Assessing the contribution of subscription video-on-demand providers to European content production

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This independent report has been commissioned by Prime Video

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## Executive Summary

### Main findings

- **Video-on-Demand (VOD) streaming has transformed the economics of the European audiovisual industry**
  - European video content is more attractive to VOD providers than traditional broadcasters because it enriches their customer offers without displacing other premium content

- **The European audiovisual market is competitive**
  - Subscription Video-on-Demand (SVOD) providers compete with successful incumbents
  - The SVOD segment is competitive, and competition is increasing because of new entry and expansion by incumbent major studios, small European start-ups and traditional broadcasters
  - Online video providers have grown, but revenues of traditional broadcasters and Pay TV operators have not decreased
  - Customers are benefitting from streaming-driven competition

- **SVOD providers see European original content as a key element of their business strategy**

- **SVOD providers are driving the growth of the European video production industry**
  - They are commissioning a large and growing number of European productions, despite lower costs in other regions
  - They invested €6 billion in European productions in 2019, €5 billion more than in 2014
  - The growth in SVOD investment accounted for 65% of the European production industry’s growth between 2014 and 2019
  - Those productions created in 2019 about 65,000 full-time equivalent (FTE) direct jobs in the European production industry (22% of total industry employment)
  - The overall impact on the European economy in 2019 is estimated at approximately 200,000 full-time jobs and €12 billion of Gross Value Added (GVA)
**Video streaming has transformed the economics of video delivery to viewers.**

Video streaming over the Internet has made it easier to reach individual consumers, with each consumer able to choose their own video to watch, while others (even in the same room or vehicle) watch something else. That way, video-on-demand (VOD) has become a viable service proposition.

The physical constraints of legacy technologies, which imposed showing the same video to a mass audience at the same time, are removed. Therefore, selecting only mass-market content to show via capacity constrained infrastructure (a cinema or TV channel) is no longer the only profitable strategy for video exploitation. With VOD changing both the marginal revenue and marginal cost of the video provider, new content strategies have also arisen.

Traditional video delivery was constrained by the need for dedicated, physical assets, with limited capacity (such as cinema theatres, broadcasting facilities, cable or satellite networks, or video rental shops). Expensive assets and limited capacity imposed high opportunity costs on video providers to deliver a particular piece of content (because of the value lost from not providing another piece of content instead). This prompted the market to organize around a handful of national providers that provided a limited choice to a mass audience. To achieve a competitive advantage, video providers (e.g., cinema chains, broadcasters, linear Pay TV operators) negotiated access to a small amount of premium content, mostly Hollywood blockbusters. Because of its high opportunity cost, content which was valued only by minority audiences was not given prominence in traditional providers’ strategies. Regulation was often imposed on them, both production obligations and display quotas, with the goal to preserve cultural diversity.

**Market structure of the audiovisual value chain**

![Market structure diagram](https://example.com/diagram.png)

Digitization and broadband Internet have prompted the rise of video streaming, which has transformed the economics of video delivery. By using video streaming technology over the Internet to carry their digital signals to each individual consumer, the opportunity cost for VOD providers to offer minority content has become very small. Therefore, VOD providers face no technical or business constraints to offer unlimited content choice, to audiences worldwide and tailored to the tastes of individual customers or small customer segments, only those limitation arising from geographic content licenses.

Since digital streaming imposes little capacity limitations, VOD providers face low opportunity costs to offer a choice of additional titles for their customers to choose from. Because of this, the strategy
that is best suited to the economics and technical features of the VOD business is to tailor the offers to the tastes of customer segments.

This strategy requires either a very broad catalogue (to attract mainstream viewers) or a very specialized and deep one (to attract those with minority tastes). VOD providers are in a very good position to pursue either approach because their potentially worldwide reach allows them to achieve greater economies of scale on mainstream content, and also to aggregate minority audiences across countries to reach the profitability threshold of more specialized content.

SVOD providers compete in a competitive and dynamic European market.

There are two broad types of retail audiovisual media services (“AVMS”) that differ based on their source of funding:

- **Advertiser-funded services.** These services are funded by advertising, and include:
  - **Free-to-air (FTA) channel broadcasting** (e.g. RTL, TF1, Antena 3, Canale 5, etc), which are distributed mainly via terrestrial transmission (DVB-T), cable (DVB-C) and satellite (DVB-S); and
  - **Broadcaster video-on-demand / catch-up (BVOD) services** (e.g. ARD Mediathek, Joyn, MyTF1, Atresplayer, Mediaset Infinity, etc) including aggregated services (e.g. Zattoo), **other advertising video-on-demand (AVOD) services** (e.g. Freevee, Pluto TV, etc) and **video-sharing platform** services (e.g. YouTube, Twitch, TikTok, Instagram, etc), which are distributed mainly via over-the-top (OTT) Internet services.

- **Viewer-funded services.** These services are funded by viewers, either through subscription or transaction payments, and include:
  - **Linear pay TV channel** services (e.g. Sky, Canal+, etc) distributed via satellite (DVB-S), cable (DVB-C), IPTV (subscriber-based telecommunications networks), terrestrial transmission (DVB-T) and OTT via the Internet; and
  - **Non-linear pay VOD services**, such as **transaction video-on-demand (TVOD) services** (e.g. Rakuten TV, Sky Store, Ciné+, Movistar+, etc) and **subscription video-on-demand (SVOD) services** (e.g. Netflix, Prime Video, Apple TV+, Disney+, Sky Ticket, DAZN, RTL+, Joyn Plus+, Salto, Mitele Plus, Atresplayer Premium, Mediaset Infinity Premium, etc), which are distributed OTT via the Internet. Some providers combine both funding models and offer content on both a subscription and transaction basis.

As we show in this report, the retail supply of AVMS in Europe is competitive and dynamic, delivering competitive outcomes for consumers in terms of greater choice, variety and diversity of content offerings. Retail providers of AVMS compete across segments (broadcasting, linear pay, non-linear pay, etc) and distribution technologies (cable, satellite, IPTV, OTT and terrestrial) to attract and retain viewers.

SVOD providers face strong competition from traditional AVMS providers (linear pay TV and broadcasters) and also from other SVOD providers. While there is substitutability between SVOD services and other AVMS, there is also a degree of complementarity: consumers continue to watch both FTA TV and SVOD services and/or subscribe to both linear pay TV and SVOD services (i.e., multi-homing”). In particular, while SVOD has grown significantly in Europe over the last few years, reaching 140 million subscriptions in 2020¹ and consumer revenues of €9 billion in the EU28 in 2021,² traditional AVMS segments (linear pay TV and broadcasting) have not significantly declined

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² Statista, *Statista Advertising & Media Outlook*. 

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but instead remained broadly constant, representing still by far the two largest segments by consumer revenues.

**Evolution of retail AV market revenues by segment, EU28, 2017-2021**

![Graph showing evolution of retail AV market revenues by segment, EU28, 2017-2021]

*Source: Statista, Statista Advertising & Media Outlook.*

According to data from the European Audiovisual Observatory, the retail supply of audiovisual ("AV") services across Europe is highly fragmented in terms of revenues (with the largest player (Sky) accounting for just 13.3% of total AV services revenues in 2020), despite US SVOD providers leading the pack in terms of subscriptions (with Netflix and Prime Video accounting for 62.5 million and 36.5 million SVOD subscriptions in 2020).

There has been a significant increase in consumer demand for online video services, in particular SVOD services, over the last few years across Europe. The high penetration of internet-connected screen devices, combined with changing consumer preferences for access to content anytime, anywhere and on any device, has led to a significant increase in consumption of online content, including SVOD services. Consumers have been shifting their viewing from linear (FTA and linear pay TV) to non-linear (SVOD, TVOD, BVOD, AVOD) services.

Competition between SVOD providers is also vigorous, displaying many of the characteristics of an effectively competitive market (with different SVOD services competing but also complementing each other), in particular:

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3 Online Video Advertising includes amongst others video sharing platforms, AVOD and BVOD.
The number of SVOD services available in each EU country is large and has continued to grow over the last few years, with new services launching each year – for example, the number of SVOD services in France has doubled between 2015 and 2020;

SVOD providers face strong competition in each EU country from global and local SVOD competitors, with local SVOD providers developing a strong presence in several EU countries and the combined share of the top three SVOD providers declining in the largest EU countries;

Barriers to entry and expansion into video streaming are low, with considerable entry and expansion from both global and local SVOD providers in Europe in recent years (in particular, US production studios and traditional local broadcasters launching direct-to-consumer SVOD services, European start-ups launching thematic/specialised/niche offerings, and SVOD providers entering into distribution agreements with traditional pay TV and telecoms operators); and

Consumers are engaging effectively with this vibrant competition between SVOD providers: consumers are increasingly subscribing to multiple SVOD services (i.e. “multi-homing” or “service-stacking”), churning away from and switching between SVOD services (e.g. Netflix lost 200,000 subscribers globally in Q1 2022).

**Competition pushes SVOD providers to focus on offering exclusive, local content.**

Global SVOD providers have been consistently increasing their global content spend in recent years, with:

- Prime Video and Netflix growing theirs by a factor of 9 and 5 respectively between 2014 and 2021;
- Disney+, Paramount+ and Apple TV+ increasing theirs by a factor of 14, 6 and 5 respectively between 2019 and 2021; and
- HBO Max doubling its global content spend between 2020 and 2021.

Access to content is a key factor in the competitive strategies of all video providers, as they compete to acquire and commission content to develop compelling offerings. In the case of SVOD providers, in addition to long-tail library content, exclusive and original content, tailored to their local audiences, is key for the success of SVOD providers.

SVOD providers’ strategies are based on investing in their own exclusive and original content in response to customer demand and in order to differentiate their content offerings from competitors, as well as a reaction to major studios withdrawing their content to use exclusively for their own recently launched direct-to-consumer SVOD services. Consumer demand for content continues to grow in Europe and SVOD providers compete with many local and global competitors across territories who are all seeking to bring the best content to their customers. As a result, the share of original content in global SVOD providers’ total content investment has been increasing over recent years and is forecast to continue growing.
European content plays a key role in SVOD providers’ strategies, enabling them to gain a competitive advantage by differentiating their content from competitors, appealing to local audiences and aggregating fragmented audience groups across many countries. Increasingly, successful content titles (by level of viewing) from global SVOD providers are produced outside the US in languages other than English, including several European productions (e.g., La Casa de Papel, You are Wanted, etc). This is prompting many SVOD providers to announce more investments in exclusive and original European content.

SVOD providers have expanded and diversified their content offering, increasing the amount of content available to customers in Europe and adapting this content offering to local markets. In particular, SVOD providers have increased the amount of European content available in their catalogues of films and TV series across EU countries.

European video production is booming thanks to investment by SVOD providers.

Europe enjoys unique competitive advantages that allow its video production industry to benefit from the increase in demand for content prompted by changes in the economics of video delivery, for example:

- The existence of several video production clusters developed around languages;
- The Single Market for goods, services, capital and work;
- A highly educated and productive workforce;
- Varied landscapes and urban locations with excellent infrastructure;
- The opportunity to distribute productions to international markets in original language; and
- Favourable and stable institutional settings.

Those European advantages are overcoming the lower production costs in other regions of the world.

In fact, the European video production industry has been experiencing a boom in recent years, in terms of revenues (which grew by more than 40% from 2011 to 2019, with growth distributed across countries), volume of new commissions (which grew by 63% from 2019 to 2021 despite the COVID-19 pandemic) and employment (which grew at EU level and in most countries).

SVOD providers’ increasing investments in European productions, facilities and skills are driving a large part of this growth in the European video production industry.

- SVOD providers are producing more European original titles (increasing from 51 in 2015 to 267 in 2019), with global SVOD providers in particular commissioning more European content (increasing from 171 commissions in 2019 to 307 in 2021) and Netflix becoming the largest commissioner of new European scripted TV shows in 2020 with 72 titles.
- SVOD providers are investing increasing amounts of money in European content and production capacity. For example, Prime Video had launched over 50 European originals by the end of 2021.
- Global SVOD providers are making broader investments in developing training and skills in the European production industry.
- SVOD providers’ investments are stimulating additional investment by traditional competitors.

**Number of SVOD original titles produced, 2015-2019**

![Image of bar chart showing the number of SVOD original titles produced from 2015 to 2019.](image)

*Source: European Audiovisual Observatory, Trends in the VOD market in EU28, January 2021, page 43 (Ampere Analysis).*
Investments by SVOD providers are making a strong contribution to the European video production industry, creating jobs and generating economic growth across Europe. In order to assess the magnitude of this impact, we have followed a two-step process:

- we assessed the impact of investment by SVOD providers on the UK production industry and overall economy using a recent BFI report, and estimated multipliers of the impact per production;
- we applied those UK multipliers to investment in European productions by SVOD providers to estimate the likely impact of SVOD providers’ investment in other European countries (assuming the multipliers are similar to those in the UK).

According to the BFI report and our calculations, SVOD backed high-end TV (“HETV”) productions created nearly 6,800 full-time equivalent (FTE) direct jobs and generated £670 million in industry revenue in the UK in 2019.

Based on those results, we estimated the impact of SVOD providers’ investments in content on the European production industry and overall economy.

### Estimated impact of SVOD provider productions on EU27

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of productions</td>
<td>65</td>
<td>267</td>
</tr>
<tr>
<td>Impact on European production industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Estimated total investment (M€)</td>
<td>994</td>
<td>6,196</td>
</tr>
<tr>
<td>▪ Direct employment (FTE jobs)</td>
<td>9,875</td>
<td>65,632</td>
</tr>
<tr>
<td>▪ % of European industry employment</td>
<td>3%</td>
<td>22%</td>
</tr>
<tr>
<td>Impact on the overall European economy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Overall employment (FTE jobs)</td>
<td>30,240</td>
<td>200,976</td>
</tr>
<tr>
<td>▪ Contribution to overall Gross Value Added (M€)</td>
<td>2,007</td>
<td>12,507</td>
</tr>
</tbody>
</table>

*Source: NERA estimates based on British Film Institute, Ampere Analysis, Eurostat.*

Our estimates for the EU-27 suggest that:

- SVOD providers invested €6 billion in European productions in 2019, which account for 65% of the European industry growth between 2014 and 2019.
- SVOD providers' investments generated about 65,000 jobs in the European production industry, or 22% of total employment in the industry.
- When we also consider the indirect and spillover effects, the overall impact on the European economy in 2019 amounted to 200,000 full time jobs and €12 billion of Gross Value Added (GVA).
1. Introduction

Prime Video has commissioned NERA Economic Consulting to prepare an independent report assessing the contribution of Subscription Video-on-Demand (SVOD) providers to the video production sector in Europe. Prime Video has asked us to assess the economic impact of their activity, and also how they contribute to the development and diversity of content production.

Prime Video has asked NERA Economic Consulting to:

▪ provide an overview of the economics of video-on-demand (VOD) and the audiovisual value chain;
▪ assess the current state of the European video production industry;
▪ evaluate the current state of competition in the SVOD sector in Europe; and
▪ assess the impact of SVOD providers on the production of European audiovisual content and the European video production sector more generally.

In preparing our report, we have relied on publicly available information and data from respected third-party sources, including in particular the European Audiovisual Observatory, Ampere Analysis, GfK, Statista, S&P Global Market Intelligence, the French CNC, the French CSA/Arcom, AGCOM, Goldmedia and the BFI.

We have also conducted interviews with industry experts including staff members at streaming companies and independent producers.

