



# **THE EUROPEAN MEDIA INDUSTRY OUTLOOK**

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**European Media Industry Outlook**

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## List of abbreviations

<b>Acronym</b>	<b>Meaning</b>
AAA	Large-scale and high-budget video games
AI	Artificial Intelligence
AR	Augmented Reality
AV	Audiovisual
AVoD	Advertising video on demand
BVoD	Broadcasting video on demand
CAGR	Compound Annual Growth Rate
EAO	European Audiovisual Observatory
FAST	Free ad-supported television
ID	Identity document
IP	Intellectual Property
LED	Light-emitting diode
MAAP	Media and Audiovisual Action Plan
PSB	Public Service Broadcasters
SMEs	Small and medium-sized enterprises
SVoD	Subscription video on demand
TVoD	Transactional-based video on demand
VFX	Visual effects
VoD	Video on demand
VP	Virtual Production
VR	Virtual Reality
XR	Extended Reality

# Executive summary

## *Policy context*

In the last decade, the European media landscape has undergone a deep transformation due to technological innovations and the entry of new global players. The COVID-19 pandemic has further affected the sector, accelerating certain trends while underlining media's relevance in keeping people informed and entertained.

In this context, the European Commission adopted its 'Media and Audiovisual Action Plan'<sup>1</sup> (MAAP) in December 2020, an agenda aiming to support the sector's recovery and transformation<sup>2</sup>. It focused on access to finance, business collaborations, as well as avenues to support innovation and prepare for the future of the sector (e.g. VR/AR formats). This plan also provided a concrete roadmap for media policy, building on a modern regulatory framework, with the Audiovisual and Media Services (AVMS) Directive adopted in 2018 and the Directive on copyright in the Digital Single Market adopted in 2019. In the meantime, the Digital Services Act has set up clear new rules for online platforms, including some systemic safeguards for media freedom and pluralism online. A proposal for a European Media Freedom Act<sup>3</sup> was also tabled by the European Commission in September 2022.

To monitor the evolution of the sector and gather further evidence, the MAAP announced the preparation of a biennial 'Media Industry Outlook' (the 'Outlook'). Its purpose is to 'explore media trends – from technology advances to emerging production and consumption patterns – and analyse their potential impact in the European media market and business models'.

## *The European Media Industry Outlook*

This first Outlook relies on independent research commissioned in 2022 and 2023, based on structured stakeholder input, market analyses and consumer surveys. It also draws from secondary data sources.

For the analysis, the media sector has been split into three main subsectors - the audiovisual sector (focusing on streaming), video games, and news media – each including several segments. The research assesses supply and demand-side market trends as well as technological developments in all three subsectors<sup>4</sup>.

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<sup>1</sup> Communication from the Commission, [Europe's Media in the Digital Decade: An Action Plan to Support Recovery and Transformation](#), COM/2020/784 final, 3 December 2020

<sup>2</sup> The media sector, including audiovisual, video games and news media, is also part of the wider Cultural and Creative Industries (CCIs) ecosystem, one of the 14 industrial ecosystems identified by the European Commission as key for Europe's single market and the green and digital transition.

<sup>3</sup> In this respect, evidence encountered as part of the Media Industry Outlook research bears out the findings underpinning the European Media Freedom Act proposal.

<sup>4</sup> A number of data gaps identified during the research could possibly be addressed in the future, together with industry, Member States or Eurostat, as well as through the next edition of the Outlook.

The Outlook focuses on the common theme of competitiveness of the EU industry<sup>5</sup>. In response to requests expressed by Member States<sup>6</sup>, it also looks more closely at specific topics, namely the contractual relations between EU independent producers and streamers/broadcasters as well as the presence of EU works compared to other works – notably from the United States (US) and United Kingdom (UK) – in VoD catalogues across the EU.

Based on the work carried out in the context of this Outlook, further research will be conducted over time to continue to monitor trends.

### *Market overview*

The Outlook builds on the analysis of the MAAP and provides more comprehensive and up-to-date data.

**The market analysis shows that the three main media subsectors compete to a large extent on the same attention economy market.** Media companies seek to capture and monetise people’s time. Growth is mostly driven by online players and the adoption of new distribution methods, while many traditional players struggle to adapt. In this context, the EU industries face growing competition from non-EU players (e.g. social media platforms, US-based streamers, gaming companies in China and Japan), which are present across sectors and value chains. In the meantime, consumers continue to shift online to consume more content on digital media, streaming or gaming platforms, although TV remains the preferred medium for most Europeans to watch films and series or to consume news.

**Overall revenues are recovering but there are stark differences in dynamics across EU media segments.** To provide an order of magnitude, the media subsectors’ market size is estimated at EUR 91.4 billion for the audiovisual sector, EUR 23.5 billion for the video games sector and EUR 19.8 billion for news media<sup>7</sup>. Video games experience the fastest growth, the audiovisual sector gradually recovers from the COVID-19 pandemic and parts of news media are shrinking. Revenue dynamics between specific segments greatly differ: VoD, console and mobile games, immersive/XR content as well as digital news are driving growth, while cinema, printed press, and PC games are struggling.

**The EU industrial fabric is characterised by a multiplicity of small companies, while turnover is driven by larger ones.** In the EU industry, SMEs account for 99.8% of all companies active in the media markets. Larger companies – mostly in broadcasting – account for over 50% of the total turnover of the media and employ over 45% of the one million strong media workforce. In contrast, non-EU competitors (e.g. from the United States or China) have greater scale, and use it to invest across the media spectrum.

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<sup>5</sup> The different nature of the sectors and the availability or not of data have revealed the existence of several, sometimes important, knowledge gaps at EU level. Whenever possible, the analysis has focused on the best available proxies. In other cases, these gaps have been singled out across the document.

<sup>6</sup> Council of the European Union, [Council conclusions on increasing the availability and competitiveness of European audiovisual and media content](#), 30 November 2021

<sup>7</sup> This estimation accounts TV revenues as part of the audiovisual segment and leaves them out of news to avoid double accounting. Yet, TV and radio (together amounting to EUR 68 billion in revenues) are also part of the news media chapter as information is part of their remit

Companies originally active in the tech sector, for example, have increased their investments in other media subsectors or segments, such as streaming or gaming<sup>8</sup>, becoming the most important actors driving market trends. Non-EU companies also dominate the European media market in the fastest growing segments (e.g. streaming, mobile gaming and immersive/XR content), and in several parts of the value chain, from development to distribution.

### ***Key trends***

More than ever, **intellectual property is a strategic asset for media companies:**

- In a context of fierce international competition, the ability of the European media industry, including content creators, to **retain, acquire and exploit intellectual property rights** appears fundamental in order to increase revenues, invest and remain independent. For example, transmedia<sup>9</sup> franchises, which increasingly meet commercial success, rely on the exploitation of intellectual property rights, and have so far benefited many non-EU players. The consultation of producers underlined that many EU players considered such further exploitation potentially valuable, but difficult to take advantage of, including due to the terms of their contracts.
- In the audiovisual sector, the research reveals imbalances in the retention and ownership of intellectual property rights, in particular between **European producers and broadcasters/streamers**. Producers report a tendency to include in contracts the transfer of all intellectual property rights in European works (e.g. film/TV series) in exchange of an upfront payment – referred to as **‘buyout practices’**<sup>10</sup>. The perception is that non-EU streamers and broadcasters would be significantly more likely to keep the intellectual property rights compared to EU players. This is taking place in a context of reported increasing business between producers and streamers.
- **The Outlook also provides new data and insights on the presence and consumption of European works in VoD catalogues across the EU**<sup>12</sup>. Consumption continues to be dominated by US works (59% of viewing time), ahead of national titles (13%), non-national EU works (9%) and UK works (9%). In terms of the presence of titles in VoD catalogues, US titles made up 47% of the works available, national titles 14%, non-national EU titles 14% and UK works 9%.
- In news media, publishers expect the share of their revenues generated from the online use of their publications to increase, thanks to the licensing agreements concluded with tech platforms. More generally, protecting the intellectual property assets of content creators, in particular against online piracy, is crucial to ensure the sustainability of the media industry<sup>13</sup>.

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<sup>8</sup> Examples include Apple, investing in streaming, or Google which entered the gaming market.

<sup>9</sup> Which corresponds to the exploitation of the intellectual property rights of a work across a variety of media, such as films, series and video games.

<sup>10</sup> The survey focused on the relationship between producers and streamers/broadcasters, but concerns have also been raised over the use of such practices on individual creators, such as music composers. This issue will need to be further examined.

<sup>11</sup> The incidence of buyout practices appears to be significant for relatively bigger producers.

<sup>12</sup> VoD consumption was analysed across nine EU Member States, representing 75% of the population.

<sup>13</sup> See also the Commission Recommendation on combating online piracy of sports and other live events of 4 May 2023

**An early adoption and usage of new technologies is key to adapt and open new markets.** Growth in media has been driven by non-EU players, often global tech companies which have established strategic positions in media markets, from distributing news to investing in virtual worlds, building on their research and innovation efforts. Media companies are looking to take advantage of recent and disruptive technological advances across the value chain - from AI to virtual productions and extended reality – and adopt these technologies early enough to build their competitiveness, especially as they become more affordable. Generative AI, in particular, appears as a technology that the industry is approaching as a tool to enhance their processes (e.g. creative ones). In the meantime, **data** remains a key resource in new distribution and business models. Due to their scale, large online players can collect and analyse great amounts of data on users. This allows them to optimise their business models, better monetise content and invest in new markets. On the other hand, SMEs are unable to harness data the same way.

**The market is dynamic and converging in the context of the digital shift.** European broadcasters, for example, have launched on-demand services, while streaming services increasingly offer new formats originally made for TV, and launch ad-supported services. Convergence also takes place between consumers and creators, with growing monetisation of user-generated content in video games platforms. Linked to this, new skill needs are emerging based on a new combination of digital, tech and creative skills. As a result, new market niches may emerge.

**Consumers, and in particular youngsters, are a driver of change.** The analysis of consumption trends shows that younger generations have distinctive consumption habits. They are moving away from legacy media (such as television or cinema theatres), in favour of online or virtual spaces. In this context, media companies are increasingly seeking to retain younger consumers to ensure their long-term relevance. So far, non-EU companies are successfully positioning themselves in sectors attracting youngsters, such as gaming and virtual worlds. These spaces are strategic, as they are places to live, experience and buy, and not simply to play.

