AMPERE
ANALYSIS

The Challenge of Change

How broadcasters should handle the (S)VoD situation

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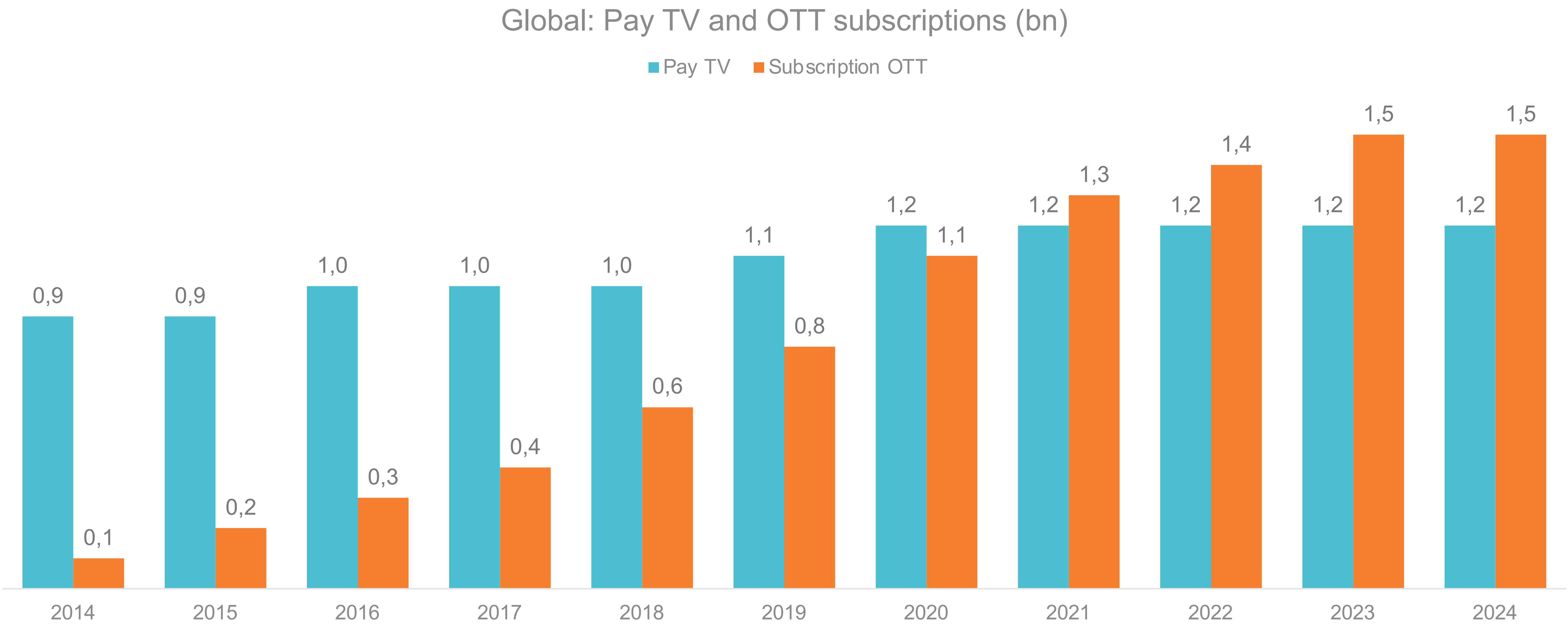
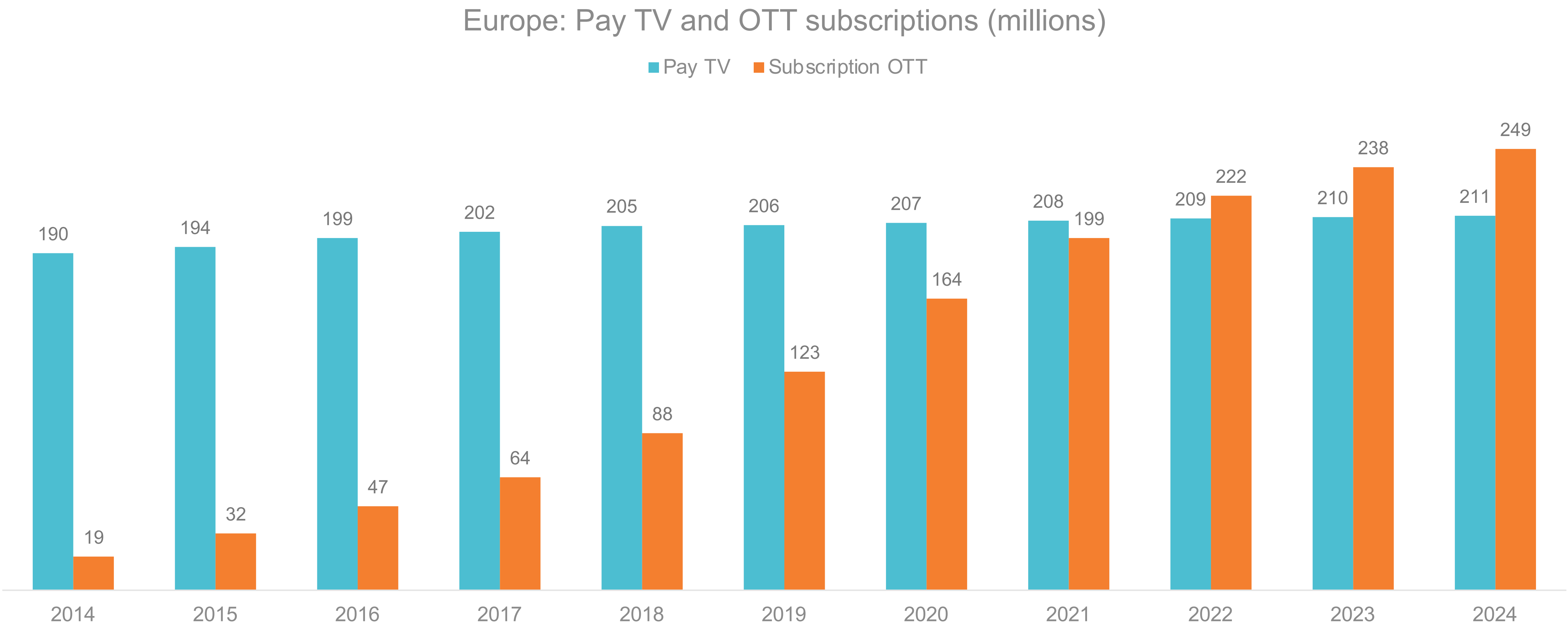
25 August 2020

