ONLINE VIDEO

Market situation
BOOMING DIGITAL CONSUMPTION
DIGITAL CONSUMPTION
FRANCE

• **VOD**
  – 20 million movies viewed On Demand
  – 4.6 million users

• **Catch up TV**
  – 1 French out of 2 uses it

• **Live TV online**
  – French people spend almost as much time surfing the Internet (15 hours/week) as watching TV (17 hours/week)
  – 15% of French people -ie 8 million people- watch TV on the Internet
  – 64% of French people have several means of access to TV

• **TV via Mobile devices**
  – By 2014 video will account for 66% of all mobile data traffic

1 : Médiamétrie/360 2010, 2 : Médiamétrie 2010, 3 : Crédoc 2010
DIGITAL CONSUMPTION WORLD

USA
• 39% of TV viewers also watch TV online
• 335,000 households cancelled their cable subscription in 2010
• 22% of people aged between 18 and 34 consider switching from cable to VOD
• Netflix gained 6 million new subscribers in 2010
• By 2014, each household will be able to pick from 5 to 10 screens to access digital content
• By 2020, Americans will spend more time watching online videos than watching their TV set

WORLD
• 1 billion people watch online video
• By 2014 online video will account for 91% of all Internet traffic

DVD ON THE DECLINE
• 4.6 billion $ in 2010
• The wave of Blockbusters’ DVD rental stores closing

MASSIVE PIRACY: MegaUpload
• 100 million users
• 45 million daily unique visitors

FRENCH PEOPLE ARE READY FOR ONLINE TV

A unique situation

- France represents 25% of global IPTV subscribers ¹
- 10 million households qualify for Broadband TV ¹

Connected TV

- 14% of French households in 2011 ²
- 100% of French households in 2016 ²

Internet

- 3 out of 4 French people have a computer ³
- 71% of French people and 99% of French teenagers are connected to the Internet ³

Mobile phones and tablets

- 83% of French people have a mobile phone ³
- 47% of French people will have a Smartphone in 2011 ³
- 450 000 tablets were sold in 2010 ⁴

1 MARKET
3 ECONOMIC MODELS
FAST-GROWING SUPPLIES

• **VOD**
  - 40 000 titles available \(^1\)
  - 55 VOD platforms \(^1\)

• **Catch up TV**
  - 15 000 videos available \(^2\)
  - Leading channels offer catch up for 64% of their programming \(^3\)

• **USA**
  - + 44% videos uploaded by TV channels in 2010 \(^4\)
  - New players: Hulu, Netflix, iTunes

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MODEL n°1: PAY-PER-VIEW (VOD)

- Revenues double every year

- France
  - 130 million € in 2010 (+ 50% since 2009)
  - 650 million € by 2014

- World
  - 2011: 2.3 billion $
  - 2014: 6.3 billion $

- Consumers are ready to pay
  - 49% of French people are willing to connect their TV sets to get online videos
  - 51% of Americans aged between 18 and 34 declare they are ready to pay for online video offers

MODEL n°2: ADVERTISING

- **TV Advertising market**
  - World: 300 billion $\textsuperscript{1}
  - France: 3 billion €\textsuperscript{2}

- **US Ad spending**
  - 1.5 billion $ in 2010 \textsuperscript{3}
  - 5.5 billion $ by 2014 \textsuperscript{3}

- **USA: Hulu**
  - Launched in 2008
  - 27 million monthly unique visitors \textsuperscript{2}
  - a 260 million $ turnover in 2010 (+140 % since 2009) \textsuperscript{2}
  - 1.1 billion ads impression \textsuperscript{2}

- **France: Catch up TV**
  - 30 million € in 2010 \textsuperscript{4}
  - 320 million € by 2015 \textsuperscript{4}

\textsuperscript{1: la Tribune 2010, 2: Le Figaro 2010, 3: Brightcove, Inc. And Tube Mogul 2010, 4: NPA 2010}
MODEL n°3 : SUBSCRIPTION (SVOD)

• NETFLIX (USA)
  
  – A streaming service launched in 2007
  – 17 million subscribers
  – + 52% subscribers in 2010
  – A 36% market share
  – Netflix accounts for 20% of US Internet traffic at peak time

1 : la Tribune 2010, 2 : Iliad 2010
CONSEQUENCES FOR THE MARKET
CONSEQUENCES FOR THE MARKET NON-LINEARITY

- Video breaks free from programming schedules
  - In 2009, more than 40% of Orange Cinéma Séries was consumed on a non-linear basis
  - HBO estimates 30% of its subscribers watch contents on a non-linear basis
  - Most American TV programs got 40 to 50% of their audience on Hulu, Netflix or iTunes

- Search engines will grow between TV viewers and TV channels

CONSEQUENCES FOR THE MARKET

DISINTERMEDIATION

• Launch of Epix (Direct distribution by the studios) in 2009:
  – 4 to 10 million subscribers
  – Profitable within 10 months
  – Netflix/Epix 2010 deal: 1 billion $ $

• MGM wants to produce exclusive content for digital platforms

• Endemol already produces « Direct to VOD » programs

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1: According to different sources in 2010, 2: Le Figaro 2010
THREATS
THREAT: DOMINATION OF THE MARKET BY US GIANTS

What happened to music and press businesses...

— Press:
  • Google: 90% of commercial links (France) 1

— On line music:
  • iTunes: 66,2% of market share (world) 2
  • Amazon: 13,3% of market share (World) 2

... could happen to television

• Netflix: 36% of market share (USA) 3
• Powerful agent coming, able to disrupt the balance of broadcast business models
• Apple TV, Google TV... Microsoft and Amazon tomorrow?

ECONOMIC AND CULTURAL ISSUES

- Fragilisation of the European Broadcasting industry economy de l’industrie
- Loss of the distribution control
- Financing crisis of the creation

A NEED TO CREATE A SERIOUS ALTERNATIVE TO FACE THESE GIANTS

THIS AGENT CAN ONLY BE NEUTRAL AND ABLE TO WORK WITH ALL CHANNELS, EDITORS AND RIGHTS HOLDER