European Commission

FRAGMENTATION OF THE SINGLE MARKET FOR ON-LINE VIDEO-ON-DEMAND SERVICES: POINT OF VIEW OF CONTENT PROVIDERS

FINAL REPORT

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iMinds CONNECT.INNOVATE.CREATE

SMIT STUDIES MEDIA INFORMATION TELECOMMUNICATION

Digital Agenda for Europe

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Executive Summary

1.1 Purpose, scope and method

The aim of this study is to, through in-depth interviews with a set of 20 key Video on Demand service providers, clarify the importance of different legal, political, cultural, economic and other factors for the development a European VoD market and for cross-border VoD offers in particular. The study confronts the current characteristics of the VoD market and of the selected services the opportunities and challenges identified by these players; and examines what are the factors of success and the factors of fragmentation. In doing so, the study aims at reflecting the interviewees' perspectives, in particular in Section 3 and 4. Section 5 critically evaluates some of their statements.

To build the sample of service providers, we first identified 116 VoD services, on which we conducted a multi-criteria qualitative evaluation of services, with respect to the following factors:

- Business and revenue models;
- Geographic origin;
- Type of player (telecom player, broadcaster, etc.);
- Their (cross-border) audience potential;
- Characteristics of their content catalogue.

By selecting 20 players that are sufficiently diverse with respect to these criteria, we aimed to include equally diverse points of view in the subsequent interviews. We restricted the analysis to services available in at least one EU country. The final selection of services includes Acetrax, Global BBC iPlayer, Canal Play, Cinecliq, Curzon on Demand, DAFilms, Filmin, Filmotech, Heimseh TV, medici.tv, Moviepeak, Mubi, Realeyz, Seenow, Universciné, Voddler, Volta, RTL Interactive's 6 on-demand services (RTL Now, Vox Now, RTL II Now, RTL Nitro Now, Super RTL Now, n-TV Now), Voyo and Youzee (see their Information Sheets in the Annex).

1.2 Overview of the EU VoD markets

The introduction of VoD is accompanied by a struggle between incumbents and new entrants, centred on the positioning of the new content outlet within the value network, the business model options and offer modalities. While the market for VoD services in Europe is growing, it has not taken its final shape yet, nor is it very clear how large it is.

Several old and new stakeholders have taken on a role in offering Video on Demand. As a result, the audiovisual value network is becoming increasingly complex, with additional business actors and roles added to it.

Service providers and content owners are looking for ways to render new revenue streams sustainable within the broader audiovisual value network. The online context allows for more complexity in terms of revenue models, including the emergence of hybrid revenue models (e.g. freemium).

VoD services also greatly differ with respect to their catalogues, in terms of number of titles, diversity of genres and the geographical origin of the content.

1.3 Overview of the studied services

To get a fullest possible picture of VoD in the EU, the selection 20 VoD services includes:

- All kinds of providers, the most common being content aggregators;
- Services established / available in different Member States;
- Services at various levels of development, from pioneers in their home market to barely established. The impression given in the interviews is that none of the players in this market is profitable at this stage;
- Service providers active in many European countries (sometimes globally) as well as others only available in their home territory;
- Services with various types of catalogues (mainly feature films, but also catch-up services, classical music, documentaries, etc.).

In general, the interviewed services were very reluctant to give numbers about their audience reach. In terms of cross-border reach, several strategies were identified among the interviewees: a few had a pre-existing base in several territories, which was duplicated in a digital context. Others started from a home market but have expanded to neighbouring countries or beyond, based either:

- On an assessment of the audience potential in these territories;
- On opportunities opened up by partners (technological or licensors) for these territories.

Catalogues of services that belong to the same entity or network typically vary according to the country where the service is available. Providers adapt their content offer to the specific demand features of each national market. They also take into account the availability and the cost of licences.

From the interviews, it appeared that there is a link between the chosen revenue model and the content catalogue characteristics. In particular, transactional VoD offers can get access to the latest VoD releases. Due to its different position in the media chronology, subscription-based offers usually comprise library content. If free content is offered, it typically includes either even older titles, or a very limited "event-type" release of a new title.

Most services in our selection rely on direct payment propositions: on a pay-as-you-go basis and/or subscription basis. It appears that the choice for a revenue model is linked to:

- An evaluation of the commercial potential of each option;
- The business environment at the time of launch, e.g. right holders may license more easily to services relying on TVoD (compared to services relying on SVoD);
- The costs associated with each model.

Within our selection, almost all services offer movies for screening on the personal computer screen. Streaming of rented titles has become more prominent, than downloading.

1.4 The obstacles faced by VoD services in the EU

Section 4 presents the main obstacles identified by the 20 VoD service providers during the interviews. Some are obstacles for the development and the success of VoD markets in general, while others hinder the cross-border availability of VoD services and/or the circulation of European content across the EU. Some obstacles apply for all services while others are of concern only for some of them (and can even be perceived as opportunities by other providers).

In all EU countries, the VoD market is developing rapidly. However all interviewees explain in one or another way that the market is not mature enough yet to allow VoD services to be profitable. Many interviewees still expect their service to be profitable in the coming years. According to the interviewees, VoD poses an educational challenge for some parts of the population, especially the non-digital natives. Growth in VoD markets, they continue, is explicitly connected to the adoption of new technologies and new consumption modes by audiences. One reason often evoked to hamper VoD take-up is piracy and the observation that those users that are willing (or used) to access content online, are not willing (or used) to pay for this type of content.

Concerning the cross-border reach of legal VoD offers, it is not seen as particularly promising by several interviewees. They point out the lack of audience demand for cross-border services and content in Europe, and this lack of demand, the interviewees believe, is likely to remain in the coming years. On the supply side, the most important problem seems to be that making titles available in other territories entails additional costs, which many interviewees consider as too high compared to the expected revenues.

Many interviewees identify broadband and device penetrations as important enabling factors for the set-up of successful VoD services. In this regard there continue to be differences between the EU countries.

For VoD providers, in particular those with a cross-border presence and/or those faced with competition from non-national players in their home markets, it is important that there is a certain level of legislative harmonisation across the EU. Notably, some of the interviewees pointed towards remaining discrepancies related to varying age ratings systems or differing tax systems.

The development of VoD causes substantial changes in the organisation of audiovisual industries across the EU. This affects the relations between the VoD players with other players, notably right holders, incumbent players (e.g. theatrical operators, broadcasters) and new entrants. Some interviewees have stated that the position of incumbent players reduces their decision-making power concerning the modalities of their VoD offers. Several interviewees identified large players that are directly or indirectly linked to US companies (e.g. Google, Apple and Netflix) as potential competitors and even game changers in VoD.

Release windows (or media chronology) are a domain in which competitive forces are currently very much felt, as new balances are being sought between new and old stakeholders, new and old "windows". Most players agreed upon the fact that existing release windows systems should not be attacked radically. A few interviewees are opposed to changes in release windows because such windows are part of an audiovisual ecosystem in which the investments of various market players in content production play an important role. At the same time, some interviewees would prefer a relaxation of the current system, introducing flexibility especially when it concerns small films' release schemes. Nevertheless, most expect the relation and timing of the different windows to evolve gradually as the VoD market takes further shape.

Concerning the acquirement of content licenses, some issues are related to the availability and identification of content. For instance, content owners, according to some interviewees, set the prices for VoD licenses too high. Also, the varying availability of content across borders is seen as a problem by some cross-border services.

During the interviews, a number of technical issues came to the fore. First, providing a VoD service may entail significant costs to set up and operate the service, although a few interviewees pointed out that economies of scale could be achieved by being available in several EU territories. Secondly, some interviewees pointed out that the necessity to adapt content to different devices and formats further increases costs for VoD services. Thirdly, and related to this, several interviewees mentioned the portability of content as an important challenge, i.e. to transfer content across multiple devices or/and across borders.

Localised marketing strategies and tailoring of the offer towards specific countries are important and marketing is considered an important cost element by some interviewees. Pricing strategies are to some extent influenced by the business relationships struck by the VoD offers, as a few interviewees emphasised. Finally, a few interviewees discussed the importance of branding for the take-off of the VoD service itself.

1.5 Policy avenues

Section 5 connects the issues identified in the interviews with possible policy avenues. The analysis of the interviews shows that some of the complaints voiced by VoD players in the interviews are of a rather high-level nature (e.g. piracy), whereas they were sometimes reluctant to address concrete issues that may involve partners or direct competitors. Most perceived obstacles are expected by the interviewees to be removed gradually, under the pressure of market forces.

The interviewees provided some policy recommendations to foster the general development of the VoD market and the attractiveness of VoD towards the consumer. Piracy was unanimously identified as a threat, and many interviewees identified a role for policy-makers at both the national and EU level. Also, policy-makers play an important role for the development of physical infrastructure. At the EU level, specific measures mentioned by the interviewees in view of future development of VoD, include:

- Support for technical standards;
- The promotion of the ISAN (International Standard Audiovisual Number) system.

Support for the acquisition of content was mentioned as well, in particular the digitisation of (archive) titles.

The interviewees expressed more ambiguous and/or contradictory statements concerning policy recommendations in relation to the EU's industry environment, i.e. issues that deal with the relationships between the various players in an online audiovisual ecosystem. This probably links up most to the EU competition rules (merger control, state aid, antitrust rules), through which the Commission closely monitors evolving market practices and behaviour of market operators. Concerning media chronology, many interviewees emphasize that the different national media chronology systems are tied closely to national funding and financing traditions and that the market is generally capable of evolving to adapt to new consumer demands. However a few propose to increase flexibility through a gradual approach, e.g. by making sure that small films can have shorter windows. This does not mean for them that small films always have shorter windows but at the same time it should move beyond the one-off, exceptional nature of current experiments. Moreover, some players do feel affected by other players who establish (too) long holdbacks.

The interviewees in general cared less about obstacles for cross-border activity compared to obstacles to the development of VoD markets or its competitive environment. The main obstacles identified in the previous section (lack of cross-border demand, additional licensing costs) were considered as given facts rather than as obstacles that should be addressed by policy. For instance, while there are no legal obstacles to multi-territorial licencing, i.e. licenses that allow licensees to make content available in several territories, requiring licenses to be multi-territory seems unfeasible according to some interviewees. The most important policy towards fostering the development of cross-border services according to the interviewees may consist, firstly, in a further regulatory harmonisation. In second instance, several interviewees proposed to maintain or increase financial support for VoD offers, through:

- The MEDIA programme;
- Support for marketing purposes;
- Targeted support for subtitling and dubbing.

It is important to recognize and analyse the differences between the different VoD industries across the EU, as one-size-fits-all measures are unlikely to be efficient. Instead of rigid but differing rules across countries, the key seems to lie in the creation of common measures that guarantee sufficient flexibility in the application of rules, independent of borders and territories.

2 Introduction

The research project on "Fragmentation of the single market for the on-line video-on-demand services" (SMART2012/0027) aims to increase knowledge of the on-line VoD market in Europe. With the introduction of digital technology in all areas of the audiovisual industries, a number of opportunities for the creation of a digital single market have come to the fore, while at the same time factors of fragmentation continue to negatively affect the realisation of this single marketplace for audiovisual content and services.

This issue has at least three dimensions:

1) Will the companies offering successful VoD services in Europe have their origin in Europe or will strong non-EU players that dominate the traditional global film market (i.e. the Hollywood majors) or the digital technology market (i.e. Apple, Google, Facebook, Microsoft) duplicate their success in this market as well?

2) Will these services be able and/or willing to go beyond the traditional territorial and language borders? The underlying issue is the one of realising a digital single market for the VoD services.

3) Will these services offer content that is diverse in terms of its origin, thus fostering the circulation of European audiovisual works across the countries? Linked to this, will the consumption patterns of European audiences become more diverse and pan-European? This relates to the realisation of a digital single market from a content angle.

The aim of this study is, through interviews with a set of 20 key Video on Demand service providers, to clarify the importance of different legal, political, cultural, economic and other factors in terms of the development of such a European VoD market and of cross-border VoD offers in particular. This means that we confront the current characteristics of the VoD market and the selected services (factors of success, factors of fragmentation) with the opportunities and challenges identified by these players for the future, both in the short and longer term.

The research work has been organised according to three work packages, each corresponding to a key task and research question:

1) Which are successful examples of on-line VoD services in the EU?

Work Package 1, centred on the identification of VoD players to study in detail in the subsequent WPs.

2) How far extends their geographical reach in the EU and what are the reasons behind their availability (or lack thereof) in certain territories?

Work Package 2, focused on the in-depth evaluation of geographical segmentation in the European on-line VoD market.

3) Which (policy) measures could enhance the pan-European on-line circulation of VoD services and the audiovisual content on them?

In the last WP (3), we link the identified characteristics with opportunities and threats as put forward by the interviewed players. On the basis of these conclusions, we elaborate a number of policy recommendations that could facilitate the further development of VoD markets in

Europe. The pan-European availability of on-line VoD offers and the circulation of European works on them, forms a particular point of attention.

In terms of methodology, the research within WP1 was based on desk research, including a quick scan[1] of the VoD landscape in Europe and relying on existing studies and data[2]. The studies by the European Audiovisual Observatory (EAO, 2009) as well as different reports prepared for the European Institutions (e.g. Attentional Ltd, 2011; KEA & Cerna, 2010; Media Consulting Group, 2012) have been most useful in this regard. Nevertheless, in the absence of updated and comparable data[3] for this crucial segment of the audiovisual industry, it was necessary to bring together and confront a variety of different sources, including also press releases, trade press articles, overview websites[4] and – when available – company annual reports. Due to the lack of reliable data on the audience reach of the different VoD services, our selection of VoD services was not made on the basis of this criteria of success. Instead, we conducted a multi-criteria qualitative evaluation of a) the business and revenue model followed, b) the geographic origin of the services and their type (telecom player, broadcaster, etc.), c) their (cross-border) audience potential, and d) the characteristics of the content catalogue. By selecting 20 players that are sufficiently diverse with respect to these four criteria, we aimed to include equally diverse points of view in the subsequent interviews.

However, in the planning of these in-depth interviews with the VoD players, we had to take into account a "non-response" rate. Based on the analysis and continuous feedback received from the European Commission and sector contacts, we contacted a total of 31 services over the course of the study, in order to arrive at a final set of 20 key providers with which an interview could be scheduled. We have included an overview of the interviews in annex.

These in-depth interviews, together with a continued literature review, have constituted the main data collection tool (Work Packages 2 and 3). On the basis of the expert opinions of the 20 VoD players, we have identified common patterns in terms of success and failure in the VoD marketplace. In particular, we have arrived at a listing of obstacles in terms of European fragmentation, as they were identified by the VoD players themselves. Where possible, we have situated these against the broader context, as found in documents and literature on these topics.

