



51st EPRA Meeting – Webinar Nr. 1

Understanding key market trends in times of COVID-19

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Reconciling regulatory and market approaches: Understanding key market trends

Introductory document¹

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1. Introduction

EPRA's [Annual Work Programme for 2020](#) includes a plenary session entitled: "Reconciling regulatory and market approaches", with a focus on understanding key market trends (spring) and the changing paradigm of media regulation (autumn). Due to the global crisis caused by the COVID-19 pandemic, the 51st EPRA meeting scheduled for 13-15 May in Antwerp has been cancelled. However, the Executive Board decided to adapt the content and the format planned for the spring meeting to bring the EPRA community together to discuss the topics proposed for Antwerp in alternative ways.

Further to the Work Programme, the spring plenary session intended to present key market trends with the aim to raise the awareness of EPRA members on the profound changes of the media ecosystem, and to contribute to the elaboration of adequate policy responses, by identifying priority areas in the implementation of policies and defining potential risk-based approaches. These objectives remain valid but will be slightly adapted in order to also take into consideration the COVID-19 induced crisis and its current and future potential effects on market players and market dynamics.

The autumn plenary session will focus on NRAs and the changing paradigm of media regulation (also considering the transposition of the AVMSD and the announced Digital Services Act) and particularly on the practical challenges that the regulation of online content and video-sharing platforms raise for media regulators. For the purpose of the autumn session, a questionnaire will be circulated and a background document will be prepared, summarising the input from the EPRA membership on how

¹ **Disclaimer:** This introductory document has been produced for an internal meeting by EPRA, an informal network of 53 regulatory authorities in the field of audiovisual media services. It is not a fully comprehensive overview of the issues, nor it represents the views nor the official position of EPRA or of any member within the EPRA network.

they adapt or intend to adapt their strategy, structure and practices to the changing ecosystem.

- **Format of the spring plenary**

For the first virtual session of its history, the Board considered it important to stay as close as possible to a format that our members are accustomed to, but also take into consideration the constraints created by the virtual environment.

The Board opted for a two-step process: the publication of an introductory document together with two expert papers on 18 May to provide food for thought and a virtual session through a video-conferencing tool (scheduled for 29 May) that will allow some interaction with EPRA members.

The virtual session will try to provide as much interactivity as technologically possible, so that the membership has an opportunity to engage in the exchange of views and experiences. Participants will be asked to register and will be able to submit their questions and remarks prior to the session as well as during it under certain conditions. More detailed instructions will be distributed shortly by the Secretariat.

- **Speakers of the virtual session:**

Two external speakers will share their expertise with EPRA members:

Gilles Fontaine, Head of Department for Market Information of the [European Audiovisual Observatory \(EAO\)](#), will address **structural challenges** of the European audiovisual market, and present **market trends and economic processes** of particular relevance for EPRA members, based on recent research findings of the Observatory. Although the COVID-19 induced crisis is still ongoing and its mid- and long-term impact cannot be predicted, short-term and potentially **systemic impact zones of the crisis** can already be identified, such as the rebalancing between audiovisual players, the impact on the advertising market and the production of audiovisual works.

Considering the key role of public service media and public funding in the current crisis, the Board invited **Florence Hartmann**, Senior Media Analyst at the [EBU](#) Media Intelligence Service (MIS) to present **market trends from the angle of public service media**. She will report on the data that the EBU is currently collecting on the **estimated impact of the COVID-19 crisis** on issues such as PSM audiences, online consumption of media and trust in media.

2. Background to current audiovisual market trends in Europe

First and foremost, it is really important to emphasise that the key feature of the European audiovisual market is **its great diversity**, owing to history, cultural specificities and the differing pace of economic development. Both presentations of the experts while identifying common macro-economic trends, highlight the diversity and the complexity of European audiovisual markets.

The following paragraphs aim to provide some elements of context related to supranational trends.

