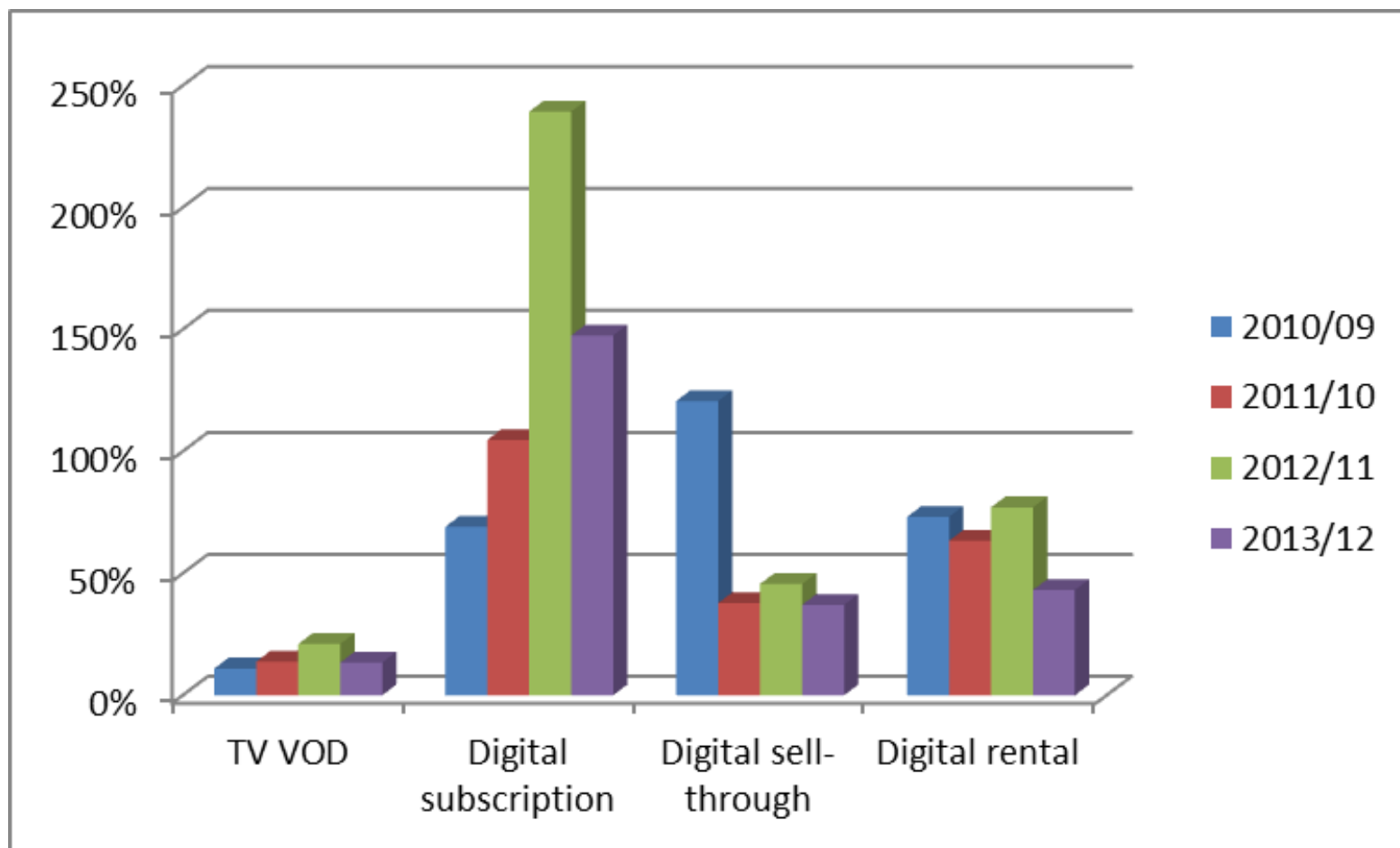
EVOLUTION OF THE VoD MARKET IN THE EU (2009-2013) EUR million

Source: IVF/IHS



RATE OF GROWTH OF THE VARIOUS VoD SEGMENTS IN THE EU (2009-2013)