Globally, OTT subscriptions are set to overtake pay TV subscriptions next year



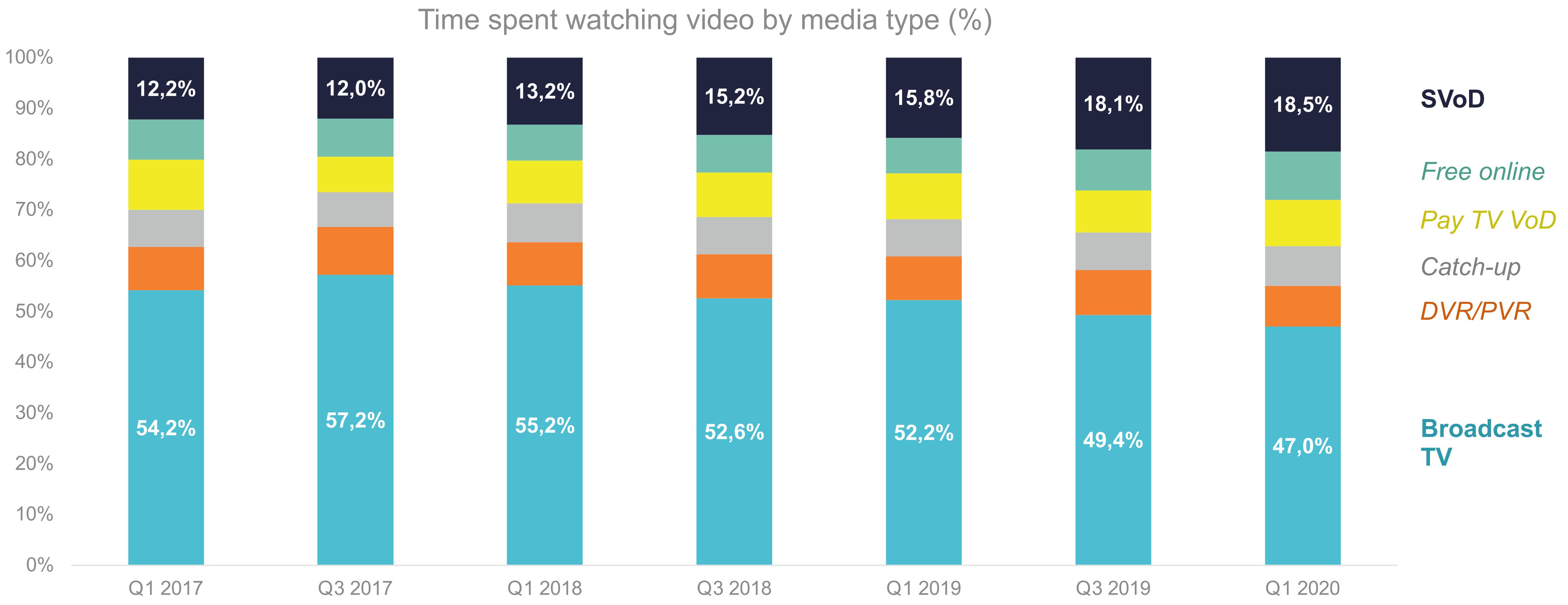
Source: Ampere Markets

In Europe, the trend is the same, but offset by a year



Source: Ampere Markets

Linear TV viewing continues to decline, making up less than half of all video viewing



Source: Ampere Analysis; Ampere Consumer – covering 9 European countries (DK, FR, DE, IT, NL, PL, ES, SE, UK)

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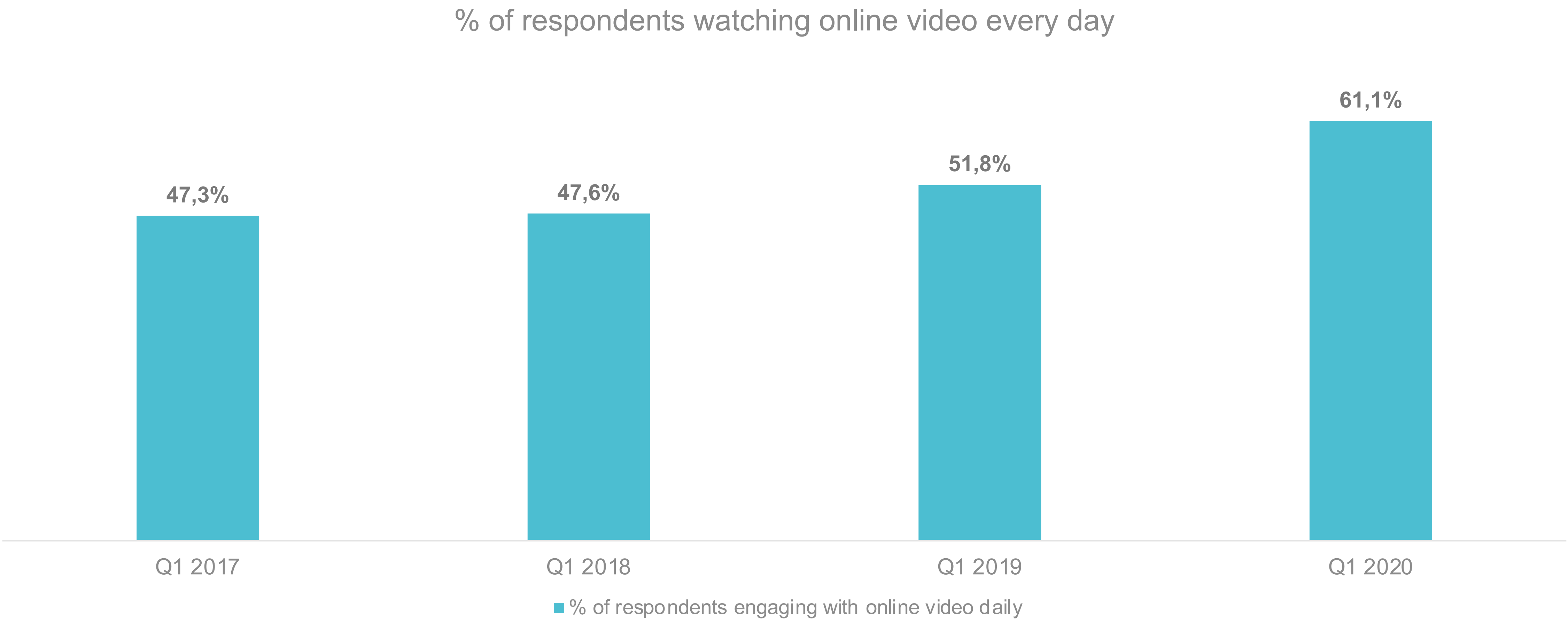
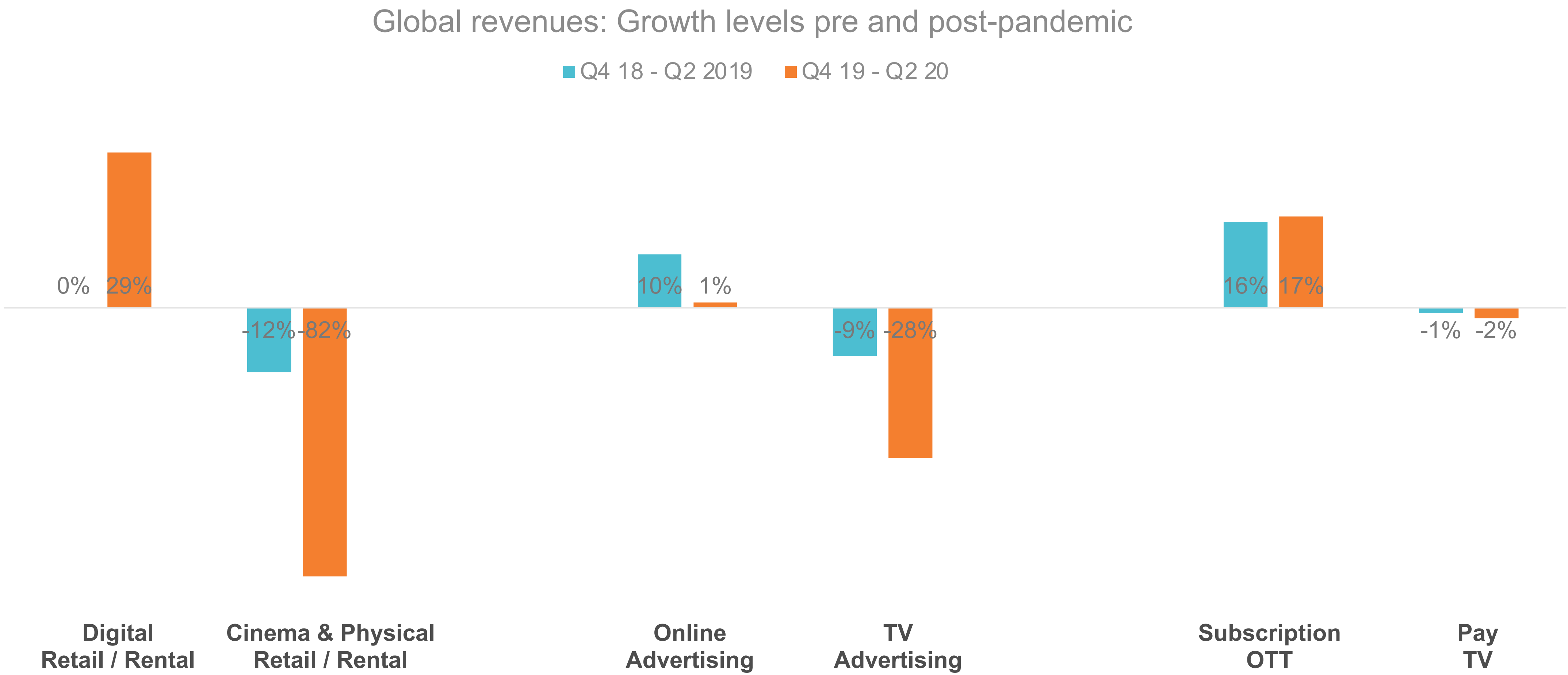
And consumers engage with online video services more frequently