Our report is structured as follows:

▪ Section 2 describes the economics of video streaming, including how the audiovisual industry supply chain has evolved, and how video streaming has modified the economics and competitive dynamics of video exploitation.
▪ Section 3 explains that SVOD providers compete in a competitive and dynamic market that is delivering positive outcomes for audiovisual consumers in Europe, in terms of wider choice of services and variety of content offerings. The supply of SVOD services is characterised by strong competition between SVOD providers, as well as other types of AVMS providers, changes in consumer demand, low barriers to entry and expansion into SVOD provision, and low barriers to consumer switching and churning between SVOD providers.
▪ Section 4 describes how exclusive and local content are central to the strategies of SVOD providers, which has resulted in SVOD providers expanding and diversifying their content offering in Europe.
▪ Section 5 shows that the European video production industry has experienced a boom in terms of revenues, driven by SVOD providers’ increasing investment in European original content and production capacity. Using the UK as a case study, we assess the likely impact of SVOD investment on the video production industry across Europe.
2. The economics of video streaming

2.1. The audiovisual value chain

The audiovisual industry provides audiovisual content to consumers, i.e., content that combines images in motion and sound. Audiovisual content is presented in many different formats: news, long movies, short movies, series, real-time events retransmission, magazines, documentaries, etc. In this report, we focus on entertainment, i.e., audiovisual content other than news.

From the content producer point of view, the audiovisual industry value chain comprises three main activities (Figure 1).

### Figure 1: Classical audiovisual industry value chain

- **Content making**: comprises the creative and technical activities required to put an idea into a piece of audiovisual content ready to be watched. It includes financing & pre-sales, story rights acquisition, pre-production, photography shooting and post-production producers, writers, actors, talent agencies, studios, and other ancillary activities.

- **Content distribution**: comprises the commercial, marketing, packaging and logistical activities required to prompt delivery companies to acquire the produced content, and to make the general audience aware of it and willing to watch it. It includes marketing, printing, advertising, sales and licensing.

- **Content exploitation**: comprises the technical means and commercial activities to allow the audience to watch the content and pay for it. It includes delivery of the content through cinemas, physical DVDs, terrestrial free television, pay television (cable and satellite), and over-the-top (OTT) Internet services (download -EST5 and streaming/video on demand -VOD-). It also comprises selling and collecting the revenues, either from viewers themselves or advertisers.

Each of those activities requires the combined effort of many different players (see Table 1 below).

### Table 1: Examples of players involved in the content value chain

<table>
<thead>
<tr>
<th>Content making</th>
<th>Content distribution</th>
<th>Content exploitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer, writer, developer, director, broadcaster, distributor, insurance, equity financiers, cameraman, cast, postproduction facilities, film lab, hospitality, technicians</td>
<td>Distributors, channel aggregators, licensing agencies, advertising, and other sales agents</td>
<td>Cinema theatres, TV broadcasters, physical stores/retail, satellite TV, cable and telco operators, VOD</td>
</tr>
</tbody>
</table>

Around the year 2000, the industry was mostly organized in two stages for films (with production and distribution often integrated) and three stages for television (where there were many distribution firms

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5 “EST” denotes “Electronic Sell-Through”.

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that specialized in the aggregation of content into TV channels). In view of that, we will use as a reference framework for this report the structure of the value chain that is represented in Figure 2.

**Figure 2: Market structure of the audiovisual value chain**

![Market structure of the audiovisual value chain](image)

This framework has also been used by competition authorities. For instance, the European Commission has conducted merger investigations in the audiovisual space in recent years. Depending on the cases, it has consistently set out three different levels of the audiovisual value chain:

- The (upstream) markets for the production and the licensing of audiovisual content;
- The (intermediate) market for the wholesale supply of TV channels;
- The (downstream) market for the retail supply of audiovisual services.

The activities that accounted for most of the value in the industry were content production and exploitation. Both tended to be organized around a limited number of companies: Hollywood major studios for content making and distribution, and up to half a dozen leading exploitation companies in each country: three to four free-to-air TV networks, two to three cable and satellite TV companies, and a few cinema and video rental shop chains.

However, the value chain was much more complex than this. There were many specialized companies that worked in only one of the stages (e.g., independent producers, cable companies which distributed only third-party content), and others that were vertically integrated across the value chain (e.g., television broadcasters that produced some original works and licensed part of these to other media). Also, the boundaries between activities were not rigid, and changed continuously over time.

The audiovisual industry has seen several waves of both vertical integration and specialization, sometimes because of changing industry economics (e.g., when TV stations began producing a part of their own programmes in addition to commissioning another part from independent producers) and others because of regulatory decisions (e.g., when European regulation mandated TV licensees to

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7 See, for example, Liberty Global / DPG Media / JV, paragraphs 20 and 32.

8 See, for example, NENT / Telenor / JV, paragraphs 19-20.

9 See, for example, NENT / Telenor / JV, paragraphs 39-40.

invest in the production of European works), or antitrust mandates (e.g., when Hollywood studios were forced to divest their cinemas to close an inquiry by US antitrust authorities).\textsuperscript{11}

Technological and commercial developments have accelerated this trend in recent times. Many leading industry players have vertically integrated into activities other than their core business in an effort to adapt to economic changes driven by digitization and broadband Internet, for example:

- Cable companies have acquired studios (e.g., Comcast – NBCUniversal);
- SVOD companies have developed their own content and started their own production studios (e.g., Amazon Studios, Netflix, Apple TV); and
- Studios have set up SVOD provision businesses to directly exploit their content (e.g., HBO Max, Disney+, Paramount+).

Where they were separate, relationships between production and exploitation companies were organized through a temporal sequencing scheme (“windowing”) and national licensing.

- The window system granted exclusive rights in a given time window to a specific segment of retailers. The rationale was that “films are normally first distributed to the market that generates the highest marginal revenue over the least amount of time. They then “cascade” in order of marginal-revenue down to markets that return the lowest revenues per unit time”.\textsuperscript{12} In countries such as the US, where the entertainment industry is driven by market forces alone, that means that those channels who put more value on having new content (those for which viewers paid more for viewing the content) were in the first time window, to ensure that they could maximize their revenue (e.g., cinema admissions not being substituted by DVD rentals at release time) and that the studio could also maximize its overall revenues (Figure 3). In Europe and other regions where subsidies, tax rebates and other regulated production incentives are in place, the conditions attached to those incentives modify this scheme and make it more complex.

\textbf{Figure 3: Typical time windows for audiovisual content exploitation in the US}

- National licensing considered the fact that most video retailers had a national reach. This allowed studios to license the content in each country to the retailer that put more value on it, and it also allowed national retailers to acquire premium content without the need to pool acquisitions across many countries.

\textsuperscript{11} Vogel, op.cit.
\textsuperscript{12} Vogel, op.cit. p.83
2.2. Video streaming has transformed the economics of video exploitation

Video streaming has been made possible thanks to the spread of two technology innovations across the world:

- **Video digitization.** Digitization allowed video to be stored and processed as a chain of digital symbols, in a similar way to other types of information (text, audio, pictures, plans, programmes, etc.). Early applications of digital video include Digital Video Disks (DVDs) and Digital Video Broadcasting (DVB).\(^{13}\)

- **Broadband Internet.** Internet is a global digital network that allows users to exchange information in all formats with any other Internet users. It supports multiple types of information and applications. Billions of Internet users connect now to broadband connections that support video services such as linear IP television (IPTV), video download and video streaming, including most European households.

The combination of both effects has prompted video streamers to grow a large business and to deeply change the economics of the industry, as we describe below.

2.2.1. Traditional economics of video exploitation

Before the advent of the Internet, there were many other technical means to deliver video content to audiences: cinemas, free-to-air television, cable and satellite television, videotapes and DVD sales and rentals. Each of those means prompted the creation of different businesses with different economics. However, all of those business models and industry segments shared some common traits that gave rise to similar economic compromises.

The main common trait shared by traditional video businesses was the linkage to dedicated, physical assets to deliver the video to viewers.

**Table 2: Dedicated assets for video delivery technologies**

<table>
<thead>
<tr>
<th>Video delivery technology</th>
<th>Dedicated fixed assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Films</td>
<td>Theatre building, projection equipment</td>
</tr>
<tr>
<td>Free-to-air television</td>
<td>Antennas, transmission centres</td>
</tr>
<tr>
<td>Cable television</td>
<td>Coaxial cable networks, head-ends</td>
</tr>
<tr>
<td>Satellite television</td>
<td>Satellite links, earth stations</td>
</tr>
<tr>
<td>Videotape/DVD</td>
<td>Shop premises, tape/disc stock</td>
</tr>
</tbody>
</table>

Those assets were specific to the business and drove the following characteristics:

- **Material capacity bottlenecks:** The physical assets constrain the number of simultaneous options that can be offered to viewers in a given moment of time. For example, cinema chains are capacity-constrained as cinema screens can only show one film at a time, and the largest cinema theatre in the world (Kinépolis Madrid) has 25 screens and 9,200 seats.\(^{14}\)

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\(^{13}\) The family of DVB standards allows for digital video to be broadcast across all technologies formerly used to distribute analogue television: DVB-T (terrestrial), DVB-S (satellite) and DVB-C (cable).

\(^{14}\) [https://kinepolis.es/cines/kinepolis-madrid-ciudad-de-la-imagen/informacion](https://kinepolis.es/cines/kinepolis-madrid-ciudad-de-la-imagen/informacion) consulted on 22 April 2022.
- **Technical capacity bottlenecks:** The technical means used by linear television had its capacity limited by the amount of radio spectrum allocated to the service or the maximum bandwidth of the cable. Since linear TV sends the same signal to all users, who then select the channel they desire to watch, the number of available choices was limited. Free-to-air analogue television offered from five to a few dozen channels to be split among all broadcasters. The latest television technologies (cable, satellite and digital terrestrial) increased that number but to no more than one or two hundred channels.

**Figure 4: Maximum simultaneous viewer choices by traditional audiovisual providers in Madrid, Spain (April 2022)**

![Figure 4: Maximum simultaneous viewer choices by traditional audiovisual providers in Madrid, Spain (April 2022)](image)

Source: Company websites

Also, all the technologies they used were point-to-multipoint, i.e., they delivered the same content to all the viewers in a channel or room. The only exception were video rental shops, which could offer each customer the title they wished, provided of course that it was in stock. In the case of video rental shops, capacity was limited by the store real estate and cost of DVD copies. This limited the number of titles the shop had in stock at each time and forced them to hold only a few copies of each title, but for the few most popular ones.

- **Geographic reach bottlenecks:** The geographic reach of traditional video delivery assets was limited because of technical and regulatory issues.
  - **Technical:** Most technologies had their optimal reach within a city or a county. Only satellite television covered large areas.
  - **Regulatory:** In many cases, audiovisual providers required a licence from local or national authorities to operate. Most of those licences allowed only national coverage, and in some cases (e.g., cable licences in most European countries) licences were issued with only limited...
The economics of video streaming

Before Single Market regulations were enacted, in most countries, foreign providers were not allowed to own a licence, which additionally limited their ability to provide cross-border services.

- **Capital intensive investment in fixed assets**: Video exploitation companies (cinema chains, broadcasters, cable and satellite operators, DVD rental chains) tied high amounts of capital to the physical assets they used to deliver the content to viewers. That meant that they needed to make a large margin on each piece of content they delivered to be able to recover and make a profit on that capital. Since those technologies also had strong economies of scale, traditional providers aimed at having as many viewers as possible for each channel or room.

The combination of high fixed costs and limited capacity imposed **high opportunity costs** to the delivery of a piece of video content. The business value of offering a film or TV series was measured against the value lost because another piece of content could not be offered in that time slot.

Those economics prompted traditional providers, both cinemas and linear TV broadcasters, to focus on addressing a mass audience with limited capacity. Therefore, they usually rationed their scarce capacity to offer the content with the highest commercial value (usually Hollywood blockbusters) at prime time, filling the lowest audience times with low-cost content (minority or B-series films at cinemas, and minority, B-series films, and cheaper entertainment on linear TV). That means that the opportunity costs for high quality content that addresses minority audiences were high (they raised less revenue than blockbusters and cost more than low-quality video) and therefore that content was usually ignored or confined to inconvenient times. This prompted authorities in many countries, including most of Europe, to impose obligations on cinema and television providers to produce audiovisual content in the country and to reserve a minimum share of their prime time capacity to offer national content.

### 2.2.2. Streaming-driven transformation of video economics

Digitization and video streaming over the Internet have radically altered the economics of the industry as well as changing customer behaviour and demand. Physical delivery of streamed video happens over the public Internet, which is a multipurpose infrastructure owned by third parties and that viewers contract for separately from their video service. The Internet also provides an individual connection between each user and the video provider. This allows users to access any content, any time on any device anywhere (see Section 3.2 below). The economics of streaming video over the Internet allow VOD providers to profitably offer a very broad choice of content with global geographic reach.

- **Broad choice of content.** SVOD providers can offer viewers a choice of content that is not restricted by delivery facilities. With large digital storage capacity and a dedicated digital connection to each viewer, the only limit to the viewer’s choice is the size of the video library. Figure 5 below shows how the choice offered by SVOD providers in Spain is 10 to 30 times larger than the richest choice offered by traditional providers.

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15 This was the case, for example, in Germany, Spain, Portugal or the UK. National cable operators that exist today are the result of consolidation of former regional ones. In fact, even today several cable operators remain in Germany and Spain.
The economics of video streaming

Figure 5: Maximum simultaneous viewer choices by all audiovisual providers in Madrid, Spain (April 2022)

- Global geographic reach. The Internet is a global network which allows streamers to reach a global audience. At the same time, the digital technologies they use in their technical infrastructure make it possible to personalize how they address each viewer segment, with different offers tailored to each country’s legislation, market demand and content licensing options. Figure 6 shows how leading SVOD providers have a global or near global reach, and that even those who focus on a specific region (like Vivendi) typically have a much wider reach with their streaming offers than the traditional providers.

16 Channels for cable and terrestrial television, screens for cinema, titles for streaming providers.
Because of their global reach, SVOD providers can achieve critical mass to make a piece of content profitable by aggregating minority audiences worldwide, and not only by capturing large shares in individual countries. That makes the long tail of works beyond recent hits very valuable to SVOD providers.

- **Delivery costs independent of viewer choices.** As delivery costs for SVOD providers do not depend on the number of titles offered to viewers, they will not incur any delivery cost unless a viewer actually demands a title. Also, as any SVOD provider can, in principle, enter any national market and compete with other SVOD services with relatively low entry barriers, that means that SVOD providers must find different strategies than traditional providers who relied on their control of a scarce local physical asset.

Those economic features of VOD have profound strategic implications. The opportunity cost of offering an additional piece of content is very low, because an SVOD provider can offer it alongside premium content. That allows SVOD providers to offer very large catalogues in a profitable way. Also, their global reach allows them to reap a higher value from high quality content addressed at minority audiences, since they can aggregate the global demand for that content to reach critical mass.

As SVOD providers can target each user on an individual basis and have no restrictions in the number of simultaneous titles their customers can choose from, the business strategy that is best suited to the economics and technical features of their business is to tailor their offers to the individual tastes of customers (or rather, customer segments). That strategy requires either:

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17 Except for the BBC, which measures the number of different language editions.
• A very broad catalogue (to attract mainstream viewers); or

• A very specialized and deep catalogue (to attract viewers with minority tastes).

SVOD providers are in a very good position to pursue either approach because their global reach allows them to achieve global economies of scale on mainstream content, and also to aggregate minority audiences worldwide to reach the profitability threshold of more specialized content. We discuss the role of content in those strategies in more detail in Section 4.
3. SVOD providers compete in a competitive and dynamic market

This Section looks at competition in the retail supply of audiovisual media services (“AVMS”), and specifically in the retail supply of SVOD services. It also analyses if SVOD services compete with and/or complement the existing offers of traditional AVMS such as FTA TV channels (e.g., TF1, RTL, etc) and linear pay TV services (e.g., Sky, Canal+, etc). Finally, it reviews if that competition is delivering positive outcomes for AVMS consumers and producers across Europe.