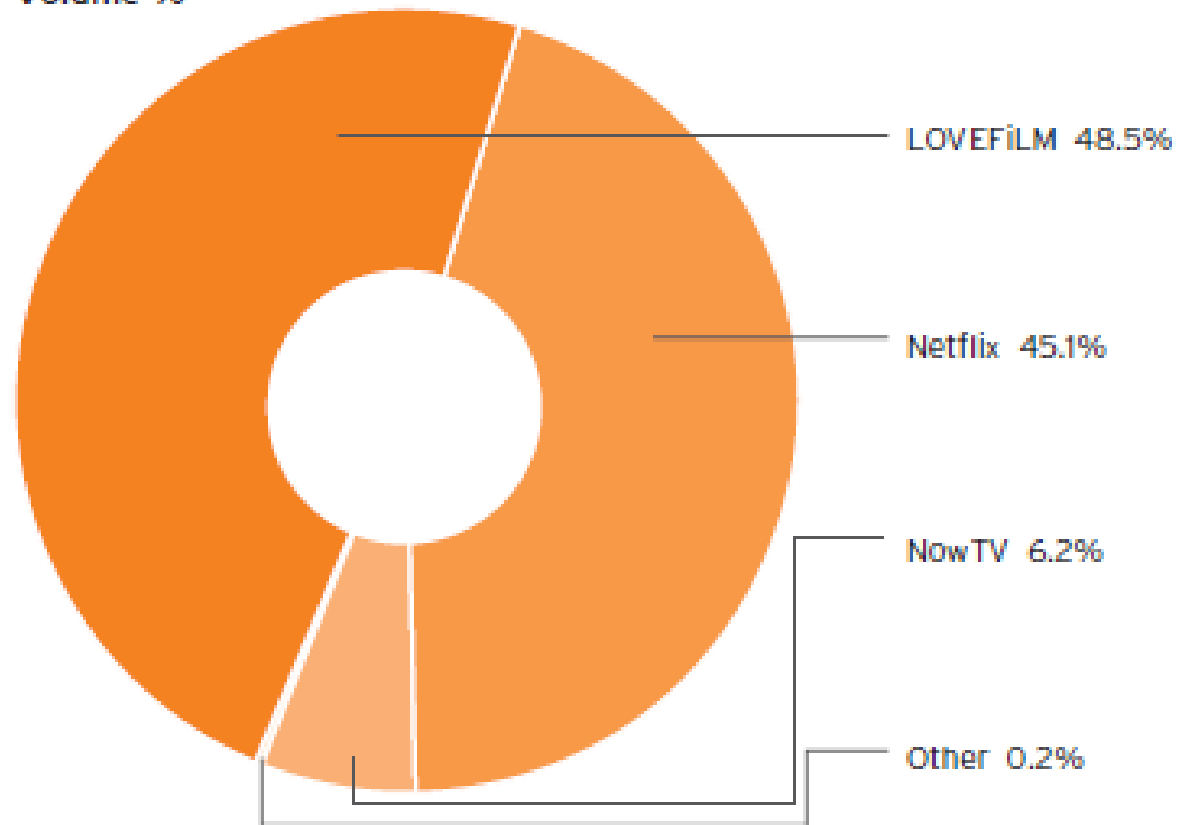
Source: IHS / IVF / OBS



SVoD MARKET SHARE IN THE UK (2013)

