The Changing Landscape of European TV

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Tom Morrod
Chief of Research, Consumer Techologies
tom.morrod@ihsmarkit.com

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I'd like to discuss 3 big trends… very briefly

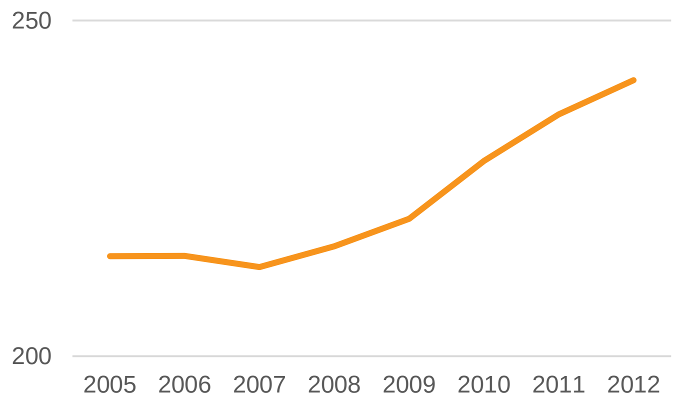
1. The rise of online video platforms

2. Consolidation of telecoms and media

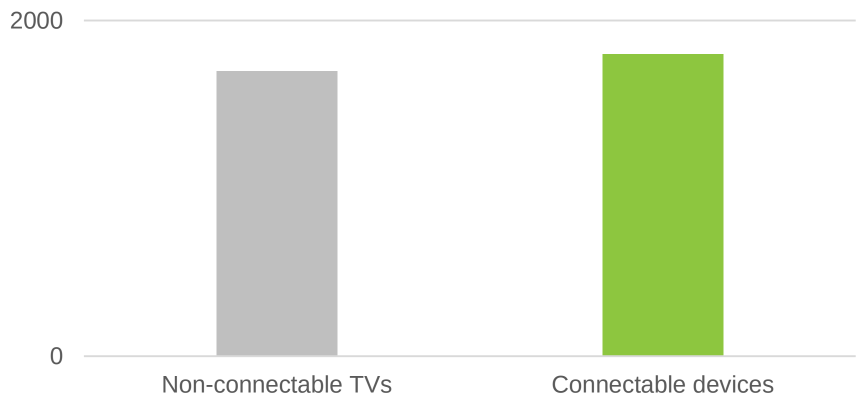
3. The economics of platform companies

The world 5 years ago…

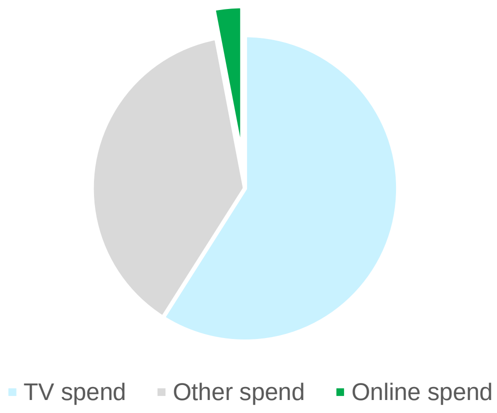
Linear viewing was growing



Connected devices were just reaching parity with ‘dumb’ TVs