Competitive markets typically result in lower prices, improved quality, more choice, greater innovation, for the benefit of consumers.

The evidence presented in this Section indicates that competition between SVOD providers is vigorous, with the SVOD segment displaying many of the characteristics of an effectively competitive market – it has been, and is likely to continue, delivering competitive outcomes for AVMS consumers in terms of greater choice, variety and diversity of content offerings, and stimulating the growth of the European video production sector through increasing investment in European exclusive and original content.

In the remainder of this Section, we first show that SVOD providers face strong competition from other types of AVMS (Section 3.1), with SVOD services being both substitutable for and complementary to traditional AVMS such as FTA and linear Pay TV. We then describe the changes in consumer behaviour and demand for AVMS, including the growth in usage and consumption of SVOD services which is driving competition in the SVOD segment (Section 3.2). Finally, we show that, even within the SVOD segment, competition between SVOD providers is competitive and dynamic (Section 3.3).

3.1. Retail AVMS providers compete vigorously in Europe

In this Section, we describe how competition functions between different types of AVMS and show that SVOD providers face strong competition from, and also complement, other types of AVMS. The Section is structured as follows: first, we provide an overview of competition between AVMS (Section 3.1.1); second, we provide an overview of the size of the overall AVMS market and its different segments (Section 3.1.3); finally, we show that the European AVMS market is highly fragmented (Section 3.1.4).

3.1.1. Types of European AVMS providers

While all providers of AVMS deliver video content to viewers, the business models, commercial offers and technologies they use are highly heterogeneous. We summarize below the main features that drive differences between them.

Who pays for the service?

Based on the agent who pays for the service (who is therefore the true customer of the provider), there are two broad types of retail AVMS services:

- **Advertiser-funded services.** These services are funded by advertising, and include:
SVOD providers compete in a competitive and dynamic market

- **Free-to-air (FTA) channel broadcasting** (e.g. RTL, TF1, Antena 3, Canale 5, etc), which are distributed mainly via terrestrial transmission (DVB-T), cable (DVB-C) and satellite (DVB-S); and

- **Broadcaster video-on-demand / catch-up (BVOD) services** (e.g. ARD Mediathek, Joyn, MyTF1, Atresplayer, Mediaset Infinity, etc) including aggregated services (e.g. Zattoo), other **advertising video-on-demand (AVOD) services** (e.g. Freevee, Pluto TV, etc) and **video-sharing platform services** (e.g. YouTube, Twitch, TikTok, Instagram, etc), which are distributed mainly via the Internet (OTT – over-the-top offerings).

- **Viewer-funded services**. These services are funded by viewers, either through subscription or transaction payments, and include:
  - **Linear pay TV channel** services (e.g. Sky, Canal+, etc) distributed via satellite (DVB-S), cable (DVB-C), IPTV (subscriber-based telecommunications networks), terrestrial transmission (DVB-T) and OTT via the Internet; and
  - **Non-linear pay VOD** services, such as **transaction video-on-demand (TVOD)** services (e.g. Rakuten TV, Sky Store, Ciné+, Movistar+, etc) and **subscription video-on-demand (SVOD)** services (e.g. Netflix, Prime Video, Apple TV+, Disney+, Sky Ticket, DAZN, RTL+, Joyn Plus+, Salto, Mitele Plus, Atresplayer Premium, Mediaset Infinity Premium, etc), which are distributed OTT via the Internet. Some providers also combine both funding models and offer content on both a subscription and transaction basis.

**Linear versus on-demand**

Depending on the technology they use, retail AVMS providers deliver the content to their customers either over linear or non-linear services:

- **Linear** AVMS are services that broadcast scheduled programmes, often as packages of linear channels, so that a viewer can choose a channel at each moment, but not a specific programme.

- **Non-linear** (or VOD) AVMS are services provided for the viewing of programmes at the moment chosen by the users and at their individual request, on the basis of a catalogue of programmes.

In turn, VOD services are usually classified based on how viewers pay for the content (see Table 3 below).

### Table 3: Types of VOD services

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVOD</td>
<td>Advertising-funded VOD Viewer can access content for free, but has to watch ads</td>
</tr>
<tr>
<td>BVOD</td>
<td>Broadcaster VOD AVOD service offered by broadcasters • It usually includes catch-up TV (access to recent broadcasts) and access to a library of older content</td>
</tr>
<tr>
<td>SVOD</td>
<td>Subscription VOD Viewer pays a flat fee to access all content in the catalogue</td>
</tr>
<tr>
<td>TVOD</td>
<td>Transaction VOD Viewer pays a fee for each piece of content he or she views</td>
</tr>
</tbody>
</table>

**Source**: NERA Economic Consulting

**Delivery technology**

Providers of retail AVMS deliver their content to end-customers via a number of distribution technologies:

- traditional networks, such as cable (DVB-C), satellite (DVB-S), internet protocol television (“IPTV”), and to a lesser extent, digital terrestrial TV (DVB-T); and/or
SVOD providers compete in a competitive and dynamic market

- “Over-The-Top” (“OTT”) distribution technology which allows (both linear and non-linear) content to be delivered through the use of the open Internet.

Types of competitors

Depending on each provider’s choices across those dimensions, there are a range of business and funding models adopted by retail AVMS suppliers. Consumers have a varied and diverse range of options and payment models to choose from to consume AVMS content. In the remainder of this report, we will classify providers using the categories summarized in Table 4 below.

<table>
<thead>
<tr>
<th>Who pays?</th>
<th>Type of provider</th>
<th>Core activity</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertiser</td>
<td>Broadcaster</td>
<td>Free-to-air linear TV</td>
<td>TF1, Mediaset, RTL, Atresmedia</td>
</tr>
<tr>
<td>Online sharing</td>
<td>User video sharing</td>
<td>YouTube, Instagram</td>
<td></td>
</tr>
<tr>
<td>Standalone AVOD</td>
<td>Free VOD</td>
<td>Pluto TV</td>
<td></td>
</tr>
<tr>
<td>Viewer</td>
<td>Linear Pay TV</td>
<td>Linear Pay TV over cable, fibre or satellite</td>
<td>Sky, Canal+</td>
</tr>
<tr>
<td>SVOD provider</td>
<td>Subscription VOD</td>
<td>Prime Video, Netflix, FlixOlé, Disney+, HBOMax, Paramount+, DAZN</td>
<td></td>
</tr>
<tr>
<td>Pay-per-view</td>
<td>Transaction VOD</td>
<td>Rakuten TV, Prime Video, Sky Store, Movistar+, Ciné+</td>
<td></td>
</tr>
</tbody>
</table>

Source: NERA Economic Consulting

3.1.2. Market structure and competitive dynamics

Retail AVMS suppliers compete along a number of different price and non-price dimensions to attract and retain end-users to consume AVMS content on their services:

- Price is a relevant competitive tool of Pay AVMS retailers (e.g., those charging monthly or annual subscription fees), while FTA AVMS suppliers do not charge a monetary price to viewers but instead offer their content for free in exchange for viewers’ willingness to watch advertisements;

- All AVMS suppliers also compete on quality (e.g., high quality exclusive and original productions) and choice (e.g., depth and breadth of the content catalogue or the channel packages), as well as through innovation (e.g., user interface, search/recommendation tools, multiple user profiles, etc).

Therefore, at the downstream level, retail AVMS suppliers operating across the various segments of the retail AVMS market (FTA, linear pay, non-linear pay, etc) and across different distribution technologies compete to a greater or lesser extent with each other to attract and retain end-users (i.e., viewers or subscribers) to consume AVMS content on their services. While there is substitutability between SVOD services and traditional AVMS like FTA and pay TV services, there is also a degree of complementarity, with SVOD services complementing the existing FTA and pay TV offering.

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The complementarity of providers’ offers is further reinforced when some of them follow a “multichannel” strategy, i.e., they use several business models to reach viewers (see Table 5 below). For instance, Pay TV and telecoms providers are adding VOD services to their linear channel offers – in some cases, they develop their own SVOD and TVOD proposals (e.g., Movistar+ or RTL+), but they also often aggregate and bundle the offers of third-party Pay TV and SVOD providers into their commercial packages (e.g., Telefónica’s distribution agreements with Prime Video, Netflix, Disney+, DAZN, Atresplayer Premium and Mitele Plus in Spain18; Deutsche Telekom and Sky’s distribution agreements with Netflix in Germany19; etc).

**Table 5: Multichannel commercial strategies**

<table>
<thead>
<tr>
<th>Type of provider</th>
<th>Core channel</th>
<th>New expansion</th>
<th>Examples of new expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadcaster</td>
<td>Free linear TV</td>
<td>AVOD</td>
<td>Catch-up “Mediathek”, Salto, Mitele Plus RTL+, Joyn Plus+, Atresplayer Premium, Mediaset Infinity Premium, NENT</td>
</tr>
<tr>
<td>Online sharing platform</td>
<td>User video sharing</td>
<td>SVOD</td>
<td>YouTube Premium</td>
</tr>
<tr>
<td>Linear Pay TV (including telecoms providers)</td>
<td>Linear Pay TV</td>
<td>SVOD</td>
<td>Movistar+, RTL+, Joyn, NOW, Canal+</td>
</tr>
<tr>
<td>SVOD provider</td>
<td>Subscription VOD</td>
<td>AVOD</td>
<td>Freevee</td>
</tr>
<tr>
<td>Pay-per-view</td>
<td>Transaction VOD</td>
<td>AVOD</td>
<td>Rakuten TV free films and subscription packages</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SVOD</td>
<td></td>
</tr>
</tbody>
</table>

Source: NERA Economic Consulting

At the upstream level, VOD providers (whether streaming, pay-per-view or standalone AVOD) compete with traditional pay TV operators and broadcasters by acquiring rights to existing content and commissioning new content in order to develop compelling AVMS content offerings for consumers. In particular, SVOD providers have typically built up a broad and attractive library of content through a mix of original productions (either own-produced or commissioned from third-party producers) and licensing a wide range of existing content from major studios (some of which is very popular with audiences). As major studios have started withdrawing their content to use exclusively for their own recently launched direct-to-consumer SVOD services, this is having an impact on the availability and cost of licensing existing content, and on SVOD providers’ preference for original vs. licensed content.

This complex and changing market structure has led the European Commission (“EC”) to usually leave open the exact scope of the relevant product market for retail audiovisual (“AV”) services in its merger decisions. In particular, it has typically left open the question of whether to define separate markets for (i) FTA and pay AV services,20 (ii) linear and non-linear pay AV services, (iii) premium

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20 In past merger decisions, the EC considered the retail supply of FTA TV and pay TV as separate product markets, but ultimately left the product market definition open. See Liberty Global / DPG Media / JV, paragraph 61.
and basic pay AV services and (iv) different distribution technologies (e.g., cable, OTT, satellite, IPTV or terrestrial).\(^{21,22}\)

While often leaving open the question of whether non-linear pay services by OTT players (such as Netflix and Prime Video) should be considered as alternatives or complements to linear pay TV services,\(^{23}\) the EC concluded in a recent case that, in Sweden and Finland, SVOD OTT services (such as Netflix) currently complement the retail offering of FTA and basic pay TV channels provided by TV distributors such as Telia.\(^{24}\)

The EC has also considered that the geographic scope of the market for the retail provision of AV services could be national, since providers of retail AV services compete on a nationwide basis (or limited to the coverage area of each cable operator).\(^{25}\)

### 3.1.3. The European retail AVMS market is growing, driven by Internet-based services

The overall European market for retail AVMS has been experiencing continuous growth in revenues in recent years. The cancellation of shootings and closure of cinema theatres due to the COVID-19 pandemic caused a one-off slowdown in 2020 followed by a rebound in 2021 (see Figure 7 below showing Statista data on revenues in the EU28 from 2017 to 2021).\(^{26}\) Online video provision (i.e., online video advertising, SVOD and TVOD) has driven this revenue growth. SVOD providers have captured a sizable part of this growth, although online sharing platforms (i.e., video-sharing platforms that are funded by online video advertising) have grown the most.

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\(^{21}\) In two recent merger decisions (Telia / Bonnier (2019) and Liberty Global / Ziggo (2018)) the EC considered that all the different distribution technologies were part of the same product market, while leaving the product market definition open in a number of other decisions. See Liberty Global / DPG Media / JV, paragraph 62.

\(^{22}\) See, for example, European Commission, Case M.8785 - The Walt Disney Company / Twenty-First Century Fox, 6 November 2018, paragraphs 93 and 98, https://ec.europa.eu/competition/mergers/cases/decisions/m8785_2197_3.pdf; and Liberty Global / DPG Media / JV, paragraphs 61-62.

\(^{23}\) See, for example, Liberty Global / DPG Media / JV, paragraph 65; and Disney / Fox, paragraph 97.


\(^{25}\) See, for example, Disney / Fox, paragraph 100.

\(^{26}\) The revenue trends are very similar for the EU27 (excluding the UK) from 2017 to 2021.
Despite the significant growth in online video advertising and SVOD revenues in Europe in recent years, broadcasters’ advertising revenues and pay TV revenues have not significantly declined. While broadcasters’ advertising revenues dropped in 2020 due to the COVID-19 pandemic (after remaining relatively steady from 2017 to 2019), they largely rebounded in 2021. Similarly, pay TV revenues remained relatively steady from 2017 to 2019, dipping slightly in 2020 before rising again in 2021.

While online video provision (online video advertising and SVOD) has grown in importance (see Section 3.2 below), traditional AVMS provision (FTA and pay TV) still retains the largest share of retail AVMS revenues by far. In 2021, broadcasters and pay TV providers collected 65% of the revenues in the retail AV market in the EU28 (see Figure 8 below).

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27 Online Video Advertising includes amongst others online sharing platforms, AVOD and BVOD.

28 Ampere Analysis, The European VoD landscape, Q4 2021, November 2021, pages 4 and 12.

29 Ampere Analysis, The European VoD landscape, Q4 2021, November 2021, page 12.
SVOD providers compete in a competitive and dynamic market

In the remainder of this Section, we provide a brief overview of the scale and growth of each AVMS segment in Europe using data from the European Audiovisual Observatory on the EU28 up to 2020 (unless otherwise specified), starting with viewer-funded service providers (SVOD, pay-per-view, Pay TV) and then advertiser-funded service providers (broadcasters and online sharing platforms).

**SVOD providers**

The SVOD segment in the EU has grown significantly over the last few years, reaching 103 million subscriptions and €7.1 billion in consumer revenues in the EU28 at the end of 2019 (see Figure 9 below). This growth was mainly driven by Western European markets, in which SVOD household penetration rapidly increased to 52% by the end of 2019, due to higher broadband availability and higher consumer media budgets. At the end of 2020, there were 140 million subscriptions to SVOD.

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**Figure 8: Evolution of retail AV revenue market shares by segment, EU28, 2017-2021**

![Diagram showing market shares by segment from 2017 to 2021](image)

*Source: Statista, Statista Advertising & Media Outlook.*

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30 Online Video Advertising includes amongst others online sharing platforms, AVOD and BVOD.

31 Unless otherwise specified, in the remainder of this report, we assume that data reported by market analysts as “SVOD” refers to streaming providers only, and that ancillary SVOD services of other providers are accounted for in the figures for their core activity.