Source: BVA

Subscription-VoD (sVoD) - 2013
Volume %

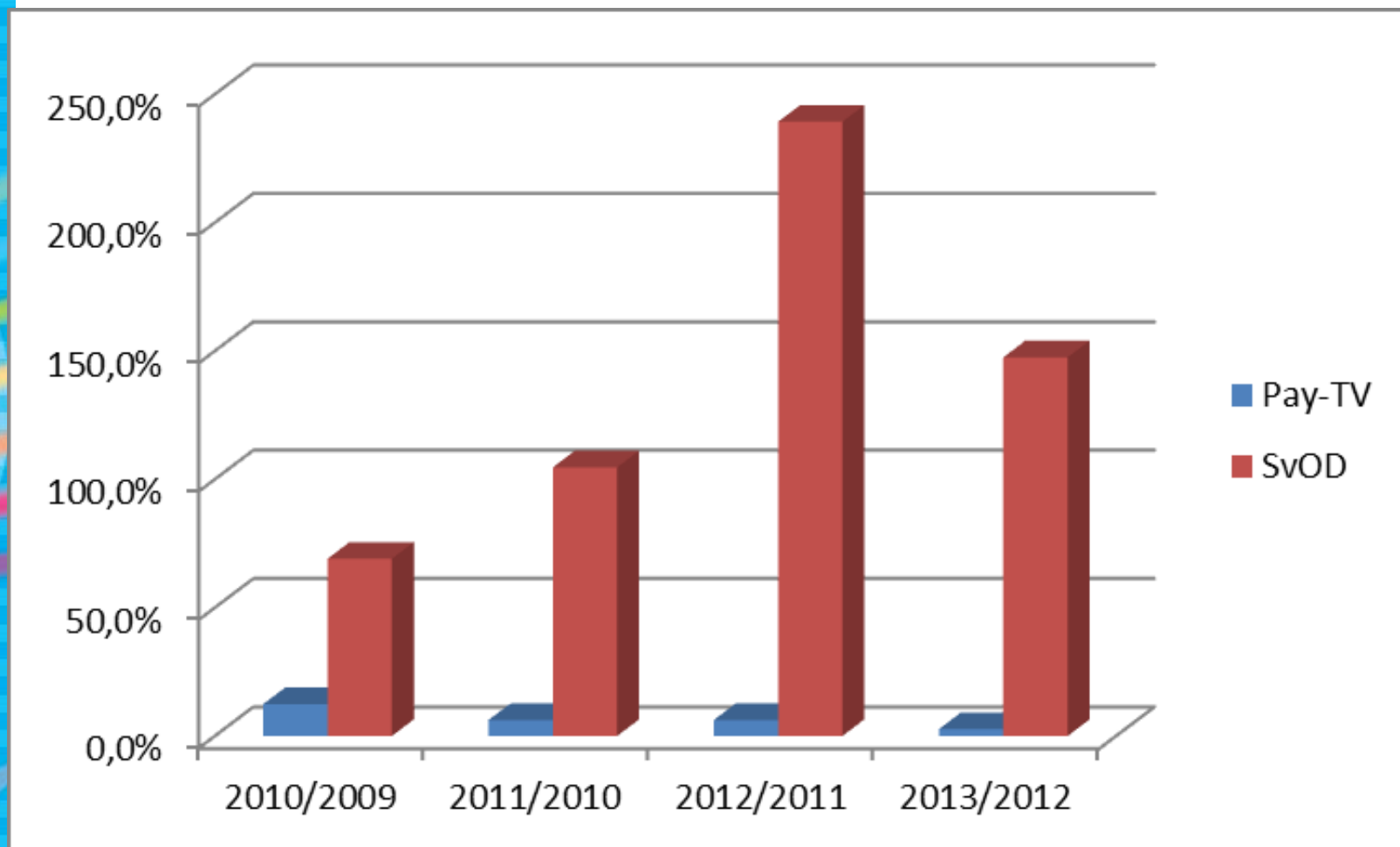


QUESTIONS

- 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)

