2ND EUROPEAN VoD MEETINGS

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REPORT

EUROVOD

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SECTION ONE: EXECUTIVE SUMMARY

The Video On Demand sector is still in its early stages of accelerated evolution. Industrial practice and policy has struggled to keep up with the pace of change, which has too often been dictated by the global platforms, with Netflix as the highest-profile pioneer.

This report is based on the presentations and discussions at the EuroVOD workshop at the Venice international film festival and offers insights into the development of a European VOD. The evidence of the event clearly demonstrates the range of major issues that still confront the creation of a sustainable, diverse and competitive VOD sector, still dominated by a small number of US-based giants.

But there are also some areas of clarity emerging, on which business can be built. EuroVOD President Jean-Yves Bloch points out, VOD looks less and less like a replacement for other platforms and formats, and is acquiring its own economic and cultural dynamic. He makes a bold claim that the cinema is beginning to lose some of its "symbolic" as well as industrial value, with VOD coming into its own as a creative force, attracting some of the biggest auteurs to make new work.

The workshop talked about some of the potential for VOD-native content, looking at series, curated collections and potentially new short-form series.

Perhaps more obviously, platforms are finding ways to capture and engage audiences in ways that were not viable in the pre-VOD age. (See below) Market analysis shows that, while still trailing established platforms for content in terms of audience size and revenues, VOD is where the growth is occurring.

The business models for VOD are still unsettled. The rapid advance of subscription services (SVOD) looks set to continue. Transactional TVOD services are still increasing but seem to have peaked in some more established markets.

The advertising-led AVOD free-to-audiences model has had a chequered history but may represent a strong option for Europe, while new models are entering the field , notably Blockchain-based platforms (BVOD), which are still in their infancy but showing signs of promise.

The workshop heard that, even for the biggest players in the market, business models are not firmly fixed. The picture for European VOD is still more complicated because it represents a very wide range of very different businesses of different sizes and at different points of maturity. The fragmented picture should not hide the areas of common cause that unite the European sector and a belief in cultural diversity that for some feels under threat in a world dominated by a handful of US giants.

The SVOD giants

The VOD field has to a large extent been defined by giant US conglomerates with the finance to 'make the weather' in terms of price, content and consumer expectation.

The so-called FAANGs (Facebook, Amazon, Apple, Netflix and Google) are not a single homogenous group. Each has its own unique, diversified business models. There are positives in the growth of these giants: they have built interest in VOD as a whole, they have supported European production, and they have the ability to take local content to a global audience.

The position of the biggest players – and particularly Netflix – may not be entirely secure, particularly with the entrance of serious competitors in the market, including Disney. All the biggest players in the field have had to adapt their model in some form.

But the domination of a small number of global giants has thrown down a serious challenge. European policy in the on-demand sector on regulating the giants and forcing them to make a contribution to European cultural diversity. A quota system to ensure that platforms carry European content has been relatively effective (even if the argument from Netflix at the workshop is that it would have been committed to much of that content anyway.)

Policy is now shifting towards 'prominence', aiming to make sure that platforms not only carry European content but encourage people to watch it. The mechanisms for such policies are far from clear. What is clear is that the focus of policy has shifted from the initial ambitions to help create a 'European Netflix'. While policy-makers talk about creating a "level playing field" for Europe, the original aspiration of building a European competitor with the scale to take on Netflix *et al* seems as far away as ever.

The complexity of territorial rights, fragmented markets and investment and the sheer scale of the money behind the US platforms makes the obstacles to a European Netflix look unsurmountable, though the debate should continue.

Diverse, sustainable and competitive

The difficulties in creating a European competitor to the FAANGs should not overshadow the potential of a diverse, sustainable and competitive sector that can thrive in an ecosystem where global streaming platforms are a fact of life.

There has been strong growth in the market. The European Audiovisual Observatory has counted more than 220 different SVOD services in Europe. Public funding at national and European level has been valuable but the workshops showed the growth of European VOD will come from forward-thinking businesses working together.

European platforms are finding agile ways to adapt to a new one-demand environment.. And the workshop technology panels showed that cutting-edge technology are helping by becoming commoditised, scaling down to a level within the reach of relatively small players.

Nonetheless, the challenges should not be underestimated. As the finance panel showed, VOD in Europe is a complex business, mixing technology, commerce and culture. EuroVOD members might be in the B2B (business to business) and B2C (business to consumer), often at the same time.

While there are options for financial support, they are a not simple and require a good understanding of a range of options from grants, loans, crowdfunding and equity. The complexity of the task cannot be underestimated. Finding effective models is difficult because the development of a European VOD market is about technology, commerce and culture. It is B2C (business to consumer) and B2B (business to business).