SVOD providers compete in a competitive and dynamic market

services in the EU28, an increase of 36% on the end of 2019 (the year Disney+ and Apple TV+ first launched in the EU), with consumer revenues of €9.7 billion, up 37% on 2019.33

Figure 9: OTT SVOD services’ subscriptions, consumer revenues and household penetration, EU28, 2010-2020

Demand-side and supply-side factors have driven this growth in SVOD subscribers and revenues.34

- On the demand-side, there has been rapid consumer adoption of SVOD services and a shift in content consumption preferences from ownership of content towards access to content any time on any device anywhere (see Section 3.2 below).

- On the supply-side, a number of international and national SVOD services have been launched in the EU by a range of traditional media players (e.g. pay TV operators, commercial broadcasters, telecoms operators) and new entrants (see Section 3.3 below), with increased content investments in their SVOD services resulting in a large availability of premium content (see Sections 4 and 5.4 below).

The rapid growth in SVOD services has been enabled by OTT video distribution, increased broadband penetration and digitization of content.35

33 European Audiovisual Observatory, Trends in the VOD market in EU28, January 2021, pages 7 and 9.
SVOD providers compete in a competitive and dynamic market

Figure 10 below shows the largest EU28 markets by number of OTT SVOD subscribers in 2020 using Statista data: the top five comprised Germany, UK, France, Italy and Spain.

**Figure 10: Number of OTT SVOD subscribers by country, 2020**

![Bar chart showing number of OTT SVOD subscribers by country, 2020.](chart-image)

Source: Statista, Video-on-demand in Europe, page 12.

Figure 11 below shows the growth in subscribers of five of the main US-based SVOD providers in Europe over the last five years.  

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36 FT, *US streaming giants feel squeeze of regulation in Europe*, 8 February 2022, [https://www.ft.com/content/bf70ada3-70fd-4fcb-b4e8-638bce053025](https://www.ft.com/content/bf70ada3-70fd-4fcb-b4e8-638bce053025).
Online sharing platforms

Online sharing platforms offer free of charge access to audiovisual content to viewers funded by online advertising revenue. They rely on content created and uploaded by other users of the platform, rather than acquired by them. Their business proposition to advertisers is based on using the information on consumption habits of viewers to better target advertisements. Large players in this segment include global Internet platforms like YouTube (Alphabet), Instagram (Meta), Snapchat and TikTok.

Online video advertising revenues in the EU28 grew from €3 billion in 2015 to more than €12 billion in 2020, driven by the wider growth of online advertising (from €23.6 billion in 2015 to €32.5 billion in 2020), with online video advertising capturing an increasingly substantial share of overall online advertising (from 13% in 2015 to 38% in 2020).\(^{37}\)

Pay per view (TVOD)

The pay per view segment (rental and retail) in the EU28, although now much smaller than the SVOD segment, has also grown over the last 10 years from €377 million in 2010 to €1.9 billion in 2020.\(^{38}\)

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Whereas TVOD revenues were mostly generated through rentals in 2010, over the past few years retail has increased its share of TVOD revenues to 50% in 2020.39

**Linear Pay TV**

The Linear Pay TV segment refers to linear pay TV channel services (e.g., Sky, Canal+, etc) that are funded through subscriptions. Over the last five years, growth of the pay TV segment in Europe has stabilised, reaching 144.5 million subscriptions and €34.2 billion in revenues in the EU28 at the end of 2020 (see Figure 12 below).40 Most pay TV operators have entered into distribution agreements with SVOD providers to offer their pay TV subscribers access to a larger choice of content in most European countries (see Section 3.3.3.3 below).

**Figure 12: Pay TV subscriptions and consumer revenues, EU28, 2015-2020**

![Graph showing Pay TV subscriptions and consumer revenues, EU28, 2015-2020](image)

*Source: European Audiovisual Observatory, Trends in the VOD market in EU28, January 2021, pages 21-22 (Ampere Analysis).*

**Broadcasters**

The primary source of funding for broadcasters (TV advertising revenues) was stable at around €24-25 billion per annum in the years prior to the COVID-19 pandemic, before dropping to around €21 billion in 2020 and largely rebounding in 2021.41

In response, traditional broadcasters have in recent years launched advertising-funded VOD services, or broadcaster VOD (“BVOD”) services, to capture online viewing and compensate for the decline in

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SVOD providers compete in a competitive and dynamic market. FTA TV viewing and supplement relatively stable TV advertising revenues. The BVOD segment in the EU28 has grown since 2015 and stabilised over the last couple of years with BVOD revenues of 13 selected EU broadcasters amounting to €0.7 billion in 2019 and 2020.\textsuperscript{42} The largest BVOD providers (by BVOD revenues) in the EU in 2020 were ITV (€340 million), Channel 4 (€128 million), TF1 (€57 million), M6 (€38 million) and Channel 5 (€38 million).\textsuperscript{43}

### 3.1.4. The European retail AVMS market is highly fragmented

According to data from the European Audiovisual Observatory, the European retail AVMS market is highly fragmented in terms of revenues. The largest player (Sky) accounts for just 13.3% (€16.3 billion) of total AV market/industry revenues (for the top 100 AV groups across all segments including SVOD, pay TV, broadcast) in Europe in 2020 (see Figure 13 below).\textsuperscript{44} The two largest US-based SVOD providers (Netflix and Prime Video) come only 3\textsuperscript{rd} and 20\textsuperscript{th}, accounting for 5% (€6.2 billion) and 1.4% (€1.7 billion) of total AV market/industry revenues. The other AV groups in the top five positions were traditional broadcasters (ARD, RTL Group and the BBC).

**Figure 13: Top 20 European AV groups by operating AV service revenues, 2020**

![Figure 13: Top 20 European AV groups by operating AV service revenues, 2020](image)

This is despite US-based SVOD providers leading the pack in terms of number of subscriptions: Netflix was the largest player in Europe with 62.5 million subscriptions and a 34.9% share of SVOD subscriptions in 2020, followed by Prime Video with 36.5 million subscriptions (20.4% share), Apple with 15.1 million subscriptions (8.4% share) and The Walt Disney Company with 14.6 million subscriptions (8.2%).\textsuperscript{45} Sky and Vodafone are two other large pay TV operators with 22.7 million and

\begin{itemize}
\item \textsuperscript{42} European Audiovisual Observatory, *Trends in the VOD market in EU28*, January 2021, page 45.
\item \textsuperscript{43} European Audiovisual Observatory, *Trends in the VOD market in EU28*, January 2021, page 46.
\item \textsuperscript{44} EAO, *Top Players in the European AV industry, Ownership and concentration, 2021 Edition*, January 2022, page 15.
\end{itemize}
21 million subscriptions respectively across Europe in 2020, although they earned much higher revenues due to the average revenue per user (ARPU) being higher for the pay TV segment than for SVOD providers.\textsuperscript{46}

**Figure 14: Top 20 European AV groups by number of SVOD and pay TV subscriptions, 2020**

![Figure 14: Top 20 European AV groups by number of SVOD and pay TV subscriptions, 2020](image)

*Notes: Does not include AV groups from Russia.*

### 3.2. Consumers are changing their demand for AVMS

European consumers are changing their demand for AVMS after the introduction of online video services, notably SVOD services. Overall video consumption continues to grow, with SVOD and other online video services replacing most physical video (DVD, Blu-ray). Also, SVOD is capturing a sizable part of video viewing, especially for younger audiences.

These significant changes in consumer viewing behaviour and demand for AVMS are driving vigorous competition between SVOD providers (see Section 3.3 below) and also stimulating increased content investment from SVOD providers (see Sections 4 and 5.4 below).

### Overall video consumption increased in 2020 (with the COVID-19 pandemic)

Against the backdrop of a long-term decline in linear TV viewing in Europe, it is noteworthy that all forms of viewing (linear and non-linear) increased in 2020, driven by lockdown restrictions associated

with the COVID-19 pandemic. Overall viewing expanded in 2020, without the growth in SVOD viewing coming at the expense of linear viewing. For example:

- In **France**, average daily TV viewing time across all individuals increased in 2020 for the first time since 2012 to 3 hours 54 minutes (24 minutes more than 2019), mainly driven by the TV consumption of the over 50s.\(^{47}\) At the same time, individuals aged 15 and over watched on average 11 minutes of SVOD programming daily in September 2020 (4 minutes more than in September 2019).\(^{48}\)

- In **Germany**, there was strong growth in viewing video content in 2020 both via broadcast TV and on the internet, partly due to the pandemic situation.\(^{49}\) The average daily duration of TV viewing for all viewers (aged 3 and older) increased from 230 minutes in Q1 2019 to 235 minutes in Q1 2020 and to 243 minutes in Q1 2021.\(^{50}\) Streaming viewing volumes (of video content mostly belonging to broadcasters) also increased by 44% from Q1 2019 to Q1 2020 and by 70% from Q1 2020 to Q1 2021.\(^{51}\)

**More users watch online video**

More generally, in recent years, there has been a significant increase in consumer demand for online video services across Europe, and in particular, for SVOD services. For example, in **Germany**, daily reach of internet video by individuals aged 14 and over increased to 36% in 2021, with internet video usage increasing to on average 64 minutes per day.\(^{52}\)

Among other factors, high penetration of internet-connected screen devices has enabled an increasingly large proportion of the population to access these online video services. For example:

- In **Germany**, 84% of people aged 14 and over had the technical capability to watch both broadcast TV and videos from the Internet in 2021, with this proportion largely stable over the last four years.\(^{53}\)


In France, 82% of households equipped with a TV had an internet-connected TV in H1 2021 (the same proportion as H1 2020).\(^{54}\)

In Spain, almost 90% of the population had internet-capable devices in 2021, which enabled them to watch online video content.\(^{55}\)

### Internet video is replacing DVD

There has also been a shift in content consumption preferences from ownership of content towards access to content anytime on any device anywhere. For example, in Germany, spend on digital video content (EST, TVOD and SVOD) represented 86% of total home video expenditure in 2021, compared to only 14% for physical video (DVD, Blu-ray, VHS).\(^{56}\)

### Young people are consuming more SVOD content

The high penetration of internet-connected screen devices, combined with changing consumer preferences for access to content anytime, anywhere and on any device, has led to a significant increase in consumption of SVOD services in Europe. For example:

- In Germany, daily reach of video streaming services among individuals aged 14 and over increased to 22% in 2021 (compared to 17% in 2020), while 53% used video streaming services daily or weekly in 2021.\(^{57}\) The total number of consumers of SVOD services increased to 19.3 million in 2021 (compared to 17.5 million in 2020).\(^{58}\)
- In France, individuals aged 15 and over watched on average 29 minutes of SVOD programming daily in September 2021 (up from 11 minutes in September 2020), while SVOD consumers watched on average 2 hours 56 minutes in September 2021 (up from 2 hours 12 minutes in September 2020).\(^{59}\)
- In Spain, more than 55% of households with internet access used SVOD services (e.g., Netflix, HBO, Prime Video) in 2021, increasing more than 11% compared to 2020. Individuals aged between 16 and 34 spent almost 2 hours a day over the weekend watching SVOD content in 2021.\(^{60}\)

### Viewing habits are shifting, especially for younger viewers

At the same time, consumers in Europe have continued shifting their viewing from linear to non-linear programming in recent years. For example:

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\(^{54}\) Arcom, Observatoire de l’équipement audiovisuel des foyers de France métropolitaine, Résultats des 1er et 2e trimestres 2021 pour la télévision, January 2022, page 16.

\(^{55}\) CNMC, Panel de Hogares SII 2021, Usos Internet y OTT, May 2022.


\(^{59}\) CNC, Observatoire de la vidéo à la demande, December 2020, page 8; and CNC, Observatoire de la vidéo à la demande, December 2021, page 7.

\(^{60}\) CNMC, Panel de Hogares SII 2021, Servicios Audiovisuales, May 2022.
• **In Germany**, according to a survey by S&P Global Market Intelligence, there has been a major shift towards watching less live TV and more VOD over the last five years. The proportion of internet adults watching primarily live TV declined from 60% in 2017 to only 26% in 2021, while those watching mostly live TV and some VOD increased from 22% to 37% over the period and those watching primarily VOD increased from 3% to 8%.61

• **In Spain**, individuals watched DTT channels for on average 32 minutes a day less in April 2022 (3 hours and 17 minutes) compared to April 2021, with those aged 13-24 only watching on average 1 hour and 12 minutes a day in April 2022.62 By contrast, individuals aged 16-34 spent almost 2 hours a day over the weekend watching SVOD content in 2021.63 Out of 45.7 million potential viewers, 4.5% (or 2.07 million people) did not watch DTT channels at all in April 2022 (compared to 3.6% in April 2021).64

### 3.3. Competition among SVOD providers is also vigorous

SVOD providers compete with other AVMS providers as we have seen in the previous Sections. Favourable economics65 and increased consumer demand for SVOD services66 make the streaming business attractive and prompt strong competition between SVOD providers.

In this Section, we analyse competition among SVOD providers, and find that the SVOD segment shows many of the characteristics of an effectively competitive market. In particular:

- A large number of players (Section 3.3.1);
- Strong competition from multiple players (Section 3.3.2);
- Low barriers to entry and expansion (Section 3.3.3); and
- Low barriers to consumers switching providers (Section 3.3.4).

### 3.3.1. The number of SVOD providers is large and has grown

The number of SVOD services available to consumers in Europe has proliferated over the last few years, ranging from general entertainment services to niche services, operated by both global and local players. Most EU countries had over 10 SVOD services available in 2020, with France having over 30 available and the UK, Germany and Spain over 20 available (see Figure 15 below). Netflix and Prime Video were available in all 28 EU countries in 2020, while Apple TV+ was available in 26 countries and Disney+ in 13 countries.67 As explained in Section 3.3.3.2 below, HBO Max was

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65 See Section 2.2.2 above.
66 See Section 3.2 above.
SVOD providers compete in a competitive and dynamic market

available in 14 EU countries in March 2022,\(^68\) while Paramount+ is expected to be available in 18 EU countries by the end of 2022.\(^69\)

**Figure 15: Number of SVOD services available by country in the EU, 2020**

Taking **France** as an example, a recent report by Hadopi/CSA reported that the number of SVOD services available has increased significantly over the last decade (doubling between 2015 and 2020),\(^70\) with multiple new services launching each year and services closing in some years. The majority (73\%) of these SVOD services can be contracted directly with SVOD providers: 21\% are available both directly from SVOD providers and through the offers of Pay TV providers (i.e., telecoms operators and Canal Plus), 14\% are available only through Pay TV providers, and 65\% are available only through SVOD providers.\(^71\) The large and growing number of SVOD services over

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\(^{70}\) Hadopi and CSA, *La multiplication des services de vidéo à la demande par abonnement. Stratégies de développement et impact sur les usages*, 9 March 2021, Figure 1 and pages 11-12 (CSA, Avril 2020), [https://www.hadopi.fr/sites/default/files/sites/default/files/ckeditor_files/2021_03_09_multiplication_services_video_demande_abonnement.pdf](https://www.hadopi.fr/sites/default/files/sites/default/files/ckeditor_files/2021_03_09_multiplication_services_video_demande_abonnement.pdf).

\(^{71}\) Hadopi and CSA, *La multiplication des services de vidéo à la demande par abonnement. Stratégies de développement et impact sur les usages*, 9 March 2021, pages 8 and 67.
time, combined with frequent entry and exit of services (suggesting low barriers to firm entry and exit), indicates a competitive and dynamic market for SVOD services in France.