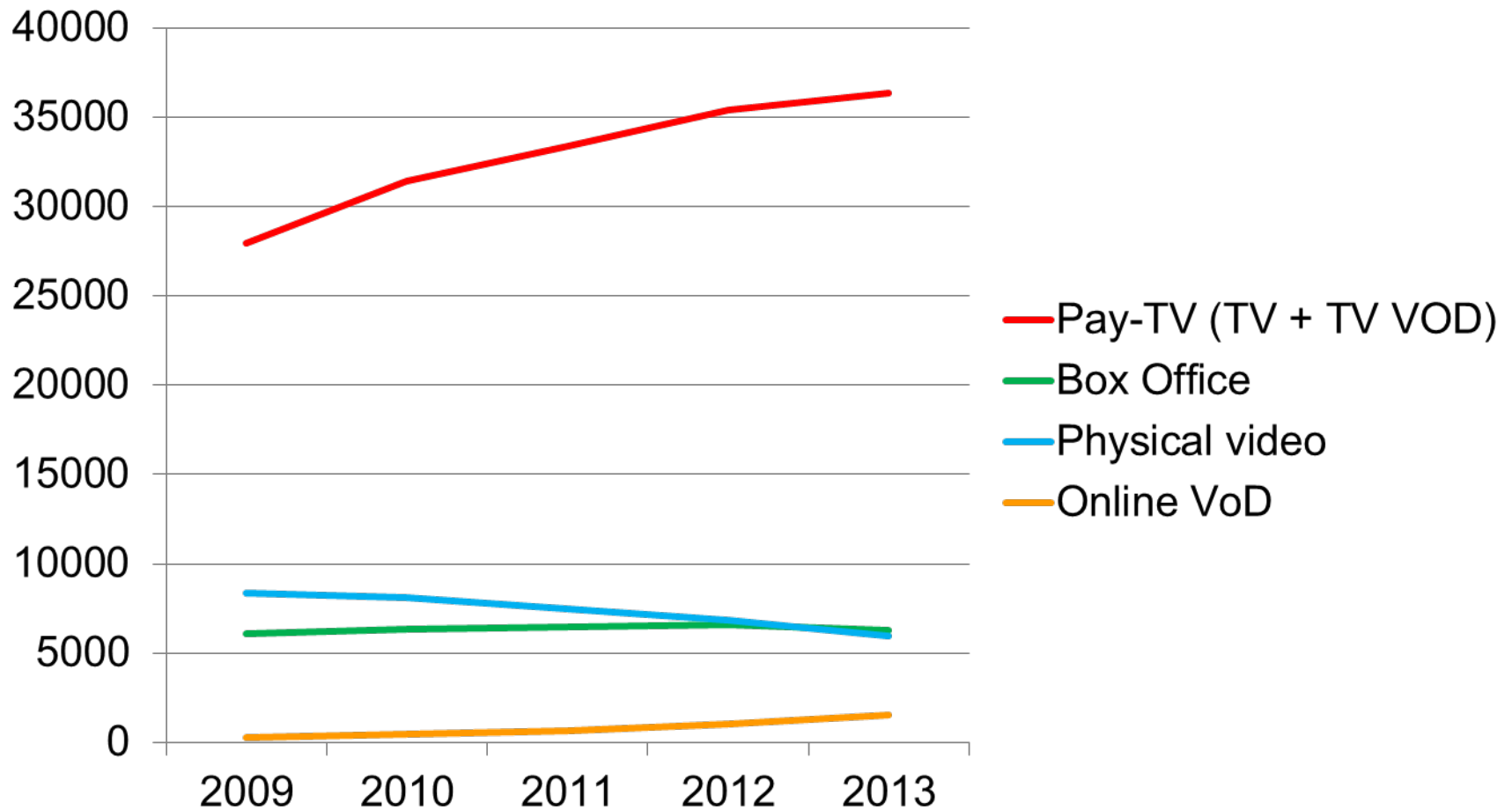
Source: IHS / IVF / OBS



CONSUMERS' EXPENSES IN THE EU (2009-2013)

EUR million

Source: IHS and OBS



PAY-TV vs SVoD

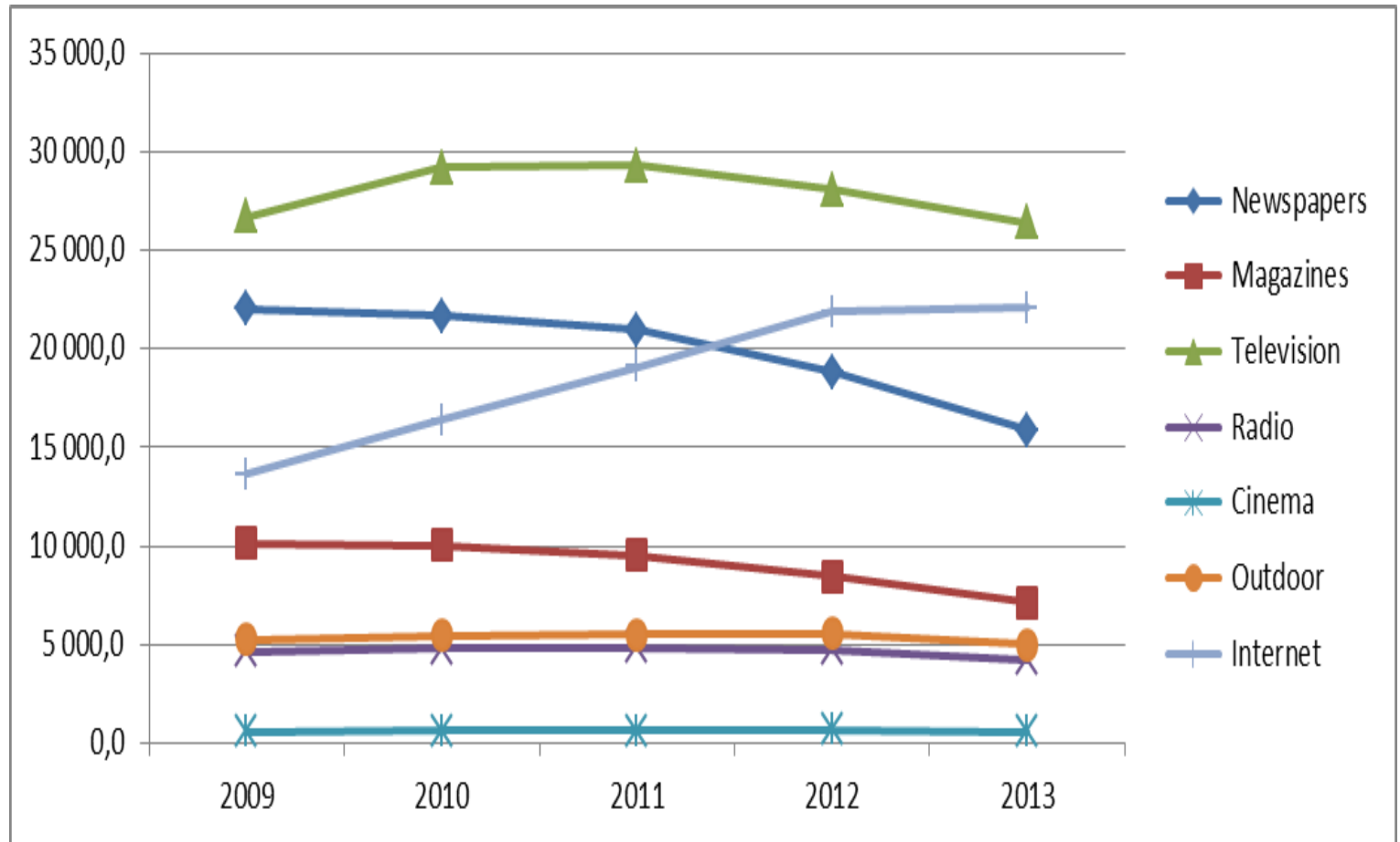
- Some pay-TV distributors try to compete with Netflix on the SVoD market:
 - BSkyB > Sky Now
 - Canal Plus > Canal Infinity
 - but Vivendi wishes to sell Watchever in Germany
- Most of the pay-TV distributors will look for deals with Netflix, but they will probably continue to provide their own transactional 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