Online video was 3% of viewing and 3% of entertainment spend



What about the world today…

Linear viewing was growing

↓

OTT is 20% of viewing, growing 2% per year, and accelerating

There were slightly more connected devices than 'dumb' TVs

↓

Most consumer devices are connected and media-capable

Online and VOD was around 3% of viewing and 3% of entertainment spend

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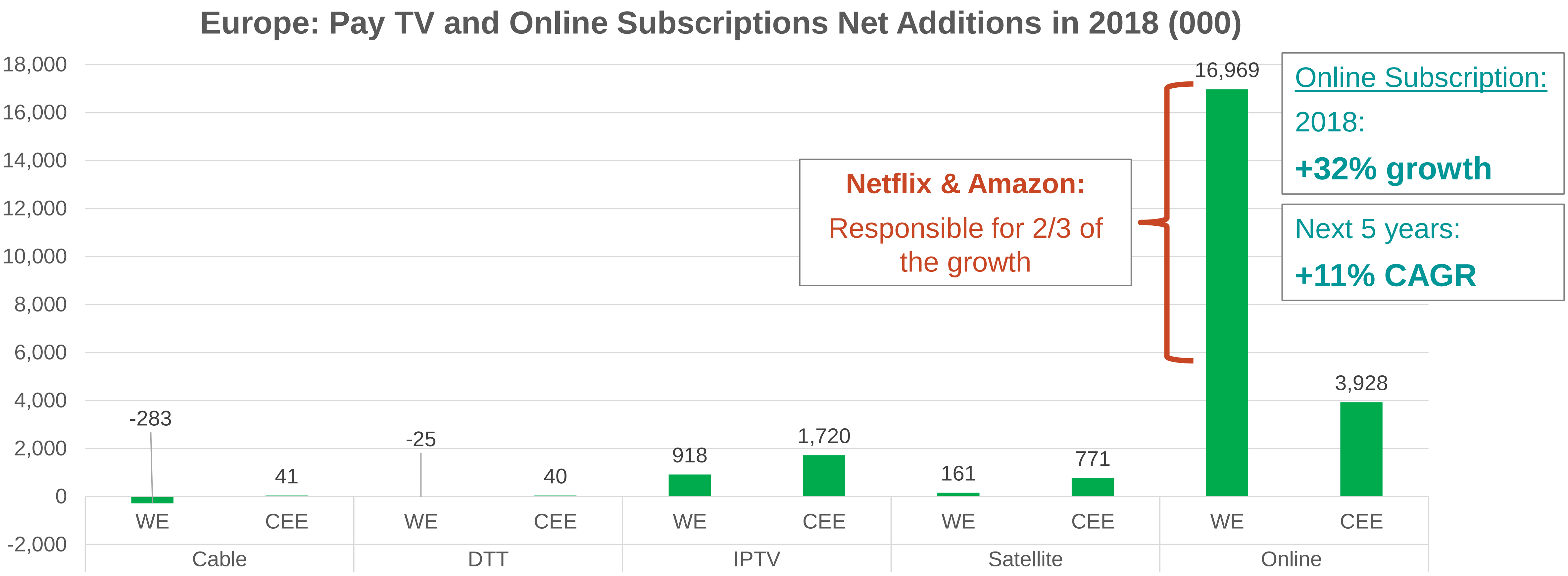
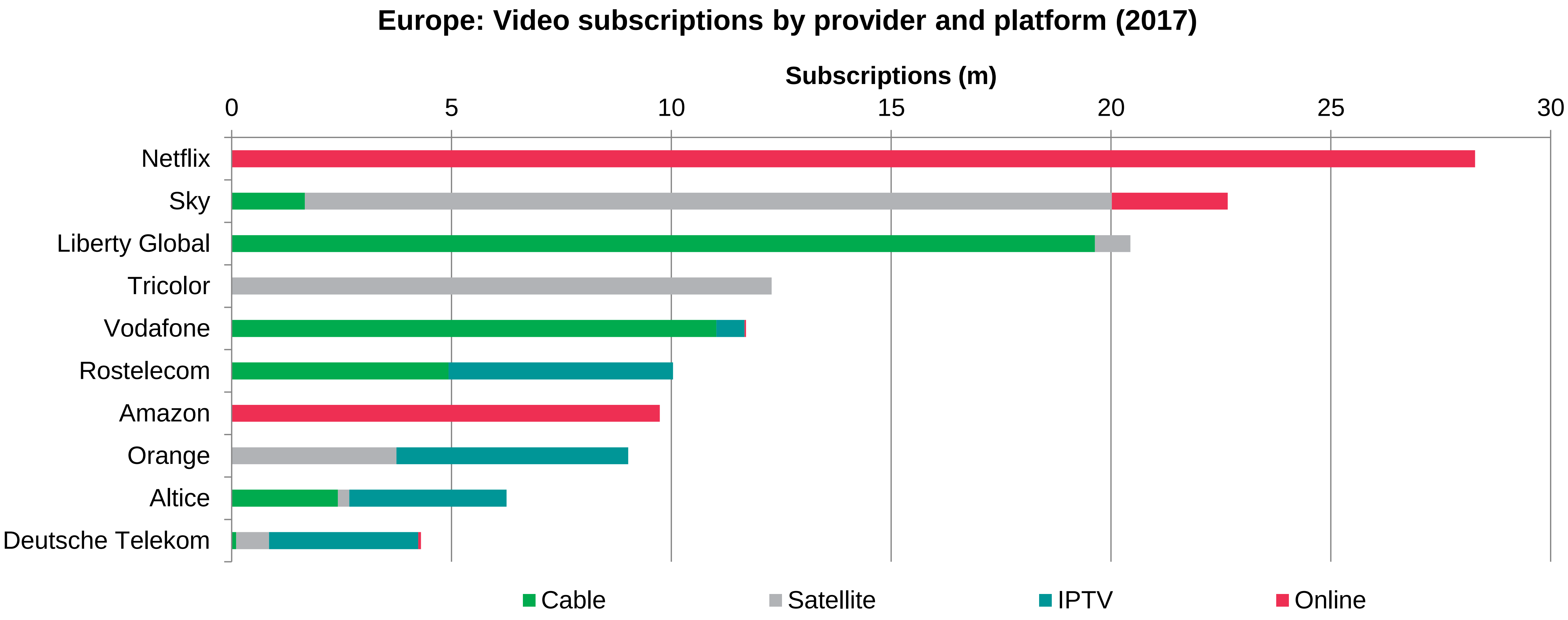
Online is capturing all viewing growth and almost all subscriber and revenue growth