**Media companies in Europe continue to encounter difficulties to invest.** Stagnating revenues and limited capacity to access private financing hamper EU media investments in content, technology or skills. This impacts the ability to address the above trends and to compete with global players.

### *Sectoral findings*

#### **A- Audiovisual sector (focusing on streaming)**

**The EU audiovisual market is partially recovering from the COVID-19 pandemic whilst undergoing deep transformations.** After a 5.5% dip from 2019 to 2020, revenues picked up by over 8% the following year, reaching EUR 91.4 billion in 2021. Broadcasting accounted for 83.7% of revenues (a large share being public funding), VoD 12.8% and cinema 2.5%. There are however **stark differences in trends between the different sub-sectors**: VoD is growing fast, TV remains resilient, cinema was hit hardest by the COVID-19 pandemic and physical video (e.g. DVDs) is vanishing.

The European audiovisual market is characterised by a **great number of small and independent companies**, yet economic value is concentrated in the top 100 companies. **US companies have a substantial weight, as they represent 30% of the top 100 companies' revenues** active on the European market and have reinforced their positions through consolidation. They are also diversifying their investments, including in transmedia activities. **As far as the VoD market is concerned, it is also particularly dominated by a few non-EU companies**, with the top three offers coming from the US and representing around 71% of total subscriptions to those services.

As part of new research on contractual arrangements between producers and streamers/broadcasters, a dedicated survey was undertaken to provide new insights on contractual negotiations and power balance in business relationships, and the challenges faced by European media companies in retaining and exploiting their intellectual property rights. Producers reported increasing business with streamers (for 74% of them) and expect the **importance of exploitation on VoD streaming platforms** to grow in the coming years. The most valuable types of intellectual property rights were primarily the exploitation on TV and streaming rights in national markets. Results also provided **evidence of a tendency for producers** to transfer all intellectual property rights of a film/TV series to streamers/broadcasters in exchange of an upfront payment. Producers also indicated that broadcasters kept all the intellectual property rights in 11-35%<sup>14</sup> of contracts, and that streamers kept all the intellectual property rights on average in 38-62% of contracts. They also perceived an increasing tendency of the latter to demand full ownership of rights. They considered that **non-EU streamers and broadcasters would be significantly more likely to keep the intellectual property rights compared to EU players**. Finally, the survey indicated that other types of contractual arrangements are also used by broadcasters and streamers, which may also limit the ability of the producers to exploit intellectual property rights (e.g. long periods of exclusive rights for primary exploitation).

This report also brings more transparency about **consumer preferences**, through a dedicated survey. Consumers shared that they are slightly more likely to watch film and series coming from the US (for 80% of them, as opposed to national content for 76% of them, and content from other European countries for 71% of them). They also shared that they would like to see more films and series coming from the US (for 45% of them) at par with content from their home country (44%), and ahead of content from other European countries (28%). 41% of them did not express any preference as regards the origin of the content.

Finally, as regards VoD, **actual consumption is dominated by US works** at 59% of viewing time whereas they only account for 47% of the works available. EU works constituted 28% of all works available in the VoD catalogues<sup>15</sup> under the sample, but their consumption amounted to only 22% of viewing time – and was found to be concentrated on a fewer number of titles than US works. Non-national EU works count for half of EU works available and 9% of viewing time.

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<sup>14</sup> Respondents were offered to reply and provide intervals (e.g. 0-25; 26-50; 51-75; 76-100%) instead of absolute figures. This explains why results are presented as averages of the two extreme points of an interval, in order to be more faithful to the questionnaire results

<sup>15</sup> Another study of the European Audiovisual Observatory on a larger set of VoD catalogues, found out that 49% of titles in VoD catalogues in the EU are US titles, 21% are EU titles and 11% are from non-EU European countries.

## **B- Video game sector**

The **video games industry has emerged as one of the main cultural and creative sectors** right at the crossroads of digital technology, visual art, musical arrangements and interactive storytelling, and with increased cultural significance for Europe. The global video games market has seen **continuous growth** in the last decades, recently driven by mobile games (which represent 51% of the market, with consoles accounting for 29% and PC games for 20%). In 2022, global revenues stood at EUR 179 billion, representing 5.4% annual growth. The **EU market is growing** too, while its **overall share of the world market is gradually declining**, forecast to reach 7.3% in 2025 compared to 8.7% in 2017.

As far as consumption is concerned, around 125 million European citizens play video games and this number is increasing annually. **Games are attracting youngsters in particular, as more than 70% of 6–24-year-olds play video games, but now have an important impact across all generations.**

**The video games market is concentrated**, with the top four largest firms generating around half of all revenues for the worldwide video games sector. The main companies originate from the US, China and Japan, while none of the top 10 companies has its headquarters in the EU. The EU counts with around **4600 companies**, of which approximately **80% are small and micro-enterprises employing less than 10 people**. Research points to cases of consolidations, in particular for non-EU companies: global non-EU tech and entertainment players are increasingly investing in the video games market and dominate the distribution segment (apps stores, consoles, streaming) of the video games value chain.

Together with mobile games, **community-based games** are on the rise – none of the main ones being EU-based. They are becoming platforms attracting activities from other commercial sectors such as music, fashion or real estate: in some popular games, players can game, interact, go to concerts and buy items for their avatars as part of a single game. Other platforms go even further, creating a virtual creator economy running on games' own digital currency. The video game industry is thus heading towards more user-created games and experiences that can be monetised, serving communities of an ever-younger age<sup>16</sup>. This trend is set to further turn video game companies into gateways to other economic activities in virtual worlds, with possible large-scale repercussions on revenue distributions.

The industry is also focusing on further exploiting **intellectual property rights** (copyright and trademarks, often spanning from individual characters to works and full universes) across different media or support (TV series, movies, books, merchandising, etc.) in order to grow additional revenues. When adequate budgets are invested<sup>17</sup>, the potential offered by adaptations can be explained by several factors. First, the story or narrative itself has already proven popular. Then, the communities (often young ones) built by video games tend to follow other media adaptations. As a consequence, this attention can provide an early commercial boost to the work, which will then benefit from earned advertising and recommendation systems, and from the phenomenon of concentration of media consumption on a few titles only.

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<sup>16</sup> One example of this trend is the Roblox platform

<sup>17</sup> Recent examples include *Super Mario Bros* or *The Last of Us*.

Next to games, **Extended Reality (XR) is a nascent market expanding fast**. Media and entertainment industries constitute nearly half of the XR market in Europe, of which video games make up the largest part, with a share of 29% (EUR 2.1 billion in 2021) of the XR industry in Europe. Yet, the value across the Europe is held by a handful of non-EU companies: **84% of revenues across Europe is generated by ten companies, but none of these are from the EU**.

Finally, video games and other audiovisual sectors increasingly cooperate and therefore share similar needs in terms of skills. One specific production process requiring such skills is **virtual production (VP)**, which mixes live footage with digital environments and has experienced a substantial take-up after the pandemic. Although there are production facilities across Europe, there is still a shortage of skills in this area, and it is the UK which is positioning itself as key hub in this area in Europe. Future competitiveness in the games and film sector will also depend on the **capacity to reuse and exploit digital assets** (e.g. such as recorded digital film sets) across audiovisual works.

### **C- News media sector**

EU citizens still trust traditional media (with more than half of consumers trusting radio), well ahead of the internet, in spite of recently identified trends such as news avoidance<sup>18</sup>. They also value the role of news for society and the variety of themes and topics covered by news organisations.

Yet, the sector is **under continuous transformation**, as a result of digitalisation and changes in consumption habits. Legacy media have increased their presence online in order to remain relevant and serve citizens, where other players, such as social media platforms, are also used as a source of news.

The **news media market remains fragmented** at EU level and is composed mainly of small companies (less than 10 employees), while nearly all the turnover lies within the largest players (i.e. TV broadcasters). The main types of news outlets analysed have different growth trajectories. **Revenues have steadily dropped for the printed press**, moderately growing for TV and radio, and are significantly increasing for digital news<sup>19</sup>. Yet, the growth of the latter does not fully compensate for the decrease in print. Finally, overall **employment has also fallen**, from about almost 850,000 employees to about 600,000, equivalent to a 30% decrease between 2008 and 2020, and now representing just 0,32% of total employment in the Union.

The evolution of consumption patterns reflects the economic outlook, but just to an extent. **Most Europeans consume news daily**, with TV remaining the chief news source, followed by online media, radio, social media and the press. **Digital media experience the fastest consumption growth**, thanks to factors such as better internet penetration, improvements in the online offer and consumption from younger audiences.

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<sup>18</sup> A growing tendency to selectively avoid consuming news, primarily due to its depressing or repetitive nature.

<sup>19</sup> Which includes digital versions of traditional print newspapers and online-only news brands. This is also what the expression ‘digital news media’ covers throughout the document.

Yet, the rise of digital consumption is not accompanied by similar growth in revenues for news media. Media outlets keep having difficulties in competing with platforms for advertising revenues online. Also, **most Europeans have become accustomed to free news online**, with most users consuming news that is freely available to them. As a result, in 2022 the press generated EUR 15.5 billion in revenues from printed editions (which 21% of Europeans consume for news on a given week), compared to just EUR 4 billion for digital news media (which 43% of Europeans consume for news on a given week)<sup>20</sup>.

Against this background, news media are working to develop **avenues to become more viable especially online**, from new business models to community-building, as well as revenue diversification, bundled content offers and innovations in news media formats (e.g. driven by AI). They are also exploring new ways to exploit their content online, for example by concluding agreements with online platforms for the use of their publications, following the new rules introduced in the 2019 Copyright Directive.

In a context where profits are limited and the investment curve is rather flat, the economic sustainability of some parts of the sector is at stake. In all, the **future competitiveness of this sector will likely depend on its capacity to innovate, generate data and serve their communities**, in particular younger consumers who tend to increasingly avoid news or to consume it on online platforms.

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<sup>20</sup> This calculation takes into account advertising and circulation revenues.