Innovation, new business models and a greater understanding of the need and potential from public funds are essential because the require R&D support is beyond current levels of investment. Speakers at the workshop reiterated the point that the sector's best hopes are in cooperation and collaboration. (See below).

Audience engagement

At the heart of the VOD challenge is audience behaviour and expectation. The fundamental change in the market, as a number of speakers pointed out, is less about innovative technology than the consumer demand it has created. From a technology angle, two key themes emerge from the workshops: one is how to target and engage audiences, and the other is how to keep them loyal.

Targeting and engagement is an area where there has been considerable innovation. For the SVOD giants, Big Data and algorithms, now bolstered by Artificial Intelligence have been critical to growth. European platforms have been finding their own ways to capture, analyse and act on consumer data. While they lack the levels of data that are driving strategy for the SVOD majors, the best European platforms have a proximity to their audience that transatlantic conglomerates lack.

The workshops were reluctant to accept the word 'niche' to describe their work – with some reason, as it tends to marginalise European work as if it was inevitably only of interest to a narrow audience. But the growing European platforms have a strong enough understanding of their audience to be able to build relevant platforms, events and services that feel personalised and trusted.

Loyalty is not just a matter of content, but also of user experience. The tech panel was clear that simplicity of navigation and ease-of-use were essential to retaining audiences. Another issue for some speakers was speed from initial release to platform. For some, the theatrical release window remains an obstacle to winning online audiences, handing opportunities to pirates and losing marketing momentum.

Audience development will always be more challenging for most European platforms because of a simple distinction between **demand exploitation** (giving people what they know they want) and **demand creation** (leading people to content that they do not know they want).

Curation, events, new forms of marketing, partnerships and social media are all vital tools in the mission to introduce great new work to audiences – a mission that goes to the heart of European cultural diversity.

CONCLUSIONS: Cooperation, collaboration and partnership

There seem to be two parallel tracks in VOD development that can appear to be contradictory. On the one hand there is the need for differentiation in highly competitive markets and a more general battle for consumer time. On the other hand, platforms need to cooperate to create the scale (in terms of economics and knowledge) to thrive in a market dominated by global platforms.

The workshop – and indeed the existence of EuroVOD – proves that differentiation and cooperation can be two sides of the same coin. Most platforms do not compete anyway and cross-border, cross-sectoral competition has free drawbacks.

But experimentation has to be in the DNA of a new sector. Sharing the risk has to be at the heart of development.

Christian Grece, for example, suggested that there might be potential for an AVOD model for European content, as a reaction against resistance to the proliferation of subscription offers. An efficient approach would be for such models to be tested as a prototype for one platform and the results shared.

The Venice event provided the evidence that partnership and collaboration are already happening. A strong EuroVOD and its workshops will play an important role in providing the framework and platform for growth in the interests, not just of members, but of the whole industry.

SECTION TWO: INTRODUCTION TO EUROVOD

SUMMARY POINTS

- **VOD disrupted traditional models and windows but is increasingly finding its own feet as a dynamic cultural and economic form.**
- **The economic and symbolic reliance on cinema and theatrical release is declining.**
- **While VOD represents a relatively low level of total EU media revenues, it is the fastest growing.**
- **Celebrated cinema auteurs are working with streaming platforms on new work.**
- **VOD is opening up new potential for business models and audience engagement.**
- **The biggest global streaming services, notably Netflix, are dominating European markets, with no European alternative offering competition on the same scale.**
- **Even with legislation to ensure global platforms feature EU content, European culture <u>needs</u> European platforms.**
- **VOD offers a legal way for European productions to make an impact in a still evolving ecosystem.**
- **The market remains too dominated by the US and new platforms are needed to defend European cultural diversity.**
- **EuroVOD is a fast growing organisation, representing services in Europe in policy and industry development**
- **EuroVOD is working on a range of initiatives to bring together the sector as a movement**

Panel

- Jean-Yves Bloch (President)
- Silvia Cibien (General Delegate) - EuroVOD
- Moderator: Michael Gubbins