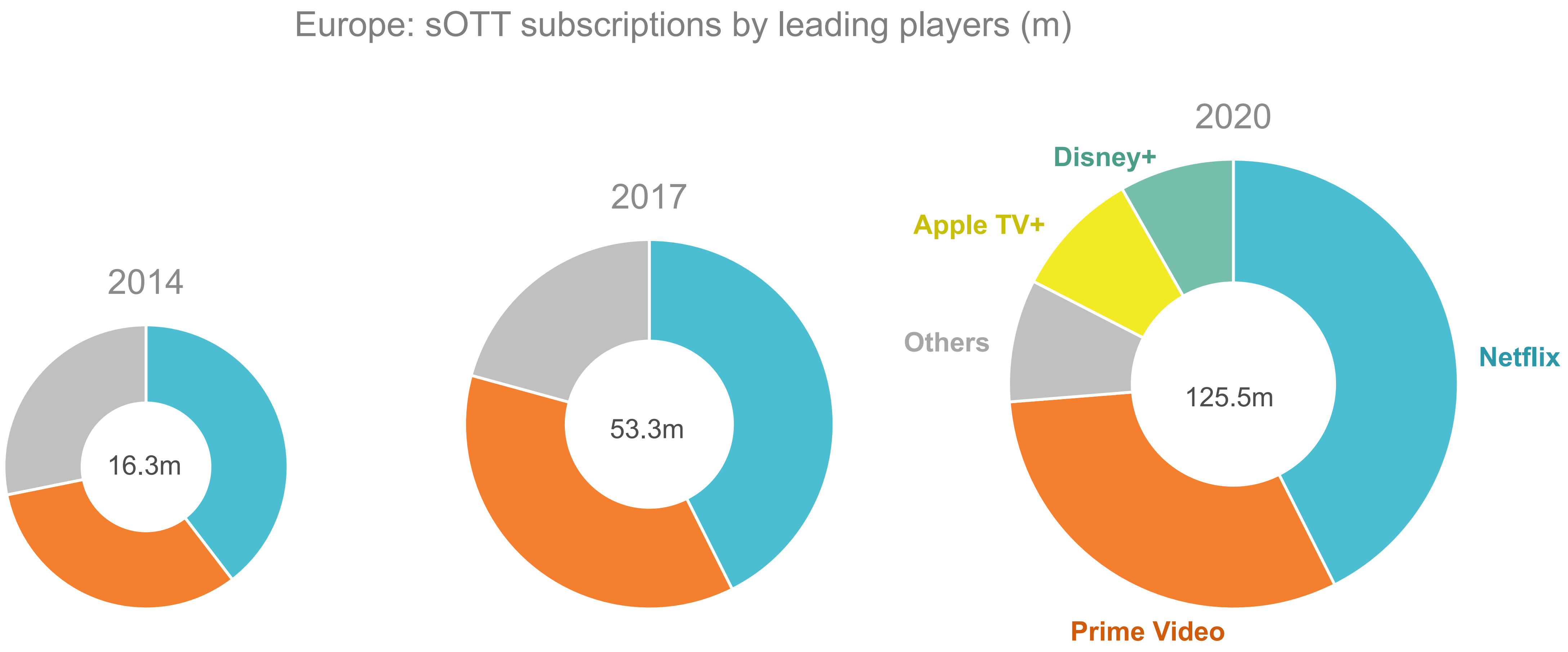
Source: Ampere Analysis; Ampere Consumer – covering 9 European countries (DK, FR, DE, IT, NL, PL, ES, SE, UK)

