

# **DIVERSE, DYNAMIC, SUSTAINABLE**

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Evolution of a European  
Independent VOD sector

**EUROVOD**

**REPORT  
2020**

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## EXECUTIVE SUMMARY

This report has been commissioned by EUROVOD, the association of European VoD platforms, working in a constantly evolving field. It is intended to capture the progress, potential and strategies for growth among an emerging group of services and platforms, which are too often overlooked in an obsession with US streaming services, such as Netflix and Amazon.

At the centre of this report is an extensive survey that captures the attitudes and aspirations of European VOD pioneers. The study had the unexpected advantage of the COVID-19 crisis, which, while tragic, proved to be an important testbed for the sector with an influx of audiences more time to engage.

This study shows a diverse, dynamic and sustainable sector made up of ambitious and entrepreneurial companies that will play an essential role in the emergence of a changed European audiovisual ecosystem. It has been written by Michael Gubbins, of SampoMedia.

## SURVEY SUMMARY

### VOD SERVICES & PLATFORMS

- Independent European platforms and services are overwhelmingly small and medium-sized companies, with just 10% of survey respondents having more than five full-time employees, made up of a roughly equal number of men and women.
- The respondents reflect the heterogenous nature of the VOD sector with different business models and often diversified interests.
- The number of TVOD (transactional download and rental) and SVOD (subscription streaming) platforms are evenly represented with some advertising led AVOD and some specialist interests, such as VOD for schools.
- Many services offered a hybrid of SVOD, TVOD and other models.
- More than 75% of the services were available in more than one country. Half said they were available in three countries and 20% in more than 20.
- The bigger, more established services with a general audience focus had sizeable libraries. More than half had more than 1,000 films and 15% had more than 4,000.
- More than half featured at least some series but only two had more than 100 series available (though a quarter had more than 100 episodes in the library).
- Shorts remained a popular feature with around 40% of services having at least 100 available.
- Respondents were focused on European content with 80% of content either national (49%) or non-national European (31%). Just 12% of titles came from the US with 8% from the rest of the world.
- The European commitment was fairly evenly spread but some services had a particularly strong focus, with three services having libraries with more than 50% non-national European titles.
- Download to rent (40%) was more popular than download to buy (23%).

### DIVERSE CONTENT

- Classic works and library titles made at least a decade ago make up a significant part of catalogues (36%) but a large majority of works are more recent, 51% from 2010-2018 and 13% from 2019 and 2020.
- More than a third of respondents said they disagreed, or strongly disagreed with the idea that theatrical release was essential before online in the success of the film.
- Respondents recognised the disruption but did not believe the US streaming giants were a threat to the future growth of European VOD.
- In terms of the strongest influences on the future growth of the European VOD sector, 53% said better national and European content was most important, followed by the development of original content (42%) and the evolution of media chronology (39%).
- Services and platforms are increasingly involved in original production with 23% working on co-productions, 14% producing original work and 9% pre-buying online rights.
- Platforms are most interested in carrying more series, while documentary is also popular.

## TECHNOLOGY

- Research and Development is a key issue for the sector, with more than 20% calling it a ‘maximum priority’.
- But there are concerns about the cost of technology with 55% calling it a very important or most important issue for the sector.
- Lack of scalable VOD-focused technology suppliers (55%) and the cost of film material technology (44%) were also rated as important barriers to growth.
- The technology for platforms is solely produced and owned in-house by just over 20% and wholly outsourced by 17%. Most services are a mixture of in-house and external (61%).
- In more than half of cases, outsourcing is for the video player.
- The most popular device for viewing services is the computer (35%), ahead of a mobile device (22%), television (11%), and tablets (10%).
- 5G is seen as a potentially important factor in driving the mobile market.
- Subtitle availability (66%) and cost (55%) are deemed very important or essential issues.