Online subscription services added just under 17 million new paid accounts in Europe in 2018



Source: IHS Markit

The result is Netflix is the biggest video subscription platform in Europe



Note: Video subscriptions and revenues for VodafoneZiggo are allocated equally to Liberty Global and Vodafone

Source: IHS Markit

The reaction has been a series of merger mega-deals, positioning fewer, larger players to better compete on a regional/global scale

Marriage of distribution and content

AT&T → ← Time Warner

Scale: Content, production, channels

Disney → ← Fox

Convergence

Vodafone → ← Liberty Global

Geographic diversification

Comcast → ← Sky

And operators have tried implementing a range of strategies to keep pace

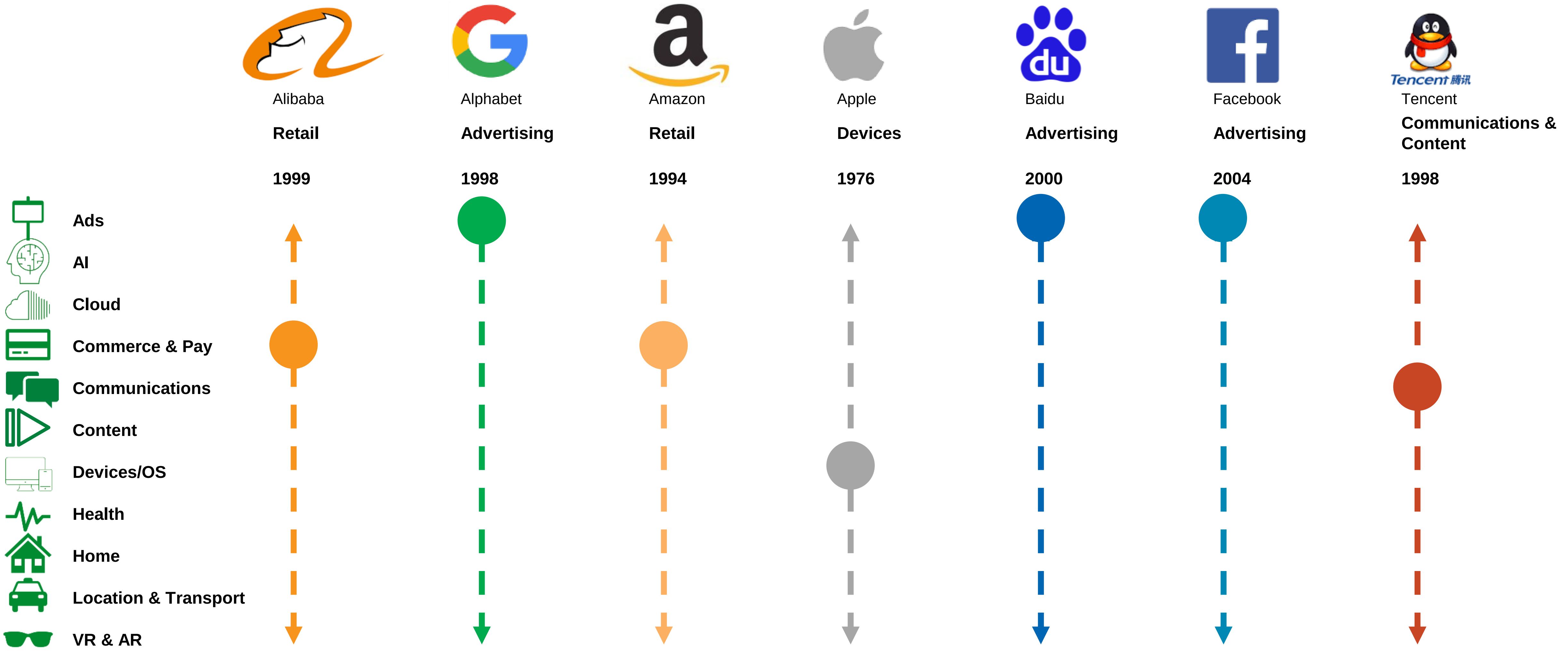
Bundling	Unbundling	Mobile video
Premium content provision	Aggregating new content owners and outlets	TV UX and multiscreen innovation

But this kind of misses the elephant(s) in the room… to mix clichés

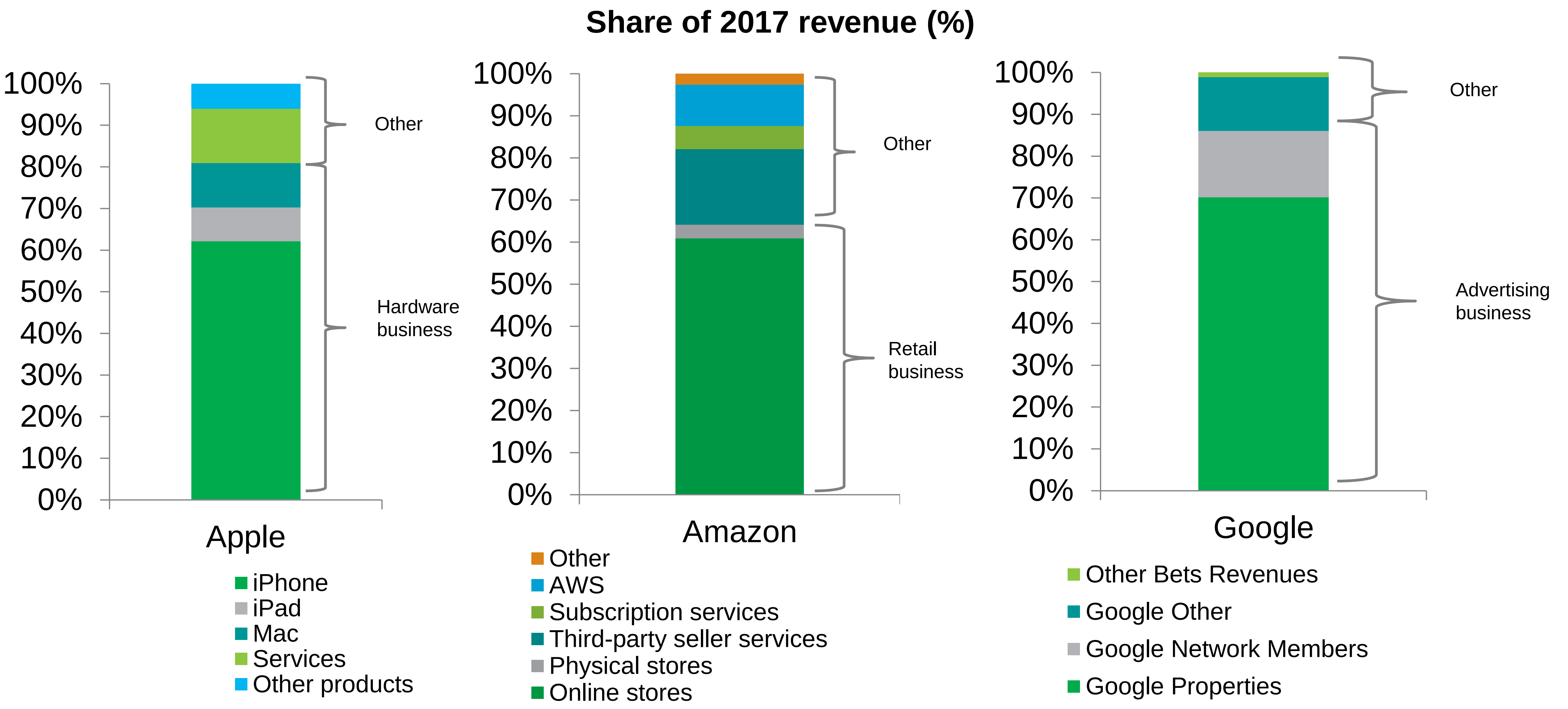
These companies diversified to offer a whole range of consumer services