### 3.3.2. Strong competition from multiple SVOD providers at national level

At the national level, the retail supply of SVOD services is competitive. For example, in its recent decision unconditionally clearing the proposed Amazon/MGM transaction, the EC found that, even in the national markets where Prime Video has a sizeable market presence among SVOD providers, Prime Video faces strong competition from other players.\(^{72}\)

While global SVOD players occupied the top three positions within the segment (by share of SVOD subscribers) in 18 EU countries in 2020, in many other EU countries local players compete effectively with global players by offering local content.\(^{73}\) Figure 16 below presents subscriber market shares of the top three SVOD providers in EU countries with over 1 million OTT SVOD subscribers, distinguishing between US-based and local providers.

**Figure 16: Top 3 OTT SVOD services by subscriber market share by country, 2020**

![Figure 16: Top 3 OTT SVOD services by subscriber market share by country, 2020](chart.png)

*Source: European Audiovisual Observatory, Trends in the VOD market in EU28, January 2021, page 19 (Ampere Analysis).*

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In several EU countries, we observe local SVOD providers developing a strong presence. For example:

- In each of the three Nordic countries (Denmark, Finland, Sweden), NENT Group’s Viaplay SVOD service was in second position behind Netflix (with shares of 23%, 16% and 19% respectively), while another local player occupied the third position (TV2 Play in Denmark, Ruutu+ in Finland and HBO Nordic in Sweden).\textsuperscript{74}

  NENT Group recently reported that Viaplay had reached 4.0 million SVOD subscribers across Europe at the end of 2021.\textsuperscript{75} Last year, it announced plans to launch Viaplay in five new countries (including the UK, Germany, Austria, Switzerland and Canada) by the end of 2023, taking it to a total of 16 countries (after successful recent launches in Estonia, Latvia, Lithuania and Poland, the US and the Netherlands), with a target of approximately 12 million Viaplay subscribers by the end of 2025.\textsuperscript{76}

- In Poland, Cyfrowy Polsat’s IPLA occupied second place (with a 29% share).\textsuperscript{77} By Q1 2021, IPLA had reached 1.4 million SVOD subscribers in Poland, second only to Netflix on 1.8 million.\textsuperscript{78}

- In Belgium, Telenet/DPG Media’s Streamz in Flemish-speaking Belgium occupied third place (with a 14% share).\textsuperscript{79}

- RTL Group’s Videoland service in the Netherlands occupied third place (with a share of 15%).\textsuperscript{80} RTL Group reported 1.1 million paying subscribers to Videoland in the Netherlands at the end of 2021.\textsuperscript{81}

New entrants and local SVOD providers have expanded and gained an increasing share of a growing market in many European countries. Focusing on the four largest EU countries (Germany, France, Spain and Italy) and the UK, we see that the combined share (by subscriptions) of the top three providers within the streaming segment in each country has been declining over time (see Figure 17 below).\textsuperscript{82} For example, between Q1 2017 and Q4 2021, the share (by subscriptions) of the top 3 SVOD providers declined from 97% to 80% in the UK, 94% to 76% in Germany, 95% to 71% in France, 86% to 70% in Spain and 82% to 51% in Italy.

\textsuperscript{74} European Audiovisual Observatory, \textit{Trends in the VOD market in EU28}, January 2021, page 19.
\textsuperscript{78} Statista, \textit{Subscription video-on-demand (SVOD) services in Europe}, page 37.
\textsuperscript{82} Ampere Analysis.
SVOD providers compete in a competitive and dynamic market

Figure 17: Top 3 SVOD providers combined market share (subscriptions) 2017-2021

![Graph showing market share by subscriptions for France, Italy, Spain, and Germany from 2017Q1 to 2021Q4.](source: Ampere Analysis)

Figure 18: Top 3 SVOD providers combined market share (revenues) 2017-2021

![Graph showing market share by revenues for France, Italy, Spain, and Germany from 2017Q1 to 2021Q4.](source: Ampere Analysis)
3.3.3. Barriers to entry and expansion in the supply of SVOD services are low

As described in Section 2.2 above, barriers to entry and expansion in the retail supply of SVOD services via OTT distribution are low, due to (i) much fewer capacity constraints and (ii) global geographic reach. In addition, as explained further in Section 4 below, access to exclusive content (and increasingly exclusive local content) is a key factor in the competitive strategies of existing and new SVOD providers in Europe.

In recent years, there has been considerable entry and expansion by new and existing (international and local) media groups in the supply of SVOD services in EU countries, in particular:

- US production studios that own the rights to large catalogues of content are launching their own direct-to-consumer SVOD services containing their own content (both library and exclusive original content) as well as third-party content (e.g., Disney+, HBO Max, Peacock, etc); and
- Traditional broadcasters are individually and/or collectively launching new local VOD services based on their historic catalogues of local content as well as exclusive original local content (e.g., Salto in France, Joyn and RTL+ in Germany, LOVEStv and Mitele Plus in Spain, etc).

In this Section, we describe recent examples of successful entry and expansion into the SVOD segment in Europe by local FTA broadcasters and pay TV operators (Section 3.3.3.1) and global players (Section 3.3.3.2), including through distribution agreements with traditional pay TV and telecoms operators (Section 3.3.3.3), which have contributed to widening the choice and range of content offerings available to consumers and strengthening the degree of competition in the retail supply of SVOD services (and AVMS more generally).

3.3.3.1. Successful entry and expansion by local SVOD providers in Europe

To compete with generalist global SVOD services with large catalogues, European start-up SVOD competitors have also developed thematic/specialised/niche offerings to complement generalist services at lower prices, contributing to the diversity of offerings available to consumers. For example:

- In Spain, FlixOlé, a local Spanish SVOD service which offers one of the largest libraries of Spanish movies available along with a selection of US and European titles, launched on the Orange platform in November 2018.\(^{83}\)
- In France, LaCineTek, a local French SVOD service which offers a selection of films based on the ‘top 50’ movies chosen by a group of film directors from around the world, launched in November 2015.\(^{84}\)
- Other local start-up SVOD services include: Sooner (a VOD streaming service from Franco-German joint venture ContentScope, whose shareholders are Metropolitan Film Export of Paris and EYZ Media of Berlin, which launched in Q2 2020), UniversCiné (an initiative of 36 Belgian, French and Luxembourg producers and distributors bringing together more than 11,000 films


SVOD providers compete in a competitive and dynamic market

from hundreds of rights holders, through its own platforms in the Benelux countries, mainly dedicated to independent European cinema, and in distribution to other platforms in Europe) and noKzeDoc.tv (an SVOD service launched in 2018 that hosts a large catalogue of documentaries available to Francophone countries).\(^85\)

Also, in response to the growth of the SVOD segment in Europe, incumbent FTA broadcasters have revised their strategies to launch new SVOD or BVOD services in their local home market, either individually or in alliance with other traditional broadcasters (see Table 6 below for some examples of successful entry by local FTA broadcasters and pay TV operators). These initiatives, which aim not only to respond to changes in consumer demand but also to stimulate new demand by delivering a differentiated offering, currently remain limited to each individual country.

Table 6: Examples of successful entry by local FTA broadcasters and pay TV operators

<table>
<thead>
<tr>
<th>Country</th>
<th>European SVOD provider entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>• Broadcaster Mediengruppe RTL Deutschland (part of RTL Group) first launched its OTT streaming service TV NOW (combining live FTA TV channels and VOD content) in March 2016, expanding it in December 2018 with a new premium tier (including new exclusive content, programmes available ahead of their TV debut and RTL pay TV channels),(^86) before rebranding it to RTL+ in November 2021 ahead of an international rollout in 2022.(^87) RTL Group reported 2.7 million paying subscribers to RTL+ in Germany at the end of 2021,(^88) driven by its agreements to distribute RTL+ Premium on Deutsche Telekom's MagentaTV service and Sky Deutschland’s Sky Q platform.(^89)</td>
</tr>
<tr>
<td></td>
<td>• Telecoms operator Deutsche Telekom launched a revamped TV offering MagentaTV (formerly EntertainTV) in October 2018, including both an expanded pay TV service via IPTV and a new OTT SVOD option.(^90)</td>
</tr>
<tr>
<td></td>
<td>• Commercial broadcaster ProSiebenSat.1 and US media group Discovery launched their joint SVOD service Joyn Plus+ in November 2019.(^91) By 2020, Joyn Plus+ had reached an estimated 0.7 million subscribers.(^92)</td>
</tr>
</tbody>
</table>

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\(^85\) See, for example, the European VOD Coalition: [https://www.europeanvodcoalition.com/members/](https://www.europeanvodcoalition.com/members/).


\(^92\) GoldMedia, Gutachten zu den Auswirkungen der Entwicklung der Plattform-Ökonomie auf Audiovisuelle Produktionen in Deutschland vor dem Hintergrund einer Mögl. Investitionsverpflichtung, 2 March 2022, Table 3.
SVOD providers compete in a competitive and dynamic market

<table>
<thead>
<tr>
<th>Country</th>
<th>European SVOD provider entry</th>
</tr>
</thead>
</table>
| France  | • The three largest FTA broadcasters (public service broadcaster France Télévisions and commercial broadcasters TF1 and M6) entered into a joint venture, Salto, which launched in October 2020. As well as a catalogue of French-focused on-demand content, the Salto SVOD service also includes the DTT channels of its parent companies and their associated services and functionalities (e.g., catch-up TV). Take-up of Salto has grown quickly – by December 2021 (just over a year after launch), 6.4% of French households said they subscribed to Salto.  

• Separately, TF1 and France Télévisions have each individually launched their own SVOD services for kids – TFOU Max in February 2015 and Okoo in December 2019 – while M6 acquired GulliMax (which launched in 2014) from Lagardère in 2019.  

• Pay TV operator Canal Plus has also launched its SVOD service Canal+ Séries in March 2019. |
| Spain   | • The three largest FTA broadcasters (public service broadcaster Atresmedia and commercial broadcasters Atresmedia and Mediaset España) launched their joint HbbTV-based AVS service LOVEStv in November 2018.  

• Separately, Atresmedia launched its own SVOD service Atresplayer in Spain in 2018 (also launching an international version the same year), before revamping and relaunching it as Atresplayer Premium in July 2019.  

• Mediaset España also launched its own SVOD service Mitele Plus in Spain in July 2019, before rolling out an international version in May 2020. |

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97 TechCrunch, Canal+ launches streaming service in France for €7 per month, 12 March 2019, https://techcrunch.com/2019/03/12/canal-launches-streaming-service-in-france-for-c7-per-month/?guccounter=1&guce_referrer=HR&kHm6Ly93d3cuZ29vZ2x2Il.mNy668&guce_referrer_sig=AQAAAD0byP9dpCPr2BCuril_addq5HbnBi6wXXBYJkNvuyw_N195EpuYYX2_aR1Da1sfrOwqj1JD80N9V9o9kijzHIlb6yidXxf293OE4Q0NB6q6km37L_LXWievw9gpfFWY_SBrv-ERFvmlL_QmToz2bB5k35AtHqQi2Ev4AwHS_S,  


3.3.3.2. Successful entry and expansion by new global SVOD providers

In response to the rapid growth of the SVOD segment globally and in Europe, driven by Netflix and Prime Video, a number of competing US media and tech players have launched SVOD services in Europe in the last 2-3 years. Many of these are US media groups that own movie studios (and other production and distribution assets) and have vertically integrated downwards into the retail distribution of SVOD services (in some cases in partnership with local pay TV retailers). We focus below on Apple TV+, Disney+ and other recent or planned entry by global SVOD providers.

Apple TV+

Apple TV+ launched in November 2019 in over 100 countries, including almost all EU countries (except for Croatia, Lithuania and Romania).

By 2020, Apple TV+ had achieved 12.2 million subscribers in the EU and 15.1 million subscribers across Europe. Apple TV+ was free of charge for Apple device holders for over a year and a half from launch and SVOD service revenues are not available for 2020.

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In 2020, about a year after launch, Apple TV+ had grown quickly in some of the largest EU markets, reaching 1.9 million and 1.1 million subscribers in France and Spain respectively, occupying third place behind Netflix and Prime Video in both countries.\textsuperscript{112}

**Disney+**

Disney+ first launched in Europe in the Netherlands in November 2019,\textsuperscript{113} before expanding to six other EU countries (Austria, Germany, Ireland, Italy, Spain and the UK) in March 2020, France in April 2020\textsuperscript{114} and a further six EU countries (Belgium, Denmark, Finland, Luxembourg, Portugal, Sweden) in September 2020.\textsuperscript{115} It has confirmed it will launch in a further 13 EU countries in summer 2022.\textsuperscript{116}

Disney+ has grown rapidly and significantly since launch – by 2020, the Disney+ SVOD service had achieved 10 million subscribers and €364.9 million in revenues in the EU\textsuperscript{117} and 14.6 million subscribers and €3.876 billion in revenues across Europe.\textsuperscript{118}

In 2020, within its first full year of operation, Disney+ has grown quickly in some of the largest EU markets, reaching 3.2 million subscribers in the UK (in third place behind Netflix and Prime Video),\textsuperscript{119} 2.0 million subscribers in Germany (in third place behind Prime Video and Netflix)\textsuperscript{120} and 1.7 million subscribers in Italy by September 2020 (in fourth place after Netflix, Prime Video and DAZN).\textsuperscript{121}

\begin{footnotes}
\footnotetext[112]{European Audiovisual Observatory, *Trends in the VOD market in EU28*, January 2021, page 19.}
\footnotetext[116]{Bulgaria Croatia, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia. See Disney press release dated 26 January 2022, *Disney+ confirms 42 countries to launch in Europe, Middle East and Africa this summer*, https://press.disney.co.uk/news/disney+-confirms-42-countries-to-launch-in-europe-middle-east-and-africa-this-summer.}
\footnotetext[117]{European Audiovisual Observatory, *Trends in the VOD market in EU28*, January 2021, page 18.}
\footnotetext[119]{European Audiovisual Observatory, *Trends in the VOD market in EU28*, January 2021, page 19.}
\footnotetext[120]{European Audiovisual Observatory, *Trends in the VOD market in EU28*, January 2021, page 19.}
\end{footnotes}
Other recent and planned entry by global SVOD providers in Europe

Table 7: Recent entry of global SVOD providers to Europe

<table>
<thead>
<tr>
<th>Event</th>
<th>Country/Region</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>ViacomCBS launched its Paramount+ in the Nordics</td>
<td>Sweden, Norway, Denmark, Finland (including 14 EU countries)</td>
<td>2nd quarter 2022, later in 2022.</td>
</tr>
<tr>
<td>ViacomCBS also plans to launch Paramount+ on Sky platforms</td>
<td>UK, Ireland, Italy, Germany, Switzerland and Austria</td>
<td>2022.</td>
</tr>
<tr>
<td>WarnerMedia first launched HBO Max</td>
<td>Sweden, Norway, Finland, Denmark (including 10 EU countries)</td>
<td>October 2021.</td>
</tr>
<tr>
<td>HBO Max launches in over 15 European countries</td>
<td></td>
<td>March 2022.</td>
</tr>
<tr>
<td>NBCUniversal launched its Peacock SVOD service</td>
<td>UK and Ireland in November 2021, Germany and Austria</td>
<td>January 2022 and Italy in February 2022.</td>
</tr>
<tr>
<td>Discovery launched Discovery+ on Sky platforms</td>
<td>UK and Ireland in November 2020, further 25 countries</td>
<td>2021</td>
</tr>
<tr>
<td>Discovery also entered into an agreement to roll out Discovery+</td>
<td>Germany and Austria</td>
<td>2021 and 2022, plans to roll out service on Sky platforms in Germany and Austria in summer 2022.</td>
</tr>
</tbody>
</table>

122 Bulgaria, Croatia, Czech Republic, Denmark, Finland, Hungary, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.
126 Bulgaria, Croatia, Czech Republic, Hungary, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia.
3.3.3.3. Expansion of SVOD providers through distribution agreements

In order to widen household penetration and maintain subscriber and revenue growth, both global and local SVOD providers have in recent years increasingly entered into distribution agreements with traditional pay TV and telecoms operators at a national or multinational level, as well as with device manufacturers (e.g. smart TV manufacturers) that distribute SVOD providers' apps.