# Chapter 1: Outlook of the audiovisual sector

## *Context*

The audiovisual industry – here understood as cinema, television and video-on-demand services, as well as the films, series and documentaries produced to be distributed through these media – is a key economic sector and a vector of Europe’s diversity and cultural autonomy. A distinctive feature of the European industry, in this respect, is the sustained public support to public service broadcasting and independent film production over the years – as a matter of example, the total public funding of the Public Service Media (PSM) in the EU amounted to EUR 26.2 billion in 2020, representing 80% of their total revenues<sup>21</sup>.

The sector has undergone fast and profound changes. It is directly affected by the digital transition and was severely hit by the COVID-19 pandemic<sup>22</sup>. Distribution channels which emerged in the years 2010s, such as VoD, have had a structuring impact on consumption patterns and market dynamics. Altogether, the way content is financed, distributed and consumed has profoundly changed over the past few years.

This chapter aims at identifying the current trends in this sector, in particular after the COVID-19 pandemic, through looking at both the supply and demand sides of the relevant markets. It examines the impact of the establishment and fast growth of global streaming platforms in the EU. It also pays specific attention to the business and contractual practices between producers on the one hand and streamers/broadcasters on the other hand. The chapter also increases market transparency by providing new data both about consumer preferences and actual consumption patterns, particularly on-line.

This analysis builds on a variety of data sources, including from the European Audiovisual Observatory, as well as dedicated consumer and industry surveys. In order to gather more robust data and provide a more faithful picture of broadcasting market and industry trends, this chapter will be augmented with additional research by the end of 2023.

## Market overview

### *Definition and activities*

The audiovisual market can be divided into three main elements of its value chain: production, distribution and exhibition. Most of the European audiovisual market players are only active in one of those fields<sup>23</sup>, but the exceptions are important: vertically integrated companies, who in most cases expanded from their core TV broadcasting activity, as well as US players such as Hollywood Studios and global streamers, which have integrated models.

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<sup>21</sup> European Audiovisual Observatory - Yearbook 2021

<sup>22</sup> In particular cinema

<sup>23</sup> In all, companies in the Union covering production, postproduction, distribution and exhibition total an estimated 154.100 according to Eurostat SBS J59 and J60.

The **production market** is composed of:

- production departments within broadcasting organisations (4000 TV broadcasters in the EU);
- standalone film and TV content producers (96.400 enterprises registered as producers and another 19218 as active in post-production<sup>24</sup>).

In the **distribution field** there are:

- sales agents and distributors, whose focus is on promoting films for theatre releases (3078 enterprises<sup>25</sup>);
- specialised departments within broadcasting organisations;
- satellite and cable TV operators (companies delivering bundles of TV channels), which in many cases are integrated with other telco activities.

The **exhibition stage** includes:

- cinemas (8700 cinema sites in 2020<sup>26</sup>),
- TV channels operated by broadcasters, which can be free (public service broadcasters channels, commercial channels) or paid (only commercial channels - satellite, cable) (altogether 9080 channels are available in EU<sup>27</sup>);
- video-on-demand (VoD) services (there were 3195 of them in EU in 2022<sup>28</sup>). They are provided both by:
  - broadcasters as they are expanding their operations into online field, in the form of:
    - offering a non-linear version of their channel programming (catch-up TV)
    - launching their VoD brands separate from their TV channels brands
  - pure-VoD players (enterprises with no prior TV programming experience).

**The public sector remains a key player on audiovisual markets.** Most of the players in the audiovisual market are private. However, the small group of public enterprises – public service broadcasters (PSBs - operating 8% of all TV channels and 3% of VoD services) have an important role in the sector. They invest heavily in production (especially serialised content) and are very popular with the audiences, both in linear TV and in their online offer. Public service broadcasters are estimated to account for almost one-third of total viewing time<sup>29</sup>.

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<sup>24</sup> Eurostat Structural Business Statistics J5911 and J5912

<sup>25</sup> Eurostat Structural Business Statistics J5913

<sup>26</sup> European Audiovisual Observatory - Yearbook Database

<sup>27</sup> European Audiovisual Observatory Annual Report 2022/2023

<sup>28</sup> [https://www.obs.coe.int/fr/web/observatoire/2023-press-releases/-/asset\\_publisher/Ot9kVBabnI8V/content/one-in-five-tv-channels-and-more-than-a-third-of-all-svod-and-tvod-services-in-europe-belong-to-a-us-company](https://www.obs.coe.int/fr/web/observatoire/2023-press-releases/-/asset_publisher/Ot9kVBabnI8V/content/one-in-five-tv-channels-and-more-than-a-third-of-all-svod-and-tvod-services-in-europe-belong-to-a-us-company); services available in more than 1 country counted accordingly.

<sup>29</sup> European Audiovisual Observatory, Top Players in the European AV industry – ownership and concentration, 2022 (slide 16). Caveat: 1/3 is the result for all countries monitored by EAO, beyond EU Member States.

**As regards VoD, the main business model is based on periodical subscriptions for unlimited usage of the whole catalogue (SVoD),** as well as on individual transactions for purchase/rental of individual titles (TVoD, also called pay-per-view). The value of the SVoD model in the EU is five times higher than TVoD and the difference between the two is expected to grow in the coming years<sup>30</sup>. A third business model is emerging, based on advertisement: AVoD – advertisement-based VoD or FAST – free ad-supported streaming television. FAST models are usually offered as an alternative to users of services that are primarily subscription-based.

### *Revenues*

**The EU audiovisual industry is gradually recovering from the COVID-19 pandemic.** After a 5.5% dip from 2019 to 2020, revenues on the EU market picked up by over 8% the following year, reaching EUR 91.4 billion in 2021<sup>31</sup>. However, there are stark differences between the different sub-sectors. Whereas VoD is growing fast, and TV remains resilient, cinema was hit by COVID-19 and physical video is vanishing.

**The three main sources of revenues are pay TV subscriptions, TV advertising and public funding.** Together, these account for 80% of all revenues, but have stagnated in the last few years.

**Growth is primarily driven by video on demand<sup>32</sup> (mainly SVoD).** In 2017, this sub-sector represented 4% of overall revenues. Five years later, its share has grown to 13%. Although TV and radio advertising revenue fell in 2020, these sources bounced back to pre-COVID-19 levels in 2021. Pay TV (satellite and cable) has had moderate growth. Conversely, cinema box-office fell by almost 70% in 2020 and, despite some audiences returning, by the end of 2021 revenues were still 40% less than pre-pandemic levels<sup>33</sup>. In 2019, revenue from VoD surpassed that from cinema, and in 2021 cinema represented only 3% of EU audiovisual revenues – compared to 7% in 2017.

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<sup>30</sup> Statista – SvoD in EU in 2023 is estimated at 11.3 billion EUR whereas TVoD at 2.2.

<sup>31</sup> According to the calculation presented by table 1, based on the European Audiovisual Observatory's Yearbook Database. This includes revenues of companies (including non-EU companies) that are active on the EU market as well as possibly on other European markets monitored by the European Audiovisual Observatory.

<sup>32</sup> For the purpose of this chapter VoD market is understood as composed of SVoD and TVoD providing professional audiovisual content and AVoD sharing platforms like YouTube are excluded.

<sup>33</sup> European Audiovisual Observatory, Main Trends 2022/23

**Table 1. Structure of revenues in the audiovisual market by sources, 2017-2021, EU, in million EUR**

	2017	2018	2019	2020	2021	2021/2020	CAGR (2021/2017)
<b>Audiovisual services</b>	77.960	80.253	82.088	81.521	88.242	8,24%	3,15%
Public funding	21.040	21.164	21.422	21.571	22.207	2,95%	1,36%
Advertising TV	22.784	23.098	22.693	20.361	23.091	13,41%	0,34%
Advertising Radio	4.286	4.393	4.428	3.777	4.052	7,27%	-1,39%
Pay-TV revenues	26.387	26.834	26.838	26.584	27.211	2,36%	0,77%
On-demand pay-revenues	3.463	4.763	6.708	9.228	11.681	26,58%	35,52%
<b>Cinema gross box-office</b>	5.565	5.323	5.769	1.789	2.313	29,24%	-19,71%
<b>Physical video (incl. taxes)</b>	2.052	1.614	1.403	1.066	810	-24,01%	-20,72%
Retail	1.889	1.502	1.316	1.021	790	-22,59%	-19,57%
Rental	163	111	87	45	20	-55,96%	-40,83%
<b>TOTAL</b>	<b>85.577</b>	<b>87.190</b>	<b>89.259</b>	<b>84.377</b>	<b>91.365</b>	<b>8,28%</b>	<b>1,65%</b>
Growth		1,88%	2,37%	-5,47%	8,28%		

Source: European Audiovisual Observatory, Yearbook Database

### Structure

**The audiovisual sector is highly concentrated.** The largest 100 audiovisual companies<sup>34</sup> have been consistently growing twice as much as the overall audiovisual market (they reached a 17% growth between the end of 2015 and 2021). In 2021, the top 20 companies generated 71% of the total revenues of the top 100 companies.

**US companies account for a substantial share of EU market revenues.** Out of the top 100 companies, US companies in 2021 accounted for 30% of revenues: their share has been rising in recent years (mainly due to the SVoD). Among the top 20 companies active in the EU market<sup>35</sup> six are US-based, representing 44% of these top 20 companies revenues. Some of the important EU players are pan-European groups (e.g. Groupe Canal Plus; MediaForEurope), but most companies are active only in one country<sup>36</sup>.

**Within different subsectors of the AV market, SVoD is not only the fastest growing, but also the most concentrated.** By the end of 2021 the top 3 SVoD providers (all of them global, US players) accounted for 71%<sup>37</sup> of the 189 million subscriptions taken up by Europeans (among which 133 million in EU Member States)<sup>38</sup>. These were: Netflix (36%), Amazon Prime (23%) and Disney+ (12%).

<sup>34</sup> In terms of revenues. This is based on the monitoring of the European Audiovisual Observatory, which includes, apart from EU also notably UK, Switzerland, Turkey and Norway. The share of EU market in the revenues cannot be precisely calculated but, based on the ratio at work in the SVoD market, it could be approximated to stand at 3/4<sup>th</sup> of all EAO markets revenues.