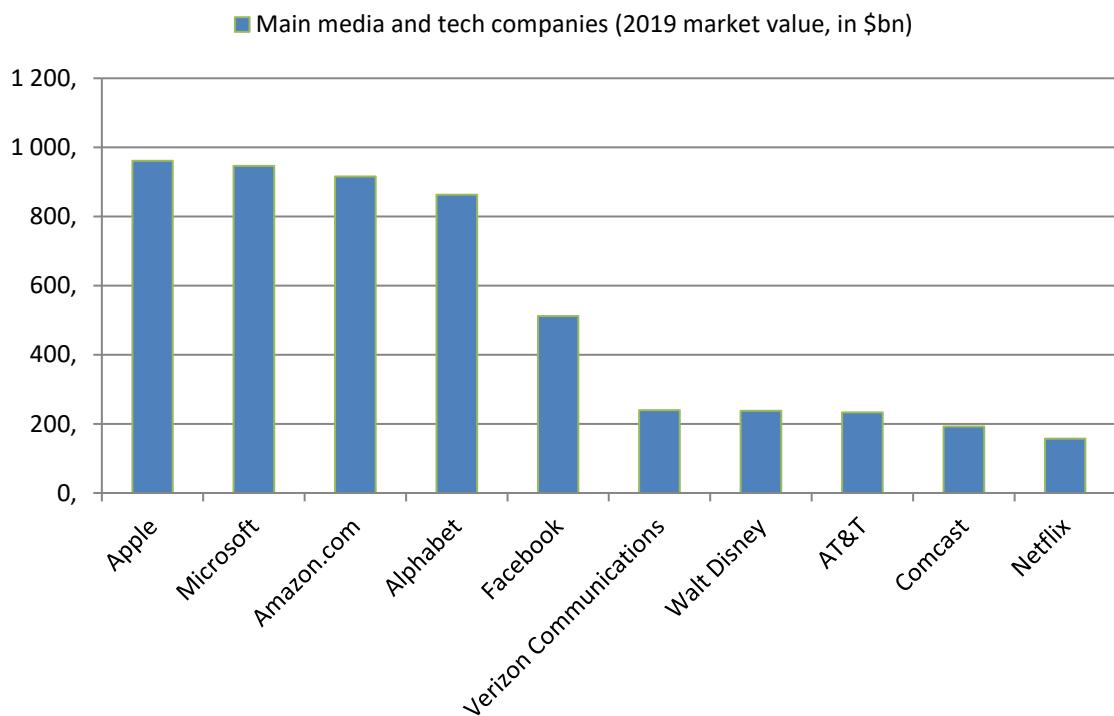
2.1. Acceleration in technology

From ancient news sheets, occurring around 1566, print newspapers in Germany in 1609, and 1860s production and distribution of newspapers to radio and then TV broadcasting, the technological developments and services offered to the audience were, at times, a solid half-century or more apart in appearance. After the shy start of the Internet in 1985 (with services such as AOL), and mobile phone use in 1992, time spans seem to have been compressed, with technological inventions and developments appearing at unprecedented speed. In today's world, technological development instantly leads to full-blown services, from portals to on-demand video services, podcasts, video-sharing platforms, etc.

2.2 Emergence of major global players

One consequence of the quick-paced digitalisation is the establishment and unprecedently quick dominance of tech companies, such as Google (Alphabet), Apple, Facebook and Amazon, currently not only the most valuable publicly traded companies globally² but also major global players in the media world.

Main media and tech companies (2019 market value, in \$bn)