And the coronavirus pandemic has only sped up the shift to digital



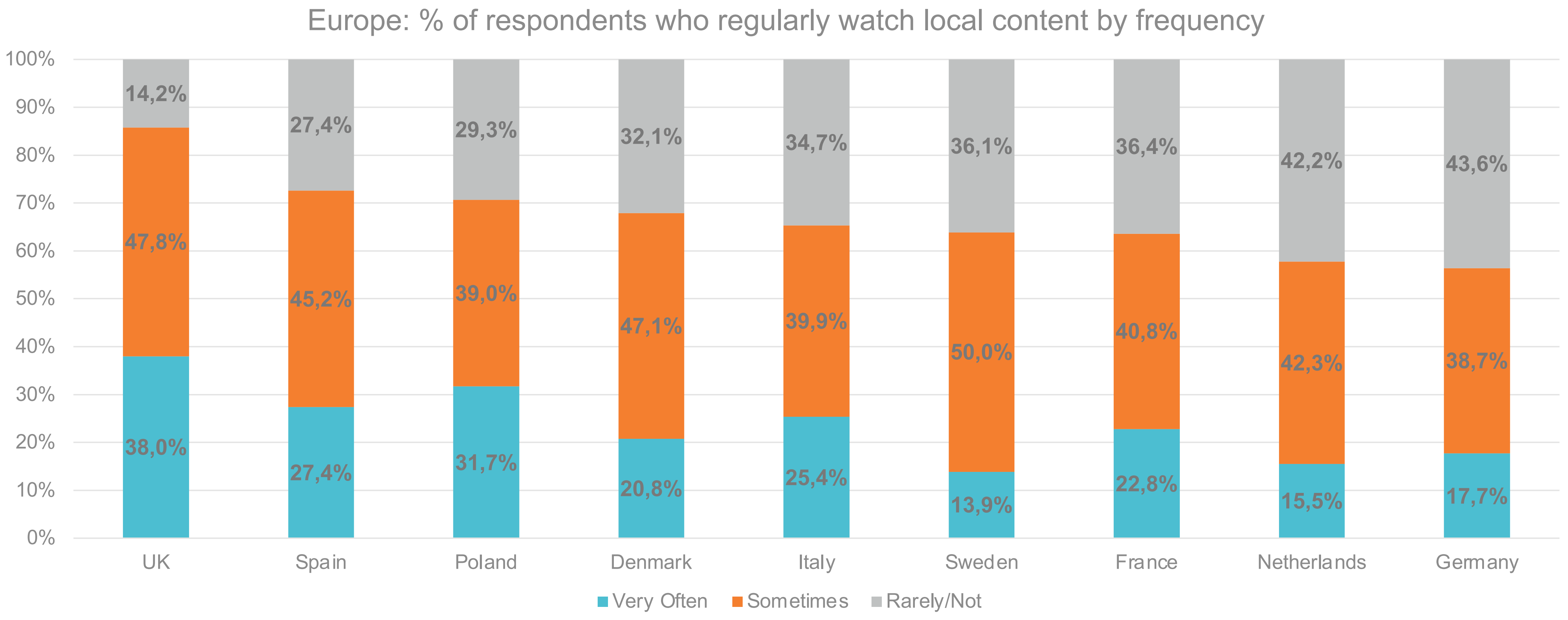
Source: Ampere Markets

And amongst this growth, the biggest winners are (unsurprisingly) Netflix and Amazon



Source: Ampere Markets

Local content remains popular; more than half of our respondents watch it regularly



Source: Ampere Analysis; Ampere Consumer – covering 9 European countries (DK, FR, DE, IT, NL, PL, ES, SE, UK)

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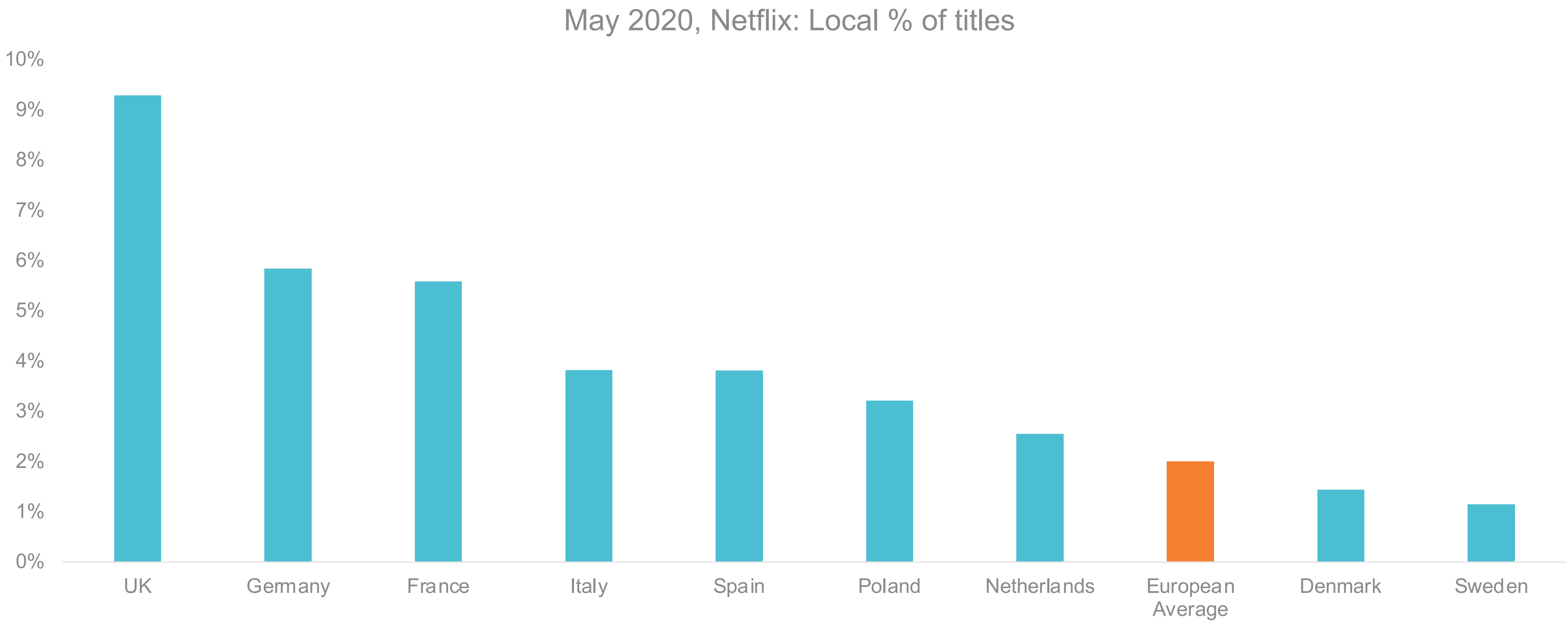
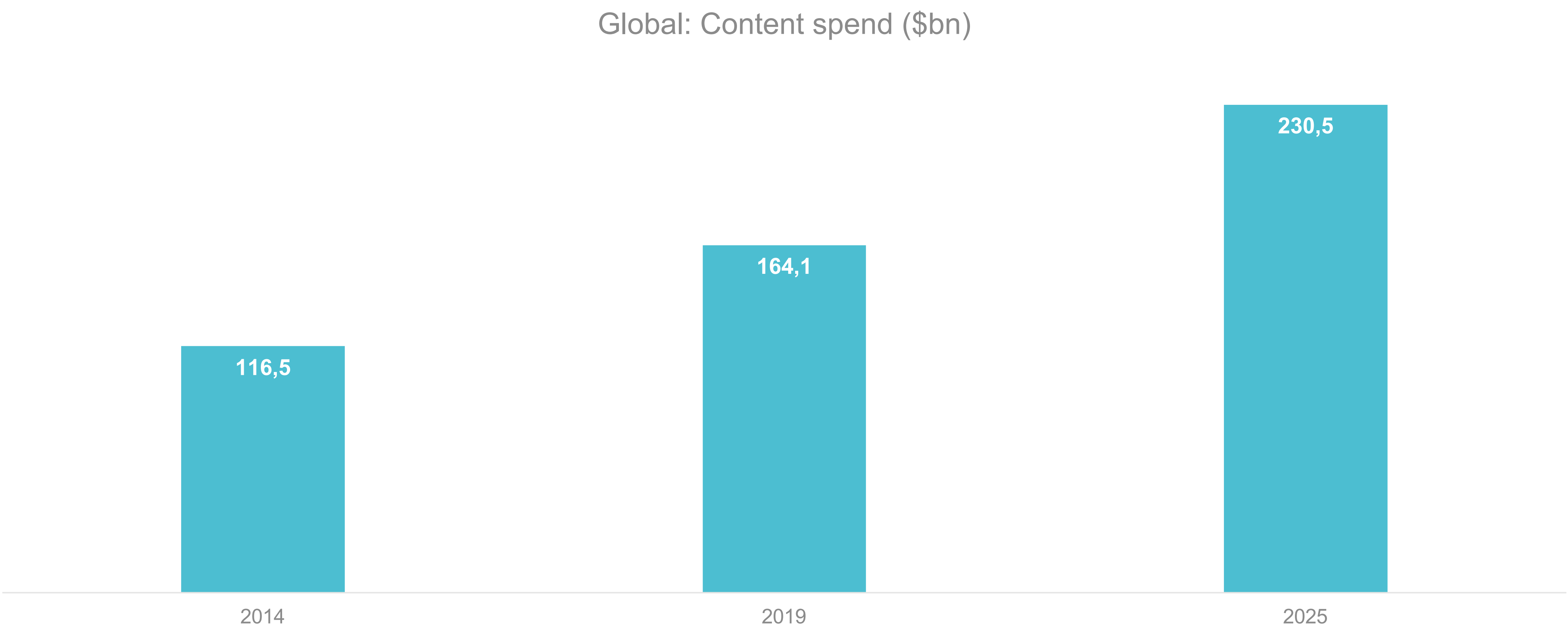
And although growing local content, Netflix are largely not meeting this demand