Subsequently, the confrontation, somewhat similar to a SWOT analysis, of current strengths and weaknesses with the identified opportunities and threats, results in the elaboration of policy recommendations. These are centered on measures that can facilitate the pan-European (in the sense of cross-border) availability and circulation of on-line VoD services. For each measure, a preliminary assessment of its political and legal feasibility has been done. It should be reminded that a study with "only" 20 providers interviewed cannot claim to be exhaustive. It however provides interesting insights in this ill-known market sector.

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[1] Based on the identification of key players in each EU country, this quick scan was performed on a total of 116 VoD offers.

[2] The authors would like to thank the European Audiovisual Observatory and the International Video Federation for their helpful suggestions in this regard.

[3] Note that the Mavise database of the European Audiovisual Observatory (cf. infra) had not been launched yet at that time.

[4] In particular the UK's http://www.thecontentmap.com/film-tv/, and the German site http://www.was-ist-vod.de/vod-anbieter

A first study report was written on the activities done within Work Package 1 and has fed into this final report, which additionally reflects the subsequent research done on the twenty selected VoD offers in Europe.

In the next Section (2), we provide an overview of how the VoD market in the European Union has evolved and what its current main characteristics are, before focusing on the 20 studied services in Section 3. Subsequently, we identify the key obstacles in the functioning of the (pan-)European VoD market as put forward in the in-depth interviews. On the basis of this, we put forward a number of policy suggestions in view of fostering the attractiveness of (pan-) European VoD offers (Section 4.).

3 The EU VoD landscape

3.1 Introduction

Traditionally, the audiovisual value chain has comprised the creation and production of content and its subsequent aggregation, distribution and marketing over a variety of delivery channels (or exploitation windows) to the audience. In a digital context, the delivery of audiovisual content has become increasingly dematerialised, allowing more and more flexibility for consumers in terms of when and where to watch audiovisual works. Online on-demand audiovisual media offerings in particular allow for this type of time- and place-shifting. Watching films "on demand" is not new and links back to analogue pay-television offerings or the use of video recorders. Yet advances in delivery, for instance over broadband networks, have had an impact on their further spread in a digital context. Moreover, as the boundaries between traditional information channels (in particular broadcasting and telecommunications) converge, viewers are increasingly able to transfer, watch and store the same content on multiple devices including the television, PC, tablet or even mobile . While, for the time being, so-called lean-back, linear television remains the dominant mode of consumption (cf. TNS Opinion & Social for the EC, 2011), analysts, policy-makers and professionals are all following the further expansion of the VoD service market with great attention.

The introduction of VoD is a process not dissimilar to the introduction of new channels and screens in the past. Traditionally, such introduction has been accompanied by a struggle between incumbents and new entrants, centred on the positioning of the new content outlet within the value network, the business model options and offer modalities. As such, the market for VoD services in Europe has not taken its final shape yet, nor is it very clear how large it is. Previous studies used varying definitions and arrived at different overall data on the size of the market (in terms of number of service providers and/or number of services offered).[5]

The Audiovisual Media Services (AVMS) Directive offers a good starting point in its delineation of on demand audio-visual media services (Art. 1 (a) (g)) as a form of non-linear distribution:

"*'(O)n-demand audio-visual media service' (i.e. a non-linear audio-visual media service) means an audio-visual media service provided by a media service provider for the viewing of programmes at the moment chosen by the user and at his individual request on the basis of a catalogue of programmes selected by the media service provider.*" (European Parliament & Council of the European Union, 2010: 12)

In its work on the expanded MAVISE database, which was launched in May 2013 to include on-demand audiovisual offers in Europe[6], the European Audiovisual Observatory opted for a

[5] For instance, in December 2008, the European Audiovisual Observatory counted 366 European on-demand service providers (across its 36 member countries), offering 696 different VoD services (EAO, 2009). Using a different definition, KEA (2010) counted 188 VoD service providers in 2009, up from 132 in 2006.

[6] The expanded EAO MAVISE database consists not only of a survey of more than 10.000 pan-European, national, regional or local television channels broadcast in Europe, but also comprises more than 3,000 on-demand audiovisual services (European Audiovisual Observatory, 2013a).

wide definition of on-demand audiovisual services for inclusion in the database, as it noted that Member States have different approaches in reading and applying the definition of "on-demand media service" in practice (European Audiovisual Observatory, 2013a). The EAO therefore notably included, "branded channels" offered on iTunes or Xbox[7], (commercial) channels offered on video-sharing platforms[8], and smartphone or SMART TV applications[9] that permit access to on-demand catalogues. The EAO notes that, while the classification of such services as on-demand audiovisual services may be debatable, it is generally accepted that near Video-on-Demand (nVoD) services are not part of this on-demand landscape. Nor are video-sharing platforms that do not have editorial control over their content (YouTube, Dailymotion). Newspaper websites with news videos are generally not considered on-demand audiovisual services under the AVMS definition either (as the use of video is subsidiary to the publication of texts), but some on-demand services offered by newspapers have been included in MAVISE nevertheless[10] (European Audiovisual Observatory, 2013a).

Table 1 gives an overview of the different types of services included in the MAVISE database, which covers the EU countries alongside EU candidate countries and the other European Audiovisual Observatory members (39 countries in total[11]).

[7] Concrete examples include e.g. "Aardman Animation" which is counted by the Observatory as a separate on-demand service within iTunesStore DE and iTunesStore GB.

[8] Concrete examples are e.g. "BBC World News America" on Youtube, ARTE+7 on Dailymotion

[9] For instance three AFP iPad editions are included in the database.

[10] E.g. The Guardian Video.

[11] Albania, Armenia, Austria, Bosnia and Herzegovina, Belgium, Bulgaria, Switzerland, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, United Kingdom, Greece, Croatia, Hungary, Ireland, Iceland, Italy, Liechtenstein, Lithuania, Luxemburg, Latvia, Montenegro, 'The Former Yugoslav Republic of Macedonia', Malta, Netherlands, Norway, Poland, Portugal, Romania, Russia, Sweden, Slovenia, Slovakia, Turkey. The 40th member is the European Union.

On-demand Audiovisual Services	
Genre	Total
Archives	32
Branded Channel	588
Catch-up TV service	1026
Film trailers	46
Local TV catch-up/ Web TV	75
Other/ not identified	69
Sport events	53
Video news page	69
Video page of a portal	33
VoD adult	37
VoD children/ animation	86
VoD documentary	44
VoD film	538
VoD film and TV fiction	57
VoD general interest programmes	10
VoD generalist (film, TV programme, documentary etc.)	93
VoD Lifestyle and Health	23
VoD music	58
VoD short movies	3
VoD TV fiction	140
VOD with recorded sport events	7
Grand Total	**3087**

Table 1: Number of on-demand audiovisual services in Europe per genre (source: MAVISE database of the European Audiovisual Observatory, 15 May 2013),

Of the 3087 services identified, 2733 are established in a EU country, of which 447 (or 18%) were specifically focused on films (European Audiovisual Observatory, 2013c). Figure 1 gives an overview of their establishment in the different EU countries. It is important to note that multiple VoD services are often exploited by one and the same service provider. A branded Youtube channel, together with a number of distinct (language) versions of an internet on-demand offer may thus all be separate VoD offers arising from the same service provider.

Not surprisingly, the large EU member states - the UK, France and Germany - have a large number of film VoD services. More remarkable is the large number of services (compared to their size) in some other member states. For Luxembourg (86 services), Sweden (36) and the Czech Republic (31), this relates to a large extent to the establishment of services targeting other countries in these territories. Based in Luxembourg, the iTunes Stores for instance targets not only all other European countries (apart from Romania) but also many countries in Africa, the Middle East and Asia (with the exception of Japan). Netflix is another example of a service that took Luxembourg as a base for its European roll-out. Another well-known US player, HBO, instead opted for the Czech Republic as a host for the various language versions of its on demand offerings in Central Europe. Sweden hosts various services that target several Nordic countries (e.g. SF Anytime or Voddler - that is even present in Spain) (European Audiovisual Observatory, 2013c).

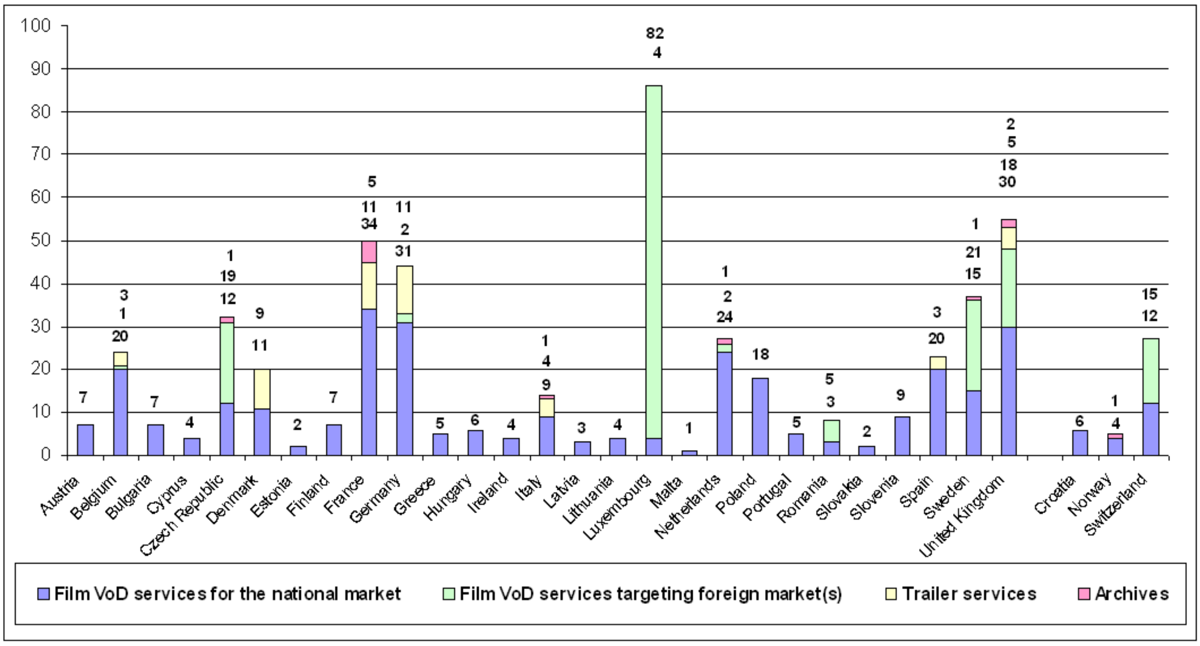

Figure 1: Film on-demand services in the EU (+ Croatia, Norway and Switzerland) by country of establishment (European Audiovisual Observatory, 2013c).

There are some further complexities underlying this overall picture. It is not easy to identify the exact service providers behind these 3000+ services and how they are linked to each other and/or affiliated to (international) mother companies. In particular for those services linked to major US-based groups it is not always clear whether the parent company or one of its European subsidiaries is to be considered the service provider (European Audiovisual Observatory, 2013a).

Overall, however, the Observatory's review has revealed the important number of services established or assumed to be established in the US. Overall, the MAVISE database now lists 207 services, of which 123 film offers, as (probably) established in the US and explicitly targeting one or more European countries (European Audiovisual Observatory, 2013c).

Moreover, the establishment of a service in a given country does not necessarily entail that it is targeted (mainly) at that country, and conversely. As already noted, iTunes, based in Luxembourg, provides a large number of services, each aimed at a different country in- and outside of Europe. It is moreover host to a number of branded offers that themselves may be based in a different country.

As a result, the number of services available in one country does not correspond necessarily to the number of services established in that country. There are for instance 454 services *available* in France but 373 *established* in France (European Audiovisual Observatory, 2013a). It is estimated that 52% of the VoD services available in one EU country are established in another (European Audiovisual Observatory, 2013c). For individual countries as well as the EU, this cross-border provision of on-demand audiovisual services is notably important in view of the set-up and implementation of regulation (e.g. on the promotion of European works).

All in all, it is difficult to get a clear and transparent overview of the European market for Video on Demand. Nevertheless, we can distinguish a number of important elements, the review of which can help us to get an idea of the main trends in this market. These are:

1) The type of VoD service providers active in Europe, both in terms of geographical origin (e.g. US vs. European) and main activity background (e.g. incumbent telecom player vs. emerging digital content aggregator) (Section 2.2).

2) The business model, in particular the revenue model, followed by the VoD services (Section 2.3).

3) The audience reach of the VoD services, in particular their popularity and their cross-border characteristics (Section 2.4).

4) The characteristics of the VoD services' content catalogue (Section 2.5).

In our selection of the 20 services to be analysed more in-depth in Section 3, we have aimed to achieve a balance across these four areas. In this way, we hope to be able to identify a variety of similar and dissimilar factors that, according to them, play a role in the further development of the VoD marketplace in Europe as part of a Digital Single Market[12].

3.2 The type of VoD service providers

Several old and new stakeholders have taken on a role in Video on Demand, including television channels, film distributors, telecom operators, targeted content aggregators, video sharing websites and content producers, but also audiovisual archives or public support funds. As a result, the audiovisual value network is becoming increasingly complex, with additional business actors and roles added to it. Incumbents such as media production companies and broadcasters are faced with a media landscape in transformation. Some of the traditional audiovisual companies from the production and distribution phase aim to establish a direct link with the audience through a self-maintained VoD offer (e.g. Cinemalink.nl). New stakeholders include both established players from related sectors, such as telecommunication companies, or hardware manufacturers, but also new players that arise specifically in an Internet context, comprising both the forerunners of digital technology (Google, Apple) and relatively new content aggregators (Netflix).

Our own market scan confirmed that all kinds of service providers are active, from traditional broadcasters (e.g. TF1, BBC) to telecom operators (e.g. Telefonica) to content producers and/or distributors (e.g. Universciné), video sharing websites (e.g. Dailymotion), and aggregators (e.g. Netflix), but also film festivals (e.g. for DAFilms) audiovisual archives or public support funds (e.g. the DFI's involvement in Filmstriben). The pre-eminence of some categories of providers may differ according to a country’s profile, e.g. due to the traditional strength of telecommunications providers. This may also have an impact on the way content is delivered to the consumers, e.g. through over-the-top delivery or via managed networks such as cable or satellite (cf. Section 3).