Under these distribution agreements, traditional pay TV or telecoms operators typically include the SVOD service as part of their content offering or wider multiple play offering (bundled with their own Pay TV, fixed telephony, mobile telephony and/or broadband services) to subscribers, either included free of charge or for an additional subscription fee. Device manufacturers include the streaming provider’s app on the user interface of their device. The specific terms and conditions of each distribution agreement will vary.

Distribution deals benefit both parties to the agreement: SVOD providers benefit from access to the pay TV or telecoms operator’s existing and established customer base; while pay TV or telecoms operators benefit from carrying attractive SVOD services within their content offering. Consumers also benefit from the ability to pay a single monthly subscription for multiple services at once, rather than having to subscribe to multiple different services.

Some SVOD providers have entered into distribution deals at launch (e.g., Netflix launched on Deutsche Telekom’s Entertain IPTV platform in Germany in 2014), while others have entered into such agreements after having established themselves first through self-distribution (e.g., Prime Video entered into its first distribution deal in France with IPTV operator SFR (Altice Europe) in 2019, three years after its launch in France).

Some examples of recent distribution agreements between SVOD providers and traditional pay TV or telecoms operators include:

- **In Germany**, Netflix entered into a partnership with Sky in March 2018 to integrate the full Netflix service into a new Sky TV subscription pack, combining Sky and Netflix content through the Sky Q platform.

- **In Spain**, Prime Video entered into an agreement to integrate its SVOD service into Telefónica’s pay TV operator Movistar+ in November 2021, while Netflix renewed its existing distribution agreement with Movistar+ (dating back to 2018) in January 2022.

Some SVOD providers also distribute third party channels or other streaming services via their own SVOD service. For example, Prime Video launched Amazon Channels in the UK and Germany in 2017.
3.3.4. Consumers are engaging effectively with this vibrant competition

Active consumer engagement with the choice of services available (via greater consumption, multi-homing, switching and cancelling) is another characteristic of effective competition in a market.

Consumers are actively taking advantage of the expanding choice and diversity of AVMS offerings available to them.

- Take-up of AVMS is increasing, with consumers on average subscribing to multiple SVOD services (“multi-homing” or “service-stacking”) (Section 3.3.4.1).
- Consumers are also actively switching between these services, cancelling some and adding others (Section 3.3.4.2). Barriers to switching are low as consumers are typically not locked into an annual contract with SVOD providers, they can cancel the subscription anytime they choose.

3.3.4.1. Increase in multi-homing across SVOD and other AV services

Faced with a large increase in the number of available SVOD services and the exclusive nature of the original content on many of these, consumers are increasing the number of VOD services they subscribe to. In particular, consumers have been increasing the number of SVOD services they subscribe to at the same time (i.e., multi-homing across SVOD services).

According to Statista, in November 2020, the number of OTT video services used per user was almost four in Germany, over four in France and over five in the UK.\textsuperscript{140} Statista also reports that the average number of SVOD subscriptions per user in 2020 was 1.4 in Germany and 1.6 in France, Italy and the UK.\textsuperscript{141}

The average number of SVOD subscriptions per user in Europe varies depending on the SVOD service that the user subscribes to. According to S&P Global Market Intelligence, in 2021:\textsuperscript{142}

- Netflix users subscribed to, on average, two SVOD services in France, three SVOD services in Germany, the UK, Poland and Italy, and four SVOD services in Sweden;
- Users of Prime Video subscribed to an average of three SVOD services in Italy, Germany and the UK, and nearly five SVOD services in Sweden and Poland;
- Disney+ users subscribed to approximately four SVOD services in the UK, Germany, Italy, France and Sweden; and
- Apple TV+ users subscribed to approximately five SVOD services across the six surveyed countries (UK, Germany, France, Italy, Poland and Sweden).

Multi-homing across SVOD services (or “SVOD stacking”) is a growing trend across many European countries. For example, in Germany, the average internet household subscribed to, on average, 2.1 SVOD services at year-end 2021, compared to 1.1 in 2018, according to S&P.\textsuperscript{141} The degree of SVOD stacking increases for those internet households subscribing to an SVOD service. According to GoldMedia VOD Ratings, each SVOD subscriber subscribed to around 2.4 SVOD services in parallel in Q2 2021 (compared to 2.1 in 2019).\textsuperscript{144} S&P Global Market Intelligence found that Netflix and Prime Video users both averaged around three SVOD subscriptions per internet household (3.2 and

\textsuperscript{140} Statista, Subscription video-on-demand market worldwide, page 6.
\textsuperscript{141} Statista, Subscription video-on-demand market worldwide, page 11.
\textsuperscript{142} S&P Global Market Intelligence, Netflix dominates European SVOD viewing hours, 15 March 2022.
\textsuperscript{143} S&P Global Market Intelligence, Germany survey report: SVOD adoption continues to climb, 24 March 2022.
\textsuperscript{144} GoldMedia (March 2022), page 42.
SVOD providers compete in a competitive and dynamic market

While there are many attributes that make an SVOD service attractive to users (i.e., cost, ease of use, variety of content, etc), content remains a key driver of additional SVOD subscriptions. In particular, according to a Nielsen survey of US viewers, the top four reasons as to why respondents decided to subscribe to additional SVOD services were all content based, with the top reason being to expand the content that they had available. SVOD providers need to maintain the content that audiences want, while offering compelling new content to keep them interested, otherwise they risk losing subscribers. In particular, SVOD providers are using their wealth of aggregated user data to develop content driven by subscribers’ preferences and that might appeal to non-subscribers.

3.3.4.2. Increase in consumer churn and switching across SVOD services

With the increased cost associated with subscribing to multiple SVOD services at a time, consumers are increasingly likely to cancel some of their SVOD subscriptions (i.e., churn away) and switch to cheaper and/or higher-quality offerings that include the content they want to watch.

- The churn rate is the number of subscribers to a service that cancel their subscription over a given period (e.g., month, quarter, year, etc), as a percentage of the total number of subscribers to that service.
- The switching rate is the number of subscribers to one service that switch to another service over a given period, as a percentage of the total number of subscribers to that service.

As more SVOD services launch and consumers increase the number of SVOD services they subscribe to, this has led consumers to spend more on SVOD services overall and to become more sensitive to their cost. As a result, consumers are cancelling SVOD subscriptions and/or seeking less expensive AVOD or BVOD services to help manage costs and only pay for the content they desire by adding and cancelling services as needed.

For example, Netflix lost 200,000 subscribers globally in Q1 2022 (for the first time in 10 years) and expected to lose even more in Q2 2022, blaming the drop on factors including its relatively high household penetration (in addition to its 222 million paying households, Netflix estimates over 100 million additional households are sharing Netflix accounts) and competition (from linear TV, YouTube, Amazon and Hulu, and other new SVOD services). Netflix also said it was considering

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145 S&P Global Market Intelligence, Germany survey report: SVOD adoption continues to climb, 24 March 2022.
SVOD providers compete in a competitive and dynamic market whether to add a cheaper advertising-supported subscription option in future, while Amazon is also planning to launch its advertising-funded free streaming service Freevee in Germany later in 2022. According to Deloitte, the churn rate for SVOD services (as defined above) across selected European countries ranged from 7% (in Belgium) to 23% (in Norway) as of mid-2021 (see Figure 19 below), with a higher churn rate expected in 2022 as the European market becomes even more competitive (although it is expected to stay below 25%). This suggests that a sizeable proportion of consumers do cancel their SVOD subscriptions.

**Figure 19: Access to SVOD and churn rates in selected European countries, 2021**

![Figure 19](image)

Source: Deloitte, As the world churns: The streaming wars go global, 1 December 2021 (Deloitte Digital Consumer Trends, June-August 2021).

Questions “Which, if any, of the following digital subscription services do you have access to? In the last 12 months, have you or someone else in your household subscribed to any paid subscriptions for a video streaming service, or cancelled any existing ones?”

Notes: Weighted base: Respondents age 18-75 in Austria (1,000), Belgium (2,000), Denmark (1,000), Germany (2,000), Ireland (1,000), Italy (2,000), Norway (1,000), and Sweden (1,000); age 16-75 in the United Kingdom (4,160); age 18-70 in the Netherlands (2,000); and age 18-65 in Poland (2,000).

According to a survey reported by Statista, the three most important factors for consumers worldwide when picking an SVOD service in Q2 2021 were “subscription cost”, “access to high-quality content” and “ability to cancel my subscription anytime”. Another survey reported by Statista found that the two most common reasons for online users worldwide to cancel SVOD subscriptions in 2020 were “the price of the service became too expensive” and “the content available for viewing was not interesting to me”.

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152 Statista, *Subscription video-on-demand market worldwide*, page 34.

153 Statista, *Subscription video-on-demand market worldwide*, page 36.
4. The role of content in SVOD providers’ competitive strategy

Changes in the economics of video delivery described in Section 2 above have also altered the key success factors in the industry. Traditional providers based their competitive advantages on the control of scarce and expensive physical delivery facilities, and commanding large audiences that allowed them to outbid competitors for the distribution rights of premium content.

However, SVOD providers do not have these assets that can act as an entry barrier to competitors. Therefore, they must find different strategies. The one that is best suited to the economics and technical features of their business is to make their offers appeal to viewers by tailoring them to the individual tastes of customers. That requires either a very broad catalogue (to attract mainstream viewers) or a very specialized and deep one (to attract those with minority tastes). SVOD providers are in a very good position to pursue either approach because their potentially global reach allows them to achieve global economies of scale on mainstream content, and also to aggregate minority audiences across markets to reach the profitability threshold of more specialized content.

In either case, content catalogues suited to their target audiences are the key success factor for SVOD providers. As a result, SVOD providers are investing heavily in content. If we look at global SVOD providers, Statista reported that Netflix had the largest programming expenditure worldwide in 2021 (almost USD 14 billion, including almost USD 6 billion on original content), followed by Prime Video (just over USD 8 billion), Hulu (over USD 3 billion), HBO (just over USD 2 billion), Disney+ (almost USD 2 billion) and Paramount+ (over USD 1 billion).154

According to S&P Global Market Intelligence, all SVOD providers have increased their global content spend every year (see Figure 20 below). Prime Video increased it by a factor of 9 between 2014 and 2021, while Netflix multiplied its spend by 5 in the same period. Disney+, Paramount+ and Apple TV+ increasing their spend by a factor of 14, 6 and 5 respectively between 2019 and 2021, and HBO Max doubled its spend between 2020 and 2021.

154 Statista, Subscription video-on-demand market worldwide, page 16.
As described in Section 3 above, SVOD providers are competing vigorously with each other and against traditional AVMS providers to attract and retain subscribers to their services, often also as a complement to existing AVMS. One way in which SVOD providers compete for end-users is by offering high quality content and/or a large range (breadth/depth) of content. They compete with traditional providers to acquire existing content and commission new content in order to develop compelling content offerings. Access to content is therefore a key factor in the competitive strategies of existing and new SVOD providers in Europe.

But not all types of content are equally suited to the success of SVOD providers. In this Section, we explore two key elements of those catalogues: exclusive content (Section 4.1) and local (i.e., non-US) content (Section 4.2). We also show that SVOD providers have expanded and diversified their offerings with local content (Section 4.3). The importance of exclusive local content to SVOD providers’ strategies has led SVOD providers to increase their investment in European original content, which in turn has driven a boom in the EU video production industry (see Section 5 below).

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155 S&P Global Market Intelligence, Netflix's upward projection for program spend persists, 17 September 2020; S&P Global Market Intelligence, Amazon's content budget projection rises with sports, original focus, 28 July 2021; S&P Global Market Intelligence, Hulu maintain growing focus on originals, 5 May 2021; S&P Global Market Intelligence, HBO Max programming spend below other SVOD services, 4 December 2020; S&P Global Market Intelligence, SVOD content programming budget projections, 2019-2025, April 2022.
4.1. SVOD providers’ strategies are based on access to exclusive content

The fact that access to content has become central to success has made vertical integration of content production and video streaming the predominant business model of SVOD providers. Native SVOD providers (e.g., Netflix, Prime Video) are investing in the production of their own content, and content owners are launching their own direct-to-consumer SVOD services (e.g., Disney+, HBO Max). However, it is notable that some content owners (e.g., Sony) have not yet started their own SVOD service.

In the case of native SVOD providers, this trend has been driven by two factors: the need to differentiate their offers to win market share and command good prices, and the fact that major studios were withdrawing their content from the wholesale content licensing market in order to feed their own direct-to-consumer SVOD services.

As a result, the share of total content investment by SVOD providers accounted for by original content has also been growing in recent years (with the exception of 2020 due to production disruptions arising from the COVID-19 pandemic) and is forecast to continue growing (see Figure 21 below).

Figure 21: Investment in original content as % of total content acquisition expenses (2014-2025)

Source: S&P Global Market Intelligence.156
Notes: Dotted lines indicate forecasts.

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156 S&P Global Market Intelligence, Netflix's upward projection for program spend persists, 17 September 2020; S&P Global Market Intelligence, Amazon's content budget projection rises with sports, original focus, 28 July 2021; S&P Global Market Intelligence, Hulu maintain growing focus on originals, 5 May 2021; S&P Global Market Intelligence, HBO Max programming spend below other SVOD services, 4 December 2020; S&P Global Market Intelligence, SVOD content programming budget projections, 2019-2025, April 2022.
4.2. Local content is key for SVOD providers

We have described how the VOD business model is based on large catalogues, exclusive content and focus on specific customer segments. Within this framework, offering local content plays a key role in the strategy of SVOD providers. Exclusive local content allows SVOD providers to gain competitive advantages through:

- Differentiating from competitors;
- Appealing to local audiences, effectively developing a “multilocal” strategy; and
- Reaching specific and diverse audiences (e.g., Spanish- or French-speakers, or young adults including students) fragmented across many countries, reaping economies of scale of talented local productions at a global scale.

SVOD providers have engaged in the acquisition and production of exclusive local content. For example, Table 8 below presents a selection of originals that Prime Video has launched or announced since 2021 in France, Germany, Italy and Spain.

| **Table 8: Selected Prime Video originals launched and announced since 2021** |
|-------------------------------|-------------------------------|-----------------|-----------------|
| **France**                    | **Germany**                  | **Italy**       | **Spain**       |
| LOL : Qui Rit Sort !          | We Children of Bahnhof Zoo   | LOL: Last One Laughing | El Cid |
| The Mad Women’s Bowl (AOM)    | LOL – Last One Laughing S2   | The Ferrangez   | Reina Roja     |
| True Story S2                 | FC Bayern – Behind the Legend| Bang Bang Baby  |                 |
| Orelsan : Montre Jamais Ça à Personne | Ununcensored – Bushido’s Truth (Amazon Exclusive) | Prisma |                 |
| Celebrity Hunted FR S1       | Binge Reloaded S2            |                 | The Bad Guy    |
| Flashback (AOM)               |                               |                 |                 |
| Nabilla: Sans Filtre          | The Gryphon – 2023           |                 |                 |
| Totems                        | Luden – 2022 tba             |                 |                 |
| I Love America                | German Crime Story: Gefesselt|                 |                 |
| LOL : Qui Rit Sort ! S2       | The Therapy                  |                 |                 |
| The Pogmentary                | Love Addicts                 |                 |                 |
| Classico (AOM)                | Damaged Goods                |                 |                 |
| Orelsan : Montre Jamais Ça à Personne | One Mic Stand |                 |                 |
| Miskina                       | Untitled Robert Lewandowski documentary |                 |                 |
| Cosmic Love                   | The Boandlkramer and Everlasting Love (DTS) |                 |                 |
| Overdose                      | Celebrity Hunted             |                 |                 |
| Becoming                      | Die Discounter               |                 |                 |
| Greek Salad                   |                               |                 |                 |

Source: Amazon.