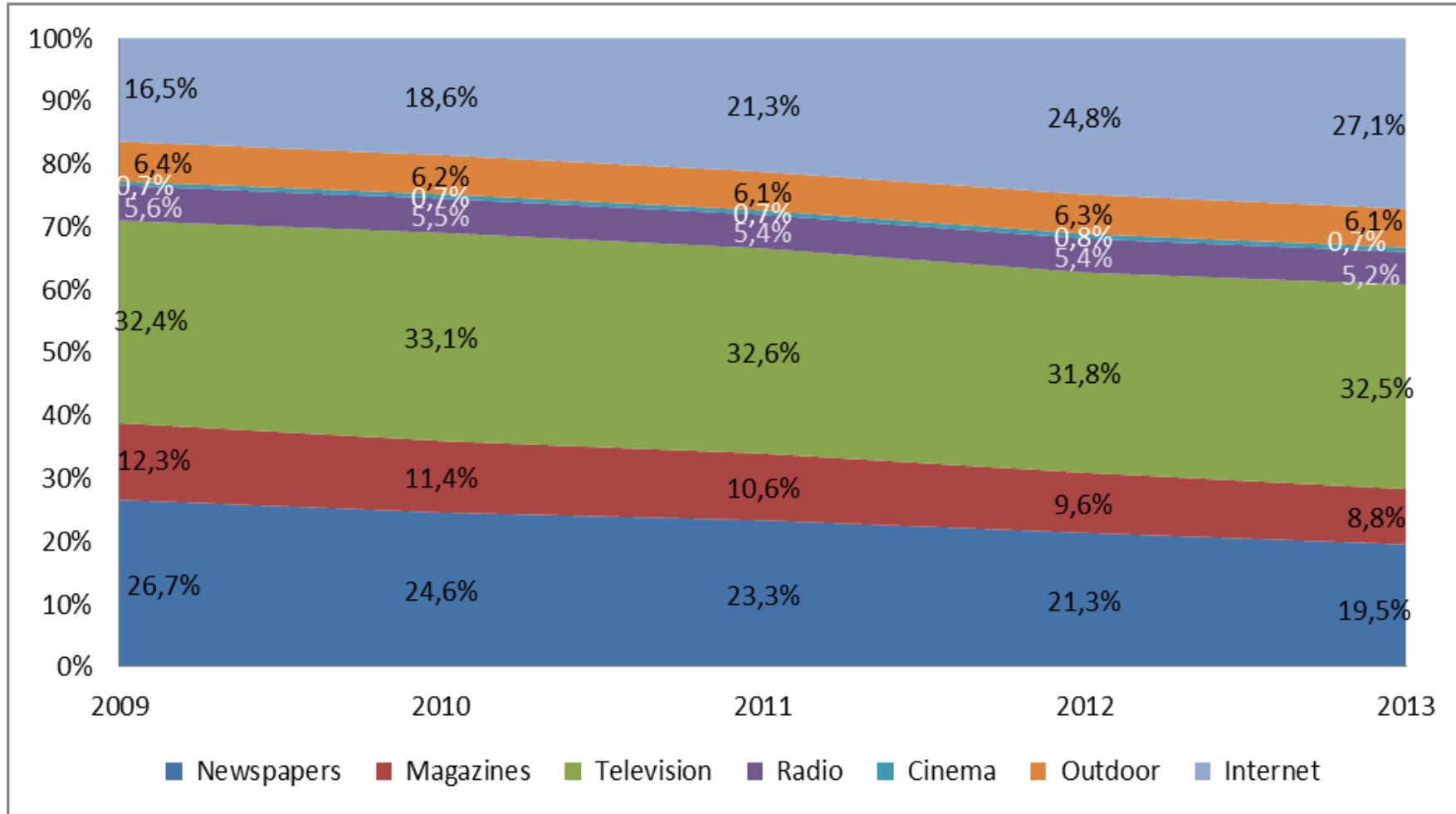
Source: Warc



BREAKDOWN OF ADSPEND IN THE EU (2009-2013)