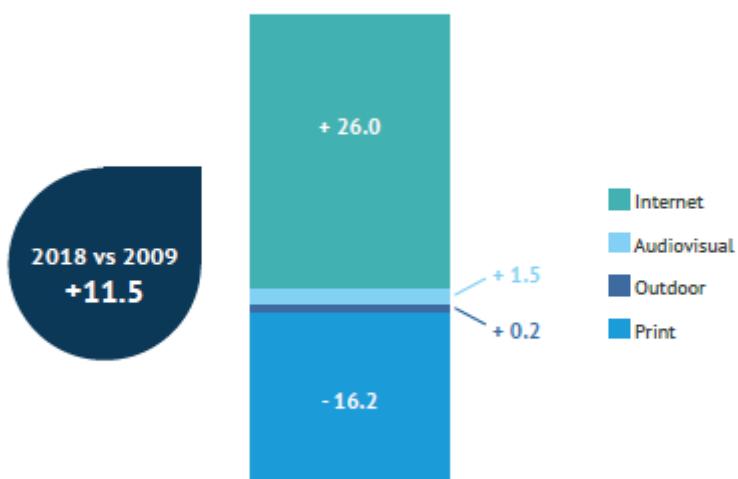
Source: Wagner-Hatfield analysis of Statistica data

² <https://www.visualcapitalist.com/chart-largest-companies-market-cap-15-years/>

These companies, with a combined annual revenue of over \$500bn, net income of over \$90bn, and market capitalization of over \$2.8 trillion in 2017, have also invaded the media and related markets, disrupting the traditional business models established there. This has a particular impact on the advertising market which faced a dramatic shift toward a duopoly of Google and Facebook within just a few years.³ In the UK, Google and Facebook together generated an estimated 61% of UK online advertising revenue in 2018⁴.

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2018 vs 2009 advertising expenditures in the EU28 (real value, bn EUR)



Source: European Audiovisual Observatory analysis of WARC data

2.3. The delinearisation of media consumption and the rise of on demand audiovisual media services

The way of accessing and interacting with content has changed, going from push to pull, from consumption on a single device to multi-screen/multi-device consumption, from mass communication to one-to one services. As a result, on demand media services – and particularly subscription video-on-demand - have experienced huge market growth over the last years. In 2019, the number of subscribers to subscription video on demand (SVOD) in Europe significantly exceeded 100 million for the first time⁵.

³ <https://www.visualcapitalist.com/the-tech-takeover-of-advertising-in-one-chart/>

⁴ Ofcom Online Nation Report:

https://www.ofcom.org.uk/_data/assets/pdf_file/0024/149253/online-nation-summary.pdf

⁵ European Audiovisual Observatory Key Trends 2019/2020 p. 6; <https://rm.coe.int/yearbook-keytrends-2019-2020-en/16809ce58d>



What is the share of SVOD in audiovisual market growth?



82% in 2018

**But SVOD accounts for only 5%
of the total audiovisual market**

Source: European Audiovisual Observatory Key Trends 2019/2020

In terms of players, SVOD providers like Netflix, Amazon or Hulu are now well-established in the European market, as will soon be new entrants in this market segment such as Disney+ which was launched in the US and in some European markets in November 2019 with a further roll-out in 2020. Some US SVOD success stories have, however, to be balanced against the fact that most OTT services appear to be “either at break-even or money losers”.⁶

Nevertheless, major public and commercial European broadcasters demonstrate resilience and have recently joined forces to launch various VOD services such as BritBox in the UK (ITV and the BBC joint venture), ProSiebenSat.1/Discovery Inc.’s Joyn in Germany or Salto in France (TF1, France Television and M6 planned joint venture).

2.4. New business models based on the individual user’s experience

The business models of the biggest online platforms have to be understood from the perspective of their dominance on the market. Models are simple – economies of scale which often lead to market monopolies, acquisition of emerging competing services, capitalization on the personal data of users and “monetization” of market dominance by charging users and/or advertisers, leading to continued profits and growth. The use of algorithms and personal data is a key element from the perspective of business models. They allow to provide a service based on users’ experience and expectations, with relatively cheap cost to digitally process, and ensure attractiveness to both the users and advertisers. While raising many questions over personal data (mis)use, creation of filter bubbles, etc. (questions which are out of scope of the present session but fundamental to the safeguard of democracy), “*data are allegedly the new gold and provide one of the most fertile grounds for innovative business models*”.⁷

⁶ Evens, Tom and Donders, Karen (2018) *Platform Power and Policy in Transforming Television Markets*. Palgrave Global Media Policy and Business.