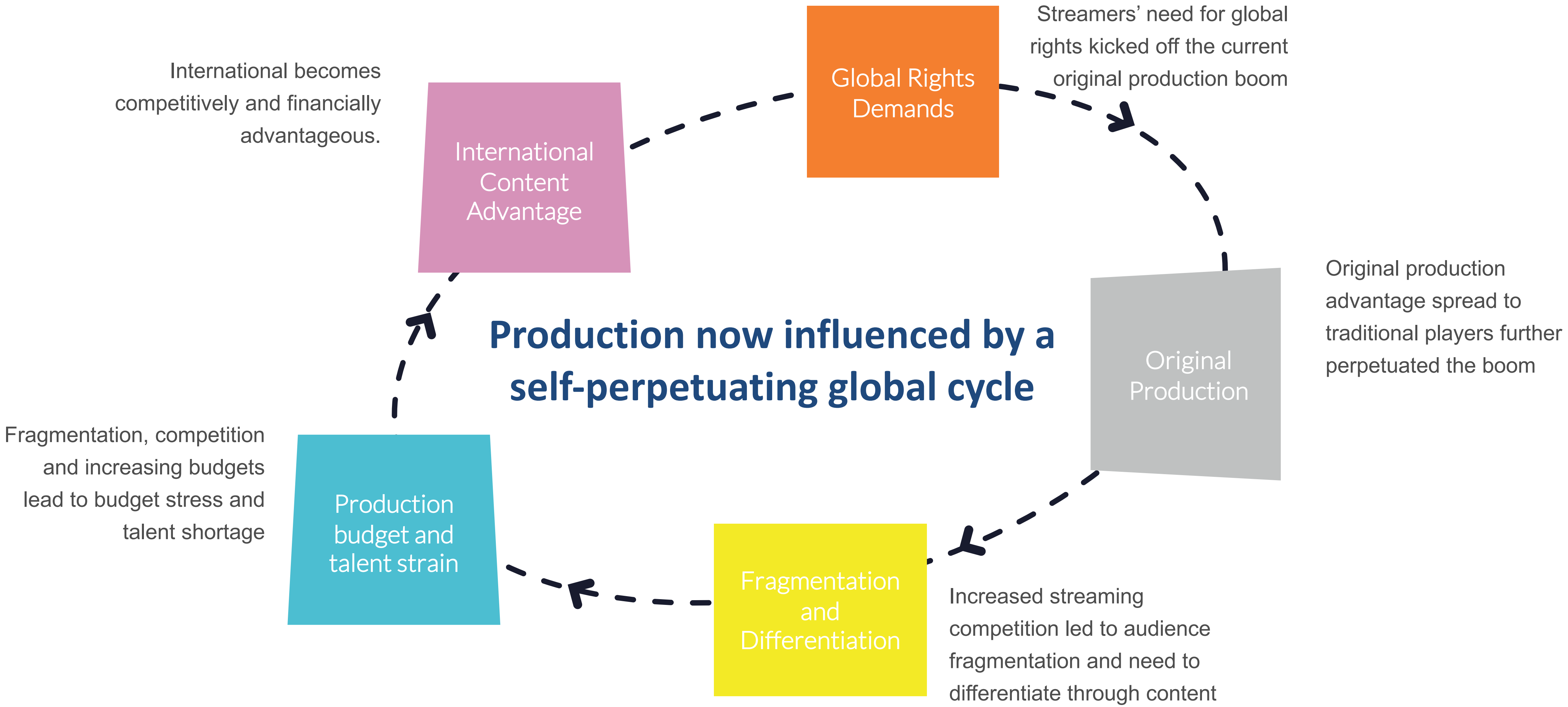
Source: Ampere Analytics

Content spend is growing and is expected to increase by 40% in the next five years