<sup>35</sup> After excluding from the top 100 list several players monitored by the EAO, but not present in the EU, such as BBC and ITV.

<sup>36</sup> See Table 2. Reasons for the fragmentation of the EU industry are manifold, including tradition.

<sup>37</sup> This share, as well as the split between SVoD providers, is for European markets. It can be expected that the share and split in EU Member States is similar.

<sup>38</sup> European Audiovisual Observatory, Top Players in the European AV industry – ownership and concentration, 2022 (slide 12).

**The other key subsectors are more divided according to national borders**, and hence on the EU scale they are less concentrated. In broadcasting: top 20 broadcasters were responsible for 56% of TV viewing time<sup>39</sup>. The top 20 production companies cumulated up to 41% of titles released between 2016-2020<sup>40</sup>. The top 20 cinema chains owned 39% of cinema screens<sup>41</sup>.

**Table 2. Ranking of audiovisual companies active on the EU market, per AV services revenues in 2021**

Ranking	Name of AV company	Country of final owner	Operating AV services revenues for 2021 [million EUR]
1	Comcast (Europe)	US	17,151
2	Netflix (Europe)	US	7,491
3	ARD	DE	6,927
4	RTL Group	DE	6,637
5	Groupe Canal Plus	FR	5,770
6	ProSiebenSat.1 Media	DE	4,494
7	The Walt Disney Company (Europe)	US	4,201
8	Warner Bros. Discovery (Europe)	US	3,691
9	France Télévisions	FR	3,110
10	Bouygues	FR	3,017
11	MediaForEurope (MFE)	IT	2,914
12	RAI	IT	2,688
13	Deutsche Telekom	DE	2,555
14	Liberty Global	US	2,444
15	ZDF	DE	2,355
16	Telefonica Audiovisual Digital	ES	2,249
17	Amazon Prime Video (Europe)	US	2,085
18	Viaplay Group	SE	1,561
19	Orange	FR	1,534
20	Telia Company	SE	1,360

*Source: European Audiovisual Observatory, Top Players in the European AV industry – ownership and concentration, 2022*

**The largest legacy US-based players have undergone a process of consolidation to compete in the changing audiovisual market.** In the last few years, the largest transactions included the Disney acquisition of Fox in 2019 (EUR 63 billion), the mergers of AT&T with TimeWarner and WarnerMedia with Discovery completed in 2022 (EUR 40 billion) and the Comcast acquisition of Sky in 2018. At the same time the digital-born AV player Amazon accelerated its growth by the acquisition of Hollywood studio MGM (EUR 7.7 billion) in 2022.

**Some consolidation of EU players is also taking place although at a smaller scale.** For example, Banijay production company acquired Endemol Shine Group from Disney in 2020 (EUR 2 billion). Nonetheless, the overall European audiovisual industry remains characterised by a high number of small independent producers together with production studios belonging to broadcasters.

<sup>39</sup> European Audiovisual Observatory, Top Players in the European AV industry – ownership and concentration, 2022 (slide 16)

<sup>40</sup> European Audiovisual Observatory, Top Players in the European AV industry – ownership and concentration, 2022 (slide 17)

<sup>41</sup> European Audiovisual Observatory, Top Players in the European AV industry – ownership and concentration, 2022 (slide 18)

**Table 3. The largest TV fiction producers in the EU (2016-2021)**

AV Group	ownership	Country of final owner	No of TV titles produced 2016-2020
ARD	Public	DE	284
Media wan + Leonine	Private	FR/US	272
Banjay Group (Europe)	Private	FR	260
RTL Group	Private	DE	201
ZDF	Public	DE	177
Warner Bros. Discovery (Europe)	Private	US	142
Bouygues	Private	FR	89
Beta Film	Private	DE	79
Constantin Film	Private	CH	70
Ceska Televisie	Public	CZ	65
PPF Group	Private	CZ	64
Groupe Canal Plus	Private	FR	64
Liberty Global	Private	US	49
Asacha Media Group	Private	FR	45
Cyfrowy Polsat	Private	PL	38
JLA Groupe	Private	FR	37
Ziegler Film	Private	DE	36

*Source: European Audiovisual Observatory, Top Players in the European AV industry – ownership and concentration 2022 edition*

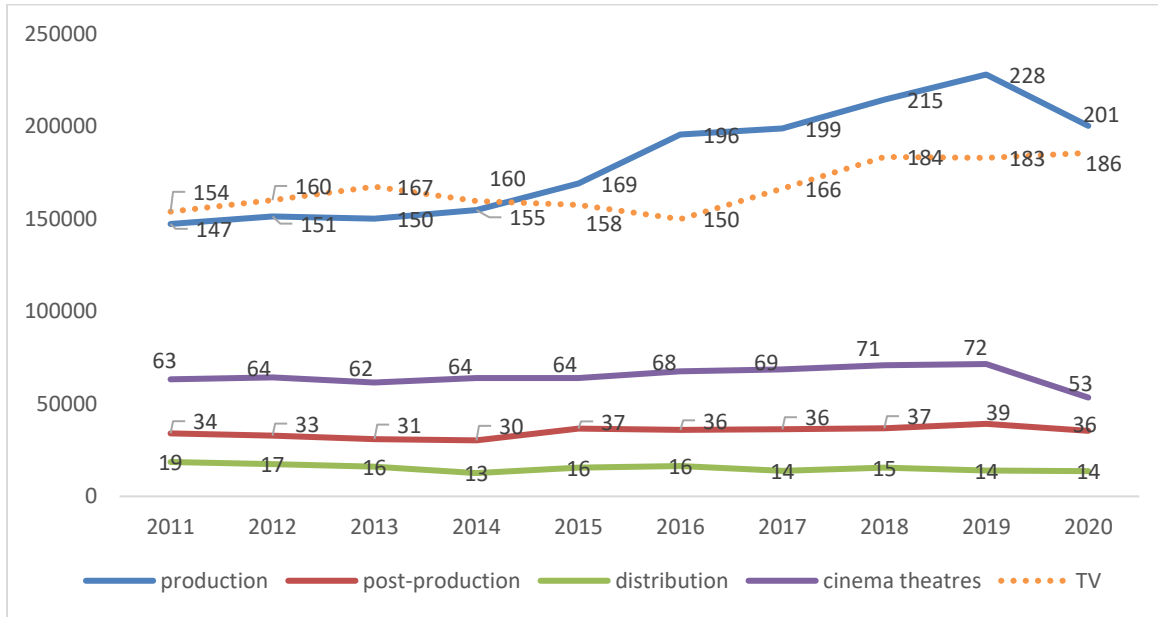
### *Employment in the audiovisual market*

**The audiovisual sector in the EU employs an estimate of around 490 000 people.** Employment in production represents the largest share, at 42% of audiovisual employment in 2019. Broadcasters account for 34% (including on news services as well as infrastructure/technical work), cinemas 13%<sup>42</sup>, post-production 7% and distribution 3%. The main trend is the sharp increase in employment in production, equivalent to 55% from 2011-2019, which reflects the increase in production in the EU since the rise of streaming platforms<sup>43</sup>. The subsequent drop in 2020 can be attributed to the restrictions imposed on productions during the COVID-19 pandemic. TV employment has also increased, by over 25% over the period, in line with the resilience of broadcasters. However, employment in the small, theatrical distribution sector fell by 25%, signalling significant changes in the audiovisual landscape. As far as the production process is concerned, the wider adoption of generative AI is likely to have a sizeable impact on creative jobs, from pre-production stages (e.g. previsualisation) to post-production (e.g. visual effects and editing).

<sup>42</sup> There is no data on employment in VoD-only enterprises, but it would not change the overall number significantly – the largest SVoD provider Netflix employs 12 800 persons globally – source Statista Netflix Employee Count 2022 published 23.02.2023.

<sup>43</sup> EAO Key Trends 2022/2023 p. 14

**Figure 1. Employment in different AV subsectors, EU, (thousands)**



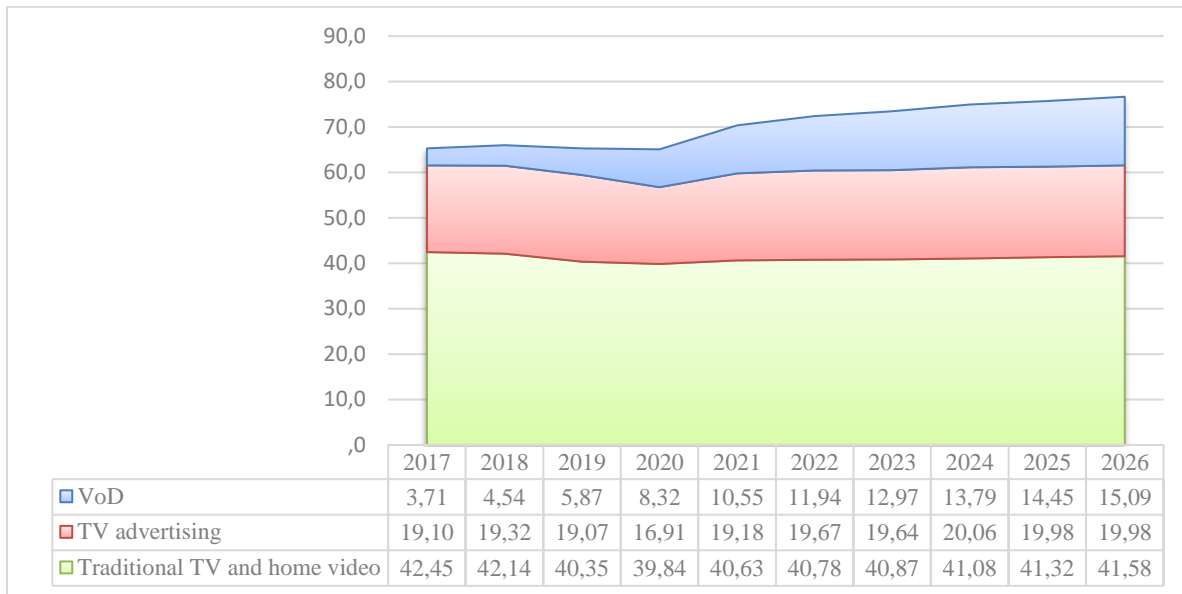
Source: Eurostat SBS; measurement: number of persons employed; categories J5911, J5912, J5913, J5913 and J6020.