A large portion of the most successful content for global SVOD providers comes from outside the US. Figure 22 below shows that the two series which had the highest global success (by worldwide viewing) for Netflix in April 2022 came from outside the US and were produced in languages other than English: Squid Game (Korea, Korean) and La Casa de Papel (Spain, Spanish).
It is also remarkable that European productions showed strong global appeal: four of the top 14, as many as those from the rest of the world. In Section 5.4 below, we analyse in more detail the attractiveness of the European production industry for global SVOD providers.

SVOD providers are responding to the demand for local content from their viewers by increasing the share of local productions in their portfolios. According to Ampere Analysis, as of November 2021 Netflix was commissioning 63% of its new productions outside of the US (see Figure 23 below).
The role of content in SVOD providers’ competitive strategy

4.3. SVOD providers are offering more European content

The growth and expansion of SVOD services has led to an increase in the volume and diversity of content (e.g., by genre, region of origin, diversity and inclusion\textsuperscript{157}, etc) available to consumers, including European content.

European content represents an important part of SVOD service catalogues, second only to the US by region of origin. On SVOD services available in the EU in May 2020, EU27 content represented 17\% of the total number of films and TV seasons (12\% of the total number of films and TV episodes, due to the shorter EU27 TV seasons),\textsuperscript{158} while other European content (including UK content), accounted for 10\% (9\%) (see Figure 24 below).\textsuperscript{159} European content overall therefore represented 27\% of the total number of films and TV seasons on SVOD services in the EU, the second largest region of origin after the US (49\%). Across all VOD services (i.e., SVOD and TVOD combined), the main EU countries of origin were France (with 28\% of all EU27 content), followed by Germany (27\%), Italy (10\%), Spain (7\%) and Denmark and Sweden (4\% each).

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure23.png}
\caption{Upcoming Netflix titles (November 2021)}
\end{figure}

\textit{Source: Ampere Analysis, The European VOD landscape, Q4 2021, November 2021, page 19.}

\textsuperscript{157} This includes, for example, inclusive storytelling, and inclusion both on-screen and behind the camera (creators, producers, writers and directors) in films and TV series. See, for example, \url{https://dei.amazonstudios.com/inclusive-storytelling/} and \url{https://about.netflix.com/en/news/building-a-legacy-of-inclusion}.

\textsuperscript{158} EU27 content represented 22\% of films and TV \textit{seasons} on TVOD services (and 21\% of films and TV \textit{episodes}). Across all VOD services (i.e., SVOD and TVOD combined), EU27 content accounted for 20\% of films and TV \textit{seasons} (and 16\% of films and TV \textit{episodes}).

Figure 24: Number of films and TV seasons on VOD (TVOD and SVOD) services by region of origin, EU, May 2020

Notes: “EUR OBS” includes other European content (including the UK).

Looking in detail at the absolute size and composition of SVOD providers’ catalogues in May 2020, there are differences between European- and Global-based SVOD providers’ content strategies. Global providers offer a larger catalogue of films and TV seasons than EU providers (see Figure 25 below).\textsuperscript{160} EU SVOD providers offer a larger share of European content than global SVOD providers (48% vs. 24% in films, and 41% vs. 21% in TV seasons). However, in absolute numbers, global SVOD providers offer more European titles than EU SVOD providers. EU SVOD providers carried a similar share of US content than global SVOD providers. This suggests that European SVOD providers follow a specialization commercial strategy, while global SVOD providers offer wider and more diverse catalogues.\textsuperscript{161}

\textsuperscript{160} European Audiovisual Observatory, Trends in the VOD market in EU28, January 2021, page 41.
\textsuperscript{161} Global TVOD services also had more films and TV seasons than EU TVOD services, but EU27 content represents a lower share of their catalogue.
SVOD providers are also adapting and tailoring their content offerings to local markets – the European offering of SVOD providers is not uniform across countries and they face competition from different local SVOD providers in each country. Table 9 below shows that the top SVOD services by hours of content available vary by country, with local SVOD providers also offering large volumes of content. The top SVOD services have also significantly increased the amount of content available to customers between September 2018 and September 2020. For example:

- **In France**, Prime Video increased its volume of content by 140%, while Netflix’s volume of content increased by 55%;
- **In Germany**, Prime Video and Netflix increased the number of titles in their catalogues by 49% and 48% respectively, significantly increasing the amount of content available to the average SVOD household;
- **In Italy**, Prime Video doubled its content hours, while Netflix’s content hours increased by 70% and
- **In Spain**, Netflix and Prime Video have been rapidly expanding their catalogues, resulting in a 105% increase of available hours of content for the average SVOD household.

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Table 9: Top SVOD services by hours of content (000s) available, Q3 2020

<table>
<thead>
<tr>
<th>Country</th>
<th>First</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
<th>Fifth</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Netflix</td>
<td>Prime Video</td>
<td>Disney+</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Germany</td>
<td>Netflix</td>
<td>Joyn PLUS+</td>
<td>Prime Video</td>
<td>Disney+</td>
<td>N/A</td>
</tr>
<tr>
<td>Italy</td>
<td>Netflix</td>
<td>Prime Video</td>
<td>Mediaset Infinity</td>
<td>Disney+</td>
<td>TIM Vision</td>
</tr>
<tr>
<td>Spain</td>
<td>Netflix</td>
<td>Prime Video</td>
<td>HBO</td>
<td>Disney+</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*Source: Ampere Analysis, SVoD stacking in 2020: USA and EU big five, 24 November 2020, pages 16, 18, 20 and 22.*
The role of content in SVOD providers' competitive strategy
5. **European video production is booming thanks to SVOD providers**

In this Section, we assess the impact of SVOD providers’ content investment on the European video production industry. We first describe the structure and economic relevance of the European production industry (Section 5.1) and its competitive advantages in the new globalized video industry (Section 5.2). We then look at how the European production industry is now experiencing a boom across the whole of the EU (Section 5.3), show how streaming provider productions have fuelled that growth (Section 5.4), and assess their contribution to job creation and economic growth in the EU (Section 5.5).

5.1. **Economic significance of the film and TV series production industry in Europe**

The production of European films and TV series makes a very important contribution to European culture, and also to the European economy. Video production mobilizes economic resources that benefit directly a large number of European workers and businesses, and indirectly many more.

The impacts that investments in video production contribute to the European economy can be classified as:

- **Direct impact**: the value of payments to European artists and workers contracted to work on the production, and purchases by European providers of goods and services used in the production (e.g., set building and leasing, catering, wardrobe, camera leasing, post-production, etc).

- **Indirect impact**: the value of additional purchases of European goods and services made by the workers and suppliers with money from the payments received in the production (e.g., a carpenter that buys a new car, or food purchased by the catering provider, etc).

- **Spillover impact**: revenues generated by European workers and companies in activities unrelated to the production thanks to the skills and/or capital acquired during a production (e.g., a European actor or cameraman who is hired for a Hollywood production after working on an Prime Video European series; an independent European producer that makes a new film (that becomes a world hit) with the profits earned in the production of a series for RTL+; a European toy company that sells merchandising of a film; or a European city that sees an increase in the number of visitors after being the location of a Netflix series; etc).

Film and TV series production directly involves a very broad range of activities. The European NACE classification records these activities under codes 59.11 (production of motion pictures, videos, television programmes or television advertisements) and 59.12 (post-production activities such as editing, film/tape transfers, titling, subtitling, credits, closed captioning, computer-produced graphics, animation and special effects, developing and processing motion picture film, as well as activities of motion picture film laboratories and activities of special laboratories for animated films). A summary of those activities is shown in Table 10 below.
European video production is booming thanks to SVOD providers

Table 10: Economic activities in film and TV series making and distribution

<table>
<thead>
<tr>
<th>Pre-Production</th>
<th>Production</th>
<th>Film and Sound</th>
<th>Post-Production</th>
<th>Distribution/Exhibition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rights</td>
<td>Wardrobe</td>
<td>Stage and studio</td>
<td>Camera</td>
<td>Laboratory and film</td>
</tr>
<tr>
<td>IP creation</td>
<td>Costume design</td>
<td>Rental</td>
<td>Equipment rental</td>
<td>Film developing</td>
</tr>
<tr>
<td>Rights acquisition</td>
<td>Costume manufacture</td>
<td>Labour</td>
<td>Equipment sales</td>
<td>Duplication</td>
</tr>
<tr>
<td>Planning</td>
<td>Cleaning</td>
<td>Equipment</td>
<td>Equipment repair</td>
<td>Titles/opticals</td>
</tr>
<tr>
<td>Writing</td>
<td>Make-up</td>
<td>Locations</td>
<td>Camera operation</td>
<td></td>
</tr>
<tr>
<td>Direction</td>
<td>Freight transport</td>
<td>Cranes/cherrypickers</td>
<td>Post-production</td>
<td>Cinema distribution</td>
</tr>
<tr>
<td>Casting</td>
<td>Location management</td>
<td>Still photographer</td>
<td>Audio</td>
<td>Film distribution</td>
</tr>
<tr>
<td>Acting</td>
<td>Hair</td>
<td>Specialised location</td>
<td>Film</td>
<td>Advertising sales</td>
</tr>
<tr>
<td>Talent agents</td>
<td>Props</td>
<td>Set</td>
<td>Sound</td>
<td>Video</td>
</tr>
<tr>
<td>Professional</td>
<td>Props rental</td>
<td>Set production</td>
<td>Equipment rental</td>
<td>Cinema exhibition</td>
</tr>
<tr>
<td>Publicity</td>
<td>Props sales</td>
<td>Set construction</td>
<td>Equipment sales</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>Animal handlers</td>
<td>Set decoration</td>
<td>Equipment repair</td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td>Animal handlers</td>
<td>Rigging/scaffolding</td>
<td>Lighting</td>
<td></td>
</tr>
<tr>
<td>Accountancy</td>
<td>Animal handlers</td>
<td>Electrical</td>
<td>Equipment rental</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gaffer</td>
<td>Equipment sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Best boy</td>
<td>Equipment repair</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grip</td>
<td>Animation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grip equipment</td>
<td>Animation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dolly/cranes</td>
<td>2D animation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Generator rental</td>
<td>3D animation</td>
<td></td>
</tr>
</tbody>
</table>

Workers that participate in filmmaking and distribution perform jobs of an artistic, technical, or managerial nature.

- **Artistic** activities are immediately identified, from script and screenplay writing, dramaturgy and choreography development, production and set design, costume and props production, musicalisation, and camera handling.
- However, a video production also requires **technical** skills from specialized professionals, such as sound engineering and mixing, lighting, stage building, and editing.
- **Managerial** activities cover the organization, coordination and control of the work that different people perform in the film-making process: e.g., recording managers, production managers and assistants, directors and assistant directors, producers, etc.

Table 11 below displays a summary of the professional groups of workers involved in a production.

**Table 11: Professional groups involved in the production of films and TV series**

<table>
<thead>
<tr>
<th>Mostly technical</th>
<th>Mostly artistic</th>
<th>Managerial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sound engineer</td>
<td>Script/continuity</td>
<td>Recording manager</td>
</tr>
<tr>
<td>Sound mixing</td>
<td>Screenplay</td>
<td>Production manager/assistant</td>
</tr>
<tr>
<td>Sound assistance</td>
<td>Dramaturgy</td>
<td>Director/assistant director</td>
</tr>
<tr>
<td>Lighting</td>
<td>Spectacle</td>
<td>Producer</td>
</tr>
<tr>
<td>Stage</td>
<td>Stunt/choreography</td>
<td></td>
</tr>
<tr>
<td>Editing</td>
<td>Music</td>
<td></td>
</tr>
<tr>
<td>Editing assistant</td>
<td>Production design</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Costume design</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prop</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Set design</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Camera</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Camera assistance</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Goldmedia, “Wirtschaftliche bedeutung der filmindustrie in Deutschland”, January 2017.*

### 5.2. The EU video production industry is in a good position to benefit from SVOD investment

Globalization and streaming offer a big opportunity for the European audiovisual production industry. As demand for quality content increases, and despite being based in a region with relatively high costs, the EU enjoys many unique competitive advantages in the global market of video production:

- The existence of several video production clusters from which resources can be tapped, arising from the fact that EU video industries developed around languages, and there are at least nine EU countries with a national language spoken by more than 20 million people (Spain, France, Portugal, Germany, Ireland, Italy, Poland, The Netherlands and Romania).
- The existence of a Single Market that allows resources in an EU country to be used seamlessly and instantly in any other.
- A highly educated and productive workforce.
- Varied landscapes and urban locations to shoot at, with excellent communications and services to support filming at them, high levels of safety, and good healthcare systems.
European video production is booming thanks to SVOD providers

- The opportunity to distribute productions to international markets in the original language, thanks to large numbers of speakers of Spanish, French, and Portuguese outside of Europe.
- Favourable and stable institutional settings.

In the remainder of this Section, we review how SVOD providers are capitalising on the competitive advantages of producing their original productions in Europe rather than in other, lower cost locations.

5.3. The European video production industry has experienced a boom

The European video production industry has been experiencing high growth in recent years. Revenues for film and TV programme production grew by more than 40% from 2011 to 2019 (Figure 26).

**Figure 26: Film and TV programme production revenues in Europe (EU-27), 2011-2019 (M€)**

![Graph showing film and TV programme production revenues in Europe (EU-27), 2011-2019 (M€)](source: Eurostat, provided by Statista.

More importantly, European industry growth is distributed in several countries (e.g., Germany and Poland), rather than being driven by explosive growth in a single country (see Figure 27 below).
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The European audiovisual industry has grown not only in terms of revenue, but also in terms of the volume of productions. Despite the impact of the COVID-19 pandemic on the industry, the number of new productions commissioned in Europe in 2021 was 63% higher than in 2019 (See Figure 28 below).
Figure 28: Number of new commissions in Europe, 2019-2021 (Film and TV)


Growth in the number of productions and production revenues has also benefitted other stakeholders. Employment in the industry has increased by nearly 50% in Europe between 2011 and 2019 (see Figure 29 below).
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5.4. SVOD providers’ investments in European productions drive a large part of industry growth

Over the last few years, SVOD providers have been substantially increasing their investments in original European content and plan to continue growing their original European content investments in the coming years. Global SVOD providers are commissioning more productions, investing more money and deploying their own production facilities and developing skills in Europe.

5.4.1. SVOD providers are commissioning more European productions

Global SVOD providers are increasingly investing in European fiction. With an increasing number of SVOD providers and higher content investments, the number of SVOD original titles (including the number of European original titles) has been steadily increasing over recent years (see Figure 30 below). In particular, the number of European original titles produced by SVOD providers has

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163 European Audiovisual Observatory, Trends in the VOD market in EU28, January 2021, page 43.
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Increased from 51 in 2015 (representing 16% of total SVOD original titles) to 267 in 2019 (accounting for 20% of total SVOD original titles).

**Figure 30: Number of SVOD original titles produced, 2015-2019**

- **Source:** European Audiovisual Observatory, Trends in the VOD market in EU28, January 2021, page 43 (Ampere Analysis).
The number of European fiction titles (and hours) commissioned by global SVOD providers has increased each year from 2015 to 2020, not only in absolute terms but also as a share of the total (see Figure 31 below).\(^{164}\)

**Figure 31: European 2-13-episode fiction titles commissioned by category of players, 2015-2020**

![Figure 31: European 2-13-episode fiction titles commissioned by category of players, 2015-2020](image)


Some of the European productions are among the most successful original productions by SVOD providers worldwide, such as “Casa de Papel” for Netflix or “LOL: Last One Laughing” for Prime Video.