SECTION THREE: TRENDS OF VOD MARKET IN EUROPE

SUMMARY POINTS

- **The VOD model, and particularly SVOD, is increasingly about direct consumer engagement, rather than the end point of long industrial value chains.**
- **The so-called FAANG companies (Facebook, Amazon, Apple, Netflix and Google) are dominating the market.**
- **FAANGs are not homogenous but a disparate and diversified group of companies with different models.**
- **The abundance of content is making it more difficult to win audience attention.**
- **Significant growth in SVOD will create opportunities for services beyond the US streaming giants.**
- **The business model for smaller European VOD platforms remains highly challenging.**
- **Piracy remains a major disruptive factor in the market.**
- **The European VOD sector needs to focus on pooling resources and consolidating, rather than fragmented into a tiny individual services, according to Wendy Bernfeld.**
- **The experiments in Blockchain-based services demonstrate that there is room, and need, for cutting-edge innovation.**
- **It is possible for smaller platforms to follow the trend for original content by embracing new kinds of content.**
- **Successful businesses are sometimes a mix of TVOD, SVOD and ADVOD.**
- **The overall transactional market, including DVD, has been in steep decline but TVOD and rental will grow.**
- **Niche services, aimed at specific demographics, such as children and over-55s, are showing potential.**
- **The business model for a European Netflix or sizeable mid-range challenger is extremely challenging, given the fragmentation of the EU market in terms of rights and legislation.**

PANEL

- Christian Grece (Analyst) - European Audiovisual Observatory
- Wendy Bernfeld (Consultant, Rights Stuff)

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SECTION FOUR: EVOLUTION OF THE VOD SECTOR

SUMMARY POINTS

- **There has been a tough policy fight to ensure global streaming giants play their part in supporting European cultural diversity, in terms of production, catalogues and now prominence of content.**
- **Ensuring prominence of European content on VOD sites has become a priority, although methods for achieving that end are still open to dialogue and discussion with platforms.**
- **Policy is both about regulating VOD and ensuring the growth of a European VOD sector, which is not always an easy balance.**
- **National and regional film funds are beginning to recognise the need to widen support to distribution, including platforms, but are still generally dominated by supporting production.**
- **There are concerns across the spectrum of services about policies, such as geoblocking, and it is important that legislation aimed at the major global services does not impact EU VOD growth.**
- **VOD is working in an environment where flexibility in terms of releases and marketing is possible and often valuable, in contrast to traditional focus on hard rules in areas, such as media chronology.**
- **The best interests of European film are not necessarily served by it becoming a niche category on services, making categorisation a key concern.**
- **There is mounting evidence that consumers are willing to take on a number of subscriptions at the same time, opening up opportunities for European VOD players, alongside Netflix and others.**
- **TVOD is reaching maturity in some of the more advanced EU economies with little sign of growth.**
- **A European service on the scale of Netflix may not be possible, or even desirable, given that each country has its own tastes and expectations.**
- **Netflix believes it is contributing to European cultural diversity by encouraging local production and adds something extra in giving local content the opportunity to reach a global audience.**

Panel

Amélie Leenhardt (Head of European Development) - ARTE

Bruno Delecour (COO) - FilmoTV

Jaume Ripoll (Head of Acquisitions) - Filmin

Julie-Jeanne Régnault (Secretary General) – EFADS

Marzena Rembowski (Director EU Public Policy) - Netflix

Moderator: Michael Gubbins

SECTION FIVE: INNOVATION AND EMERGING TECHNOLOGIES

SUMMARY POINTS

- **Audience engagement and targeting is a key focus for technology innovation.**
- **Artificial Intelligence (AI) is playing a key role in improving recommendations.**
- **There cultural differences in the amount of personal data that audiences are willing to share with platforms.**
- **Services are getting more sophisticated in how data is collected, analysed and interpreted.**
- **But all services start with a small number of key data points and need to build on them over time.**
- **Innovation is more essential to independent European services because they do not have the resources to match the approach of Netflix.**
- **Audience habits sometimes defy the original expectations of platforms and it is important not to test assumptions.**
- **The absolute basics of the user experience, such as page loading times, are still the essential foundations of any success.**
- **Innovation is not an end in itself. It is important not to simply follow hype but to understand how it can support the unique model of each service.**
- **Technology is increasingly commoditised and does not require huge investment or expertise.**
- **Innovation can take many forms and, while there is value in off-the-shelf services from third parties, adding something new into the mix can be a key competitive advantage.**

Panel

Roni Harel (Solution Engineer)- KALTURA

William Page (Co-Founder / Co-CEO) - FilmDoo & Fassoo

David Croyé (CEO) - Just Watch

Moderator: Michael Gubbins

SECTION SIX: TECHNICAL WORKSHOP

Case studies, synergies among VOD platforms and open discussion

SUMMARY POINTS

- **Much technology change is centred on the collection and analysis of data to ensure the reach and engagement of audiences.**
- **The 'power entertainment user', who is constantly looking for content on a range of platforms, is a growing phenomenon**
- **Discovering user tastes and recommendation are becoming more sophisticated with AI playing a growing role.**
- **LaCinitek represents many of the areas of potential for European services, in terms of curation, user experience, partnership and collaboration.**
- **External services in areas, such as dubbing, are becoming more commoditised, efficient and cost-effective.**
- **All platforms need to address and continually evaluate the absolute basics of tech investment, ensuring that audiences can easily navigate the offering.**
- **Outsourcing offers advantages in terms of resources, flexibility and focusing on the real strengths of the platform in terms of content and service.**