As the Mavise database shows (cf. supra), there are VoD services in all EU countries, but it is important to distinguish between VoD services established in a country and VoD services available in a country. Some VoD services are available only in the country where they are

[12] It should be noted that these four areas encompass and go beyond the three indicators of success that were put forward in the original call and project proposal, namely popularity, variety of content, and number of MS covered. We found it was particularly difficult to find data on the success, in terms of popularity among audiences, for the VoD players in Europe. Our multi-criteria approach and qualitative assessment offered the best alternative in order to arrive at a sound selection of services for further analysis.

established (e.g. Canal Play) and are therefore clearly not cross-border. Some VoD services are established in one EU country and available in one or several others. There are finally VoD services established outside the EU and available in EU countries (e.g. Cinecliq or Google Play Movies) (European Audiovisual Observatory, 2013c). They should not be confused with branches of US companies established in the EU, though (e.g. iTunes Stores or HBO Nordic), as the latter are subject to European legislation and at the same time also legally protected in Europe.

3.3 The business and revenue model features

As noted, the VoD market is still in rapid development, with service providers and content owners looking for ways to render this new revenue stream sustainable within the broader audiovisual value network. Yet the price point set and the revenue model chosen also have to be sufficiently attractive for consumers, whose willingness to pay is not evident given the availability of an ever increasing number of leisure options alongside illegal content offers online. A first area of attention relates therefore to the revenue model proposed by the various players active in the market.

Revenue models may in particular differ according to whether revenues stem from the users (direct revenue models) or from another source (indirect revenue models) – beyond the usual “free or fee” debate. Within the different categories, further variations are possible. Direct revenue models may differ according to whether the consumer should pay for every consumption act (e.g. pay per video downloaded or streamed) or whether the amount paid is not correlated to the actual usage (e.g. a subscription that allows the consumer to have access to as many audiovisual content as he/she wants). Indirect revenue models in turn may differ according to whether revenues stem from partners interested in reaching an audience (advertising) or from institutions as a part of their objectives (subsidies or licence fees). Figure 2 provides a stylised overview of the basic revenue models.

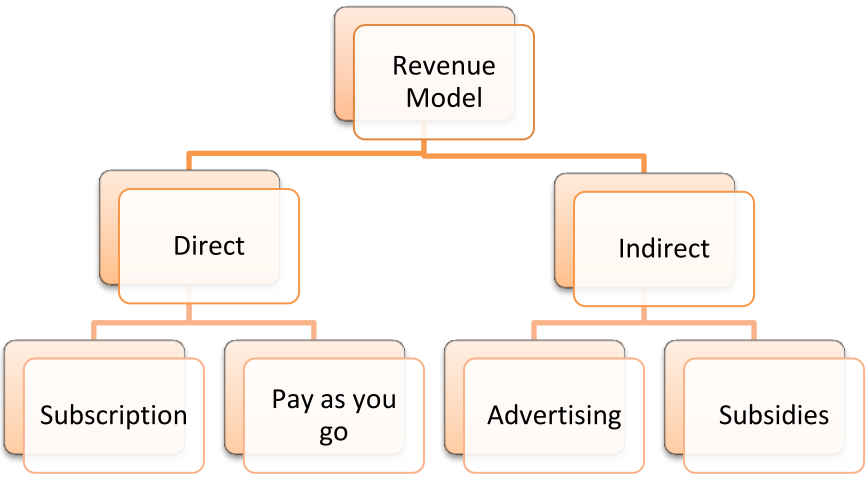

Figure 2: Typology of basic revenue models

The online context, in particular the Internet, allows for more complexity in terms of revenue models, notably with the emergence and development of hybrid revenue models (e.g. freemium). The approaches in advertising are also expanding and diversifying. As Prasad, Mahajan and Bronnenberg argue (2003), media providers can now easily segment markets and offer several price-advertising choices to consumers in order to balance advertising and direct payment revenue. This enables the provider to charge different prices on both the consumer side and the advertiser side, as the latter may be willing to pay different rates for advertising to different audience segments.

On the content production side, there also exist different licensing and revenue sharing models. Most of the time, licenses are based on a 50/50 or 60/40 rights holder/content aggregator revenue split. Yet some VoD platforms, such as Netflix, pay flat license fees for a fixed period (Kern, 2009; Lights Film School, 2012).

Given the decrease of revenues generated in some of the other "windows" (notably the home video markets), the key challenge at the moment appears to centre on how to balance the attractiveness of this on-demand market, from the point of view of the VoD platform owners (cost-revenue equation), the rights holders (license fee levels) and consumers (final price setting and type (e.g. subscription- and/or unit-based). In the longer term, imbalances in this equation may negatively impact growth in this market and/or the creation of new sustainable financing models for investment in original content production.

Our quick scan of 116[13] VoD services available in one or more EU countries showed that most relied on a direct revenue model while only a few worked on the basis of an indirect revenue model. Pay-as-you-go models in which customers pay for every piece of content streamed or downloaded proved most popular. We also noted that prices vary greatly from one service to another, in particular dependent on the country covered by the service, e.g. from €0.60 on the Romanian Muvix to €8.99 on the French and German ArteVOD. Thirty-seven of the VOD offers reviewed allow users to subscribe to their service, again with a large disparity in prices, from e.g. €1 per month for the Romanian Seenow (which gives however access to only one category of program, e.g. Documentaries or Bollywood movies) to €21.9 per month for the Italian 'Film Is Now'. Some service providers offer a mix of both payment offers to their customers, e.g. Mubi that allows renting of feature films for €2.99 per unit or alternatively subscribing for €7.99 a month. It also proposes bundles, namely 5 films rented for €11.96. Only a few propose a service that relies (partly) on advertising (e.g. ONET). With regard to public funding for VoD, it is important to note that the EU's MEDIA Programme has funded VoD services, initially under its Pilot Projects scheme. In the current MEDIA 2007 cycle (2007-2013), a specific Video on Demand/Digital Cinema Distribution scheme has awarded funding to VoD offers under yearly calls for projects (De Vinck, 2011).

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[13] For the first report, 116 VoD service providers were identified, covering at least one EU market. To make this scan, we relied on the confrontation of different types of sources in order to arrive at such a representative - even if not exhaustive - database, including market studies, press releases, overview websites, trade organisations and news articles.

3.4 Audience reach of VoD service platforms

It is most difficult to find accessible, not to mention reliable, comparable and consistent information, on the most popular VoD services in Europe, based on indicators such as the number of unique viewers or of online transactions. In particular the number of transactions (rentals and/or sales) are usually not made public by the providers.

Moreover, for those services for which we can find some of this information, the definitions and methodology differ, which makes it difficult to compare the different offers on their popularity. The number of "unique viewers" can seem similar to the number of e.g. "unique visitors", "page views", "real users" or "users". These terms are however not completely synonymous. For example "MYmoviesLIVE! MYmoviesWIDE!" states that every month it has, on average, 7.4 million unique users, 13.5 unique visitors and 51.1 page views.

Yet in terms of potential audience reach, including cross-border uptake, some trends can be distinguished[14]. Firstly, while this market is growing, the adoption of on-demand film consumption has not yet realised its full potential. Piracy forms an important contextual factor in this regard, even if its potential impact is still under debate, sometimes with doom and gloom prophecies, and exaggerations by both proponents and opponents (Schermer & Wubben, 2011). In any case, piracy is perceived as a channel not only in terms of direct economic loss but also in a more indirect way, menacing the basic premises of copyright. It targets a consumer who increasingly expects access to content whenever, wherever, and free of charge. Alongside defensive sector responses, VoD has been seen as a key way to battle piracy by developing attractive legal alternatives for the relatively cheap and easy delivery of a film, whenever and wherever a consumer wants to watch it. For the time being, continued growth in on demand spend can however not yet compensate for the ongoing decline of physical home video, as show IVF data (Table 2) – although the existence of different types of on-demand models (VoD, near-VoD, TV-based VoD, Internet VoD, Subscription VoD (SVoD), etc.), does not make it easy to get a comprehensive overview of the market. Overall, spending on audiovisual content through online platforms and services - both TV-based and digital) rose to €1.2 billion in 2011, of which the largest part goes to TV VoD (including Near-VoD services). This contrasts with European spending on DVD and Blu-ray, which fell for the seventh consecutive year but still stands at €8.3 billion (IVF, 2012).

[14] Underlying this general image are of course different country profiles, with the exact shape of each EU country's VoD market varying. Piracy levels play a role here, alongside other contextual factors, such as the infrastructural characteristics of the country (strong cable tradition, early broadband penetration etc.).

Type	2006	2007	2008	2009	2010	2011	diff. 10/11
Total consumer spending on digital video[15]	28.3	48.6	84.7	138.4	257.0	364.4	41.8%
Total consumer spending on TV VoD[16]	466.2	516.9	604.3	649.6	754.5	848.4	12.5%

Table 2: Evolution of consumer spend on digital video and TV VoD (2006-2011) (in € million) (IVF, 2012)

With take-up struggling on the demand side, and profitability of emerging services questionable, their attractiveness for rights holders is in turn affected. According to a *Variety* article, sales companies in Europe were in 2012 not yet seeing significant revenues from VoD outside of North America, except for the UK (Dawtrey, 2012). In other words, traditional revenue and content financing models are still crucial (even if under pressure), while the new players have not yet positioned themselves as "equal" alternatives for these existing partnerships.

Moreover, traditional television broadcasters can be said to have an advantage in terms of potential audience reach for their on-demand offers, because of their traditional strongholds in terms of content rights and established brand towards the consumers (KEA, 2010: 73-74). Internet service providers (cable companies, IPTV[17] players) can rely on their customer ownership for network access through the television screen. In addition, such managed network players often have a stronger historical link to a national territory compared to players active on the open Internet, the so-called over-the-top (OTT) services.

However, OTT services may be those that prove particularly suitable for the set-up of a cross-border on-demand presence. They may contribute most to the establishment of pan-European communities for European film, crossing traditional language and culture borders and aggregating small "fan bases" in a feasible new business propositions (cf. Gubbins, 2012). This does not mean that they are available in every European country per se. Even via the Internet, many services for the time being install direct or indirect access borders, for instance through geo-localisation. As the interviews show, there is a lack of knowledge among VoD service providers concerning the potential for cross-border demand (see Section 4.2). Only a few studies are tackling the issue, see e.g. Plum Consulting (2012) in the case of the EU, which assesses that 17.6 million of people can be interested due to the fact that they live away from their country of origin, and 108 million due to their language skill or interest. The study also assesses the willingness-to-pay by intra-EU migrants for cross-border services to be in the range of between €780 million to €1,610 million annually, not including additional potential willingness-to-pay for people due to their language skill or interest – which proved impossible to assess. While Plum Consulting (2012) shows some indications of potential, it is

[15] This includes the purchase or rental of films and TV series delivered over the open internet through transactional models (i.e. EST, DTO, Internet VoD) or on a subscription basis.

[16] This refers to the delivery of movies and TV content on a transactional basis (VoD, NearVoD/Pay-per-view) via cable/satellite/IPTV services.

[17] Internet Protocol Television or IPTV refers to the delivery of content to the television screen via DSL. While based on Internet technology, it differs from services that arise in a purely internet context, as the operator has full control over the network.

based on quite a number of assumptions that render its results fragile. Most of all the assessment of the willingness-to-pay is based on a survey, which questions its reliability.

Within the quick scan group, there is a wide diversity of cross-border characteristics. Some services use geo-blocking to limit access to the home country (e.g. the Polish iPlex), whereas a few cover the whole world (e.g. DAFilms.com). Many of the cross-border offers are focused on countries that are close in terms of language or culture, e.g. the Nordic countries. The occasional example specifically targets its offer at the worldwide expatriate community of a certain country, such as HeimsehTV, which is directed at all German speakers that are living outside of Germany, Austria and Switzerland. Sometimes this is done more implicitly, with offers accessible outside the home country but not stated as such on the (unilingual) website (e.g. for the French Vodeo TV or the Romanian Seenow). Some of the players are developing a common brand name associated with different language- and/or country-specific services, e.g. iTunes. This can be done in a more centralised manner, (e.g. Acetrax, which had one central website in different language versions), or decentralised, with e.g. Central European Media Enterprises developing specific VoD services in six countries under the same brand name "Voyo" (“Oyo” in Croatia). Other players develop their cross-border audience reach in yet different ways, for instance by collaborating with each other through a network. The most prominent example of this is the EuroVOD network that comprises services such as Universciné, Filmin and Volta.

In any case, as so-called Connected TV realises the integration of Internet and television, the boundaries between the different types of services will become increasingly blurred. This may have a fundamental impact on the VoD value network and the competitive environment between different types of players. Crucially, it will make the audience access points between OTT and other services more alike. This is important given the observation that traditional viewing habits – in particular lean-back television – continue to be important in a digital context. A study by Bain & Company in 2007 forecasted that the audience would continue to prefer such a 'passive', homely experience - to the detriment of purely Internet-based VoD services experience (Bain & Company, 2007). As the boundaries between the underlying technology for delivery blur, the potential audience reach for all types of services, including OTT, thus becomes set on a more equal footing.

3.5 VoD content catalogue characteristics

VoD services also greatly differ in terms of catalogue. This not only relates to the diversity of genres but also – and of particular importance in a European context – to the geographical origin of the content.

The idea that digital technology will allow for a greater diversity of the content offer, and therefore of consumption, has been argued for in Anderson's Long Tail theory (Anderson, 2008). He states that, through online delivery channels, a scattered audience can be reached and connected, thus overcoming the limits of space and time that exist in traditional audiovisual markets. Firstly, this 'tail' (i.e. the works that are not generating enough revenues to cover the costs of making them available in physical retails) gets longer and longer. Secondly, the tail is now coming within (economic) reach. Thirdly, the aggregation of niche markets may add up to a market of significant size. Simply putting content out there is not enough to translate this to an increased diversity of consumption, however. In a world of infinite choice, guiding signs become increasingly important. Social media, personalised recommendation and search technologies in this sense have a crucial impact on the discovery and selection of audiovisual works by the audience. For European content, the key question is whether this potentially better fit between content supply and audience preferences will result in the increased circulation and consumption of non-national European audiovisual works.

The MAVISE database shows that catch-up TV services are particularly well represented in Europe (cf. above, table 1). They are offered by a television broadcaster in order to watch certain television programmes during a limited time (usually between one week and one month) after their initial broadcast on the chain. Other services may focus on e.g. feature films, TV fiction, sports, animation, documentaries, music, short films or a combination of this.

Within the quick scan, we found that most services provided feature films. TV series, sports, animation, documentaries and music content were also found to be present on a significant number of the 116 offers. Many of the services offer a mix of content, but some are also specialised in one particular type of "niche" audiovisual content, such as shorts (e.g. ShortsTV) or documentaries (e.g. DAFilms).