## LOCKDOWN PROGRESS

- 78% of services saw an increase in the number of visitors during lockdown with no service declining.
- Some saw exponential rises with 40% at least doubling average daily visitors. Even well-established services with an already strong user base reported double-digit increases.
- More than 60% saw increased activity lead to increased transactions (downloading online rental or subscription.)
- Among those services which did report increased transactions during lockdown, three-quarters said business had at least doubled.
- Services were very active in promotions, marketing and partnerships during lockdown.
- 72% ran a marketing campaign, 56% hosted or took part in an online festival or market and 44% held an online premiere for a film that would have been launched theatrically.
- 17% set up a partnership with a cinema.
- Among other activities were increased free content, specially curated events, services and clubs, webinars, talks and Q&As.
- Services might have seen even stronger growth, but respondents identified a number of barriers, including lack of resources for promotions and marketing (44%), content held back by distributors (39%), too high MCGs (33%) and technical limits to the platform (33%).
- Respondents were able to adapt to many lockdown challenges with 83% saying there were no major issues with staff working from home and 83% able to cope with any discontinuity in technology or distribution.
- While the incidence was relatively low, some individual services reported problems with crashing sites due to increased demand and some encoding issues at labs.

## MARKETING/PROMOTION

- New customer acquisition was rated a key issue for the sector by 82% of respondents with a third rating it a maximum priority.
- Respondents said there were important, or very important challenges (72%) in trying to reach new audiences.
- There were concerns about the cost of traditional marketing (radio, TV, print) (77%), and the rising cost of social media marketing, which 89% said was a challenge.
- Web marketing and social media were the most important promotional tools used by respondents (33%). Physical promotions, including TV, radio, newspapers and outdoors promotions made up an average 20% of marketing.
- Partnerships played an important role in promotion, including relationships with festivals (13%), cinemas (5%), film institutes and schools (8%), and cultural media (10%).
- More than two-thirds of respondents said social media was the most effective marketing and promotional tool.
- 67% put Facebook at the top of the list of most effective social media services, followed by Instagram (22%).
- Google Analytics (40%) is the most popular data analytics service, ahead of Facebook (30%).
- Just under a quarter of respondents have a customer relationship management (CRM) system.

- The biggest barriers to growth have been the result of restrictive business practice and policy, under-investment and political, economic and technical issues.
- Unrealistic Minimum Guarantees (MGs) are seen as among the most important issues for the sector by 44% and an important issue for nearly 80%.
- Fragmentation of film rights are rated as a maximum sector priority by 44% with 77% saying it is an important or very important issue.
- Training is an important issue for respondents with 73% giving it high importance (33%) or maximum importance (39%).
- Improved market intelligence is seen as a critical (33%) or very important issue (22%) by the majority of services.
- Half saw return on investment as a critical issue with all seeing it as at least a significant issue.
- Almost three-quarters of respondents felt removing the window between theatrical and VOD release would be a very important or essential step to supporting the promotion of European works on independent European VOD.
- More than 60% saw value in European programmes to support Research and Development into new marketing schemes and tools.
- Almost 70% of services and platforms strongly agreed that national and European public funds needed to invest more in the growth of the VOD to support a sustainable and diverse AV culture.
- Media chronology is an important issue holding back VOD growth according to 75% of respondents with a third seeing it as the most important issue.
- Structural weaknesses undermining the integration of VOD in a cooperative and collaborative value chain were seen as very important or most important by half of respondents.
- Half of respondents felt private and public resources were too concentrated on production rather than audience engagement.

## TERMINOLOGY

The VOD sector has acquired its own particular vocabulary to describe different business models and platforms.

An explanation of the key terminology is set out on page 13 of this report.

There are some terms that frequently appear during this report in relation to the pandemic that need to be clarified

**Covid Crisis:** Used to describe the effects of the pandemic as a

whole, from the earliest closing of cinemas and cancelled production, to the tentative restarting of physical businesses. It also encompasses the social, cultural and economic aftermath of a crisis that was nowhere close to ending at the time of publication.