	Alibaba **Retail** **1999**	Alphabet **Advertising** **1998**	Amazon **Retail** **1994**	Apple **Devices** **1976**	Baidu **Advertising** **2000**	Facebook **Advertising** **2004**	Tencent **Communications & Content** **1998**
Ads	Various	Various	Amazon ads	App store search ads	Baidu ads	Facebook ads	Tencent social ads
AI / Digital Assistant	Fashion AI	Google Assistant	Alexa	Siri	Raven H	Messenger bots	Dingdang
Cloud	Alibaba Cloud	Drive, Photos	Amazon Drive	iCloud	Baidu Cloud	Workplace	Tencent Cloud
Commerce & Payment	Tmall, Taobao, Alipay	Android Pay	Amazon.com	Apple Pay	Baidu Wallet	Various	WeChat Pay, QQ wallet, Tenpay
Communications	Ding Talk	Hangouts, Allo, Duo	Alexa messaging	iMessage, FaceTime	Baidu Hi	WhatsApp, Messenger	WeChat, QQ
Content	Youku Tudou	Movies & TV on Google Play, YouTube	Amazon Prime Video	Apple Music, Apple TV, Podcast, Airplay 2	iQiyi, PPStream	Watch	Tencent Video, Tencent Sports
Devices/ Software	Yun OS	Nexus, Chrome, Android	Fire TV, Kindle, Echo	iPhone, iPad, Mac, iOS	Raven H, Duer OS	Oculus	-
Health	Ali Health	Google Fit	-	Apple Health	-	Moves	WeDoctor
Home	TmallGenieX1	Google Home	Echo, Ring	HomeKit	Raven H	-	-
Location & Transport	Various	Google Maps, Waze	-	AppleMaps, CarPlay	Baidu Maps	Check-In	Tencent Maps, iSpace
VR & AR	AR in commerce, games	AR Core	Amazon AR View	AR Kit	DuSee	Oculus	QAR