⁷ Ibid.

The case of YouTube: an illustration of a new business model

YouTube, launched in 2005 before being bought by Google the following year for \$1.65bn, is now a global video-sharing platform and the second largest search engine, only dominated by its owner Google. Its advertising revenues in 2019 amounted to \$15bn,⁸ while the value of the company is estimated by some analysts at up to \$300bn.⁹ It contains more than 400 hours of content uploaded every minute, is available in 76 different languages and is used not only by individuals but also by brands, celebrities and many influencers to promote themselves and to earn money. Its business model includes provision of most content for free, while selling to advertisers the data gathered from the users. This includes advertising of sponsored, embedded, landing page and targeted formats also with recommended content and customised services. Additionally, it generates revenues outside the advertising market, with subscription models for YouTube Premium and channel memberships.

2.5. The “platformisation” of the market

The Internet has broken the traditional value chain. The current media market has witnessed unprecedented solutions for producing, aggregating and distributing content, allowing major players to turn to vertical integration strategies to take control of the entire supply chain, from content production to its dissemination. Value chain players want to become the main point of access for consumers in search of TV and video programming.

The market is experiencing deep “platformisation”¹⁰ of the services, a trend which “refers to the rise of the platform as the dominant infrastructural and/or economic model in media, electronic communications and information, communication and technology (ICT) sectors”.¹¹

This “platformmania” affecting the audiovisual industry¹² is leading to increased competition. However, experts warn that there is bound to be an upper limit of both how many different services a consumer is willing to pay for and how much time there is in the day to consume: the growth in content and platforms may not be sustainable in the long term.¹³

Moreover, Evens and Donders argue that pre-existing power structures are likely to play a mitigating role in the platformisation process: “the industrial structures and practices are deeply entrenched in existing structures of power, which are nearly unalterable or, at the least, take time to change. It is not

⁸ <https://www.businessinsider.fr/us/youtube-ad-revenue-15-billion-2019-google-breakout-2020-2>

⁹ <https://markets.businessinsider.com/news/stocks/youtube-value-as-separate-company-is-300-billion-analyst-says-2019-10-1028641059>

¹⁰ Defined by T. Poell, D. Nieborg and J. van Dick as “the penetration of infrastructures, economic processes and governmental frameworks of digital platforms in different economic sectors and spheres of life, as well as the reorganisation of cultural practices and imaginations around these platforms”.

https://www.researchgate.net/publication/337717560_Platformisation

¹¹ Evens, Tom and Donders, Karen (2018) *Platform Power and Policy in Transforming Television Markets*. Palgrave Global Media Policy and Business.

¹² “Platform mania” is described by Evens and Donders and a moment in which “every value chain player wants to become a platform in order to become the main point of access for consumers in search of television and video programming”.

¹³ A New Video World Order, what motivates consumers, PwC;

<https://www.pwc.com/us/en/services/consulting/library/consumer-intelligence-series/consumer-video-streaming-behavior.html>

so much about adopting new technology, but about changing the economic structures that underlie the industry. Platformisation of the industry will alter market structures, affect competitive strategies and change the ‘rules of the game’, but its impact also has to be mediated by power structures and institutional relationships that have been persistent for decades”¹⁴

2.6. Dominance of US media groups

While European groups attain all or large parts of their audience market share in their respective domestic markets, with some exceptions such as RTL Group,¹⁵ US groups such as Disney, Discovery and AT&T are the driving force behind the increasing internationalisation of the European television sector. Further to the acquisition of British Sky by Comcast in November 2018 and that of 21st Century Fox by Walt Disney in March 2019, US groups showed a considerably stronger market presence across Europe compared to their pan-European competitors.

2.7. The potential impact of the health crisis

As documented by the presentations of the two experts, the current COVID-19 crisis is affecting some of these trends.