**Lockdown:** Lockdown describes a particular phase of the crisis, when there were restrictions on movement and travel, cinemas were closed, productions halted and festivals cancelled or postponed.

## ABOUT EUROVOD

EUROVOD<sup>1</sup> is a membership association, comprising independent VOD services and key technology and business partners. It was set up in 2010 by a group of then emerging platforms with a number of aims:

- To defend and promote cultural diversity in the emerging on-demand space.
- To offer legal online viewing choices to audiences as an alternative to piracy.
- To build a diverse and sustainable sector with a voice in industry and the public sector.
- To connect professionals and businesses in the sector to build a dynamic, best-practice knowledge economy.
- To group under a common umbrella, national services linked by common interests and mutualisation of resources.

It has evolved especially since 2018, taking a key role in the development of a dynamic, diverse and sustainable independent European VOD sector.

It provides a range of sector support, including workshops, training and networking, and facilitates the sharing of data, best practice and business intelligence.

EUROVOD is a crucial link between the emerging on-demand sector and the rest of industry, collaborating with partners along the value chain, including sales, distribution and exhibition.

And it works with government at regional, national and European levels to promote understanding of the sector and encourage support.

# METHODOLOGY

The central part of this report is based on a survey conducted in the Summer of 2020 among members of the EUROVOD association. It looked at a range of indicators of performance, progress and potential in the European independent VOD sector.

The survey was expanded to include lessons emerging from the Covid Crisis and lockdown (see Terminology).

The extensive survey is given further depth and context by case studies, which demonstrate the diversity of the sector.

The study also includes desk research, analysis of existing studies, journals and literature and interviews with relevant people and businesses.

**Graph 1: Range of services**



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# **CHAPTER 1:**

## Introduction

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## IN BRIEF

- The lockdown exposed, accentuated and accelerated pre-existing trends in VOD
- Already expanding European services made major strides forward during the crisis
- The European sector has a unique dynamic that differentiates it from the US giants
- Europe needs a strong independent VOD sector for cultural and economic reasons
- Investment in the sector today can bring long-term benefits to the AV industries

**This report was initially planned during the final months of 2019 when coronavirus was a seemingly distant story about events in China. Its writing coincided with the deepening Covid Crisis, from lockdown to a tentative and uncertain restart for the traditional industry.**

Despite excitable claims of a ‘new normal,’ it may take many months to understand the impact longer still to fully process the lessons of an unprecedented and (at the time of writing) ongoing period of disruption.

What is certain is that a still youthful European VOD sector adapted rapidly and impressively to the challenges and played an important role in maintaining the link between European film and audiences. They were rewarded with big spikes in demand.

Those platforms and online services had major advantages in audience reach and engagement: not just the closure of cinemas but also a more general shutdown of entertainment and culture, from sport and shopping to theatres and museums. On-demand platforms briefly had a captive audience with the time to watch and explore.

They also had a head start in the initial phase of the lockdown, as films already performing well in cinemas, or with strong theatrical potential, were transferred online with the full power of marketing already committed. Festivals also hurriedly moved programmes, markets and competitions online, often in conjunction

with VOD services, and promoted those virtual versions hard.

Steep rises, first in visitor numbers and then transactions and subscriptions, created a sense that the pandemic represented a revolutionary switch in consumer behaviour. Yet the lockdown came far too quickly for a strategic response, and nothing truly game-changing emerged in terms of technology or business models.

Instead the crisis exposed, accentuated and accelerated existing trends – and that makes it far more significant.

Online platforms and services responded so effectively to the unsought opportunity of the pandemic because they were already prepared for expansion. VOD – in all its forms – has been the fastest growing area of the audiovisual economy for a number of years (see Chapter 2) and had already reached a level of maturity that allowed it to adapt to the needs of industry.

The main attention of industry and commentators has inevitably been on the US streaming giants including Netflix, Amazon Prime and some bold new competitors, including Disney+, Apple TV and HBOMax. The US services were already dominating most European online markets and have in many ways emerged from the crisis stronger than ever.