But their history and core business is a long way from the video industry



Asymmetric business models are critical to platform disruption

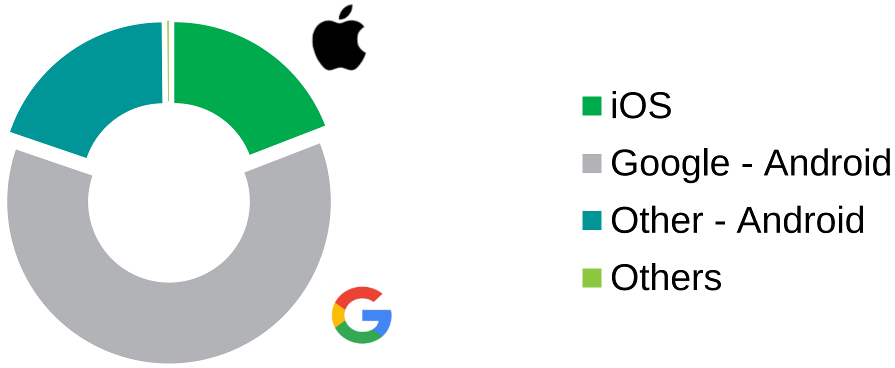


Source: IHS Markit, Consumer Platforms & Ecosystems Intelligence – 01/19

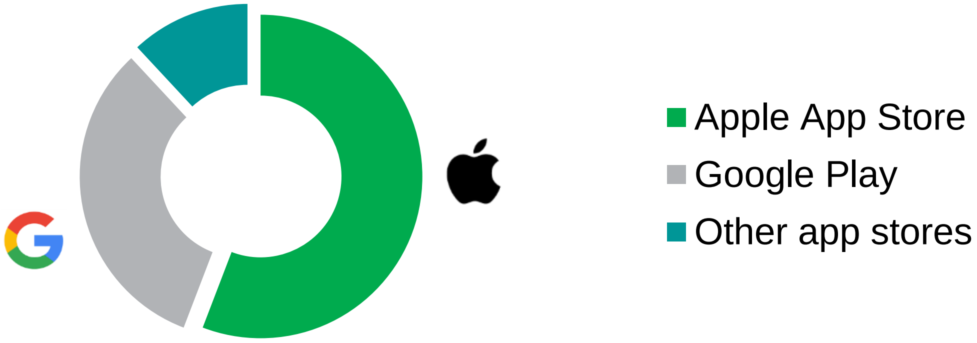
