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Pay-per-view movies and sports lose out to the 'long-tail' of content

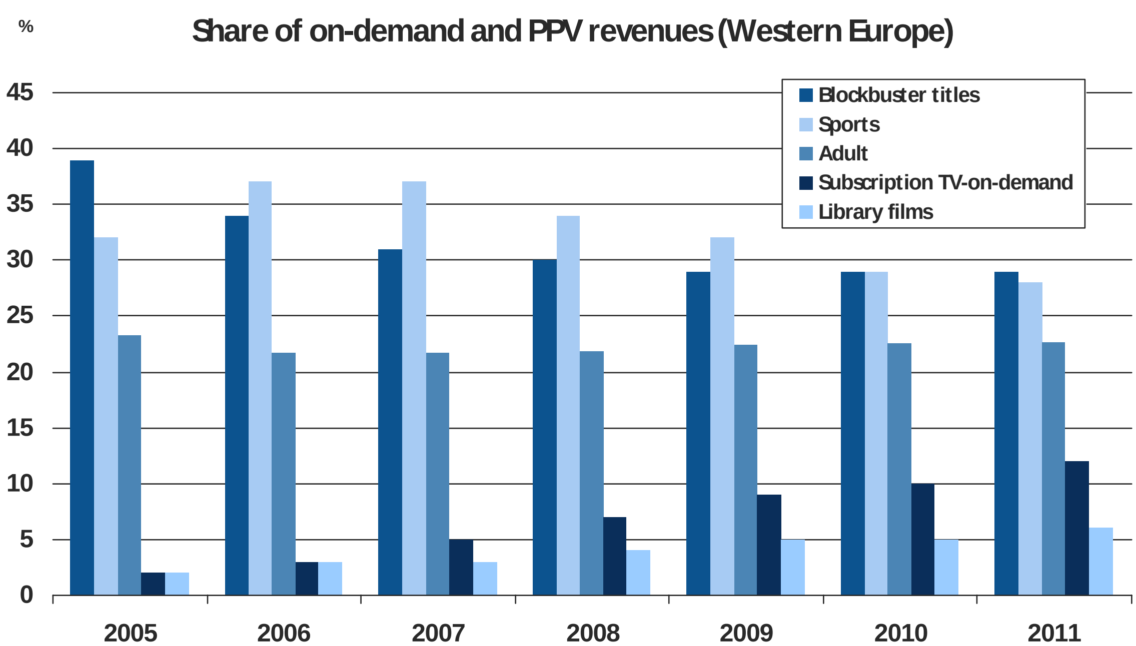
London 21st November 2007 New research released today by media analysts Screen Digest (www.screendigest.com) reveals how the European TV-based video-on-demand and pay-per-view markets will develop over the next five years and what the industry is worth today.

From a low penetration of just under 8% today, Screen Digest predict that by 2011 over 20 per cent of Western European households will have true video-on-demand, a 30% growth on current levels. This growth will generate increased revenues, giving the video-on-demand and pay-per-view (PPV) markets a value of €3bn by the end of 2011. Key markets include Belgium, the Netherlands and France, where cable operators have launched their own video-on-demand services.

While the 'big five' European markets will continue to take the lion's share of on-demand revenues, other countries are beginning to catch up. As more Nordic companies deploy VoD services, the Scandinavian countries are beginning to show increasing on-demand average revenue per unit (ARPU's). The expansion of the rest of Europe's revenues is also a consequence of the wider availability of the so-called "long-tail" of content. True video-on-demand services typically have a much greater range of local and international programming than their near-video-on-demand counterparts, driving increased spending. It is this which is one of the major factors in allowing Europe's smaller states to close the gap between the big five countries of the UK, Germany, Italy, Spain and France.

In the early days of paid for services, it was blockbuster movies that encouraged people to buy. In 2001, 60 per cent of revenues were generated by blockbuster films. By 2006 this had halved to 30 per cent, as sports content came to dominance.

The next five years will see the supremacy of sports and major movie content challenged, as other content such as archive and library films and a la carte TV programmes grow their share of total on-demand revenues from 9 per cent to 18 per cent. In fact true video-on-demand services present a win-win situation for content owners, allowing them to finally earn income from large back catalogues of material that had been consigned to the rubbish heap. On top of this, as subscriber numbers and overall on-demand buy rates increase, blockbuster films will benefit from the market growth and will be earning €700m per year by 2009, despite their loss of market share. The adult industry will also reap rewards, doubling its VoD revenues from its current level of over €250m to over half a billion Euros by the end of 2011.



Source: Screen Digest (16/11/07)

According to the analysis, the European market will remain a pay-for proposition until at least 2011. In comparison, the more mature US market already offers viewers free or low cost on-demand services. Richard Broughton, Analyst at Screen Digest explains, “The growing number of subscription services in Europe suggests that we could be heading in the same direction as the US. Companies such as Virgin Media and Italy’s Fastweb are already emulating the big US cable operators, providing free TV-on-demand with their standard packages. However, as we’ve shown in this research, VoD has to yet to become a commodity in Europe, and until it does, European viewers will continue to have to pay to view.”

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About this research:

The data in this press release is taken from Screen Digest's Television Intelligence service. This is a continuous service providing data, analysis and forecasts on global TV markets.
The service has just expanded its coverage of TV-based VoD services to encompass the whole of its European dataset, providing detailed company level on-demand revenue breakdowns for all of the major European cable, IPTV, satellite and DTT operators.

The new coverage has also allowed Screen Digest to accurately assess the size of the European VoD market and the direction it is taking over the next five years. Key findings include:

- Revenues generated from on-demand services (including near-video-on-demand and subscription video-on-demand services), will double in Western Europe during 2007-2011, creating a sector worth nearly €3bn by the end of the period
- Over 36m Western European homes will be enabled for true video-on-demand by the end of 2011. Screen Digest estimate 14m of these will be connected via IPTV, the remainder via digital cable.

- Subscription video-on-demand will become an increasingly important consideration for operators. 10 per cent of on-demand revenues will come from dedicated subscription VoD services by the end of 2011
- Pay-per-view blockbuster movies, while still an important feature, will become less of a critical component of VoD services, as proportions of revenues taken in from library films, TV series and subscription VoD services increase
- Near-video-on-demand (nVoD) is still a major factor in Europe's pay-TV space and will remain important looking forward. Even by 2011, well over 40 per cent of Europe's pay-per-view revenues will be derived from nVoD.

About Screen Digest - Global media intelligence

Screen Digest is the pre-eminent firm of industry analysts covering the global media markets. We employ a team of over 40 specialist analysts covering television, broadband, mobile, home entertainment, cinema and gaming. Our online services and reports provide the information and analysis that hundreds of media companies worldwide base their decisions on.

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