Notable data on individual MS missing: LX no data; MT and CZ data mostly only since 2019; SE TV only on 2016; IE and EE many years missing for several subsectors; EU-level aggregate estimations by Eurostat or in line with Eurostat estimations.

## Focus on market trends in the VoD sector

**VoD has been the most dynamic sector over the last years.** The previous section underlined that its share in the overall revenues of the sector increased when other segments stagnated or receded. This section investigates how this increase is taking shape.

**Figure 2. Compared trend revenues in different market segments and forecast, EU-17, (EUR billion)**



Source: PwC Global Trends

Note: Data covers the following 15 EU Member States: Austria, Belgium, Czechia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Poland Portugal, Romania, Spain, Sweden

The expansion of streaming has featured several characteristics.

**The pandemic had a dual effect on on-demand services.** COVID-19 hit the audio-visual ecosystem particularly hard, especially production of content and cinemas, with knock-on effects for the rest of the value chain, in particular on investments in content, which plummeted. On the other hand, VoD players expanded their audience, potentially accelerating the shift away from traditional broadcasting<sup>44</sup> and cinema. However, as competition between streamers intensified, leading SVoD services had difficulties in then retaining subscribers.

**Convergence between linear and non-linear services.** Driven by the success of US-based SVoD platforms and encouraged by increased use of VoD, many European broadcasters and independent players launched on-demand services. Over time the distinction between traditional linear and non-linear services has become blurred as broadcasters make their content available on-demand online and create content tailor made for their streaming services, including some premium content. On the other hand, streaming

<sup>44</sup> Although more people watched traditional TV during the pandemic, the sector lost on advertising revenues as the economy was paralysed.

services broadened their catalogues to include formats such as game shows and talk shows which were originally made for TV and have launched ad-supported services

**Non-EU players keep adapting their business models and content offers.** In 2022, for example, Disney and Netflix launched advertising-supported offerings to keep subscription fees low. Meanwhile, bundling content offers seems to be on the rise, with HBO Max and Discovery + joining efforts, as did Sky and Paramount<sup>45</sup>. Netflix is also investing in video games whilst sports is also on the radar of global platforms such as Apple and Amazon<sup>46</sup>. This diversification, often building on research and innovation, aims at continuing to grow and diversify revenues and consolidate and further grow their subscriber base. In this context, intellectual property is becoming an ever-more important asset which US-based audiovisual companies have so far proven more agile in harnessing.

**The European audiovisual industry, in this context, pursues alliances and tries to provide competitive offers.** In a context where most on-demand services are private, European broadcasters, including public ones, have entered the on-demand market, mostly to offer catch-up for their linear programming, but at times to provide joint catalogues of content. They have mainly targeted their national markets together with some initiatives to collaborate across borders (e.g. France Televisions, RAI and ZDF have teamed up since 2018 as The Alliance to jointly commission high-end, expensive series). A notable success is that of Sweden's Viaplay Group (formerly NENT) which counts 7.3 million subscribers in Europe and is increasingly active in acquiring sports rights. Its SVoD offer is already present in Scandinavia, the Baltics, Poland, the Netherlands, the US, the UK and Canada and announced in Germany and Austria for 2023<sup>47</sup>.

**Looking ahead, US companies may continue to benefit from structural advantages.** Access to data and state-of-the-art technologies to effectively use this data are an important competitive advantage which makes it hard for EU VoD services to challenge<sup>48</sup>. In addition, despite some turbulences in the past year which has led to important lays-offs, the financial clout of tech players (e.g. Amazon, Apple, for example) offering streaming is still much stronger than that of even the biggest EU media companies: their market capitalisation does not primarily depend on media services, which means they are less constrained to make profits on media, and in particular streaming, and more keen to take risks than companies whose core activity is media.

**Finally, free ad-supported TV (FAST) – still nascent in Europe – could be an opportunity for the European industry.** Leading media are entering the market<sup>49</sup> and some production companies are also venturing in new content (e.g. reality shows) through such models<sup>50</sup>. While linear TV consumption is still

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<sup>45</sup> EAO Key Trends

<sup>46</sup> Amazon has already begun streaming the UEFA Champions' League in Germany in 2019.

<sup>47</sup> [How Nordic platform Viaplay became a 'truly international company' | Features | Screen \(screendaily.com\)](#)

<sup>48</sup> This advantage is expected to further increase as new technologies such as VR/AR start to gain importance in films and series

<sup>49</sup> Such as France's TF1 and Spain's public service broadcaster RTVE.

<sup>50</sup> Endemol, for example.

strong in Europe, the online consumption habits of the younger generations may work in favour of FAST<sup>51</sup>.

## Demand-side dynamics

This section provides data on the demand side of the audiovisual market. It reports on the results of a recent consumer preferences survey as well as on the results of a snapshot analysis on actual consumption of VoD services.

The focus on online consumption responds to the specific request of the Council of the EU to look at the impact of VoD platforms on the EU audiovisual market, and notably on the creative ecosystem<sup>52</sup>. It is also relevant on grounds of the recent growth of the streaming market.

While they do not consist in a comprehensive analysis either of all EU citizens' preferences or of all their viewing behaviours, these surveys however provide useful insights into consumer preferences and consumption behaviours, for example on genres and choice of VoD services.

## Consumer preferences and behaviour

A first survey<sup>53</sup> led in 15 EU Member States<sup>54</sup> analysed consumers' declared preferences as regards audiovisual content. The survey was representative, i.e. taking account of the relative demographic weight of included EU Member States, with a minimum of 1,000 respondents in each Member State researched<sup>55</sup>. It focused on several key questions, i.e. consumers' relative preferences between the cinema, TV or VoD, what attracts consumers to VoD services, how they discover content and what they like.

### Relative preferences between the cinema, TV or VoD

**TV remains the preferred service of Europeans for films and series.** The survey showed that around seven in ten EU consumers (71%) say that they watch films or series via traditional TV channels at least once a month. Subscription video on demand (SVoD) services are the second most frequently used services, with 60% of EU consumers. Free streaming services, such as broadcasting video on demand (BVoD) and advertising video on demand (AVoD) follow on a third and fourth place with, respectively, 51% and 35% of EU consumer preferences. Slightly under a quarter (24%) of EU consumers say they go at least once a month to the cinema.

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<sup>51</sup> [The State of European FAST - Variety](#)

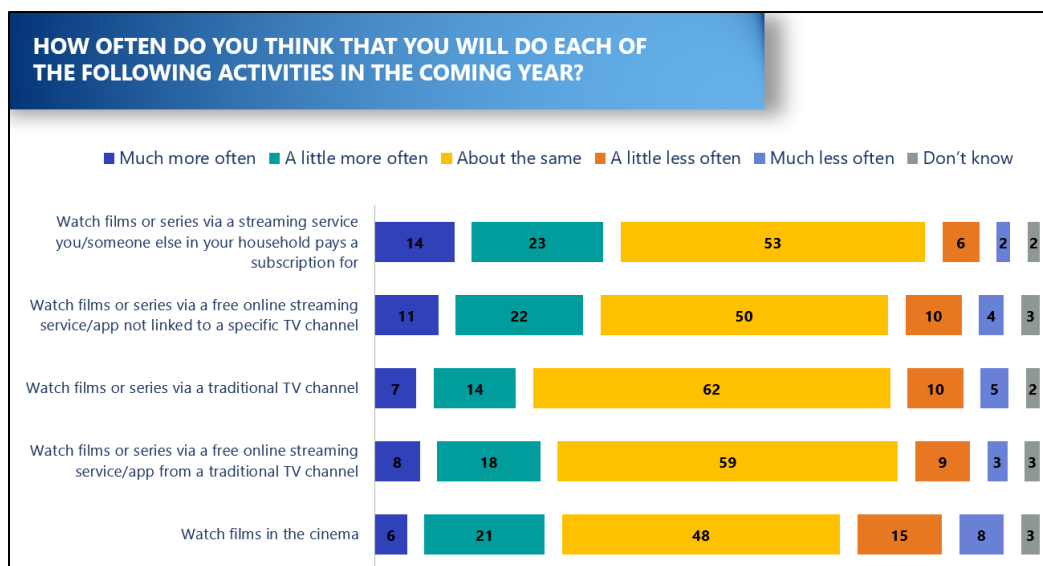
<sup>52</sup> Council of the EU, [Meeting of the Education, Youth, Culture and Sport Council](#), 17-18 May 2021

<sup>53</sup> Commissioned by the European Commission and carried out by IPSOS.

<sup>54</sup> Bulgaria, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Ireland, the Netherlands, Poland, Portugal, Romania, Spain and Sweden

<sup>55</sup> People aged 16-55+

**Yet, consumers intend to increasingly use VoD services**, in particular subscription services. Whilst respondents intend to consume SVoD more often in the year ahead (37% of them saying so compared to 8% stating the opposite). TV (21% vs 15%) and cinema (27% vs 23%) are resilient<sup>56</sup>(see chart below).



**A significant substitution effect regarding TV and cinema is observed.** Almost six in ten (59%) pay-TV subscription consumers have replaced or are thinking about replacing their TV subscription either in whole or in part by streaming in the last year. Specifically, 35% have done cord-cutting<sup>57</sup> or cord-shaving<sup>58</sup>. Similarly, 42% SVoD user respondents affirmed ‘it is likely’ that they will spend more time watching films or series on SVoD services instead of traditional TV channels in the next six months. 43% say ‘it is likely that they will use SVoD services to watch newly released films, instead of going to the cinema<sup>59</sup>.

#### What attracts EU consumers to subscription streaming services

**Ease of use** is the most important driver of EU consumers’ use of SVoD services, followed by the **wide variety of high-quality** films/series these services offer, as well as lots of options from the genres users like and the fact that SVoD services EU consumers use are considered **trusted/well-known brands**.