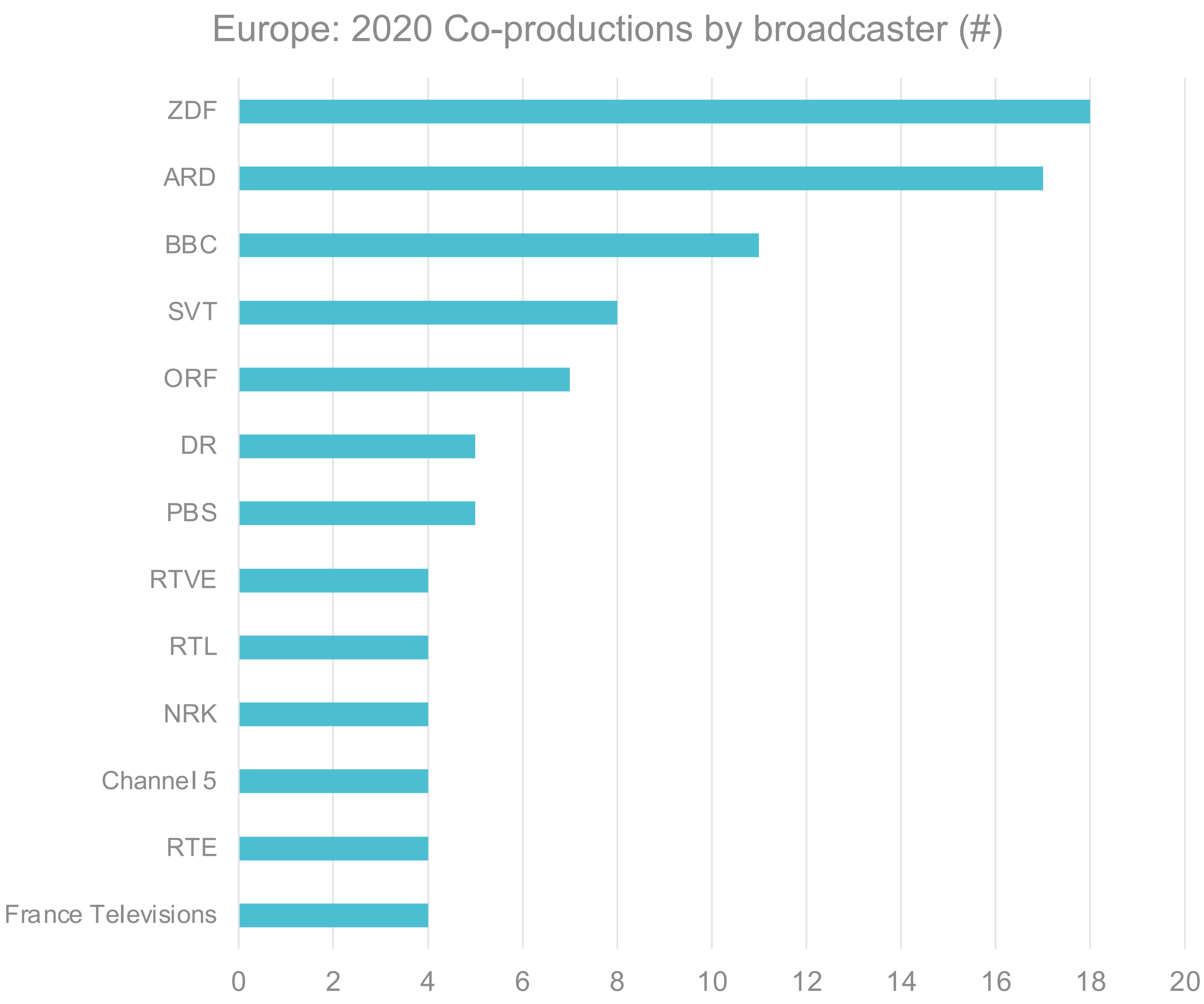


Source: Ampere Content Markets

And this is driven by a self-perpetuation global content cycle



Rising price of content production pushes broadcasters to seek co-productions to spread costs



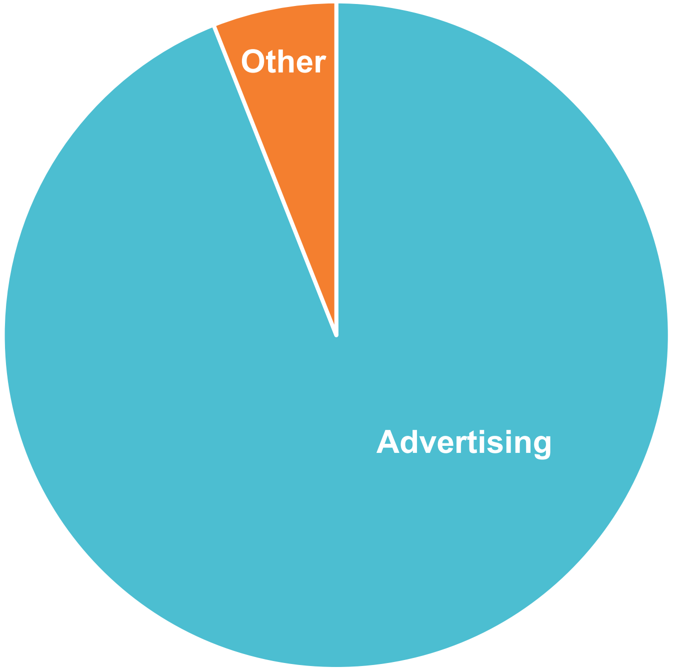
Source: Ampere Commissioning

So how can broadcasters capitalize?