Platform companies dominate new markets

USA: Online video advertising revenue

World: Smartphone installed base by OS



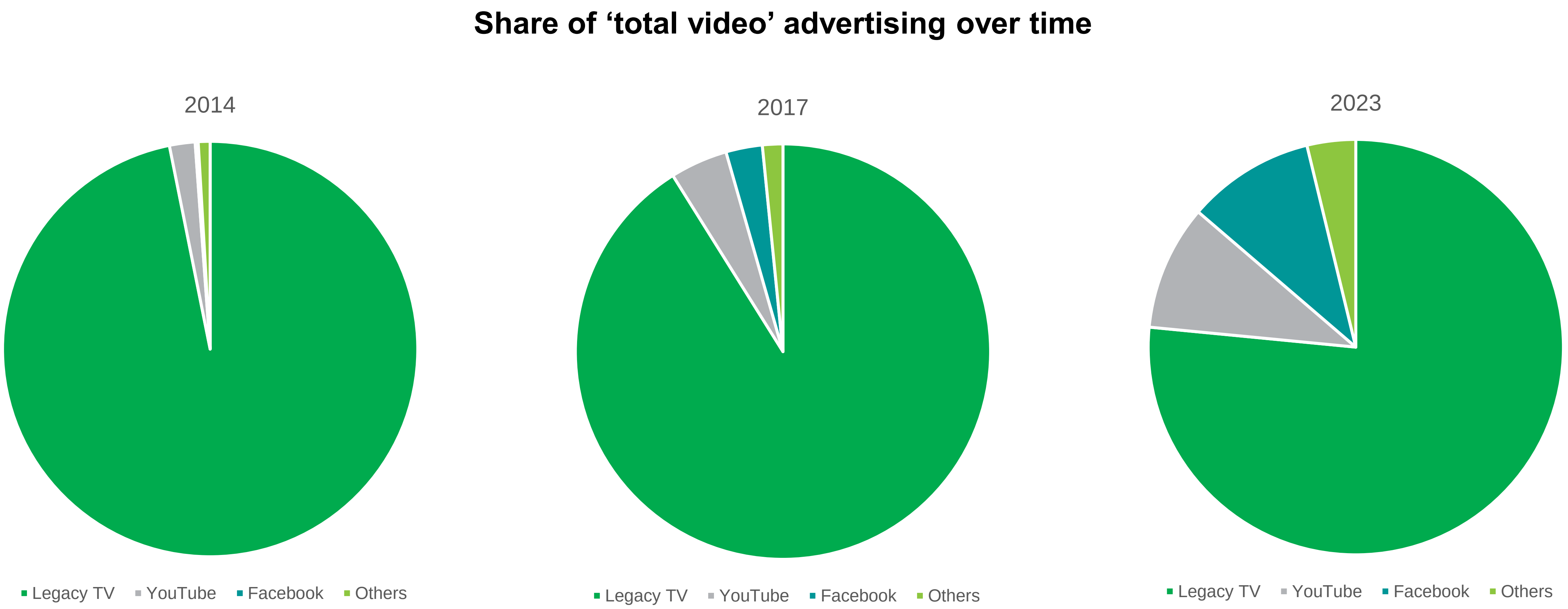
World: Mobile App Store revenues



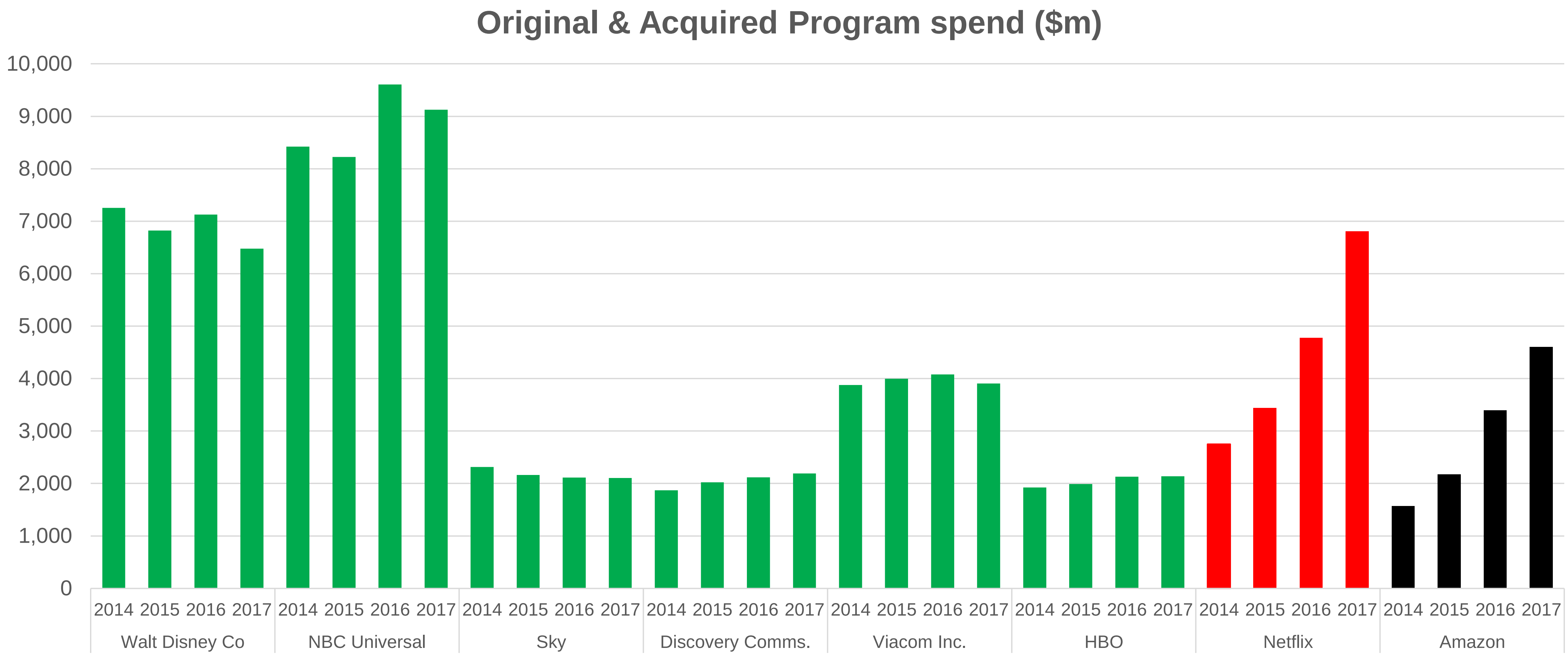
World: Smart speaker installed base by assistant