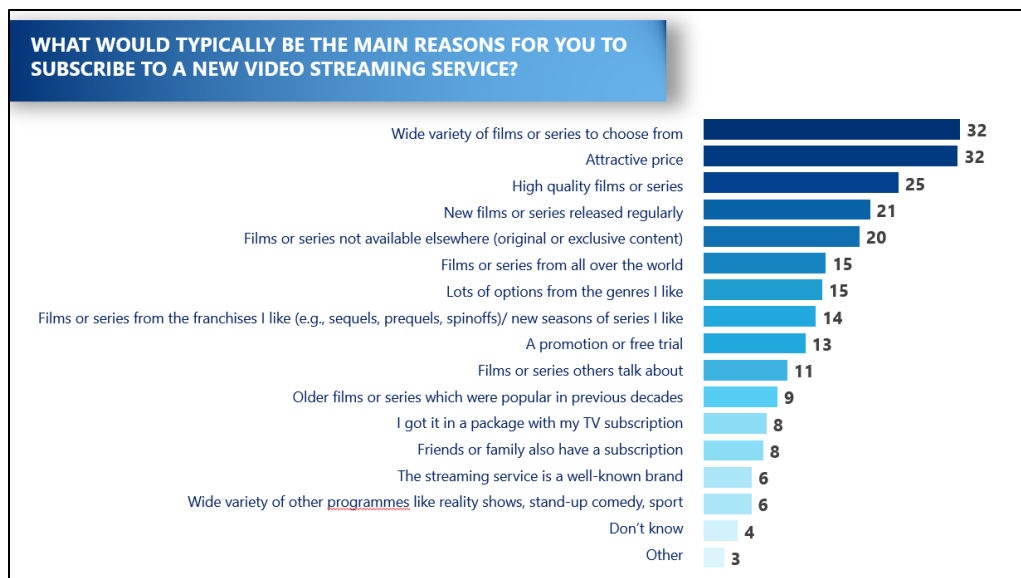
When asking SVoD users about their main reasons for subscribing to a new video streaming service, the availability of a wide variety of films or series to choose from (32%), and an attractive price (32%) are mentioned most, followed by the fact that SVoD services allow access to high-quality films or series (25%).

<sup>56</sup> These values indicate relative preferences and are not a forecast of sectoral growth.

<sup>57</sup> Cord-cutting is defined as cancelling a traditional TV subscription and replacing it with other ways to watch films, series, or other programmes via a streaming service.

<sup>58</sup> Cord-shaving is defined as getting a cheaper TV subscription in favour of other ways to watch films, series, or other programmes via a streaming service.

<sup>59</sup> On the other hand, 53% and 52% still see things the other way round (i.e. more time watching films/series on traditional TV channels and going to cinemas to watch newly released films



Note: respondents could select up to 3 reasons.

### How do EU consumers discover films and series and what do they like?

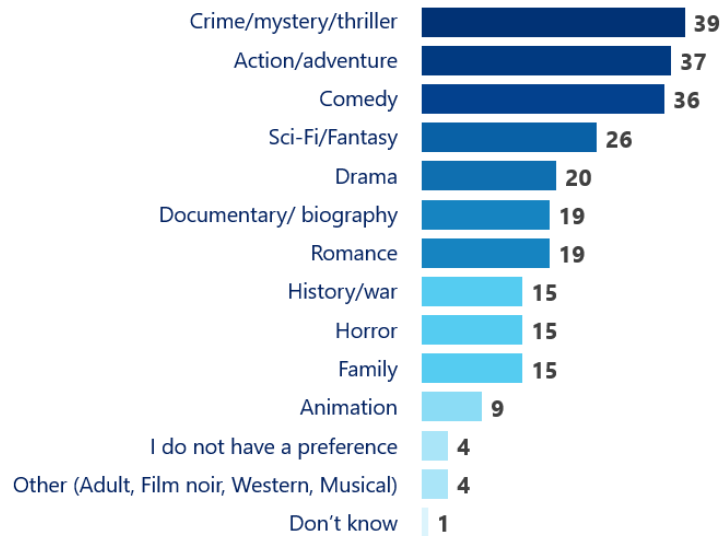
**The top two discovery strategies for EU consumers are not driven by the SVoD service.** Consumers' top strategy is content driven, i.e. searching for films or series on the streaming service from the categories/genres they like. This is followed by friends or family recommendations. Marketing and advertising of content ranks third as direct drivers. Other discovery strategies are steered by factors that are inherent to subscription streaming platforms, namely: looking at new releases on the home screen of streaming services, looking at the trending/top 10 sections on streaming services, and looking at recommendations by the streaming service based on what was watched earlier.

Content-wise, **consumers are mostly driven by the genre of the film/series (e.g. drama, comedy, adventure, sci-fi, horror), and the storyline/dialogue/ characters.** Other content-related factors that are considered important for deciding what film or series to watch are whether it is a new season of a series already watched and, to a lesser extent, the main actors/actresses starring in a series or film.

**Tastes are diverse, with seven series genres drive at least one fifth of the respondents.** 'Crime/mystery/ thriller' (39%), 'action/adventure' (37%), and 'comedy' (36%) are three categories most liked by the respondents. Turning from series to films, the picture is similar. Slightly less than one in four (37%) indicate that the genre crime/ mystery/ thriller is among their top three most liked film genres, followed by 35% that report this for action/adventure and 34% for comedy. On the other side, negative preferences i.e. what people do not like, are also an important trend. For example, Westerns and musicals used to be highly popular in the twentieth century but they have dropped down the charts to only 4%<sup>60</sup>.

<sup>60</sup> It is not implied that production decisions should automatically follow consumer preferences. Audience behaviour is inherently uncertain and whilst distance from consumer preferences may be a risk factor it may also be an opportunity to release works in a genre which is not 'saturated'.

## WHAT GENRES OF SERIES, IF ANY, DO YOU LIKE THE MOST?



Note: respondents could select up to 3 genres.

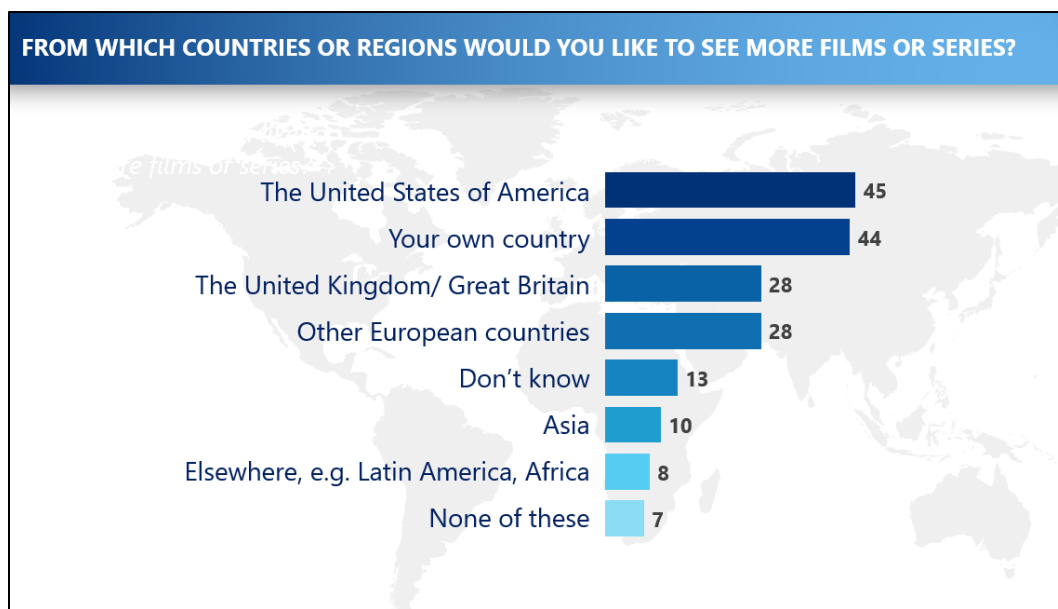
### Origin of content

**Consumers are quite open to the country and language of origin.** Four out of five (80%) EU consumers say that they are likely to watch films or series from the US, followed by 76% that say they are likely to watch films or series from their home country. About seven in 10 (71%) EU consumers say that they are likely to watch films or series coming from other European countries<sup>61</sup>.

**Yet, US content is mentioned as the most appealing, next to respondents' home country.** 45% of respondents said that they would like to see more films and series from the US, which is practically at par with content from their home country (44%). Slightly less than three in ten have interest in seeing more films or series from other European countries (28%)<sup>62</sup>. However, 41% of consumers said they did not care which country a film or series came from as long as it appealed to them.

<sup>61</sup> In addition, 70% said that they are likely to watch films or series from the UK (70%).

<sup>62</sup> Content from UK scored the same percentage (28%)



Note: respondents could select up to 3 regions.

## VoD consumption patterns

Europeans are increasingly watching films, series and other audiovisual works online, but so far there is little evidence on consumption trends in VoD platforms. The section below presents a first, detailed analysis of consumption of EU content based on a database of VoD catalogues collected by media monitoring company Goldmedia in nine national markets<sup>63</sup> of the EU representing 75% of the population.

The analysis covers the consumption in the period of 1<sup>st</sup> September 2021- 31<sup>st</sup> August 2022<sup>64</sup>. 54 VoD providers were taken as a basis of the sample<sup>65</sup>. The analysis is based on the viewing time of almost 500 million hours of over 18,000 different works<sup>66</sup> that the viewers could choose from. While this is a good proxy, it is still not a full picture of consumption patterns in the EU<sup>67</sup>.

<sup>63</sup> These markets are Germany, France, Italy, Spain, Denmark, Netherlands, Sweden, Poland and Finland

<sup>64</sup> Samples in each of the nine countries were big enough in absolute terms to make a meaningful analysis. The German consumption is overrepresented by 12pp. (based on population the share of DE in the nine countries should be 28% instead of 40%). This overrepresentation does not influence most of the analysed dimensions, as they do not apply absolute values, but percentages or ratios, where the effect of different sample sizes is eliminated.

<sup>65</sup> Some providers were present in just one of the nine territories, others in 2 or more (but they are counted as 1/54).

<sup>66</sup> The actual number of entries in the catalogue including (mainly) other linguistic versions of the same works amounts to 37 280.

<sup>67</sup> This is the first time that VoD consumption data is aggregated at European level. It is important to bear in mind it covers specific time period, specific territories and specific services and not the totality of online consumption. Hence, while the picture is as complete as possible, trends must be treated with some caution.