In terms of geographic origin, limited data gathered in previous studies suggests that the online market is not more diverse, neither in terms of supply nor demand (see e.g. KEA & Mines, 2010). A comparison of French data on the cinematographic offer on French VoD services and in theatres shows more diversity in theatres (especially with a less hegemonic place for US films). Thus the offer on VoD (vs. in theatres), consisted of 27,4% French films (vs. 35,3%); of 45,2% US films (vs. 27,1%); of 16,3% non-national European films (vs. 24,1%); and of 11,2% other origins (vs. 13,5%) (CNC, 2013a).[18] A comparison between VoD and linear transmission – again based on French data – provides a less straightforward outcome, actually on television, the offer consisted in 2012 of 38,4% French films; of 45,0% US films; of 14,0% non-national European films; and of 2,6% other origins (CNC, 2013b).[19] In any case, VoD does not score particularly better than linear transmission; the Long Tail theory has not been confirmed for VoD in the EU, at least not yet.

Among the services reviewed in the quick scan, some nevertheless stand out because of their specific "European" orientation. This is in particular the case for those VoD offers that have been funded by the MEDIA programme (e.g. Mubi, Universciné, Volta and others). Indeed, a European dimension is clearly visible in the eligibility criteria for funding under this programme. Currently, the content has to come from at least five European countries and represent at least five EU languages. One country cannot represent more than 40% of the content catalogue. Moreover, the costs made for the exploitation of non-European content are not considered eligible costs (see Euréval & Media Group, 2010a).

[18] Data for VoD are for 2012. Data for theatres are for 2011. They are our own calculations based on data provided by CNC (http://cnc.fr/web/fr/statistiques-par-secteurs, last accessed: 25 June 2013)

[19] These data concern fictions in general (hence also TV series for example) broadcasted during prime time (from 8.30pm to 10.30pm) by the six oldest TV channels (TF1, France 2, France 3, M6, Arte, Canal+). For free TV channels only, the percentages are around the same: respectively 40,2%; 44,7%; 12,1%; and 3,0%. However pay TV Canal + has a different offer with respectively 27,0%; 46,8%; 26,1%; and 0%.

4 The characteristics of the studied services

4.1 The selection process

The previously mentioned quick scan of a total of 116 VoD services, available in at least one EU market, was instrumental in arriving at a set of 20 key players to interview in-depth (Table 3). It was not within the scope of this project to do an exhaustive review of the EU VoD landscape. Rather the aim was to include the main services known for each EU country. The European Audiovisual Observatory's expanded Mavise database was moreover not yet published at the time of the selection, so – as noted earlier – we relied on a combination of Internet research, earlier studies and input from experts[20]. Lastly, over the subsequent course of the study, we continued to gather input from sector stakeholders in order to check the relevance of our preselection, which confirmed the results of our quick scan. Nevertheless this did lead to the later inclusion of Cinecliq – not identified in the quick scan – as an interesting player to interview.

The final selection of services includes Acetrax, Global BBC iPlayer, Canal Play, Cinecliq, Curzon on Demand, DAFilms, Filmin, Filmotech, Heimseh TV, medici.tv, Moviepeak, Mubi, Realeyz, Seenow, Universciné, Voddler, Volta, RTL Interactive's 6 on-demand services (RTL Now, Vox Now, RTL II Now, RTL Nitro Now, Super RTL Now, n-TV Now), Voyo and Youzee.

In this Section, we turn to a more in-depth analysis of the business model features of the 20 players (Subsection 3.4). Added to this, we begin this section with an overview of how the 20 perform following the three other areas of selection: type (Subsection 3.1), audience reach (Subsection 3.2) and content catalogue (Subsection 3.3).

Table 3 provides main information for each service in our sample. In addition, for each service we include an information sheet in annex. These have been filled out on the basis of desk research and cross-checked with the service providers themselves.

[20] Including notably the EAO and the IVF.

VoD player	Popularity		Variety of offer		Geographical availability	Business model features		
	Users	**Transactions**	**Number of Titles**	**Content origin**	**Markets covered**	**Type of provider**	**Specificities of the delivery platform**	**Specificities of the revenue model**
Acetrax			2,000	All	CH, AT, GB, IE, IT, FR, DE, LI	Satellite broadcasting company	PC, Phone, Connected TV, Tablets, Cable	Pay-per-unit
BBC iPlayer	Over 1 million downloads since launch in July 2011		600 titles/5000 episodes	National	AT, BE, CA, AU, DK, FI, DE, IT, LU, IE, NL, PT, ES, SE, CH	(Commercial arm of) Public Service Broadcaster	iPhone, iPad	SVoD (monthly or annual), limited advertising
Canal Play	Objective: 200 000 subscribers SVOD		8000 TVoD 5000 SVoD	All	FR	Multinational media group	PC, Games console, Connected TV, Tablets, Cable, IPTV	Pay-per-unit, SVoD
Cinecliq	Approx. 3000		400	All	246 countries where Facebook is available	Content aggregator	PC, Phone, Tablets	Pay-per-unit
Curzon on Demand			300+	US (13%), 45% NNE, 25% National	GB, IE	Film distribution and exhibition company	PC, Phone, Connected TV, Tablets	Pay-per-unit, occasional advertising
DAFilms.com	1 138 unique visitors per day	10-15 a day	More than 800	All	Global (7 languages)	Alliance of 7 key European documentary film festivals	PC, Phone, Tablets	Pay-per-unit
Filmin	More than 700.000 unique visitors per month + 10.000 subscribers	140.000 video films delivered per month + 10.000 transactions	4,500 films (10% available in rental only, 90% rental and subscription)	US (20%), 60% NNE, 25% National	ES	Content aggregator	PC, Phone, PS3, Connected TV, Tablets, IPTV	Pay-per-unit, SVoD
Filmotech	3,200 unique visitors per day		1600	All	Available in the whole world. Website in Spanish and English; films are in Spanish (some with subtitles). 60% of content is available in every country	Collecting society that represents and defends the interests of audiovisual producers in Spain	PC, Phone, Tablets	Pay-per-unit, SVoD

VoD player	Popularity		Variety of offer		Geographical availability	Business model features		
	Users	**Transactions**	**Number of Titles**	**Content origin**	**Markets covered**	**Type of provider**	**Specificities of the delivery platform**	**Specificities of the revenue model**
Heimseh TV	Several 1000s registered users		2000	All	Global except DE, AT and CH	Content aggregator	PC, Phone, Tablets	Pay-per-unit, SVoD (monthly and annual)
medici.tv	3,500 paying subscribers	140,000 views monthly plus 40,000 on dedicated devices	1200	All	Global. Audience from more than 180 countries and available in 5 languages (French, English, Spanish, Japanese, Chinese)	Content aggregator	PC, Phone, Connected TV, Tablets	Pay-per-unit, SVoD, sponsoring, free event-based
Moviepeak/VODO	500 during initial pilot project release in GR/CY; Currently awaiting completion of roll-out deals in certain territories		Around 500 per year (continuous rotation of recent films planned) Currently freeze of content acquirements until roll-out deals are completed	All	Initial offer was available in GR, CY; Partnership with Digitalb (AL); Partnerships are being set up in US, DE, GH, ZA, GR (distinct offers)	Technology company	DTT, Digital satellite	Pay-per-unit, SVoD
Mubi Europe	4 million subscribers; 1.3 million visitors monthly		More than 3,000 films	All	177 countries (site in different languages: English, French, Italian, German, Norwegian, Spanish, Portuguese, Dutch)	Content aggregator	PC, PS3, IPTV	Pay-per-unit, package deals, SVoD, advertising
Realeyz	120,000 unique visitors monthly 40,000 users registered 1,000 subscribers		Depends on country. Overall up to 2,000	European and National	Website available in English, French, Spanish and German; other languages in subtitles	Online and offline distribution solutions	PC, Connected TV	Pay-per-unit, SVoD, limited free offer
RTL Interactive (RTL Now, Vox Now, RTL II Now, RTL Nitro Now, Super RTL Now, n-TV Now)	RTL Now: 2.66; Vox Now: 0.88; RTL II Now: 1.52; RTL Nitro Now: 0.11; Super RTL Now: 0.18; n-TV Now: 0.11 *(Million unique users)*		RTL Now: 8,600; Vox Now: 5,600; RTL II Now: 2,200; RTL Nitro Now: 1,100; Super RTL Now: 900; n-TV Now: 300 *(Episodes / Videos)*	All	Global for RTL's own content (with possible geo-blocking). Core Market is Germany (90-95% of usage), Austria/Switzerland (up to 6%); Maximum of 2% Luxemburg, Liechtenstein and German Speaking regions in Belgium/Netherlands	Broadcaster	PC for all. For some: Connected TV, Phone, Tablets, Cable *(see Information Sheets in Annex)*	Pay-per-unit, advertising
Seenow	65,000 + registered users		67 TV programmes; over 600 movies, series and documentaries	All	RO, GR, CY (Romanian content worldwide)	Content aggregator	PC, Phone, Connected TV, Tablets	Pay-per-unit, SVoD, packaging with telecom services and devices

VoD player	Popularity		Variety of offer		Geographical availability	Business model features		
	Users	Transactions	Number of Titles	Content origin	Markets covered	Type of provider	Specificities of the delivery platform	Specificities of the revenue model
Universcine		1 million (2012)	2398	All	FR	Association of content rights holders (49 shareholders: independent producers, distributors and sales agents of feature films).	PC, Connected TV, IPTV	Pay-per-unit
Voddler	1.2 million registered users in Scandinavia and Spain		+5000	All	SE, NO, FI, DK, ES. Since April available in the whole world (LiveShelf)	Technology company / Content aggregator	PC, Phone, Tablets	Pay-per-unit, SVoD
Volta			Approx. 360	US (15%), 38% NNE, 41% National	IE	Film production, distribution and exhibiton company	PC	Pay-per-unit, package deals
Voyo	Varies according to territory, between 91,000 and 448,000 average monthly audience		Varies according to territory, between 350 and 1000 (SVOD)	All	Distinct services in CZ, HR, SK, SI, RO, BG. Each service limited to one country	Multinational media and entertainment company	PC and IPTV in each country; iPhone, Tablets, Connected TV in some countries	SVoD
Youzee	130,000 users		Over 1,000 films and TV series	US (80%), 7% NNE, 13% National	ES, Andorra	Cinema theatre	PC, Phone, Connected TV	Pay-per-unit, advertising

Table 3: Overview of key characteristics of 20 selected VoD players[21]

[21] AL: Albania; AT: Austria; AU: Australia; BE: Belgium; BG: Bulgaria; CA: Canada; CH: Switzerland; CY: Cyprus; CZ: Czech Republic; DE: Germany; DK: Denmark; ES: Spain; FI: Finland; FR: France; GB: United Kingdom; GH: Ghana; GR: Greece; HR: Croatia; IE: Ireland; IT: Italy; LI: Liechtenstein; LU: Luxemburg; NL: Netherlands; NO: Norway; PT: Portugal; RO: Romania; SE: Sweden; SI: Slovenia; SK: Slovakia; ZA: South Africa.

4.2 Type of VoD players selected

The selection includes all kinds of providers, the most common being content aggregators. Next to that, there are initiatives in the list with a background in (satellite) broadcasting, public service broadcasting, distribution, exhibition and telecom activities. We have included Filmotech and DAFilms.com given their particular background as an initiative of, respectively, a collecting society and an alliance of documentary film festivals. The selection covers both services that are part of an integrated, sometimes multinational, media company and other services that are initiatives by independent companies. While we tried to include one or more of the bigger VoD players on the European market that are (indirectly or directly) in hands of US companies, such as Apple's iTunes or Netflix, they were not reachable and/or willing to participate. We did include a few services established outside of the EU in our selection (Acetrax, Cinecliq, Mubi).

In the initial database of 116 services, we aimed at including at least for every EU Member State one service established there. It has therefore been one of our concerns not to loose this sense of geographical coverage in the final selection. Indeed, even if not all EU member states are included in this set of key players, we have included VoD services from all over Europe. Moreover, attention has been given to the inclusion of services based in large as well as small Member States. Table 4 below provides an overview of the type of the 20 selected service providers.

Finally our selection includes services with various levels of development, from barely established (e.g. Moviepeak) to just shut down (Acetrax). We have services that were pioneers in their home market (e.g. Universciné in France) or services that have just been launched (Volta was launched in 2012).

VoD Player	Provenience of the provider (of the mother company)	VoD Service Provider (Mother Company)	Type of provider (affiliate)
Acetrax	Switzerland (United Kingdom)	Acetrax (BSkyB)	Satellite broadcasting company
BBC iPlayer	Great Britain	BBC Worldwide/BBC	Public Service Broadcaster (commercial arm)
Canal Play	France	Canal Plus Group	Multinational media group
Cinecliq	USA	Cinecliq	Content aggregator
Curzon on Demand	United Kingdom	Curzon Cinemas Ltd	Film distribution and exhibition company
DAFilms.com	Czech Republic	DOC-AIR	Alliance of 7 key European documentary film festivals
Filmin	Spain	Comunidad Filmin, S.L.	Professionals from the industry
Filmotech	Spain	EGEDA	Collecting society that represents and defends the interests of audiovisual producers in Spain
Heimseh TV	Germany	Heimseh.TV UG	Content aggregator
medici.tv	France	Museec SAS	Content aggregator
Moviepeak/VODO	Greece	Twin Peak S.A	Technology company
Mubi Europe	France, United Kingdom, Turkey (USA)	Mubi Europe (Bazaar Inc)	Content aggregator
Realeyz	Germany	EYZ Media OHG	Online and offline distribution solutions
RTL Interactive (RTL Now, Vox Now, RTL II Now, RTL Nitro Now, Super RTL Now, n-TV Now)	Germany (Luxembourg)	RTL Television / RTL interactive (Mediengruppe RTL Deutschland / RTL Group)	Broadcaster
Seenow	Romania	Direct One	Content aggregator
Universcine	France	LMC (Le Meilleur du Cinema SAS)	Association of 49 content rights holders
Voddler	Sweden	Voddler	Technology company
Volta	Ireland	Element Pictures	Film production, distribution and exhibiton company
Voyo	Slovakia	Central European Media Enterprises (CME)	Multinational media and entertainment company
Youzee	Spain	Youzee (Yelmo)	Cinema theatre

Table 4: Twenty selected service providers: Type

4.3 (Cross-border) audience reach

As explained in Section 2.4, not much information is given on the level of popularity of the VoD services in Europe. For the 20 selected services, a more detailed search did uncover some information on the number of users of the services and the number of transactions done. Nevertheless, various definitions may be used and these numbers should therefore be taken as indicative. Table 5 shows that our selection includes a wide variety of popularity levels, which should also be linked to the content characteristics of the catalogue (mainstream or niche) (see 3.5), but also its geographical reach (Table 6).