But the focus of those reports is a growing European independent VOD sector that has been building its own dynamic.

The Covid Crisis saw those businesses play a key role in supporting a beleaguered European industry, but it also demonstrated the value that over the long term has the potential to become an essential part of a new audiovisual ecosystem.

## INDEPENDENT EUROPEAN VOD

The independent European sector has a fraction of the financial muscle and global reach of the US tech giants, which have come to dominate most European markets, and have been shaping the way that VOD is perceived by industry, public and policy-makers.

That domination can be frustrating for European services, yet what stands out from the survey and interviews is that they refuse to be defined by it. Less than a third of survey respondents believed that Netflix and Amazon were holding back the development of a European sector, and only 11% strongly agreed.

There is recognition that the advance of US streaming services has blazed a trail in technology development, international reach and consumer acceptance of on-demand services.

Independent platforms and services have also recognised and exploited the value of counter-positioning. The 2020 launch, for example, of the Sooner<sup>2</sup> platform, involving a number of services in this report, talked about the new brand as a “European counterweight to Netflix.”<sup>37</sup>

It is a logical promotional move. The evidence of the market, now largely confirmed during the Covid Crisis, is that consumers across Europe are happy to take more than one subscription service. (See Subscription Stacking, p33).

It is also an illustration of how the market has shifted. In the early stages of VOD development in Europe, the focus was indeed on building a European platform to match the emerging forces from the US, notably Netflix.



After all, there was a European music platform able to take on all-comers in Sweden's Spotify. There were initially a number of European services competing in the nascent streaming market too, including LoveFilm, which had two million subscribers by 2011, when it was bought by Amazon and subsumed into the Amazon Prime brand<sup>4</sup>.

But European contenders had to face complex market realities, from the fragmentation of the European market to suspicion from other parts of the traditional industrial value chain, driven in part by the bold challenge to established practice, particularly from the US giants.

The domination of Netflix in most European markets is at least in part due to a combination of inspiration and luck, which allowed it to exploit opportunities in the early stages of the streaming revolution. They negotiated low-cost deals for library content that, it transpired, matched the appetites of a generation that had begun to enjoy watching high quality content on laptops and on new high definition smart televisions.

Some early-adopter European independents, including Filmin (2007), FilmoTV (2007) and UniversCiné in France (2007)

and Belgium (2008) also saw those emerging opportunities and established strong brands but without the access to vast stores of capital, or access to audiences on the same scale. The advantage of a single US market with a strong linguistic and cultural base were a big contrast to the fragmented national markets of Europe.

The approach of the independent European sector today has become more about growth within an emerging ecosystem in which independence, cultural diversity, and cooperative and collaborative physical and online relationships are essential ingredients.

The services in this study – often founded by executives from the established industries – understand how the audiovisual industries operate and where change can, and in their view, must come.

The findings of this report are that ambitious services do not intend to play a subservient, or even a supporting role to an audiovisual industry establishment in Europe, any more than they do Netflix.

They are trying to shape a distinctive new approach, looking to unite passion, cultural diversity and the realities of the way today's consumers want and expect to find and watch content.

## BUILDING A SUSTAINABLE INDIE SECTOR

There is a basic problem for independent VOD platforms: they are small, at least in comparison to the big beasts of the US streaming world.

Just 10% of respondents to this survey have more than five full-time employees and only 15% more than five part-time workers.

And there are big differences in business model, size and scale among survey respondents themselves. A few have extensive libraries, strong market awareness and significant subscriber numbers in their home countries. More than half have libraries with more than 1,000 feature films and 15% have more than 4,000.

At the other end of the scale, 47% have less than 600 films available. That is not necessarily a weakness; effective VOD businesses often put quality and audience focus before volume.

There are strengths in being small, agile and entrepreneurial businesses but, in some unavoidable respects, scale counts.