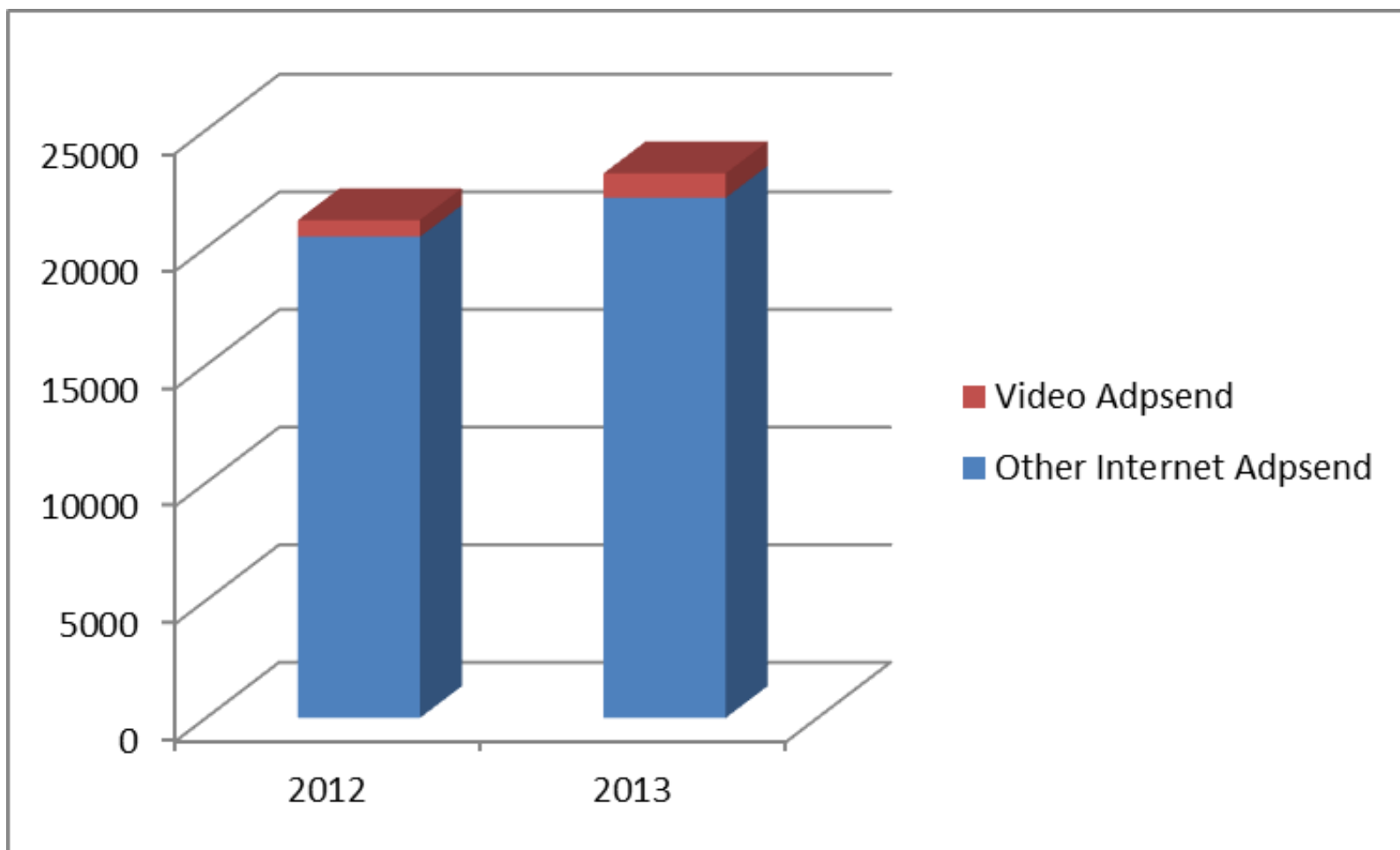
In %

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

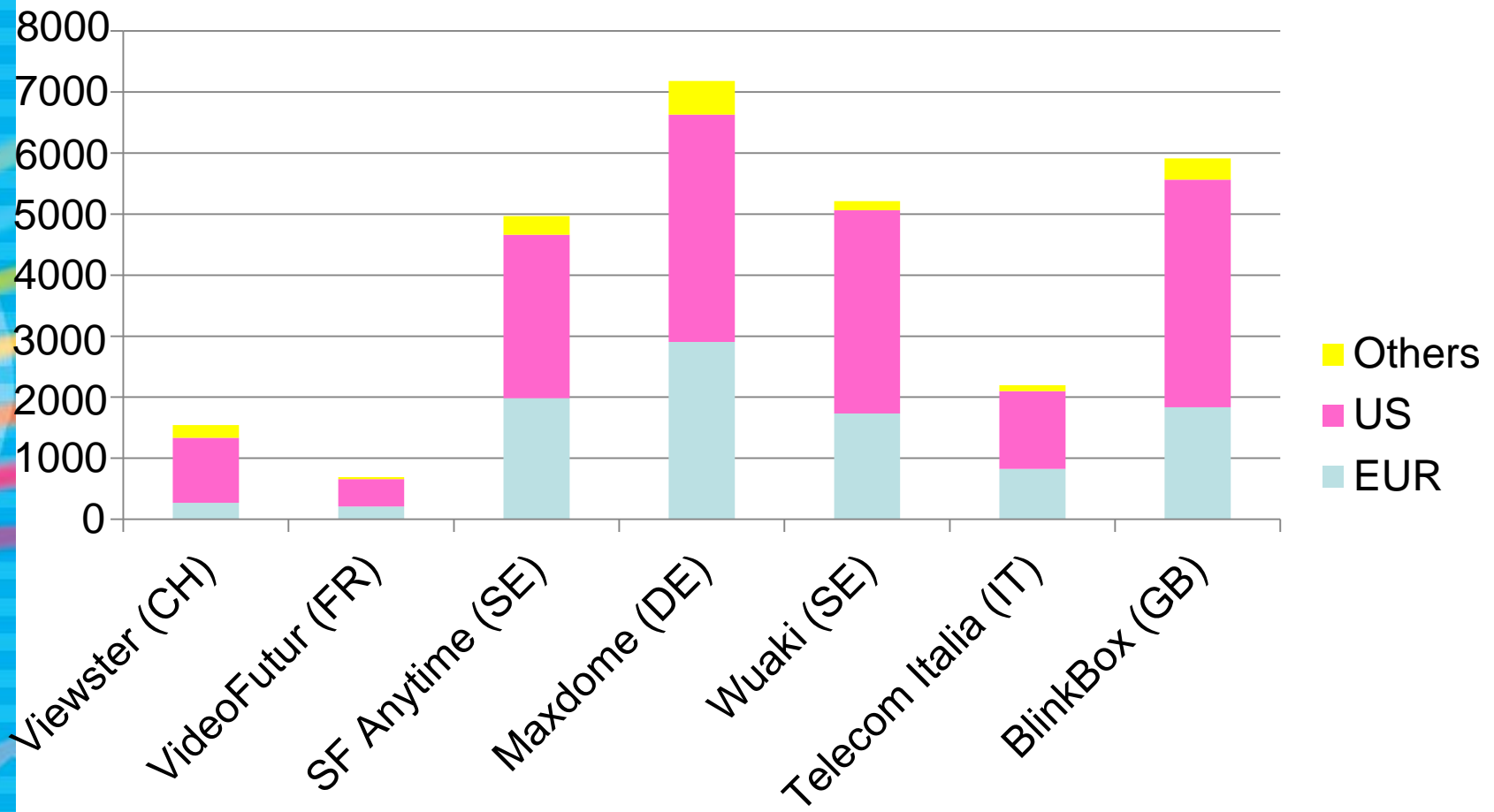
- What are video adpsend market shares between the various players?
 - Youtube, DailyMotion
 - Facebook
 - Broadcasters websites
 - Newspapers websites with video
 - Portals (MSN, Yahoo,...)
 - Free VoD (Viewster)
- Level playing field between free TV and Ad financed online services?
- Role of those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