In general, the interviewed services were very reluctant to give usage and revenue numbers. While we thus do not dispose of sufficient data to evaluate the success of the different services, the impression is that none of the players in this market is profitable at this stage.

The interviewees moreover estimated that even the biggest US players have not been able to recoup the important content licensing and other investments.

VoD player	Popularity	
	Users	Transactions
Acetrax		
BBC iPlayer	Over 1 million downloads since launch in July 2011	
Canal Play	Objective: 200 000 subscribers SVOD	
Cinecliq	Approx. 3000	
Curzon on Demand		
DAFilms.com	1 138 unique visitors per day	10-15 a day
Filmin	More than 700.000 unique visitors per month + 10.000 subscribers	140.000 video films delivered per month + 10.000 transactions
Filmotech	3,200 unique visitors per day	
Heimseh TV	Several 1000s registered users	
medici.tv	3,500 paying subscribers	140,000 views monthly plus 40,000 on dedicated devices
Moviepeak/VODO	500 during initial pilot project release in GR/CY; Currently awaiting completion of roll-out deals in certain territories	
Mubi Europe	4 million subscribers; 1.3 million visitors monthly	
Realeyz	120,000 unique visitors monthly 40,000 users registered 1,000 subscribers	
RTL Interactive (RTL Now, Vox Now, RTL II Now, RTL Nitro Now, Super RTL Now, n-TV Now)	RTL Now: 2.66; Vox Now: 0.88; RTL II Now: 1.52; RTL Nitro Now: 0.11; Super RTL Now: 0.18; n-TV Now: 0.11 *(Million unique users)*	
Seenow	65,000 + registered users	
Universcine		1 million (2012)
Voddler	1.2 million registered users in Scandinavia and Spain	
Volta		
Voyo	Varies according to territory, between 91,000 and 448,000 average monthly audience	
Youzee	130,000 users	

Table 5: Twenty selected VoD services: users and transactions

In view of the research questions, the cross-border reach of these services is a particular point of attention. The selection includes service providers active in many European countries, sometimes even in the whole world, e.g. DAFilms or MUBI. Others are only available in the home territory (e.g. CanalPlay); in a set of countries from the same region (e.g. Voyo), or in a cluster of seemingly partly disparate countries (e.g. Voddler, present in Sweden, Norway, Finland, Denmark and Spain). Heimseh TV's services are available for German-speaking people everywhere, except in Germany, Austria and Switzerland.

When we link this back to their background, a few selected players have a pre-existing base in several territories, which has been duplicated in a digital context. This is notably the case for Voyo, which is exploited as a VoD brand in 6 countries. The mother company, Central European Media Enterprises, was already active in the region. Still, every brand is managed at the national level, with strategic decisions taken in a dialogue with the mother company.

Others have started from a home market but have expanded to neighbouring countries or beyond.

The reasons behind the expansion to certain territories differ. Generally, we can distinguish between two approaches. On the one hand, some services build their cross-border offer based on an assessment of the audience potential in these territories. This is the case for instance for the BBC iPlayer, which first launched in territories where a demand for this offer was considered to be most probable (linked to the branding presence of BBC).

On the other hand, some services build a cross-border offer based on the access to content licenses for these territories. Seenow focuses on the Romanian market but has built up an offer in Greece and Cyprus because of its partnership in those countries with Samsung Smart TV. Some services are available worldwide, but do not invest in promotion or language versions outside the home market (e.g. Filmotech). Even for those that invest to target foreign markets, the home market is often the most important one, because of the services' roots and their situation in that territory (e.g. for medici.tv, France is in reality a clear home market).

A particular approach is followed by the EuroVoD network, which regroups several of the MEDIA-supported VoD players (from our selection Volta, Filmin and Universciné). By pooling costs and knowledge, these players are able to realise benefits while each maintains its localised roots. In particular each VoD service within this network has their own catalogue. While in some cases, one member's access to a catalogue may ease the access for other members, the general rule seems to be that every member will build their own offer based on their own links with right holders and their view of the market. Hence, content provided by VoD services within the EuroVoD network varies according to each country.

VoD Player	Provenience of the provider (of the mother company)	Markets covered	Comments
Acetrax	Switzerland (United Kingdom)	CH, AT, GB, IE, IT, FR, DE, LI	-
BBC iPlayer	Great Britain	AT, BE, CA, AU, DK, FI, DE, IT, LU, IE, NL, PT, ES, SE, CH	-
Canal Play	France	FR	-
Cinecliq	USA	246 countries	Where Facebook is available
Curzon on Demand	United Kingdom	GB, IE	-
DAFilms.com	Czech Republic	Global	7 languages
Filmin	Spain	ES	Member of EuroVOD
Filmotech	Spain	Global	Website in Spanish and English; films are in Spanish (some with subtitles); 60% of content available in every country
Heimseh TV	Germany	Global except DE, AT and CH	Not available in DE, AT and CH
medici.tv	France	Global	Audience from more than 180 countries. Available in 5 languages (French, English, Spanish, Japanese, Chinese)
Moviepeak/VODO	Greece	Initial offer was available in Greece, Cyprus; Partnership with Digitalb (Albania); Partnerships are being set up in USA, Germany, Ghana, South Africa and Greece	-
Mubi Europe	France, United Kingdom, Turkey (USA)	177 countries	Site in different languages: EN, FR, IT, DE, NO, ES, PT, NL
Realeyz	Germany		Website available in EN, FR, ES and DE; other languages in subtitles
RTL Interactive (RTL Now, Vox Now, RTL II Now, RTL Nitro Now, Super RTL Now, n-TV Now)	Germany (Luxembourg)	Global	Global for RTL's own content (with possible geo-blocking); Core Markets is Germany (90-95% of usage), Austria/Switzerland (up to 6%); Maximum of 2% Luxemburg, Liechtenstein and German speaking regions in Belgium/Netherlands
Seenow	Romania	RO, GR, CY	Romanian content available worldwide
Universcine	France	FR	Member of EuroVOD
Voddler	Sweden	SE, NO, FI, DK, ES	Since April available in the whole world (LiveShelf)
Volta	Ireland	IE	Member of EuroVOD
Voyo	Slovakia	CZ, HR, SK, SI, RO, BG	Distinct services in CZ, HR, SK, SI, RO, BG. Each service limited to one country
Youzee	Spain	ES, Andorra	-

Table 6: Twenty selected VoD providers: cross-border reach[22]

[22] AL: Albania; AT: Austria; AU: Australia; BE: Belgium; BG: Bulgaria; CA: Canada; CH: Switzerland; CY: Cyprus; CZ: Czech Republic; DE: Germany; DK: Denmark; ES: Spain; FI: Finland; FR: France; GB: United Kingdom; GH: Ghana; GR: Greece; HR: Croatia; IE: Ireland; IT: Italy; LI: Liechtenstein; LU: Luxemburg; NL: Netherlands; NO: Norway; PT: Portugal; RO: Romania; SE: Sweden; SI: Slovenia; SK: Slovakia; ZA: South Africa.

4.4 The variety of VoD content offers

We saw in Section 2 that catch-up services are most prominent in the MAVISE database, followed by feature film VoD. In view of the research questions, the focus of this report however was not put on catch-up services. This element taken aside, our selection can be said to be representative of the general European situation, with feature films most prominently present in the offers that we studied (Table 7), often also including animation and documentary titles.

Number of services providing	
Feature Films	17
TV Content	13
Catch-up TV	5
Sports	1
Animation	15
Documentary	18
Music	4

Table 7: Presence of different types of content in the selection

Some of the smaller catalogues are instead specialised in one or more audiovisual formats or genres, such as documentaries (e.g. DAFilms, 800 titles), art house and/or European films (e.g. Mubi, the members of EuroVOD), Spanish-language films (Filmotech) or German-language films (Heimseh TV).

From the interviews, it appeared that there is a link between the chosen revenue model and the content catalogue characteristics. Transactional VoD offers can get access to the latest VoD releases, with sometimes a distinction between rental and EST. Due to its different position in the media chronology, subscription-based offers usually comprise library content. If free content is offered, it usually concerns either even older titles, or a very limited "event-type" release of a new title. As a result, those services that offer all four options (rental, EST, SVOD, free VOD) work with four distinct catalogues, i.e. not all the films are proposed in all (revenue) formulas (e.g. Voddler).

Note that even content catalogues of services that belong to the same entity (e.g. Voyo with Central European Media Enterprises), typically vary according to the country where the service is available. According to Universciné, for example, the specific demand features of each national market, which stand in relation to its language and culture, have an impact on the content offers that are developed. As such each member of the EuroVoD network puts different emphases, by offering e.g. more documentaries, more TV series, etc. At the same time, the members of the network do partner up sometimes for the acquisition of a common license for the markets covered by their services.

Providers also take into account the availability and the cost of licences in the building of their catalogues. For some content, licences can be acquired for the whole world at a cost deemed reasonable by the provider, hence the fact e.g. that 50% of Filmotech's repertoire can be consumed in the whole world; Romanian content available on Seenow is available in the whole world; all DAFilms' films can be watched all around the world. On the other hand, a few interviewees mentioned that the cost of acquiring licences for an additional territory (notably within the EU) is too expensive compared to the potential additional revenues. In particular licences concerning US blockbusters belong to this category. While such US blockbusters are the most likely to bring revenues in cross-border offers, the related licensing costs are still often seen as too high compared to foreseen revenues.

4.5 Selected business model features of the selected providers

In terms of business model features, we can distinguish the revenue model, the delivery platform used and the choice of transfer technology (download or streaming) (Table 8).

First of all, most services in our selection rely on direct payment propositions: on a pay-as-you-go basis and/or subscription basis. Indirect revenue generation through advertising is sporadically present, but in combination with direct paying models. Free models are not common either, but are sometimes used for instance to generate attention to the site, for "online events". Medici.tv for instance offers such free offers and in other words forms a "freemium" model.

From the interviews, it appears that the choice for one or the other revenue model is linked to 1) an evaluation of the commercial potential of each option, 2) the business environment at the time of launch and 3) the costs associated with each model.

These evaluations can change over time. In addition there can be different views on the same market. Spain constitutes an interesting example in that respect. Youzee started with both SVoD and TVoD but now only offers transactional VoD as it considered SVoD as not a viable option in Spain. On the contrary, Filmin supports subscription in Spain (contrary to other members of the EuroVoD network such as Universciné) as well as pay-per-unit, notably by arguing that with the rise of e.g. music streaming services (like Spotify), there have been changes in consumers' habits. Even more interestingly both players justify their choice of a revenue model by the fact that they are faced with competition by piracy. Hence the choice of the revenue model in this case may have other reasons, maybe the fact that Filmin (SVoD and TVoD) provides indie content while Youzee (TVoD only now) provides US majors content.

More importantly, there are costs associated with shifting the business model. It usually involves renegotiating all contracts and also has an impact on the catalogue offer (cf. above, related to release windows). Another interviewee added to this that big content providers (such as the Hollywood studios) prefer to work with Transactional VoD, and that subscription services such as Netflix find it increasingly difficult to access premium content.

Secondly, the selection covers all kinds of delivery platforms. In general, on-demand services can be accessed on several screens or devices: a) the personal computer screen; b) the television screen; c) stand-alone devices such as game consoles (e.g. Xbox); d) mobile devices (tablets, phones) and even e) cinema theatres (so-called digital cinema on demand or DCD). Within our selection, almost all services offer movies for screening on the personal computer screen. Some of these are nevertheless present on IPTV offers, often through specific partnerships (e.g. Mubi, present on the Belgacom TV VoD offer in Belgium). An interesting individual case is Moviepeak/VODO, which works exclusively via a set-top box for DTT or Digital satellite. The data also show that there is an interest in mobile devices for VoD viewing, with many of the selected players offering their catalogue on phone and/or tablet screens. Likewise, many are positioned on Connected TV, which we saw is expected to fundamentally alter the composition of the audiovisual value network.

A third aspect relates to the choice of transfer technology. Here we can distinguish between downloading and streaming content. Usually, this is done on a rental basis, but certain VoD services may also offer audiovisual programmes on a permanent basis. In practice, streaming is usually equated with rental offers, whereas downloads are associated with permanent sales. Such downloads are also known as download-to-own or electronic-sell-through. When the files can be burned (on a DVD for instance), the term download-to-burn is used. For the selected services, streaming of rented titles has become most prominent.

VoD player	Specificities of the delivery platform	Specificities of the revenue model	Downloading Yes/ No	Streaming Yes/No
Acetrax	PC, Phone, Connected TV, Tablets, Cable	Pay-per-unit	Yes	Yes
BBC iPlayer	iPhone, iPad	SVoD (monthly or annual), limited advertising	Yes	Yes
Canal Play	PC, Games console, Connected TV, Tablets, Cable, IPTV	Pay-per-unit, SVoD	Yes	Yes
Cinecliq	PC, Phone, Tablets	Pay-per-unit	No	Yes
Curzon on Demand	PC, Phone, Connected TV, Tablets	Pay-per-unit, occasional advertising	No	Yes
DAFilms.com	PC, Phone, Tablets	Pay-per-unit	Yes	Yes
Filmin	PC, Phone, PS3, Connected TV, Tablets, IPTV	Pay-per-unit, SVoD	No	Yes
Filmotech	PC, Phone, Games console, Connected TV, Tablets	Pay-per-unit, SVoD	No (abandoned)	Yes
Heimseh TV	PC, Phone, Tablets	Pay-per-unit, SVoD (monthly and annual)	Yes	Yes
medici.tv	PC, Phone, Connected TV, Tablets	Pay-per-unit, SVoD, sponsoring, free event-based	No	Yes
Moviepeak/VODO	DTT, Digital satellite	Pay-per-unit, SVoD	Yes	n/a
Mubi Europe	PC, PS3, IPTV	Pay-per-unit, package deals, SVoD, advertising	No	Yes
Realeyz	PC, Connected TV	Pay-per-unit, SVoD, limited free offer	Yes	Yes
RTL Interactive (RTL Now, Vox Now, RTL II Now, RTL Nitro Now, Super RTL Now, n-TV Now)	PC for all. For some: Connected TV, Phone, Tablets, Cable	Pay-per-unit, advertising	No	Yes
Seenow	PC, Phone, Connected TV, Tablets	Pay-per-unit, SVoD, packaging with telecom services and devices	No	Yes
Universcine	PC, Connected TV, IPTV	Pay-per-unit	Yes	Yes
Voddler	PC, Phone, Tablets	Pay-per-unit, SVoD	Yes	Yes
Volta	PC	Pay-per-unit, package deals	Yes	Yes
Voyo	PC and IPTV in each country; iPhone, Tablets, Connected TV in some countries	SVoD	No	Yes
Youzee	PC, Phone, Connected TV	Pay-per-unit, advertising	No	Yes

Table 8: 20 selected VoD providers: business models

5 The VoD players' opinion on obstacles towards VoD in the EU

The Section presents the main obstacles identified by the 20 VoD service providers during the interviews. We have grouped them in 9 sections. Some are obstacles for the development and the success of VoD markets in general, while others hinder the cross-border availability of VoD services and/or the circulation of European content across the EU (the distinction will be elaborated further upon in Section 5). In addition, some obstacles apply for all services while others are of concern only for some of them (and can even be perceived as positive by other providers). Thus, one obstacle will play a more or less significant role according to the country, e.g. in some countries the low level of broadband penetration is an obstacle, whereas in others, its roll-out may be an opportunity. These differences between countries will be put forward when relevant.