**Table 4. Breakdown of analysed consumers by their location**

	Share of total number of works available in the catalogues (works available in nine countries = 100%)
FR	12.6%
DE	13.9%
IT	12.9%
ES	13.6%
DK	8.4%
NL	9.8%
SE	11.6%
PL	10.2%
FI	6.9%

The VoD providers being part of the database included subscription VoD (SVoD) as well as some transactional VoD (TVoD) services. The former drove most of the consumption. Netflix – available in the nine countries - turned out to be the most popular service, achieving half of total viewing time.

**Table 5. Viewing time shares (and the share of EU works within them) of selected VoD providers present in more than one territory:**

Selected providers	Share of total viewing time (54 providers = 100%)	Share of viewing time of EU works within all viewing time of this provider
Netflix	49%	22%
Prime Video	23%	20%
Disney+	9%	2%
Canal+SVoD & Movistar+SVoD	2.4% & 2.1%	42% & 40%
HBO Max	2.3%	11%
GooglePlay	1%	23%
Sky Go	0.9%	32%
ViaPlay	0.8%	25%
iTunes & Apple TV+	0.9%	20% & 10%
FilmIn	0.07%	40%
MUBI	0.04%	44%

#### *Characteristics of catalogues*

**17% of film titles and 55% of TV/VoD content were streaming exclusives**, meaning that they were not available in theatrical or TV run in the territories where they were available on SVoD (this share was slightly lower for EU works at respectively below 15% and 54%)<sup>68</sup>.

<sup>68</sup> The much lower share of VoD exclusive films compared to series is not surprising, as films are mostly created with the theatrical distribution first in mind, and VoD is still rarely their sole main target window.

### *Consumption of works according to their country of origin*

**US works dominate consumption across catalogues.** The share of US titles stands at 47% of the total offer (from 42% in France to 53% in the Netherlands), but the view-time is larger at 59% (minimum 50% in Poland, maximum of 66% in Finland). In all cases, the number of available US works is larger than the numbers of EU country works (including the catalogue’s home country).

**In all, EU works constituted 28%<sup>69</sup> of all works available in the catalogues under the sample, but their consumption amounted to only 22% of the viewership.** In terms of consumption, there is a clear distinction between works from the home country and works from other EU countries.

- The share of available **national** titles (14%) is similar to the viewership time (13%). The viewership was clearly higher in seven out of the nine countries, but lower in the two largest countries: in France, 24% of the works were national, while they achieved just 12% of the viewership. In Germany, 15% of the works were national achieving 9% of the viewership.
- **Non-national** EU works<sup>70</sup> perform less than national titles. These works represented 14% of the catalogues, but only 9% of the consumption.

Works from the United Kingdom (UK) were analysed to assess the potential impact of ‘Brexit’. The analysis revealed that both availability and consumption shares were aligned at 9% of the works, with very small differences across the EU markets. Yet, in all cases the presence of UK works neared the availability of non-national EU works and in five cases<sup>71</sup> their viewership was ahead of these.

**Table 6. Shares of works of different origins in the catalogues and their viewing time**

	DK	FI	FR	DE	IT	NL	PL	ES	SE	Total
National works in catalogues	2%	2%	24%	15%	12%	5%	7%	13%	4%	14%
Viewing time of national works	9%	6%	12%	9%	15%	8%	17%	22%	12%	13%
Ratio of consumption/ Availability of national works	4.5	3	0.5	0.6	1.3	1.6	2.4	1.7	3	0.9
Non-national EU works in catalogues	16%	16%	11%	15%	12%	16%	19%	15%	14%	14%
Viewing time of EU non-national works	8%	9%	11%	7%	11%	12%	13%	7%	8%	9%
Ratio of consumption/ Availability for EU non-national	0.5	0.6	0.9	0.5	0.9	0.8	0.7	0.4	0.6	0.6
UK works in catalogues	11%	11%	8%	9%	9%	10%	9%	9%	11%	9%
Viewing time of UK works	10%	10%	9%	9%	9%	10%	10%	8%	10%	9%
Ratio of consumption/Availability of UK works	0.9	0.9	1.1	1	1	1.1	1.1	0.9	0.9	1
US works in catalogues	51%	51%	42%	45%	52%	53%	45%	48%	52%	47%
Viewing time of US works	64%	66%	58%	65%	56%	59%	50%	52%	61%	59%
Ratio of consumption/Availability of US works	1.3	1.3	1.4	1.4	1.1	1.1	1.1	1.1	1.2	1.3

<sup>69</sup> A 2023 study of the European Audiovisual Observatory on a larger sample found out that 21% of all works found in European VoD catalogues are of EU origin. 11% were of ‘Other European origin’, mainly the UK.

<sup>70</sup> That is to say, works from an EU country different from the home country of the catalogue. For example, this category accounts for French works available and viewed in all countries apart from France. It also includes works coming from all EU countries (and not only the ones hosting the catalogues), e.g. Romanian works in all nine markets. This distinction is kept across the section

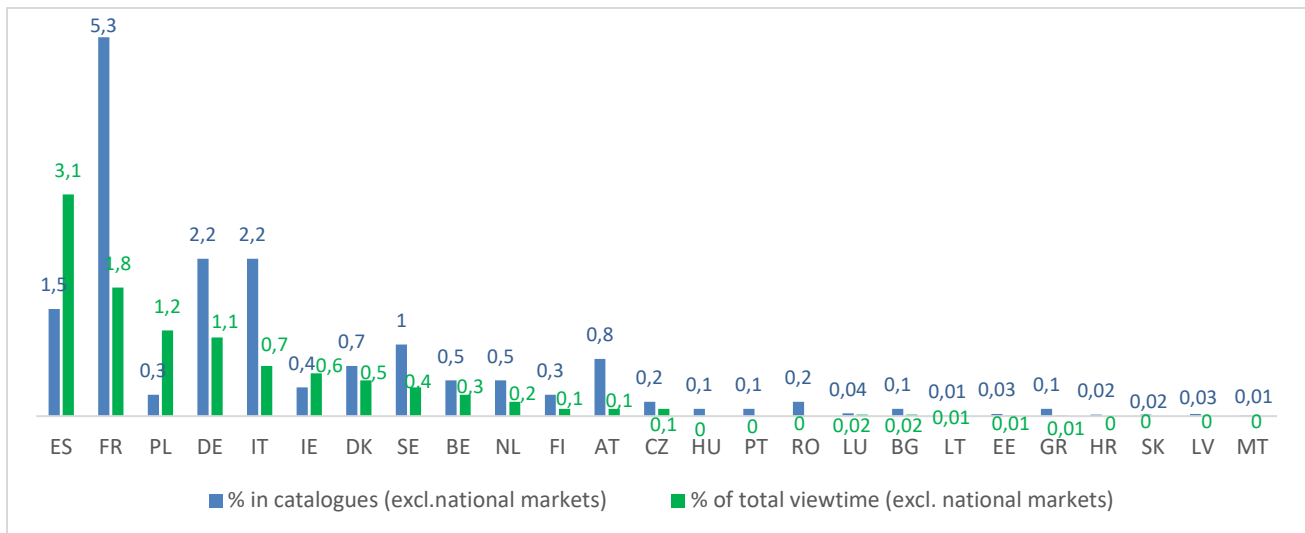
<sup>71</sup> Denmark, Finland, Germany, Spain and Sweden

*Circulation of non-national EU works*

**In non-national catalogues, the shares of works from individual Member States, whose markets vary greatly in size, vary from 0.01% to 5.3%<sup>72</sup>.** For example, 5,3% of the available works in non-national catalogues are French, followed by Germany and Italy (both at 2,2%), Spain and Sweden having each more than 1% of the titles available and the remaining Member States below 1%.

**The share of consumption of EU works is below their share of available works in non-national catalogues.** Yet, there are a few outliers, sometimes thanks to the high success of individual titles over the reference period. Spanish titles obtained a viewing time share of 3.1% (that is, doubling the share of available titles) and topped the rank. Polish works stood at 1.2% (against an availability share of 0.3%)<sup>73</sup>. Finally, Irish works got 0.6% of the viewing time against 0.4% of available titles<sup>74</sup>. Viewing time of works from France, Germany and Italy were in all cases (1,8%, 1,1%, 0,7% respectively) below the shares of available titles.

**Figure 3. Availability and consumption of works from different EU countries as non-national works**



<sup>72</sup> Understood as catalogues under the sample and compared to the US.

<sup>73</sup> Results are usually linked to some hits (such as a Spanish work Casa de Papel, and the Spanish works 365 Days (2 parts) and The Witcher)

<sup>74</sup> Lithuania also had slightly higher viewing time data compared to availability (both at 0,01%)

*Consumption of different types of works*

**Films constituted almost 60% of all catalogues** and almost 52% of viewing time<sup>75</sup>; TV/VoD content<sup>76</sup> constituted 40% of catalogues and almost 49% of viewing time. Animation made up 12.7% of availability and 7.4% of consumption, while documentaries made up 7.6% and 3% of consumption.

**Table 7. Consumption and availability of works per work type**

Work type	Share in catalogues	Share in viewing time	Ratio consumption/availability
Film	59.5%	51.5%	0.9
TV/VoD	40.5%	48.5%	1.2
Animation (TV/VoD+film)	12.7%	7.4%	0.6
Documentaries (TV/VoD+film)	7.6%	3.0%	0.4
Live action (TV/VoD :Other+film)	79.7%	89.6%	1.1

*Availability and consumption of different fiction genres<sup>77</sup>*

Figures on availability and consumption of fiction genres should be viewed with caution, as they fully rely on the way in which the data provider classified all the works. Yet, they provide useful elements of comparison.

**Drama (19%) and crime/thriller/mystery (18%) content were the biggest categories in the catalogues.** They were followed by comedies (13%), adventure/action (12%) and Sci-Fi/Fantasy (7%)<sup>78</sup>. This ranking was broadly the same for films and series if taken as separate categories.

**In terms of viewing time shares, drama content was the most viewed overall (19.4%).** It was followed by crime/thriller/mystery (15.5%) and adventure/action (14.3%). Sci-fi/fantasy stands at 10.6% and comedy at 10.1%. (30.1% of viewing time could not be attached to any of genres under the analysis).