As a result of this growth in investments in European content by SVOD providers, the number of new commissions in Europe has been increasing in recent years, with global SVOD providers commissioning more European content (see Figure 32 below).\(^{165}\)

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\(^{165}\) FT, *US streaming giants feel squeeze of regulation in Europe*, 8 February 2022, [https://www.ft.com/content/bf70ada3-70fd-4fcb-b4e8-638bce053025](https://www.ft.com/content/bf70ada3-70fd-4fcb-b4e8-638bce053025).
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Figure 32: Number of new commissions in Europe, 2019–2021

Notes: Global streamers includes Netflix, Amazon, Disney+, Discovery+, Facebook, HBO Max, Paramount+ and TikTok.

5.4.2. SVOD providers are investing more in European content and production capacity

Netflix spent €4 billion on European films and TV shows between 2018 and 2021, while Prime Video invested over £1 billion on TV series, movies and live sport in the UK since 2018. That investment made Netflix become the largest single commissioner of new European scripted TV content in 2020 (with 72 titles), ahead of traditional broadcasters ZDF, BBC, France Télévisions and ARD (see Figure 33 below).

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166 FT, US streaming giants feel squeeze of regulation in Europe, 8 February 2022, https://www.ft.com/content/bf70ada3-70fd-4fcf-b4e5-638bce053025.
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If we look, for instance, at France, it can be observed that global SVOD providers have increased their investment in original French content each year from 2018 to 2021. Their investments have more than doubled from €86 million in 2020 (of which €71 million corresponds to Netflix and €15 million to Prime Video) to a provisional €245 million in 2021 (see Figure 34 below).  

In 2022, Netflix said it would invest more than €200 million in France on 25 French original titles (around 10 series and eight films), while Prime Video announced seven new French Amazon...
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Original productions as part of its commitment to increasing investment in French TV production, with more announcements to follow soon.\(^\text{171}\)

**Figure 34: Estimated investments by foreign SVOD providers in original French content, 2016-2021**

In addition to their investments in the commissioning of productions from third-party producers, SVOD providers are also investing in new production capabilities. They are setting up new production studios in many European countries (e.g., Netflix, Prime Video, Disney and Apple in the UK, Netflix in Spain, etc). They are also making broader investments in developing professional training and skills in the European production industry. For example:

- In March 2022, Prime Video pledged £10 million over three years to support training and development in the UK TV and film industry, as part of a collaboration with the National Film & Television School, through its *Prime Video Pathway* programme (a suite of initiatives to open up access to the creative industries, including apprenticeship programmes and stepping-up schemes built into all new Amazon Original UK productions).\(^\text{172}\)


• In March 2022, HBO Max announced a three-year agreement to become a new founding partner of the Series Mania Institute (an initiative devoted to training the professionals of future European TV series), investing USD 1 million over the next three years.\(^{173}\)

• In November 2021, Netflix announced it would launch an accelerator programme for promising screenwriters from German-speaking countries with the entertainment tech start-up Impact in Germany, Austria and Switzerland.\(^{174}\)

### 5.4.3. SVOD providers’ investments stimulate investment from traditional competitors

SVOD providers’ investment in local content has stimulated additional investment from incumbent pay TV providers and FTA broadcasters in response.

According to Ampere Analysis, European broadcasters are responding to the localisation strategies of global SVOD providers by increasing their own commissioning activity (see Figure 35 below):\(^{175}\)

“Compared to pre-pandemic, major European broadcasters have stepped up commissioning activity across Scripted and Unscripted programming slates – responding to competitive pressures, and in some cases, the withdrawal of US groups from onward licensing of titles (pulled back for their own VoD products)”. For example, the number of new TV show commissions from major European FTA broadcasters increased by 60% between Q2 2019 and Q2 2021.

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European video production is booming thanks to SVOD providers

In response to the growth of global SVOD providers, European broadcasters are rapidly growing their own BVOD service catalogues and focusing more on exclusive and original content to drive their usage. First, the BVOD services of European broadcasters in the largest European countries are increasingly becoming more than catch-up services, also offering a wide array of additional content over and above the content recently broadcast on linear TV channels. Second, the largest European broadcasters are increasingly commissioning content to debut on their BVOD services, with about 10-15% of leading European commercial broadcaster commissions now first shown on BVOD. This expansion of European broadcasters’ BVOD offering is extending the audience reach of broadcasters, in some cases adding an incremental 10% monthly audience reach.

Examples of recent investment in European content production by European FTA broadcasters and pay TV operators in response to global SVOD provider activity include the following:

- In Germany, FTA broadcaster RTL Group and pay TV operator Sky increased their investments in AV production in Germany between 2019 and 2021 (from €500 million to €600 million and from €20 million to €48 million, respectively), while international SVOD providers (including Netflix, Prime Video, Disney+ and Apple TV+) boosted their investments from €180 million to €220 million over the same period.

Figure 35: Number of new TV show commissions by country (major European FTA broadcasters and their BVOD platforms), Q4 2018 – Q2 2021


177 Ampere Analysis, The European VoD landscape, Q4 2021, November 2021, page 23.
180 GoldMedia (March 2022), Figure 3.
In France, pay TV operator Canal Plus Group signed an agreement with France’s film guilds in December 2021 to invest €600 million in French and European films from 2022 to 2024, only three months before Netflix signed its three-year agreement with French film guilds to invest 4% of its annual revenues in France (a minimum of €40 million) on the financing of French and European films.

In Spain, pay TV operator Movistar+ partnered with broadcaster Atresmedia to launch a joint venture, Buendía Estudios, in June 2020 to create Spanish-language TV series and films for global SVOD providers.

In the UK, five months after Netflix announced it was setting up a permanent production base at Shepperton Studios, pay TV operator Sky announced its intention to invest in building a new 32-acre state-of-the-art TV and film studio at Elstree. Set to become operational in early 2022, the new Sky Studios at Elstree will lead to the creation of over 2,000 new jobs and generate an additional £3 billion of production investment in the UK’s creative economy over the first five years of operation, from Sky, NBC Universal and other producers.

Also in the UK, the Government-backed industry training body ScreenSkills was reportedly set to invest £10 million in up-skilling high-end TV crew in 2022/23, with the money coming from the ScreenSkills High-end TV Skills Fund made up of contributions from UK producers, broadcasters and inward investors. This is almost double the amount spent in 2021/22, which was invested in 1,400 industry professionals.

5.5. SVOD providers’ investments are creating jobs and economic growth across Europe

In the previous Sections, we have shown that SVOD providers are making a sizeable contribution to the European video production industry. In this Section, we analyse the existing evidence to make a quantitative assessment of the magnitude of that impact.

Since there are no consistent European-wide publicly available datasets that allow us to separate the impact of streaming and other AV retailers, we follow a two-step process. First, we assess the impact of the investment by SVOD providers on the UK industry, a country for which a detailed study is available. Once we assess the impact that investments by SVOD providers in local productions have had on the UK industry and the overall economy, we use the resulting ratios to estimate the likely impact of SVOD providers in other European countries, assuming the multiplier effects are similar to those observed in the UK.

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5.5.1. Measuring the impact: the UK benchmark

We use an economic study by the British Film Institute (BFI) to measure the impact of SVOD provider productions on the industry.\(^\text{187}\) We consider the UK industry to provide a good benchmark for the impact of SVOD provider productions on the overall European industry. While the UK is no longer a Member State of the EU, it was during most of the period analysed in the BFI study, and the economic and institutional framework remained mostly unchanged until the end of the study.

The BFI study shows that the British production industry has grown steadily in recent years, with the exception of 2020 when many productions were interrupted or delayed because of the COVID-19 pandemic. Total spend on film and TV productions grew by 43% between 2016 and 2019 (see Figure 36 below).

![Figure 36: Film and TV programme production spend (M GBP)](image)

Source: British Film Institute, Screen Business report, 2021.

At the same time, the total number of film and TV productions in the UK declined between 2017 and 2019 (see Figure 37 below) However, the number of SVOD-backed high-end TV (“HETV”) productions tripled in 2019 relative to 2016. Even in 2020, during the COVID-19 pandemic, SVOD providers produced twice as many HETV productions as in 2016.

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European video production is booming thanks to SVOD providers

The increase in film and TV production spend combined with the fall in the number of productions resulted in an increase in the average spend per production. Again, the impact of SVOD providers on the British industry was positive, since the average spend per SVOD-backed HETV production was consistently higher than for non-SVOD-backed HETV productions (see Figure 38 below).
SVOD-backed HETV productions also had a remarkable impact on employment. We estimated the employment created by SVOD productions from the total employment generated by HETV productions. Since the BFI study does not split employment figures across SVOD and non-SVOD-backed productions, we have apportioned employment in proportion to the spend on productions in each segment. The results are shown in Figure 39 below.

Figure 38: Average spend per HETV production

Source: British Film Institute, Screen Business report, 2021.
We estimate that SVOD-backed HETV productions created nearly 8,000 full-time equivalent (FTE) direct jobs in the UK production industry in 2019, an increase of more than 5,400 jobs compared to 2016. Remarkably, even when the share of these productions on the total grew by only 4.2 percentage points (from 3.4% in 2016 to 7.6% in 2019), those productions induced 43% of the increase in employment for the whole industry (5,400 jobs out of a total of 12,610).

The figures above refer to the direct impact on the production industry. However, the economic activity in production also has indirect effects in other sectors (because of the purchases made by providers of goods and services used by producers, and by production employees when they spend their salaries). Also, there are general spillover effects in the rest of the economy, as these services allow other activities to become more productive or to raise their competitiveness relative to foreign competitors.

The BFI study also quantifies these effects and finds that the overall impact on the economy is much larger than the direct impact on the industry (see Table 12 below).

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**Figure 39: Employees in Film and TV programme productions**

Source: NERA estimates based on British Film Institute, Screen Business report, 2021.

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188 The BFI study did not provide figures on employment for 2020.
189 This number refers only to the production sub-sector, rather than the whole value chain.
European video production is booming thanks to SVOD providers

Table 12: Overall impact on the British economy of investment in HETV productions (2016-2019)

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production spend (£m)</td>
<td>977</td>
<td>1,226</td>
<td>1,390</td>
<td>2,078</td>
<td>5,672</td>
</tr>
<tr>
<td>Number of productions</td>
<td>115</td>
<td>117</td>
<td>148</td>
<td>154</td>
<td>534</td>
</tr>
<tr>
<td>Direct economic impact on production industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment (FTEs)</td>
<td>12,320</td>
<td>15,250</td>
<td>14,410</td>
<td>24,780</td>
<td>68,760</td>
</tr>
<tr>
<td>GVA (£m)</td>
<td>564</td>
<td>708</td>
<td>802</td>
<td>1,199</td>
<td>3,273</td>
</tr>
<tr>
<td>Direct + indirect economic impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment (FTEs)</td>
<td>28,910</td>
<td>40,760</td>
<td>43,220</td>
<td>64,310</td>
<td>177,200</td>
</tr>
<tr>
<td>GVA (£m)</td>
<td>1,554</td>
<td>2,243</td>
<td>2,432</td>
<td>3,674</td>
<td>9,903</td>
</tr>
<tr>
<td>Overall economic contribution (direct + indirect + spillover)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment (FTEs)</td>
<td>34,900</td>
<td>48,320</td>
<td>52,320</td>
<td>74,620</td>
<td>210,160</td>
</tr>
<tr>
<td>GVA (£m)</td>
<td>1,822</td>
<td>2,590</td>
<td>2,860</td>
<td>4,177</td>
<td>11,449</td>
</tr>
</tbody>
</table>

Source: British Film Institute, Screen Business report, 2021.

From the data above, we have calculated the average impact that audiovisual productions backed by SVOD providers have made on the British video production industry and the overall UK economy (Table 13 below).

Table 13: Average multipliers of impact of British HETV productions

<table>
<thead>
<tr>
<th>Item</th>
<th>Per million GBP spent</th>
<th>Per production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct employment in production (FTE)</td>
<td>12.1</td>
<td>128.8</td>
</tr>
<tr>
<td>Direct GVA (M GBP)</td>
<td>0.6</td>
<td>6.1</td>
</tr>
<tr>
<td>Direct + indirect employment (FTE)</td>
<td>31.2</td>
<td>331.8</td>
</tr>
<tr>
<td>Direct + indirect GVA (M GBP)</td>
<td>1.7</td>
<td>18.5</td>
</tr>
<tr>
<td>Overall employment (FTE)</td>
<td>37.1</td>
<td>393.6</td>
</tr>
<tr>
<td>Overall GVA (M GBP)</td>
<td>2.0</td>
<td>21.4</td>
</tr>
</tbody>
</table>

Source: NERA estimates based on British Film Institute, Screen Business report, 2021.

5.5.2. Assessment of the overall social and economic impact on Europe

Since no public source provides comprehensive information on SVOD provider investments in content production in Europe, we used the results of the analyses of the British industry in the previous Section to estimate the impact of those investments on the overall European economy and society.

We took the total number of European titles produced by SVOD providers from Ampere Analysis. We then multiplied it by the average spend per SVOD provider production in the UK to arrive at an estimate of the investments in the whole of Europe. We then multiplied that figure by the impact multipliers we calculated for the UK in the previous Section to get an estimate of the total impact of SVOD providers’ production investment activities across Europe.

We are conscious that this approach assumes that the UK is a representative sample of the whole of Europe. We have not identified in our analyses in this report any indication that the dynamics and parameters of the UK market are materially different to those of other large European countries. Therefore, we consider our analysis provides a reasonable high-level estimate.
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The results of our analysis are summarized in Table 14. We have taken 2016 and 2019 to show the evolution since SVOD providers first entered the European market. We decided to take 2019 instead of 2020 because 2020 had abnormally low activity due to the suspension of many productions because of COVID-19 related lockdowns.

Table 14: Estimated impact of SVOD provider productions on EU27

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of productions</td>
<td>65</td>
<td>267</td>
</tr>
<tr>
<td>Impact on European production industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated total investment (M€)</td>
<td>994</td>
<td>6,196</td>
</tr>
<tr>
<td>Direct employment (FTE jobs)</td>
<td>9,875</td>
<td>65,632</td>
</tr>
<tr>
<td>% of European industry employment</td>
<td>3%</td>
<td>22%</td>
</tr>
<tr>
<td>Impact on the overall European economy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall employment (FTE jobs)</td>
<td>30,240</td>
<td>200,976</td>
</tr>
<tr>
<td>Contribution to overall Gross Value Added (M€)</td>
<td>2,007</td>
<td>12,507</td>
</tr>
</tbody>
</table>

Source: NERA estimates based on British Film Institute, Ampere Analysis, Eurostat.

Our estimates suggest that the impact of SVOD provider productions increased by a factor of 6 in the three years between 2016 and 2019. Investments in production grew from around €1 billion in 2016 to over €6 billion in 2019, such that the increase in SVOD provider investment accounted for 65% of the overall growth of the European production industry in that period of time.

While in 2016 SVOD commissioned productions contributed to the European production industry with the generation of almost 10,000 FTE direct jobs (3% of total industry employment), in 2019 their contribution rose to approximately 65,000 full-time equivalent (FTE) direct jobs (22% of total industry employment at the European level).

When we also consider the indirect and spillover effects, the overall impact of SVOD investments in European productions on the European economy in 2019 was a remarkable 200,000 full time jobs and €12 billion of Gross Value Added (GVA).
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