Broadcasters face different urgency depending on their funding model

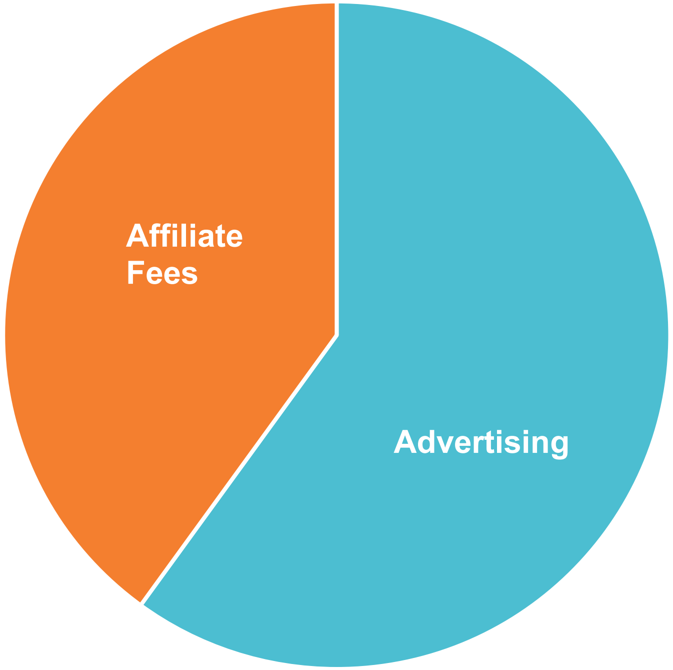
FTA broadcasters: imminent risk

2019 Typical revenue by type



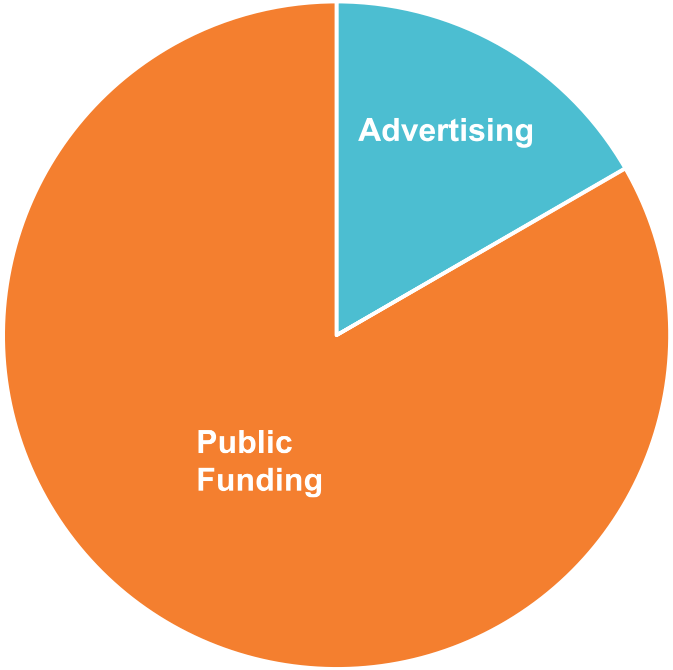
Thematic broadcasters: mid-term risk

2019 Typical revenue by type



Public broadcasters: long-term risk

2019 Typical revenue by type



Source: Ampere Content Markets, Ampere Markets

Free-to-air broadcasters need to diversify their revenues beyond TV advertising

Standalone services

The ITV Hub

Joint ventures

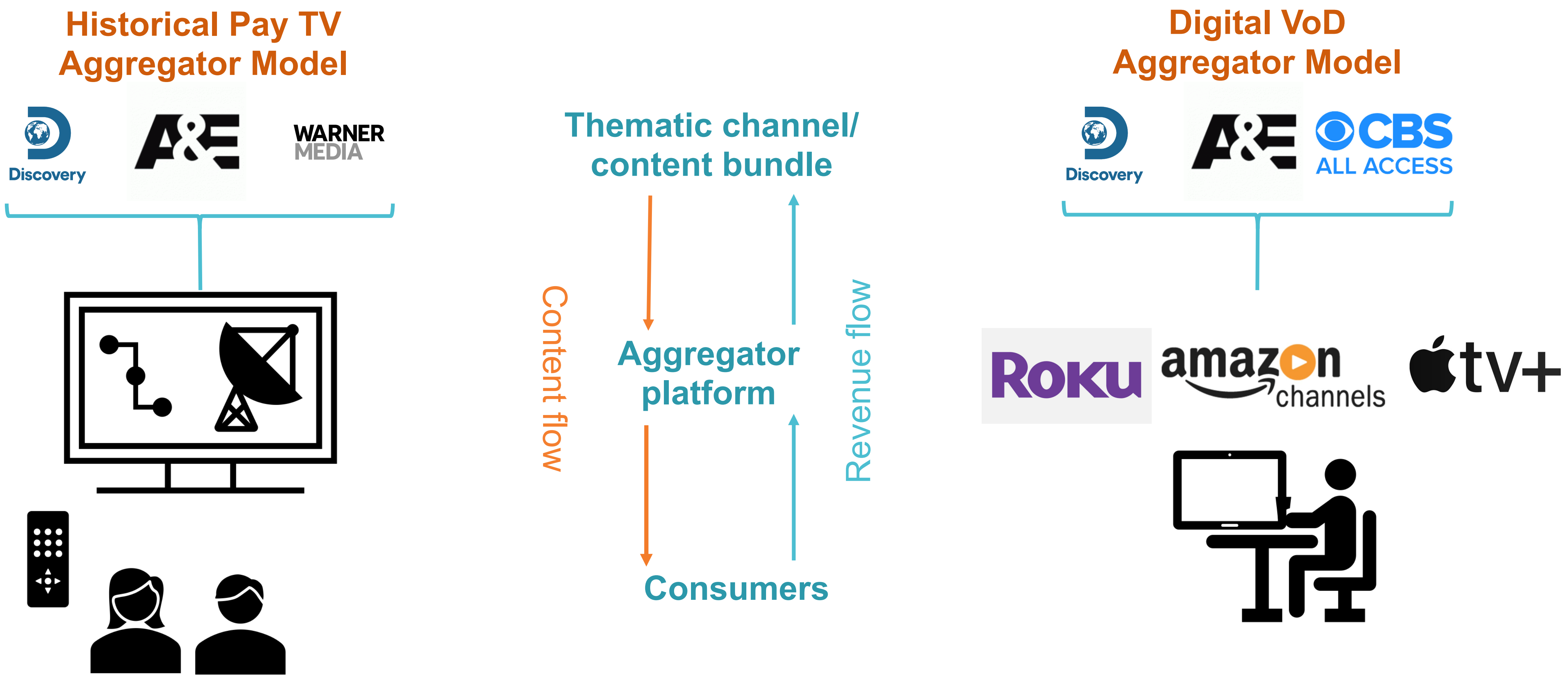
CREATED BY BBC & itv

£5.99/month

€6.99/month

€5-10/month
(expected)

Thematic channels' D2C services face an uphill battle, digital aggregators are the solution



Public broadcasters need to modernize the public funding model

Public TV fee in electric bill

- Since 2017 Rai has shifted its funding from households paying a TV license directly to Rai, to Rai receiving license fee revenue from electricity bills
- This approach has decreased license fee evasion significantly, and ensures its funding will not be affected by significant cord-cutting / shift to online-only viewing

Conversion to tax funding

- Since 2019, DR in Denmark is in the second year of transitioning away from a public-paid license fee, and shifting instead to receiving funds from the government.
- Denmark had one of the highest license fees in Europe, and it already covered more than just households with televisions. The budget cut for the public broadcaster illustrates the advanced state of online video in Denmark

Pay-wall catch-up service

- Poland has historically had some of the highest rates of public license fee evasion in Europe, with less than 20% of households paying the fee. This has resulted in TVP's greater reliance on advertising revenues, and support from the government to stay afloat.
- TVP is using the shift to digital video as a method to encourage people to pay the license fee, by allowing viewers to pay a monthly subscription fee, or to use their license fee number as a log in identification