On the one hand, while consumption of news on social networks has been rising, this crisis shows that people tend to turn back to traditional news providers, such as public service media and “reputable” media, looking for reliable sources of information. An example of this can be seen from Ofcom’s ongoing weekly online survey monitoring how people in the UK are getting news and information about the crisis, which shows that official sources and traditional broadcasters remain the most trusted sources for information on COVID-19 while social media and closed groups are trusted least.¹⁶ Nevertheless, media consumption does not necessarily translate into advertising revenues, and the crisis is seriously affecting the resources of media service providers, in particular of traditional broadcasters.

On the other hand, some media service providers, and notably VOD providers, show increased revenues during the pandemic: Netflix experienced a record increase in subscribers, generating 16 million additional net subscriptions and net revenues of \$709 million over Q1 2020 (+23% from Q1 2019).¹⁷ The ad revenues of Facebook and Google are expected to decline by around 20% in 2020 (respectively \$54bn and \$33bn), but to bounce back with a more significant growth (23%) in 2021.¹⁸

¹⁴ Evens, Tom and Donders, Karen (2018) *Platform Power and Policy in Transforming Television Markets*. Palgrave Global Media Policy and Business.

¹⁵ Owned by the German Bertelsmann, RTL Group is present also in Belgium, Croatia, Hungary, Luxembourg, the Netherlands and Spain.

¹⁶ https://www.ofcom.org.uk/_data/assets/pdf_file/0031/194377/covid-19-news-consumption-weeks-one-to-three-findings.pdf

¹⁷ <https://variety.com/2020/digital/news/netflix-record-16-million-subscribers-q1-2020-coronavirus-1234586125/>

¹⁸ <https://variety.com/2020/digital/news/facebook-google-ad-revenue-loss-coronavirus-1203544502/>

In order to mitigate the impact of the crisis on the media sector, several national governments as well as European institutions have developed a range of initiatives to help media to go through this period.¹⁹ The effects of the crisis and its economic and social impact will have to be examined in depth in the forthcoming period.

3. Issues for debate: understanding key market trends in Covid-19 times

Ahead of the webinar of 29 May 2020, we have identified below a (non-exhaustive) list of questions that could help frame the discussion between the market experts and the EPRA members:

Key audiovisual market trends across Europe:

- *What are the key trends and specific challenges in your respective markets?*
- *Are the market trends the same in all European countries?*
- *How does platformisation impact your market?*
- *What is the impact of platformisation on the funding of European film and TV content?*
- *What responses/strategies from traditional actors/public service media can be observed?*
- *Is television still sustainable as a business model?*
- *Does your NRAs conduct or commission market research?*
- *Gazing in the crystal ball: what trends for the next five years?*

Policy and regulatory responses:

- *What policy and regulatory measures to respond adequately to current market trends?*
- *Is there a disconnection between market trends and current policy and regulatory responses?*
- *Is your NRA's policy/strategy informed by the analysis of market trends?*
- *What are, in your view, the areas/issues that should be addressed as a priority?*
- *Are investment obligations in local production an opportunity or a burden for market players?*
- *In a context of tailored and algorithm-driven delivery of content, are promotion and prominence rules still efficient?*

Impact of COVID-19 crisis on audiovisual markets:

- *How is the COVID-19 crisis likely to impact your audiovisual market?*
- *Will the crisis reinforce dominant players?*
- *Does your NRA monitor the impact of the crisis on your market?*
- *What measures and to what extent should governments undertake to curtail the COVID-19 effects on media service providers?*
- *What is the sector the most in danger? Where is the emergency?*
- *How can NRAs help?*

¹⁹ The European Audiovisual Observatory developed a data tracking tool on specific national and European measures aimed at supporting the audiovisual sector: <https://www.obs.coe.int/en/web/observatoire/covid-19-audiovisual-sector-measures>; The Belgian CSA published a report on the impact of the crisis on the media landscape in the French-speaking Community of Belgium: <https://csa.us8.list-manage.com/track/click?u=ef81de5eb6213343aba36e36f&id=58eb912109&e=3349b1ec2b>