Source: IHS Markit, Consumer Platforms & Ecosystems Intelligence – 01/19

And it's starting to head that way in total video advertising…



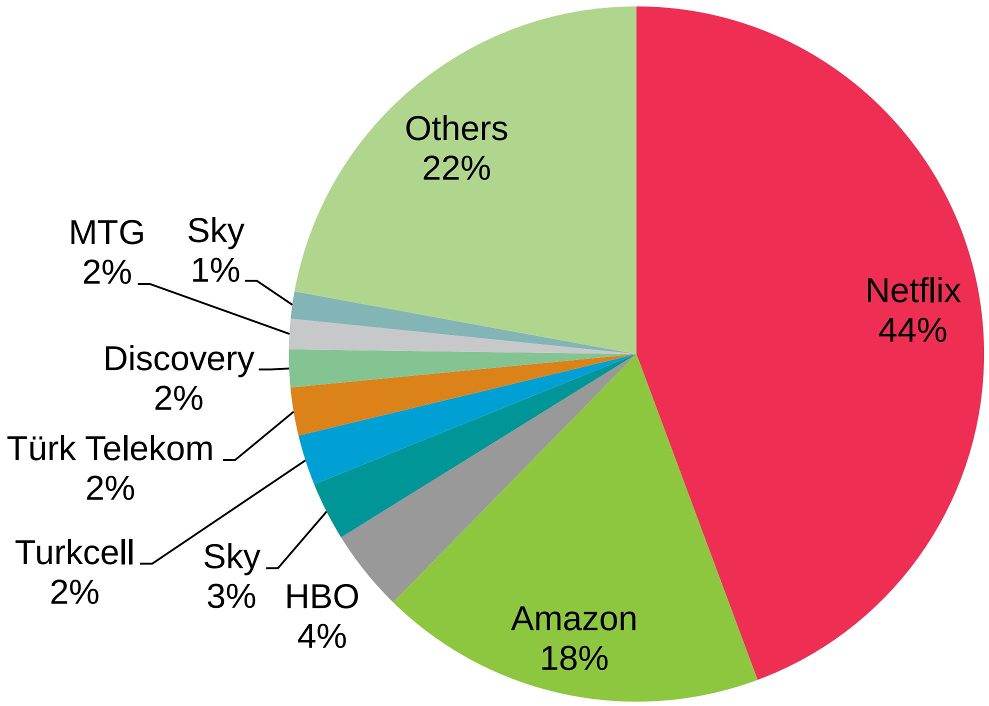
And in content production



Note: Excludes Sport

And it's worth considering what we want this pie to look like in another 5 years

Europe: Online video subscriptions by provider and type (2018)



Source: IHS Markit

What are the key takeaways from this?

- The TV industry isn't driven by traditional economics anymore
- There is a more fundamental and philosophical discussion about public access, local culture and privacy
- National broadcasters and broadcast itself actually answer a lot of those concerns
- And perhaps what is missing is shared platforms and technology strategy
    - Smaller broadcast channels should move to online distribution
    - Major channels at higher quality across more broadcast spectrum

Thank you

Tom Morrod
tom.morrod@ihsmarkit.com
@tommorrod

IHS Markit Customer Care

CustomerCare@ihsmarkit.com
Americas: +1 800 IHS CARE (+1 800 447 2273)
Europe, Middle East, and Africa: +44 (0) 1344 328 300
Asia and the Pacific Rim: +604 291 3600

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