Panel

David Croyé (CEO) - Just Watch

Pierre-Louis Manès-Murphy (International Account Director) - Powster

Alexandra Arnal (Head of Marketing) - LaCinetek

Pierre Antoine (CEO) - Kinow

Daniel Siqueira (CTO) - EYZ Media

Moderator: Michael Gubbins

SECTION SEVEN: MARKETING EXPERIENCES & BEST PRACTICE

Case studies and open discussion

SUMMARY POINTS

- **Exclusive content is important to creating a brand in a crowded market.**
- **VOD audiences have come to expect a mix of films and series.**
- **There are good series available in the market that have not been picked up by the dominant global streaming platforms.**
- **Lesser-known content needs to be heavily promoted with a critical role for social media.**
- **Without the advantage of Big Data and algorithms on the scale of Netflix, European VOD needs to maximise its skills in editorial selection, knowledge and curation.**
- **Collections of content, organised intelligently for audiences, can help build a VOD brand.**
- **Local editorialising and branding is essential, given the diverse cultures of Europe.**
- **Events, such as online and offline festivals, can play a critical role in audience engagement.**
- **Partnership with local services, festivals and other influencers can make a big difference to brand building.**

Panel

Jaume Ripoll (Head of Acquisitions) - Filmin & Atlántida FF

Amélie Leenhardt (Head of European Development) – ARTE

Moderator: Raquel Cabrera

SECTION EIGHT: ACCESS TO FINANCE AND BUSINESS MODELS

Navigating the financing landscape for VOD services.

SUMMARY POINTS

- **VOD services are a complex mix of the technical, cultural and commercial, which offers both challenges and opportunities in finding finance.**
- **VOD is recognised by investors as a growth area, even beyond Netflix and global streaming platforms.**
- **The investment in original production, led by Netflix, has attracted the attention of investors.**
- **Innovation in technology and formats could interest investors, with AI, Blockchain and 5G (and 6G) among hot areas of potential growth.**
- **Blockchain offers a secure, simple and reliable means of distributing and monetising content, which could open up new market potential for European players.**
- **The use of AI in improving recommendation engines and on-demand algorithms is a key area.**
- **Most services are trying to find a balance between grants and private funding. Content (culture) tends to be supported by public funding grants, while tech development comes from a range of private sources and some specific public funding initiatives.**
- **There are pros and cons in all financing mechanisms, and whether debt or equity, there are generally strings attached.**
- **The attitude of public funders varies from country to country but there is often a lack of understanding of the value of VOD.**
- **Crowdfunding can play a part in supporting platform growth in terms of finance and audience engagement.**
- **Different forms of financing will be needed at different stages of the 'maturity cycle' and it is important to understand them.**
- **There are a variety of grant options for small and medium-sized businesses and for R&D at national and European level.**
- **Flexibility is important and businesses should experiment with the financial potential of different facets of their business.**

Panel

Arthur Le Gall (Director) - KEA European Affairs

Pierre Padilla (Founder) - N-ABLE

SECTION NINE: CINEMA ONLINE VS SERIES?

SUMMARY POINTS

- **There is a wealth of content without a place on a VOD platform and the audience appetite.**
- **Even films with theatrical release need to be carefully positioned to find an audience.**
- **Audiences have come to expect series alongside films on platforms.**
- **Straight to VOD does not have the stigma of straight-to-DVD, and great work is finding on-demand services as a very strong way to connect with audiences.**
- **Good platforms establish a relationship of trust with audiences and its curation may now be at least as effective as cinema release as a mark of quality.**
- **Where people do not know the content, they must know the platform before they are willing to take a risk.**
- **For some VOD service can have a personality, which audiences can trust. That might mean consistency in curation, while for others it might be a more general 'mood' behind a diverse set of choices.**
- **Encouraging the audience to become an interactive 'community' can be effective, although some warn against trying to own the conversation.**
- **While film and series are important, some suggest that the future will be less about being an 'archive' of content created for other platforms, and more about native content playing to strengths.**
- **The way that series are watched on VOD, in comparison to traditional television may be as different as the experience between cinema and online screening.**

Panel

Gianluca Guzzo (Founder/ CEO) - MyMovies

Andreas Wildfang (Executive Director) – Content Scope & EYZ Media

Moderator: Michael Gubbins

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