The Section is organised from the more general to the specific, in terms of the potential obstacles and/or opportunities encountered by the interviewed VoD service providers. It first describes macroeconomic conditions of notably demand and infrastructure (4.1., 4.2. and 4.3.). It also briefly looks at legislative harmonisation aspects (4.4.), before moving to industry-related issues, focusing on competition aspects (4.5.). It then goes over microeconomic issues, with problems encountered in the licensing process (4.6. and 4..7). While all those issues potentially affect all VoD service providers, the identification of obstacles depends also on each provider’s strategic choices. Such choices relate for instance to technology (standards, portability, etc.) (4.8.) or marketing (localised marketing, subtitling or dubbing) (4.9.). As much as possible, the Section includes the interviewees’ assessments on how the identified issues will evolve further.

It should be insisted that this Section reflects the VoD service providers’ perception and opinion, not the Team’s actual views. In Section 5 we will offer some contextualization and conclusions that can be derived from the analysis of the content of the interviews.

5.1 Audience uptake of VoD

In all EU countries, the VoD market is developing rapidly. However all interviewees explain in one or another way that the market is not mature enough yet to allow VoD services to be profitable. Some of the interviewed providers have even experienced failures, i.e. services that have shut down (thus Acetrax has shut down on June, 21, 2013). Many interviewees however expect their service to be profitable in the coming years. Those that benefit from MEDIA or other funding express their dependency on such schemes.

According to the interviewees, VoD poses an educational challenge for some parts of the population, especially the non-digital natives. Growth in VoD markets, they continue, is explicitly connected to the adoption of new technologies (e.g. development of broadband) and new consumption modes by audiences. The case of Germany was highlighted by a few interviewees, with only 7% of video consumption in Germany so far taken up by VOD (expected to grow to 10% this year). The country is perceived by the players present in this market to be lagging behind to comparable markets such as the UK, with no VoD service able to make a profit yet. Nordic countries offer a very different case according to one of the interviewees. There is already some regional integration and, as the interviewee explains, audiences have developed strong online habits, which makes the step to accessing content online smaller. He also argues that the arrival of Netflix is further pushing video consumers online. The idea that the launch of large brands (originating in the US) influences the mass-market take-up of VoD was voiced in other interviews as well. Even if these players are potential competitors, some of the interviewees saw their entrance as potentially beneficial for the market as a whole.

One reason often evoked to explain the lack of VoD take-up is piracy and the observation that those users that are willing or used to access content online, are not used or willing to pay for this type of content. While the development of attractive VoD offers has often been put forward, in literature and analyses on the topic, as a key way to tackle illegal consumption of content online, it nevertheless appears from the interviews that the selected services struggle with this illegal consumption. The interviewed services are unanimous in their identification of piracy as a concern. Some put forward the need of a mentality shift at audience level. Others take piracy as a given fact, which VoD services ought to adapt to. By providing better quality they may even overcome it to some extent. Nevertheless most interviewees think that piracy is not likely to decrease in the short term. In the same way, some interviewees explain how they tap into the Internet users' taste for free content in order to induce them to register on their service.

Some interviewees also point out the fact that, faced with the abundance of content online (and ways to access it), the audience needs to develop its own curating skills. According to some, technology will assist this (search algorithms). Others identify an important editing role in this respect for the VoD platforms themselves.

5.2 An insufficient – or ill-known – level of cross-border demand

If the attractiveness of VoD offers to the general public is not felt to have reached its potential, the cross-border reach of legal VoD offers is not seen as particularly promising by several interviewees. They point out the lack of audience demand for cross-border services and content in Europe. Interviewees active in one country (i.e. either available in only one country or targeting their marketing effort only toward one country, usually their home country) often use it as an argument to explain why they are not developing cross-border activities. Interviewees active in more than one country notice that demand for certain titles is very fragmented, usually along territorial borders. This makes it necessary for them to develop very specific content offers and associated marketing efforts on such a territorial basis. However, the biggest (US) titles seem to have sufficient cross-border attraction towards mainstream audiences. As a result players will often not gear investments and promotion efforts towards non-local, non-US content – except for those specialised in non-mainstream offers (e.g. art house fiction, documentaries, music).

Yet all in all, the on-demand market is perceived as similar (in terms of fragmentation) to other windows (television, home video), with players applying similar rules as were established in the analogue world. The interviewees moreover believe that this fragmentation of audience preferences is likely to remain in the coming years.

Therefore, when expanding to new markets, language and culture considerations play a role for the interviewees. The BBC for instance chose to launch its iPlayer abroad first in those countries with a high concentration of English speakers. Likewise, a few of the selected players that are considering other countries to expand to, look first of all towards neighbouring countries and/or countries with the same language. Medici.tv, which provides access to classical music, is an exception in this regard due to its specific type of content and audience. Yet even if language diversity plays less of a hampering role for this service, still one fourth of its subscribers is based in its home market, France.

Despite the fact that they downplay the potential audience demand for local and non-local titles across borders, many interviewees (and sometimes the same as those mentioned in the previous paragraphs) affirm that there is in fact insufficient knowledge about audience preferences. As such the potential of smaller or non-national European titles can for instance be difficult to ascertain. Some recognize that this sometimes leads to surprises in terms of the performance of particular titles in a certain territory.

Instead of there not being a cross-border potential for VoD content circulation, the real problem seems to be that the risk levels - inherent to the movie business - are perceived to be too high. Making titles available in other territories indeed entails additional costs, in particular in terms of licensing (see section 4.7.), which many interviewees consider as too high compared to the expected revenues. Next to that e.g. the costs of acquiring different language licenses, there are also, more generally, additional costs related to language adaptation. For example, dubbing and subtitling costs can run up very high. Many interviewees have thus concluded that the costs of setting up an offer in multiple languages forms an obstacle for their expansion. Thus one interviewee even says that this is the establishment of services in multiple languages that forms a key challenge, rather than the establishment in multiple territories. As a result, most interviewees' services are available in more than one country but their marketing efforts (language, adapted offer, localised marketing tools, etc.) focus on their home country.

5.3 Infrastructure

Many interviewees identify broadband and device penetrations (e.g. the adoption of smartphones, Smart TVs and tablets) as important enabling factors for the set-up of successful VoD services, as they foster the evolution of consumption habits. In this regard there continue to be differences between the EU countries. For example, one interviewee stated that Nordic countries have a good broadband connection compared to Spain. Another interviewee mentioned the fact that broadband is not well developed in Ireland.

It appears from the interviews that while some countries are lagging behind in infrastructure development, infrastructural progress is also identified as an opportunity by some of the interviewees, who explicitly mentioned the positive impact of recent advances of the state of (broadband) infrastructure in e.g. Romania. Also some interviewees have developed technologies to circumvent such infrastructural issues. Moviepeak for instance puts forward its development of a specific technological solution built on digital satellite and DTT as a unique selling point, as it permits the roll-out of their offer even in countries where high-speed Internet is not fully rolled out yet.

5.4 Legislative harmonisation

For VoD providers, in particular those with a cross-border presence and/or those faced with competition from non-national players in their home markets, it is important that there is a certain level of harmonisation across the EU. The EU's Audiovisual Media Services Directive plays an important role in this regard.

Nevertheless, some of the interviewees pointed towards remaining problems in this area. First of all, there are still areas in which different regulations apply according to the Member State. Varying age ratings (systems) form one issue that is mentioned as problematic by a number of players. The problem in this regard lies in the differences between the system, not in the characteristics of particular systems. Thus one interviewee explains that Germany has the toughest youth protection law but does not necessarily see it as a problem.

In the same vein, differing tax systems applied to VoD across Europe were also identified by the interviewees as an issue from two different perspectives. Firstly, (restrictive) local tax requirements may play a significant role in the decision where (not) to establish a service. Secondly, the existence of different fiscal systems in the Member States currently poses a problem of competitiveness between local and foreign-based services. Yet with VAT reforms at the EU level to be implemented from 2015 on, an interviewee notes that this should then become less of a problem.

Also, member states vary in their transposition of Directives. As such, different compliance regulations can form a potential threat for cross-border presence, mentioned by one interviewee. The resulting implementation of stricter regulations in some EU countries compared to others, could be a potential future challenge, the same interviewee continues.

Release windows form one particular area that is the subject of differing regulations and/or legislations. Given its importance as an organising principle for the film sector, that has been put increasingly under pressure in a digital context, we discuss it separately in subsection 4.6.

5.5 Competition issues

Moving from the macro- to the industry-level, the development of VoD causes huge changes in the organisation of audiovisual industries across the EU. This affects the relations between the VoD players with other players, notably right holders, incumbent players (e.g. theatre operators, broadcasters) and new entrants.

The convergence between television and online markets through e.g. Connected TV is firstly identified as a particular challenge that will result in new competitive environments, including both global and national or regional players present on the same connected platforms.

Secondly, some interviewees have stated that the position of incumbent players hampers their leeway in establishing the modalities of their VoD offers. This is apparent for instance in the discussions on Pay TV's position in media chronology discussions (cf. 4.6.). For a few interviewees, public service broadcasters should not be active as competitors in the VoD market. A few interviewees also recognized that the choice of where to make their VoD service available was dependent on the content providers’ conditions. Such conditions can also sometimes have an impact on the different prices asked from consumers across different EU countries.

Thirdly, competition issues may arise with regard to new entrants to the market. In particular, several interviewees identified large players that are directly or indirectly linked to US companies (e.g. Google, Apple and Netflix) as potential competitors and even game changers in VoD. While, as noted, their further expansion in Europe is seen as a potential driver for VoD adoption, it is clear that their market power may impact the potential room for other (European) players, who are not building their VoD offer on top of a strong presence in other territories (the US) and/or other industries (e.g. hardware). Related to this, the strong position of players like Apple or Google in the mobile market may prove problematic as other VoD offers are dependent on their dominant iOS and Android platforms to build up a mobile presence.

5.6 Release windows

Release windows (or media chronology) is a domain in which competitive forces are currently very much felt, as new balances are being sought between new and old stakeholders, new and old "windows". This is notably the case since, as shows also our sample of interviewees, VoD services differ greatly one from another. In addition, several interviewees confirmed that in the EU countries, a distinction is drawn between different VoD windows (notably Rental / DTO / SVoD / FVoD).

The organisation of film exhibition in a sequential way, with the titles first released in theatres, followed by distinct (and mostly exclusive) releases in subsequent markets or windows is seen by some interviewees as a way to maximise return on investment. Most players agreed upon the fact that existing release windows system should not be attacked radically, nor did they express the wish to see release windows systems entirely abolished. One interviewee even identified release windows systems as an organising principle that is vital to the functioning of some cross-border services' business models.

A few interviewees are opposed to changes in release windows because release windows are part of an audiovisual ecosystem in which the investments of various market players (e.g. pay TV channels) in content production play an important role. Such interviewees fear changes of release windows might have an impact on the whole audiovisual ecosystem in Europe, ultimately affecting the strength of the industry. This would, in turn, impact the ability of European players to compete with non-European players.

At the same time, some interviewees would prefer a relaxation of the current system, introducing flexibility especially when it concerns small films’ release schemes. This is particularly the point of view of those players that have been experimenting with shortened windows and/or day-and-date releases. Moreover, some interviewees point out that some sector stakeholders, in particular pay TV channels, use release windows as a means to hamper the VoD market's development. By imposing 'unreasonable' holdback periods, these pay TV players negatively impact the attractiveness of legal VoD offers.

Nevertheless, most expect the relation and timing of the different windows to evolve gradually as the VoD market takes further shape.

From a cross-border perspective, some interviewees see the influence of release windows as an additional element that influences the shape of the content catalogue in different markets (see also section 4.2). At a market level, release windows can be part of the obstacles related to licensing (see section 4.7).

5.7 Licensing

Acquiring content licenses is an important aspect of any VoD service's activity, which depends on a few factors. These include the relations with other players in the industry (right holders but also other media, since these media may want an exclusivity on their content, which limits the VoD services' access to such content) and the countries in which the service is available.

First of all, some licensing issues are related to the availability and identification of content. The lack of availability of content in digital formats, in particular archive content, was mentioned as an obstacle by one interviewee. There can be different versions or files for one title but one interviewee said that there is not enough information allowing to identify those different versions, due to the lack of common metadata systems. The same interviewee mentions the ISAN (International XYZ) system as an important – but still insufficient – contribution to the improvement of this situation. Another interviewee mentioned that identifying right holders could be a costly process.

Second, once licensing rights are being negotiated, further issues arise, which are inherently tied to the still limited size of the emerging VoD market in Europe. Television licensing revenues are for instance seen as significantly more valuable to rights holders than VoD licensing revenue. Some interviewed players noted that, as a result, the prices for VoD licenses are set too high by content owners, which makes it impossible to generate a return on investment. One interviewee complained about the length of negotiations involved in acquiring content licenses. In the end, licensing negotiations are often different on a title-by-title basis, which makes it difficult to set ground rules.

Third, the varying availability of content across borders is seen as a problem by some cross-border services, especially those that have a global scale and work with one common catalogue. In particular, the "not available in your country" message can be frustrating for their customers.The interviewees have also identified obstacles that relate more to their strategy, in particular in terms of technology (4.8) and marketing (4.9).

5.8 Technical issues: costs, standards and portability

During the interviews, a number of technical issues came to the fore, which influence the set-up and cost-efficiencies of VoD players.