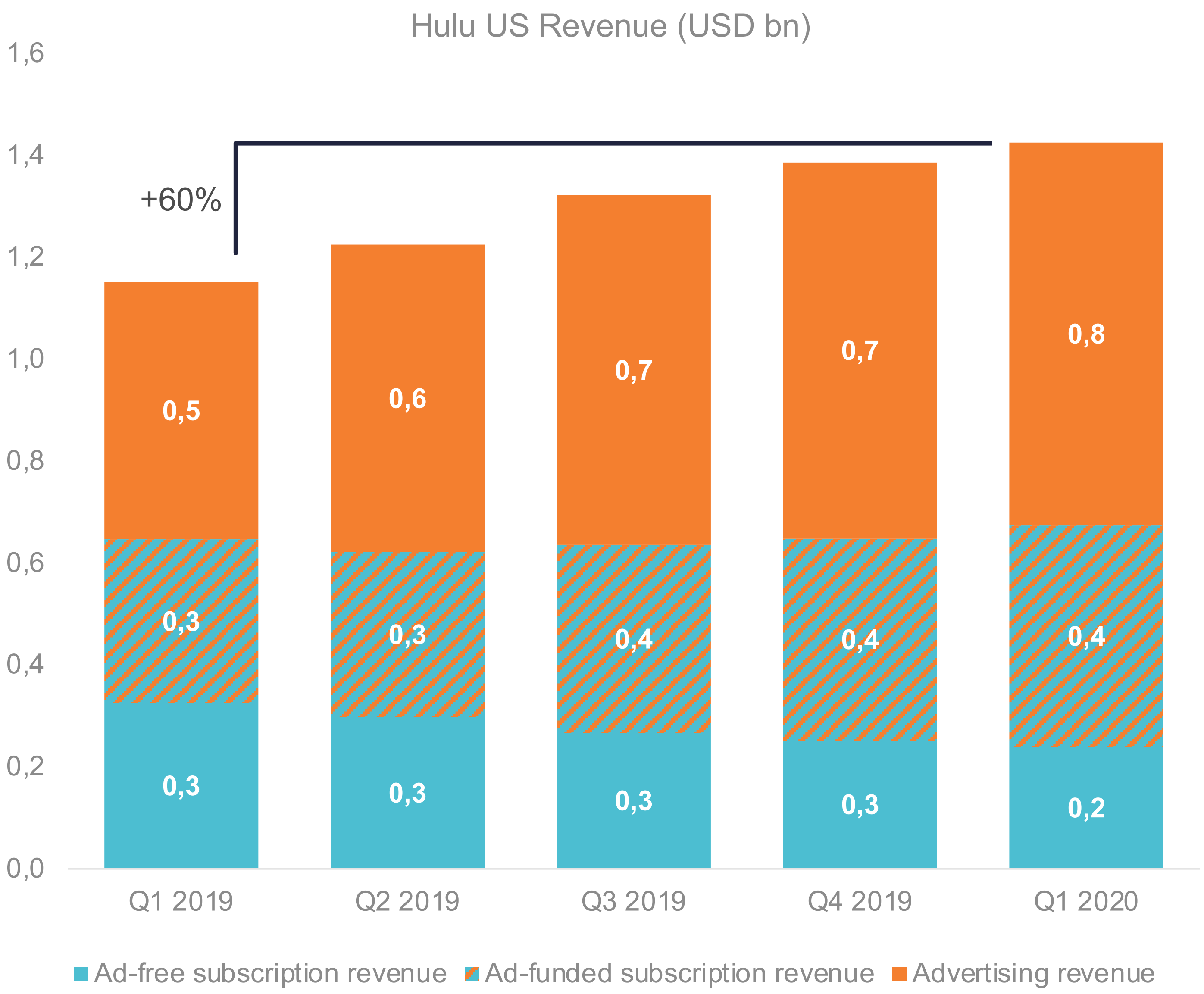
All types of broadcasters should look to increase monetisation options adding a partially ad-funded tier

Hulu offers two subscription tiers for its SVoD business

Basic ad-funded
$5.99 pcm

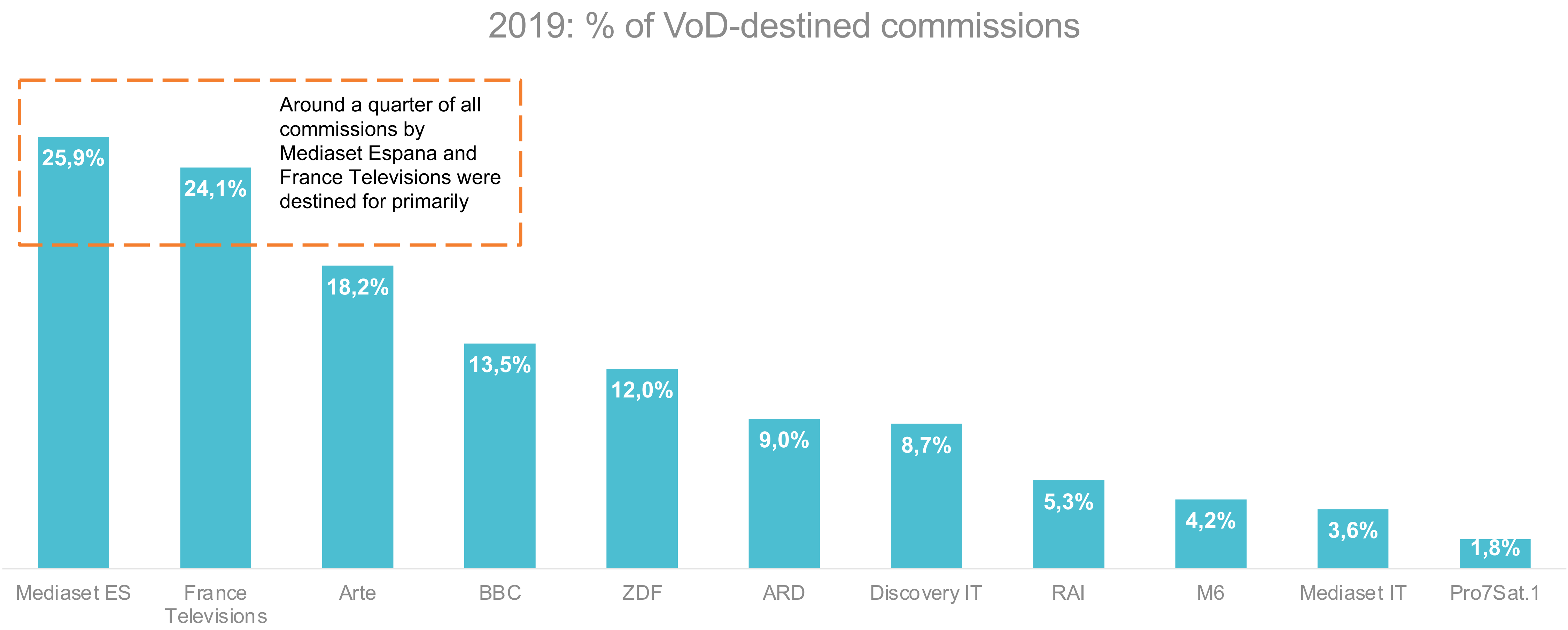
Premium – ad-free
$11.99 pcm

Hulu US tiers and customer split - 2019



Source: Ampere Markets, Ampere Analysis

Increasingly, broadcasters' online platforms are destinations, not after-thoughts



Source: Ampere Commissioning

Conclusions

- Global trends continue to shift to digital. The brief return to growth for linear viewing during the Covid-19 pandemic is temporary, and has ultimately accelerated the digital conversion across most sectors
- Local content in Europe is still important – more than half the population watches local TV shows regularly and local broadcasters still hold the upper hand in this sector
- Content costs will continue to increase as the self-perpetuating cycle has been kickstarted by global investments from multinational SVoD players
- Free-to-air ad-funded broadcasters are in the most imminent danger due to their reliance on the economically sensitive advertising sector, but all broadcasters need to act now as traditional revenue models are challenged

Thank you for listening

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