	<i>Montants déclarés en M€</i>					
	Œuvres audiovisuelles		Œuvres cinématographiques			
<i>services</i>	<i>européennes</i>	<i>dont EOF</i>	<i>européennes</i>	<i>dont EOF</i>	<i>Total œuvres européennes</i>	<i>dont œuvres EOF</i>
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

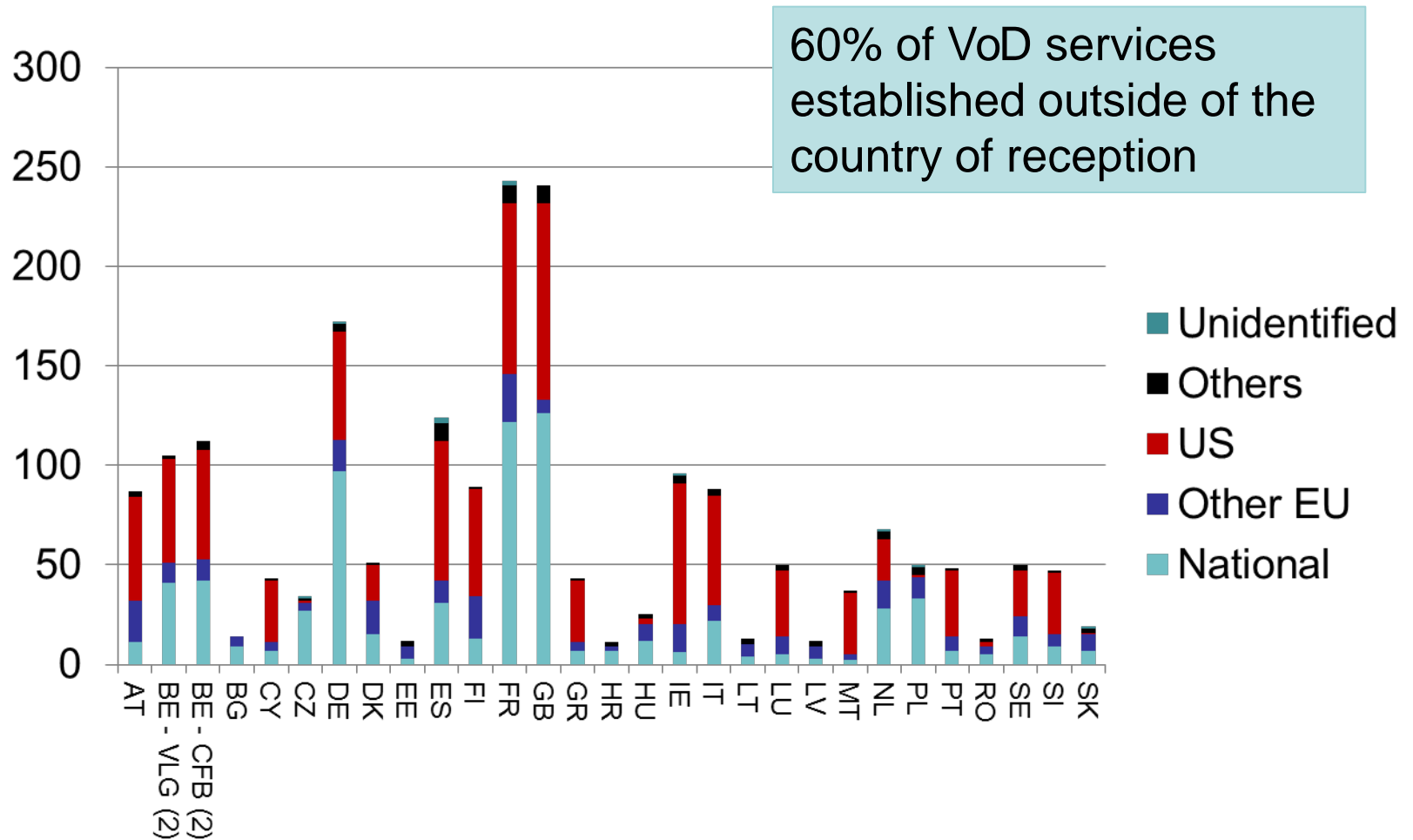
(Source : CSA).

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



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 OF THE NATIONAL FILM FUND

- **Germany: draft amendment 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 recommended 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