First of all, providing a VoD service may entail significant costs to set-up and operate the service. One interviewee explicitly stated that a stand-alone VoD service does not make sense since it is a struggle to cover all costs. Several interviewees mentioned economies of scale as a way to reduce such costs, for example by sharing the same technical infrastructure between different services. Such economies of scale exist within RTL Interactive that groups 6 VoD/catch-up services in Germany.

Another possibility a few interviewees pointed out is to achieve economies of scale by being available in several EU territories. For example some members of the EuroVoD network indeed increase efficiency by pooling technological resources. One interviewee even stated that it is a luxury to remain in one (home) country, except maybe for countries where VOD is already well developed. However another interviewee noted that there are limits to the economies of scale that can be realised at the technological level by crossing borders. In each market there needs to be sufficient server capacity, which comes at a cost.

Secondly, some interviewees pointed out that there are various standards concerning notably the different devices but also the different formats for the audio-visual files that are made available on different platforms (e.g. Android and iOS in the mobile market). The necessity to provide content on different devices as well as in different formats further increases costs for VoD services. A partial solution to that problem is, according to a few interviewees, to have an in-house department directly dealing with technical matters, rather than outsourcing this externally.

Thirdly and related to this, several interviewees mentioned the portability of content as an important challenge. Some interviewees complained about limited possibilities to transfer content across multiple devices. Also some interviewees find the costs of licensing DRM (and other technologies) too expensive to allow a launch a service on multiple platforms. At the same time, DRM solutions are crucial to get access to Hollywood studio content. In this regard, some players mentioned that solutions are emerging, such as the US-initiated UltraViolet system.

On the other hand, portability issues also relate to the portability of content across borders, a few interviewees said. According to one interviewee, it should be possible for the resident of one country to take his or her acquired content beyond borders, when e.g. on holiday. Nevertheless, another interviewee said, this comes with a risk, i.e. that users will exploit portability systems to circumvent differences in content value across countries.

5.9 Marketing issues: localised marketing, pricing and branding

Linking back to the identified differences in audience demand, related to the diversity of cultures and languages in Europe, VoD offers need to develop specific content offers. Yet developing an offer goes hand in hand with its marketing and promotion.

Such marketing is considered an important cost element by some of the services. Some interviewees try to scale down such costs by using the same tools, the same campaign across different territories. However, many interviewees stressed the importance of localised marketing strategies and of tailoring the offer towards specific countries or regions. The members of the EuroVoD network share some marketing tools, but they emphasise that not everything can be shared: trailers, posters, etc. continue to be adapted to the different markets. Other interviewees use the same marketing across territories, but identify local partnerships as essential for breaking into new markets for cultural content, e.g. BBC iPlayer uses the same marketing across the EU but has engaged a European PR agency to help attract local press and blogger interest. In general, localising offers and associated marketing comes at a cost, for instance when an additional navigation language is added to the service's site, or in order to set up adapted technical support in different language versions.

Pricing strategies form a specific aspect of the marketing mix brought forward by a few interviewees. According to one interviewee, global services need to follow a multi-currency and multi-pricing approach, adapted to each local market. Importantly, such pricing modalities are to some extent influenced by the business relationships struck by the VoD offers, as a few interviewees emphasised. For instance, the BBC iPlayer service is currently offered at the same prices across the Eurozone because of an exclusive partnership with Apple. As the service will expand to a multiplatform service, it expects to build a more flexible pricing strategy, which it expects will better reflect market norms. Also the payment systems themselves have to take into account possibly differing audience habits. As such, the current lack of a common online payment system in place all across the EU (with the exception of Paypal), is seen as an obstacle by some of the interviewees.

Finally, a few interviewees discussed the importance of branding for the take-off of the VoD service itself. Especially to built up a cross-border presence, a strong brand identity is crucial. For example, one factor in the choice by the BBC of where to launch its global iPlayer, is the established presence of the BBC brand in the chosen countries. Branding considerations also played an important role behind CME's strategy to set up distinct VoD services in different Central and Eastern European countries, under one common "Voyo" brand. According to some interviewees, this branding power extends not only to the audience, but – perhaps even more crucially – towards the partners from which content is licensed.

6 Fostering VoD: policy avenues and critical reflections

In this final section, we connect the issues identified in the interviews (section 4) with possible policy avenues. To do this, we not only look at what the VoD players themselves stated in the interviews, but we also contextualise the challenges and opportunities on the basis of further desk research. This is necessary notably to distinguish between concrete and abstract problems, short-term and longer-term challenges.

The analysis of the interviews shows for instance that some of the complaints voiced by VoD players in the interviews are of a rather high-level nature (e.g. piracy), whereas they were sometimes reluctant to address concrete issues at the industrial level, i.e. that may involve partners or direct competitors. Linked to this, the interviewees often expressed their belief that "the market" will be able to solve most problems faced by VoD services. Instead of policy interventions, some of the interviewed services explicitly argued for a mentality shift among other stakeholders, such as Pay TV channels, Hollywood rights holders, and traditional distributors. This underlines the prevailing view of the interviewees that legal or regulatory frameworks are not so much the problem for the availability and circulation of cross-border VoD services in Europe, but rather the commercial views among various stakeholders.

Hence, while there were calls for more flexibility of windows and problems such as licensing costs were raised, these had more to do with sometimes difficult relationships with right holders and other media. For example, the interviews did not show more complaints towards release windows on behalf of VoD service providers active in the countries where there is a law organising release windows or support mechanisms that require that supported films respect strict release windows. The nature of the VoD service providers of course plays a significant role in their assessment of existing industry issues. Those related to right holders (producers or distributors) are less likely to complain about licensing issues (or they are going to target other right holders, e.g. US major studios). Those related to broadcasters are less likely to criticize the broadcasters' practices in terms of asking VoD services to withdraw content when the TV window opens. More generally those related to incumbents are not likely to argue for a upheaval in the audiovisual industry.

We have organised the critical discussion of potential policy avenues according to three themes: 1) the general environment for VoD (5.1); 2) the EU's competitive context (5.2) and 3) the cross-border potential of VoD (5.3).

6.1 Interventions to provide a better environment for VoD services

The interviewees made some policy recommendations to foster the general development of the VoD market and the attractiveness of VoD towards the consumer.

Piracy is probably the obstacle that attracted most comments. Piracy was unanimously identified as a threat, and many interviewees identified a role for policy-makers at both the national and EU level. Two main tools can be distinguished. On the one hand, a strategy centred on dealing with copyright infringements. On the other hand, attention could be paid to educational measures and consumer awareness outreach. Even if consumers involved in digital piracy are generally aware that it is illegal, it is not always perceived as un-ethical. The Office for Harmonization in the Internal Market, based in Alicante, was explicitly mentioned in this regard.

It must be stressed, however, that growing digital piracy poses challenges to various sectors and constitutes a global problem. While the viewing of content and services shared over the Internet may reduce the level of consumer demand for legal alternatives, it is not clear how the often cited problem of piracy would constitute a barrier to the development of e.g. cross-border VoD offers. Furthermore, the converse may also be true: piracy might be considered as a response to the lack of a legitimate offer and may thus also be an opportunity (Plum Consulting, 2012: 49-50; OECD, 2009: 52).

Next to piracy control, some other areas - often of more technical nature - can be identified from the interviews as potential stimulating factors for the legal offers' take-off. Infrastructure in particular forms an important basis for the set-up of successful VoD offers. Policy-makers play an important role here in particular in terms of development of physical infrastructure. As such, the positive evolutions in terms of e.g. broadband penetration were mentioned as an opportunity for VoD's further development. At the EU level, specific measures mentioned by the interviewees in view of future development of VoD, include a) support for technical standards and b) the promotion of the ISAN (International Standard Audiovisual Number) system. The latter is a voluntary numbering and metadata system developed to identify audiovisual works, which is important for the interoperability and exchange of information between industry players across the audiovisual value chain (ISAN, 2013). This voluntary system is an area where the EU could play a fostering role, as one interviewee mentioned. The facilitation of online payments would also be an important enabling factor according to some of the interviewees.

Sporadically, support for the acquirement of content was mentioned as well, in particular the digitisation of (archive) titles. The availability of (archive) content is seen as something that could be supported by the European Commission.

6.2 Interventions in terms of the EU's competitive environment for VoD

The interviewees expressed more ambiguous and/or contradictory statements concerning policy recommendations in relation to the EU's industry environment, i.e. issues that deal with the relationships between the various players in an online audiovisual ecosystem (e.g. release windows, licensing). This probably links up most to the EU competition rules (merger control, state aid, antitrust rules), through which the Commission closely monitors evolving market practices and behavior of market operators. In order to maximize consumer choice, encourage innovation, and foster competition, the European Commission advocates a competition policy that assures that access to exclusive content is not unduly restricted through anti-competitive practices. A few players explicitly mentioned competition policy as an avenue, notably at the EU level.[23]

We saw in section 4 that release windows systems form a particularly "hot topic" in terms of the competitive organisation of the VoD environment. EU law governs the organisation of release windows at the national level only indirectly, namely through the application of the

[23] A concern also mentioned in European Commission (2013).

EU internal market rules (i.e. the free movement of goods and services) and the EU competition rules. In principle, it is up to the MS and/ or the rights holders to determine the need for such a system, its form, and the temporal restrictions that it contains.[24] Consequently, media windows or "chronologies" differ significantly across MS.

The European Commisison has not voiced any plans to intervene in the area of media chronology. From the interviews, it appears that many of the service providers prefer this to remain the case. They emphasize that the different national media chronology systems are tied closely to national funding and financing traditions and that the market is generally capable of evolving to new consumer demands. One interviewee argued that State should not interfere with *how* content is distributed, i.e. regulation should not favour one media over another (window-neutrality). He was specifically targeting funding mechanisms that require supported films to respect strict release windows, a criticism that was also expressed by other stakeholders within the audiovisual industry.

This appears to be consistent with the history of EU regulatory intervention in this area. The original 1989 version of the Television Without Frontiers (TWF) Directive prescribed a window of two years for the broadcasting of cinema films – unless otherwise agreed in contractual negotiations – and a window of one year for co-productions with a broadcaster.[25] The 1997 revision of the TWF Directive, however, modified this provision, stating that determination of release windows should be left to contractual negotiations between the parties involved. The 2007 Audiovisual Media Services (AVMS) Directive reiterated that the primacy of industry practices or individual contractual arrangements.[26]

However many of the players follow the experiments (with e.g. day-and-date releases) from nearby. A few are quite sympathetic towards the Preparatory Action – also obviously since some interviewees are part of the funded experiments. These players propose to increase flexibility through a gradual approach, e.g. by making sure (through law, change in business practices) that small films can have shorter windows, not necessarily on a systematic basis but also not only as a derogatory measure.

Moreover, some players do feel affected by other players who establish (too) long holdbacks. A number of interviewees highlighted a number of competition concerns resulting from the financial buying power of certain operators and stressed the importance of targeting anti-competitive behavior under the competition rules. For example, several players referred to the ability of certain Pay TV operators to establish (too) long time holdbacks. One interviewee also raised the issue of the bundled sale of rights across multiple platforms and the subsequent warehousing of rights by powerful operators. This results in output restrictions, because it prevents distinct VoD services from acquiring meaningful rights. The

[24] ECJ (Joined Cases 60/84 and 61/84) Cinéthèque (1985) ECR 2605, para 20.

[25] Council Directive 89/552/EEC of 3 October 1989 on the coordination of certain provisions laid down by Law, Regulation or Administrative Action in Member States concerning the pursuit of television broadcasting activities (1989) OJ L 298/23, Article 7.

[26] Directive 2007/65/EC of the European Parliament and of the Council of 11 December 2007 amending Council Directive 89/552/EEC on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities (2007) OJ L 332/27, Article 3d.

European Commission has already indicated that bundling of traditional and new media rights provide limited efficiency benefits and are unlikely to offset output restrictions.[27]

6.3 Interventions to promote cross-border VoD activities

The interviewees in general cared less about obstacles for cross-border activity compared to obstacles to the development of VoD markets or its competitive environment. Thus the main obstacles identified in the previous section (lack of cross-border demand, additional licensing costs) were considered as given facts rather than as obstacles that should be fought (e.g. through policy).

None of the questioned players mentioned collaborative efforts in the European on-line VoD market as a possible venue to facilitate the cross-border circulation of their VoD services. This is somewhat surprising, since various broadcasters have been proposing VoD joint ventures as the only possibility to successfully commercialize an attractive VoD service[28]. No interviewee mentioned trade liberalization as a danger, or as an opportunity, in spite of the current importance of the topic in the context of the negotiation of the EU-US Free Trade Agreement (see e.g. CNC, 2013c). Also surprising is that none of the interviewees mentioned the licensing of media rights on a territorially exclusive basis as a potential barrier to providing their services cross-border – whereas this is notably identified as one of the main issues within Licences for Europe with Working Group 1 focused on "Cross border access and portability of services". The Court of Justice recently clarified that the granting of territorially exclusive licenses is not in itself anti-competitive. Exclusive licensing agreements that impose absolute territorial protection[29], however, are deemed to be anti-competitive by object and can thus be in breach of EU competition rules[30]. While the judgment concerned distribution of premium sports content via satellite broadcasting, it is possible that the same principles also apply to the distribution of any type of content on on-line VoD platforms. The European Commission's antitrust investigation into territorial restrictions for on-line music sales, as a result of which Apple committed to equalize prices for music downloads from iTunes in Europe, is indicative in this regard.[31]

An important point to discuss is the case of multi-territory licenses, i.e. licenses that allow licensees to make content available in several territories. Such licenses are common practices in some regions within the EU, e.g. interviewees mentioned that rights were usually granted for all Nordic countries. In the same away, the UK and Ireland usually go together.[32] There

[27] European Commission (2005). Concluding report on the Sector Inquiry into the provision of sports content over third generation mobile networks, paras 32-39.

[28] Some of these initiatives, such as Project Kangaroo (UK) and the ProSiebenSat.1/RTL joint venture (Germany, Austria), however, have been blocked by the National Competition Authorities because the proposed joint ventures, given the significant market power of the parties, would have resulted in a loss of rivalry at both the retail and wholesale level.

[29] Absolute territorial protection means that the licensees are prohibited from not only selling actively into other licensees' territories, but also passively (i.e. responding to unsolicited demands from consumers located in other countries).

[30] CJ (Joined Cases C-403 and C-429/08) FAPL and others v QC Leisure and others and Karen Murphy v Media Protection Services Ltd (2011) not yet published.

[31] European Commission, "Antitrust: European Commission welcomes Apple's announcement to equalize prices for music downloads from iTunes in Europe". Press Release IP/08/22 of 9 January 2008.