Money talks. And in an established film industry operating on a film-to-film basis, or at least slate to slate, the first priority is recruitment. One of the biggest concerns is that rights-holders demand Minimum Guarantees that are unrealistic for independent platforms and services. More than 80% of survey respondents say it is holding back growth and 44% say it is among the most essential issues to address.

The answer to that issue may come from both market and the public sector, which needs to think about the long-term interests of the audiovisual sector more generally and may be able to help incentivise investment in on-demand film releases.

The sector recognises that it also needs to grow, both in terms of individual businesses but also as a networked, collaborative sector. (See Conclusions)

The European independent VOD sector is also still young. As already mentioned, there are a few established players but

more than half of respondents in this survey were founded in the last five years.

Again, that is not necessarily an issue. These are emerging and changing markets that require fresh thinking but knowledge and experience still count. Sharing best practice and data is one of the core functions of EUROVOD.

The number of services may well grow quickly in the coming years as audience numbers rise, confidence in the business model grows and technology becomes more commoditised and cheaper. (That growth in itself is a challenge to a coherent independent sector. An influx of new players into what might fast become overcrowded markets may raise issues around quality control and business viability.)

What stands out in studying the emerging independent European VOD sector is the variety of businesses and models.

Platforms and services in this survey have interests in film distribution (9%), content and rights aggregation (15%), cinemas (3%), DVD distribution (6%) and technical support (9%).

Platforms and services often have other interests. Some, such as TriArt in Sweden and CutAway in North Macedonia are arthouse distributors as well as operators of a platform. OUTv has extensive media interests, including Pay-TV channels as well as VOD. Austrian company Hoanzl Vertrieb<sup>5</sup> has interests in DVD distribution and has been working with established Vienna-based VOD service Flimmit<sup>6</sup> on developing on-demand services. The business behind FilmDoo (See page 28) has also developed video content management software (Fassoo<sup>7</sup>).

Those diversified interests can generate revenues in still strong, if declining business areas that can be reinvested in long-term development of on-demand interests.

Innovation, experimentation and market maturity naturally create a diversity of models but there are critical uniting factors too.

## **A VOD culture:**

The first is a belief that on-demand platforms are not simply a form of exhibition or exploitation. VOD represents a more profound shift, fulfilling the expectations that the Digital Age would be an interactive, inclusive and participatory audience-driven economy.

## **New connections:**

The second is that, while generally retaining sympathy for, and often deep links to, the traditional industry, they are working on more effective and efficient ways of connecting diverse European content to audiences. A recurring theme in interviews and case studies is that a brief weekend in a limited number of cinemas cannot be the sole mechanism for ensuring talent – and particularly new and emerging talent – finds an audience.

## **Content diversity:**

A differentiating strength of online platforms and services is that they match content to the fluctuating needs and desires of audiences. Times when viewers can settle down to a full-length feature film are limited (although they dramatically increased during lockdown). The rise of subscription channels brought with it a new phenomenon in the ‘binge watching’ of series, with every episode released simultaneously. At the other end of the scale, there may be room for new forms of short-form content. But interviewees suggest platforms want to experiment with formats and methods of audience engagement, and that creates opportunities for diverse new talent.

## **Cross-border reach:**

More than 75% of respondents said their services were available in more than one country. Half of services reached three countries, while 30% were available in more than 10. Almost every European country is serviced by at least one of the services in the survey; some have non-European markets, including Canada, Algeria and Djibouti, while others offer a full global reach. A number have launched, or are in the process of launching, services tailored for neighbouring countries in recent months, including Sooner, Tënk (See Case Study p19) and LaCinetek (See Case Study p37).

## **A new ecosystem:**

Most are sympathetic to the existing ecosystem, looking more for collaboration and partnership, rather than antagonism. The European independent VOD sector is founded on a critical and unstoppable new reality: Audiences are demanding to watch content how, when and where they want. European ambitions for a diverse, inclusive and participatory culture need to exist within those realities. The services in this report see themselves as constructive partners in ensuring that diverse European content connects to diverse audiences.