[32] As confirmed also by discussions in the frame of Licences for Europe Working Group 1 – Cross Border Access and Portability of Services Third round of meetings: 17 and 19 April 2013.

are also contents for which their right holders directly give rights for the whole world. Hence there are no legal obstacles to multi-territorial licencing.[33]

However, requiring licenses to be multi-territory seems unfeasible for a few interviewees especially since TV licenses are delineated on a national basis. They claim that, in such a context, any TV license opportunity in one market would make it impossible to license the VoD rights in the other markets (because it would create a competition between TV and VoD exploitations). On top of that, according to some interviewees, pan-European rights clearance is resource-consuming and not efficient: additional compensation would be paid for territories where a release is not economically viable. Some interviewees consider that in contrast, the current, territory-based system is the most lucrative and therefore should remain territorial. This point of view is however to be nuanced by the fact, as mentioned before, that multi-territory license is the rule by default in many cases.

Instead, the most important policy towards fostering the development of cross-border services according to the interviewees may consist, firstly, in a further regulatory harmonisation. In first instance, despite existing frameworks (such as the AVMS Directive) it was occasionally mentioned that care should be taken to ensure that different compliance regulations would not hamper cross-border activities in VoD. Content regulations are to a certain extent harmonised in the Audiovisual Media Services, and other EU, Directives, but there may be different applications of the guidelines in the EU member states, which impact the ease with which content travels across borders.

In second instance, several interviewees proposed to maintain or increase financial support for VoD offers. It can take several forms. Firstly, the players that receive MEDIA support were generally very positive about the support they received so far. Some explicitly said that their service would no longer exist without MEDIA's support. They however did not specify which kinds of services should benefit from such funding. Secondly, specific funding could be foreseen for marketing purposes. The high costs of marketing could according to some of the interviewees be alleviated by EU funding, equivalent to existing support measures in the theatrical window. This could take the form of support for the organisation of online film festivals, or the establishment of a European-level portal. Furthermore, as explained in Section 4.9, localised marketing efforts are widely recognized by the interviewees as crucial to reach consumers but often perceived as too costly. An effort in supporting localised marketing expenses could help services evolve from making content available cross-border to rendering this content visible for customers outside the VoD's home market. Thirdly, targeted support for subtitling and dubbing was mentioned by several interviewees. In light of the important language obstacle identified by the VoD players, this type of support is widely backed as a policy measure. This could be organised within MEDIA's follow-up, the Creative Europe programme. Another way to reduce costs related to language, mentioned by WG 1 within Licences for Europe, would be to ensure that licences of VOD rights are done by countries only instead of the current practice – by countries and by languages.[34]

While policy claims for increased financial support are not surprising, what is maybe more interesting is the fact that such financial support could be an important measure to promote

[33] Licences for Europe Working Group 1 – Cross Border Access and Portability of Services Third round of meetings: 17 and 19 April 2013.

[34] Licences for Europe, Working Group 1 – Cross Border Access and Portability of Services. Second meeting: 1st March 2013

cross-border services or circulation of content. All in all, such support would serve both economic (alleviate some costs for VoD service providers) and cultural (facilitate the circulation of content across the EU) purposes.

6.4 Conclusion

As a conclusion, VoD services face many obstacles in their development, related to the fact that the VoD market is far from established. VoD services are in search for profitable and sustainable business models and need to be inserted in complex value chains where stronger players sometimes use their market power to keep their strong position. Some recommendations listed in this Section (e.g. fight against piracy, better technical infrastructure, support for standards, facilitation of online payment, digitization of archive, anti-trust regulation) can contribute to this. Yet most of these obstacles are expected by the interviewees to be removed gradually, under the pressure of market forces.

VoD services also face many constraints that limit their cross-border activity. Further regulatory harmonisation was seen by the interviewees as potentially able to further promote cross-border activity of VoD services. However with 52% of services available in one EU country being established in another country, the problems in terms of cross-border are rather of two natures: (i) for a service to be visible in a country rather than only established and/or available in it; (ii) for content (and audiences) to circulate across the EU. Here an increase of the financial support could be of help, but such support would be the most efficient if it targets cross-border visibility, i.e. making sure that consumers are aware of the availability of films and of the existence of VoD services.

Here again, it is important to recognize and analyse the differences between the different VoD industries across the EU as one-size-fits-all measures are unlikely to be efficient. Instead of rigid but differing rules across countries, the key seems to lie in the creation of common measures that guarantee sufficient flexibility in the application of rules, independent of borders and territories.

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8 Annexes

8.1 Glossary

AVoD: advertising-based VoD.

Bandwidth: term used to describe the capacity of an Internet connection defined as the maximum bit rate downstream.

Catch-up service: service that enable viewers to watch television programmes on the Internet once they have been broadcasted, usually during a limited time after they have been broadcast (e.g. 7 or 30 days).

Cross-border service (or cross-border offer): service that provides content that is at least partially available in at least another country that the country where it is established

Download: to receive content from a remote system, to be stocked on the receiving device. Download allows to use content while offline.

DRM: Digital Rights Management. Access control technologies that can be used to impose limitations on the use of digital content and devices.

DTO: Download to Own. Transaction that grants (digital) content ownership to the consumer. Also referred to as Electronic Sell-Through.

EST: Electronic Sell-Through. See DTO.

FVoD: Free VOD. VoD contents offered for free. It can be a form of AVoD.

Internet VoD: see OTT services.

IPTV: Internet Protocol Television. System through which services (notably VoD) are delivered using the Internet protocol suite, usually over a walled garden network.

nVOD: Near Video On Demand. System in which multiple channels are used to show the same piece of content at staggered start times.

OTT services: Over-The-Top services. Services available over the open Internet.

PPV: Pay per View: The distribution of programming on cable or satellite for a single viewing, normally available between DVD release and terrestrial broadcast.

Release windows system: media chronology. System that organises the way movies are made available to consumers over time in the different media versions. Each version is normally provided exclusively for a limited time period.

Streaming: delivery technology that allows an end-user to receive and near immediately use (e.g. watch) a content, without having to download the content.

SVoD: Subscription VoD. Services that give unlimited access to content for a monthly or yearly fee.

TVoD: Transactional VoD. Services that require consumers to pay for every access to content.

TV VoD: TV-based VoD.

Video-sharing platform: Service that does not have editorial control over their content. Such platforms provide access to user-generated content, i.e. content created by Internet users, rather than by media owners or publishers.

Definition of Video on Demand (VoD) used in the report:

Following the AVMS Directive, VoD includes all non-linear audiovisual media services provided by a media service provider. These services are offered on the basis of a catalogue, which allows consumers to select and watch audiovisual content at time and place chosen by them.

This definition includes catch-up services, "branded channels" offered e.g. on iTunes or Xbox, channels offered on video-sharing platforms, and smartphone or SMART TV applications that permit access to on-demand catalogues. It excludes near Video-on-Demand (nVoD) services and video-sharing platforms (except for the channels within those platforms).

Video in Demand services can be categorised according to a few features:

- The revenue model (TVoD vs. SVoD vs. AVoD);
- The diffusion technology (OTT vs. walled garden network);
- The use conditions (DTO vs. rental; download vs. streaming).

8.2 Interviews: overview and topic/question list

Concluding the work within Work Package 1, we elaborated a set of interview questions that guided the interviews with the final selection of 20 VoD service providers in Work Package 2 (see table 9 for a detailed overview of the interviews). These meetings were set up as semi-structured interviews following the set of questions below, organised in four topics. Not all questions or topics were addressed in each interview, but they guide the interviewer during the discussion with the different interviewees. Depending on the background of the player and/or the topics that came to the fore, this semi-structured nature offered the freedom to arrange questions differently, eliminate some or add new ones.

No.	VoD service provider	(Mother) Company	Country of Establishment	Interviewees	Position interviewees	Interview
1	Acetrax	Acetrax (BSkyB)	Switzerland (United Kingdom)	Johnny Moore; Meirion Gyles; Philipp Pilcher	Director Acetrax; Strategic Planning Management; Head of European Policy BSkyB	Phone interview 12 June at 15.00
2	BBC Player	BBC	United Kingdom	Helen Keefe	Senior Policy Adviser	Phone interview 14 May at 10.30
3	Canal Play	Canal+ Group	France	Séverine Fautrelle; Pascaline Gineste; Patrick Holzman	Responsible for European Affairs; Director of Regulatory and European affairs; Director Canal Play	Phone interview 14 May at 17.00
4	Cinecliq	Cinecliq	USA	Yan Vizinberg	Co-founder and CEO	Phone interview 6 May at 17.00
5	Curzon Home Cinema	Curzon World	United Kingdom	Ross Fitzsimons	Director Curzon World	Phone interview 26 April at 16.00
6	DAFilms.com	DOC-AIR	Czech Republic	Jana Ptackova	Production Manager Doc Alliance Films	Phone interview 17 April at 10.00
7	Filmin	Comunidad Filmin	Spain	Jaume Ripoll	Editorial Director	Phone interview 6 May at 15.30
8	Filmotech	EGEDA	Spain	Carlos Anton	Business Development Manager EGEDA	Phone interview 17 April at 16.30
9	Heimseh TV	Heimseh.TV UG	Germany	Peter von Ondarza	Partner and Co-founder	Phone interview 22 April at 16.00
10	Medici.tv	Museec SAS	France	Hervé Boissière	Founder and Director	Phone interview 22 April at 10.00
11	Moviepeak/VODO	Twin Peak S.A	Greece	George Mikroudis	Co-founder	Phone interview 12 June at 13.00
12	Mubi Europe	Mubi Europe (Bazaar Inc)	France, United Kingdom, Turkey (USA)	Bobby Allen	VP Business Development	Answers provided in writing (e-mail)
13	Realeyz	Eyz Media	Germany	Andreas Wildfang	Managing Director	Face to face interview (Brussels) 29 May at 10.30
14	RTL Now	Bertelsmann (RTL)	Germany	Alexander Haase	Content Sourcing Manager, RTL Interactive	Phone interview 24 May at 10.00
15	Seenow	Direct One	Romania	Catalin Clemente	Marketing & Sales Director Direct One	Phone interview 24 April at 11.00
16	Universcine	Le Meilleur du Cinema SAS	France	Dragoslav Zachariev	International Relations & EuroVOD Project manager	Face to face interview (Paris) 11 April at 10.00
17	Voddler	Voddler	Sweden	Anders Sjöman	VP Communications	Phone interview 28 May at 15.00
18	Volta	Element Pictures	Ireland	Maria Heffernan	Online Project Manager Element Pictures	Phone interview 30 April at 16.00
19	Voyo (Romania)	Central European Media Enterprises	Romania (Slovakia)	Sorina Big	Acquisitions Director Pro TV	Phone interview 10 May at 15.00
20	Youzee	Yelmo	Spain	Fernando Evole	CEO Yelmo	Phone interview 16 May at 10.30

Table 9: Overview of the interviews

Topic lists:

A. Introduction

B. Business model

C. Geographic availability

D. Opportunities and threats

<u>A. Introduction</u>

The research project aims to enhance the European Commission's knowledge of the online VOD market to detect which policy measures could improve the pan-European coverage of VOD services and the circulation of audiovisual content across the EU.

In this interview, we will gather your opinion and insights on the following subjects: 1) The characteristics and success of your VoD service; 2) The geographic availability of your offer; 3) Its business model characteristics; 4) The opportunities and barriers for development you identify in the short and mid-term future, both in terms of geographic expansion and business model development.

1. Double-check the available database.

- Ownership structure behind the service (e.g. broadcaster, multinational media group, ...)
- Which countries does your service cover?
- What is your audience reach? (Number and type of customers; number of transactions)
- How big is your catalogue?
- What are the characteristics of your catalogue e.g. EU/US/other, mainstream/arthouse/niche, films/TV series/other? Why did you decide to put emphasis on these characteristics?
- How do users access your service? (online / IPTV / etc.)
- To what extent is your service profitable at this stage?

<u>B. Business model</u>

2. Who are your main business partners: a) content providers, b) service partners (e.g. infrastructure), c) financing entities?

3. How do users pay for your service, e.g. pay-per-act/subscription/ad-based? Why did you decide to choose this model?

4. How do you license your content? Is the arrangement exclusive? Is the arrangement renegotiated (if so, after which time period)? Is the license based on a flat fee and/or revenue split?

<u>C. Geographic availability</u>

5. Why do you cover specifically these countries/this(these) region(s)?

6. What do you think of the business environment in these countries?

7. How does the given (national/EU) legislation influence the choice to set up this service in a given territory?

8. Are there further economic/legal/cultural/other reasons that influence the choice to be available in certain countries (or not)?

9. Is your catalogue country-specific? Why/why not?

10. Are there any other aspects of your service that differ between countries (e.g. platform, payment options)?

D. Opportunities and threats/barriers

To A. Business model

11. Can your target audience only be found in certain countries?

12. Which kind of audience would you like to address, too? Why?

13. Which payment models could be relevant for you in the future? Why/Why not?

14. Which ways could you imagine extending profits in the future? Why?

15. Could you imagine altering your platform design in the future? Why/Why not?

16. Would it be interesting for you to extend your catalogue? Why/Why not?

17. Who are your main competitors?

18. What are the biggest challenges that your service faces now/in the mid/long-term?

19. Which are the most interesting opportunities for your service now/in the mid/long-term?

20. What could be done politically at the EU level to improve the business environment for VOD services?

21. Are there any further political/economic/cultural/other obstacles, which have to be solved?

To B. Geographic availability

22. What are the main factors that influence the potential success of a service across borders in Europe (economic, cultural, legal, other conditions that have to be fulfilled)?

23. What are the main barriers that hamper the potential success of a service across borders in Europe (economic, cultural, legal, other conditions that make it difficult to develop such a service)?

24. To what extent can you identify certain economies of scale and/or other benefits linked to the establishment of a service at a pan-European scale?

25. Do you plan to expand your service to other countries? Why/Why not?

- What do you think of the business environment in these countries? Is it conducive to the set-up of a VoD service?
- How does/can the legislation in the respective European countries influence this decision?
- How does/can the given EU legislation influence this decision?
- Are there further economic/legal/cultural other reasons affecting such a decision?

26. Aside from actual expansion plans, which countries would potentially be interesting for you? Why?

- What do you think of the business environment in these countries?

- What do you think of the regulatory environment in these countries?

27. Which particular countries are, for your service, not interesting choices as potential territories for expansion? Why?

- What do you think of the business environment in these countries?
- What do you think of the regulatory environment in these countries?
- Are there further economic/legal/cultural/other reasons for this?
- Might this change in the short/long term?

8.3 VoD players' Information Sheets

See separate documents.

European Commission

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