**Yet, audiences appear to consume films and series differently.** For films, adventure/action films were the most popular genre, followed by drama and crime/thriller/mystery. For series, audiences viewed mainly drama, followed by crime/thriller/mystery, with the other genres at some distance. Based on the available data, audiences prefer films as a format to watch comedy, adventure/action and sci-fi/fantasy, while they prefer series as a format to watch drama and crime/thriller/mystery.

<sup>75</sup> For the purpose of this analysis ‘films’ are audiovisual works that have the usual characteristics of feature films irrespective of the way in which they have first been released (in cinema or direct to VoD)

<sup>76</sup> All other sorts of serialised audiovisual works other than films available on the platforms

<sup>77</sup> Today’s genres are blurred. It can be difficult to attribute a work to any single genre (i.e. traditional notions such as comedy, melodrama, horror, etc). Also, sometimes algorithms tag works under more than just one category (and even other characteristics; e.g. theme, location...) to help viewers navigate through catalogues. We considered that genre classification is still a practical tool to attempt to classify catalogues and consumption in spite of these limitations and acknowledging that genres are open to other definitions.

<sup>78</sup> Overall, the genre tags sum up to 100% - some works were counted more than once if they had multiple genres. 30% of the sample works did not fit any of the given genre categories.

**Table 8. Consumption and availability of works per genre**

LIVE ACTION FICTION WORK GENRE				
Genre		% of catalogues	% of total viewing time	Ratio consumption/availability
Comedy	Film	8.3%	6.2%	0.7
	Series	4.9%	3.9%	0.8
	TOTAL	13.2%	10.1%	0.8
Crime/Thriller/ Mystery	Film	10.7%	6.6%	0.6
	series	6.9%	8.9%	1.3
	TOTAL	17.6%	15.5%	0.9
Action/ Adventure	Film	7.7%	8.9%	1.2
	series	4.5%	5.4%	1.2
	TOTAL	12.2%	14.3%	1.2
Sci-Fi/ Fantasy	Film	4.2%	5.9%	1.4
	series	3.2%	4.7%	1.5
	TOTAL	7.4%	10.6%	1.4
Drama	Film	12.5%	6.9%	0.6
	Series	6.9%	12.5%	1.8
	TOTAL	19.4%	19.4%	1
Other	Film	16.1%	17%	1.1
	series	13.8%	13.1%	0.9
	TOTAL	29.9%	30.1%	1

Notabene: in green the highest value and in orange the lowest one

**The sci-fi/fantasy sector emerges as the one attracting more audiences compared to its share in the catalogues for films and series taken together.** Sci-fi/adventure obtained the highest ratio for films, indicating its popularity, while drama obtained the highest ratio in series. On the other hand, drama and crime/thriller/mystery registered the lowest ratio for films, followed by comedies.

*Distribution of audiences across titles*

**Only one out of the top ten most consumed titles in the period under survey were EU works for either TV/VoD content and films<sup>79</sup>.** US titles dominate the charts, with three appearances from the UK and one from Korea. The second most watched series work over the period was however an EU work, ‘Money Heist’<sup>80</sup>.

<sup>79</sup> Ranking includes overall watching time in 8 countries – the sample in PL was excluded due to lack of data detailed enough. The rankings are mostly based on SVOD consumption (not TVOD), and including co-viewing of multiple people in front of the screen.

<sup>80</sup> Whilst top US, UK or KR productions were available in all 8 analysed markets, this is not always the case with EU productions, as some of those are just available (or/and promoted) only in their home territory. In such cases, the

The UK works in the top 100s were composed mainly of UK-US co-productions qualified as UK works and/or franchises (*James Bond* and *Harry Potter*).

**Table 9. Most popular titles**

SERIES			
No according to viewing time	Title	Production country	Shares in total series viewing time
<b>ALL SERIES</b>			
1	Stranger Things	US	3.082%
1	Money Heist	ES	2.607%
3	Squid Game	KR	1.766%
4	The Big Bang Theory	US	1.453%
5	The Walking Dead	US	1.399%
6	Peaky Blinders	UK	1.138%
7	Bridgerton	US	1.115%
8	Lucifer	US	1.032%
9	The Blacklist	US	0.984%
10	Grey's Anatomy	US	0.968%
<b>SERIES – REMAINING TOP 10 PRODUCED IN THE EU</b>			
Place in the ranking of ALL series	Title	Production country	Share of viewing time of all EU series
11	Vikings	IE, CA	4.275%
13	The Witcher	PL, HU, US	4.067%
20	Elite	ES	2.750%
24	Hubert ohne Staller	DE	2.566%
33	La que se avecina	ES	2.123%
54	LOL: Last One Laughing Italy	IT	1.427%
60	Rentnecops	DE	1.341%
61	Lupin	FR, US	1.314%
<b>SERIES – REMAINING TOP 10 PRODUCED IN UK<sup>81</sup> or UK/US co-productions</b>			
27	Sex Education	UK	5.984%
30	Downton Abbey	UK	5.615%
32	The Crown	UK	5.200%
40	The Last Kingdom	UK	4.408%
49	The Sandman	US, UK	3.634%
81	Midsomer Murders	UK	2.449%
105	Prison Break	UK, US	2.001%
106	The Grand Tour	UK, US	1.996%
108	Stay Close	UK	1.987%
<b>FILMS</b>			
Place in the ranking of ALL films	Title	Production country	Share in total viewing time
<b>ALL FILMS</b>			
1	Don't Look Up	US	0.886%

presence of these EU titles proves their exceptionally strong performance of the market (e.g. *LOL*, *La que se avecina*).

<sup>81</sup> In case of coproductions, works are qualified as coming from only one of the coproducing countries. Based on Goldmedia database for series and based on the European Audiovisual Observatory for films.

2	Encanto	US, CO	0.863%
3	Red Notice	US	0.642%
4	The Gray Man	US,CZ	0.463%
5	Avengers: Endgame	US	0.450%
6	The Tinder Swindler	UK	0.421%
7	The Adam Project	US	0.407%
8	Harry Potter and the Sorcerer's Stone	UK, US	0.340%
9	Turning Red	US	0.333%
10	365 Days: This Day	PL	0.327%
<b>FILMS – REMAINING TOP 10 PRODUCED IN THE EU</b>			
Place in the ranking of ALL films	Title	Production country	Share in total viewing time of EU films
11	365 Days	PL	1.184%
58	Black Crab	SE	0.558%
59	Army of Thieves	DE, US	0.546%
65	A traves de mi ventana	ES	0.505%
79	Gomorra	IT	0.476%
106	Mother's Love	ES	0.377%
112	The Forgotten Battle	NL	0.367%
127	The Hand of God	IT, US	0.361%
149	Come un gatto in tangenziale - Ritorno a Coccia di Morto	IT	0.317%
<b>FILMS – REMAINING TOP 10 PRODUCED IN UK or US/UK coproductions</b>			
Place in the ranking of ALL films	Title	Production country	Share in total viewing time of UK films
17	Harry Potter and the Half-Blood Prince	UK, US	1.546%
19	Harry Potter and the Goblet of Fire	UK, US	1.481%
21	Harry Potter and the Deathly Hallows: Part 1	UK, US	1.411%
22	Cinderella	UK, US	1.372%
24	Harry Potter and the Prisoner of Azkaban	UK, US	1.286%
25	No Time to Die	UK, US	1.267%
27	Harry Potter and the Chamber of Secrets	UK, US	1.205%
39	Harry Potter and the Deathly Hallows: Part 2	UK, US	0.997%

Notabene: the green background corresponds to EU titles and the orange background to UK titles

**Finally, there are signs of some audience concentration of online viewership on the VoD market.** Out of all titles available, the top 100 (0,2% of the total) captured as much as 28% of total audience attention<sup>82</sup>. The concentration was even higher for EU works, as the top 100 titles (out of 10.000, i.e. 1% of the total) captured 42% of EU works audiences.

<sup>82</sup> This was a characteristic already in traditional distribution windows (theatrical and TV), i.e. so-called ‘blockbuster’ titles attract a large share of total audiences, whereas most of the titles make up a so-called ‘long tail’ catering each to very small niche audiences. This can entail higher levels of risk and uncertainty in the market: each film is not another unit of an established production but developed individually. It is very difficult to predict which titles might reach disproportional profits.

## Business and contractual practices for commissioning/acquiring scripted content

Broadcasting and streaming are critical segments for the economic prospects of the EU production sector and are expected to continue to increase in importance. To gain insights in the business relationship and practices between EU producers on the one hand and broadcasters and streamers on the other, a bespoke targeted consultation was carried out in the form of a detailed questionnaire sent directly to a large sample of producers, broadcasters and streamers<sup>83</sup>.

The questionnaire covered scripted EU content<sup>84</sup> for which a contract was concluded over a three-year period (July 2019-July 2022). It was sent to a sample of over 300 producers from across EU 27 countries, reflecting the diversity of the European production ecosystem as regards the profile of the companies and type of content produced. 76 producers from 18 different countries replied. They had in total produced almost 2.900 audiovisual works, focusing on the EU market. The final sample of producer respondents is sufficiently large and diverse to provide an initial overview of the main trends (although, strictly speaking, not statistically representative). The questionnaire was also sent to over 50 broadcasters and streamers, with 16 replies received.

The questionnaire included quantitative and qualitative questions. It focused on three key aspects of business and contractual relationships: financing, intellectual property and creative control.

### Financing

*At which stage of production do producers conclude their most significant contracts?*

**There seems to be financial pressure on producers to arrange financing as soon as possible.** Producers conclude their biggest sale contract with broadcasters/streamers already in preproduction in most cases. Signing the most important sales contract after the film or series is completed (e.g. selling it at a festival market) is very rare.

**Most respondents (over 60%) conclude their biggest film sales in preproduction in most of their contracts; for TV series the figure is almost 80% of respondents.** This result is confirmed when weighting responses according to the production volume of respondents, suggesting that this practice does not depend on the size of the production company: in 51-69% of films and 55-80% of series the main contract was concluded in preproduction<sup>85</sup>. Conversely, the amount of works sold to

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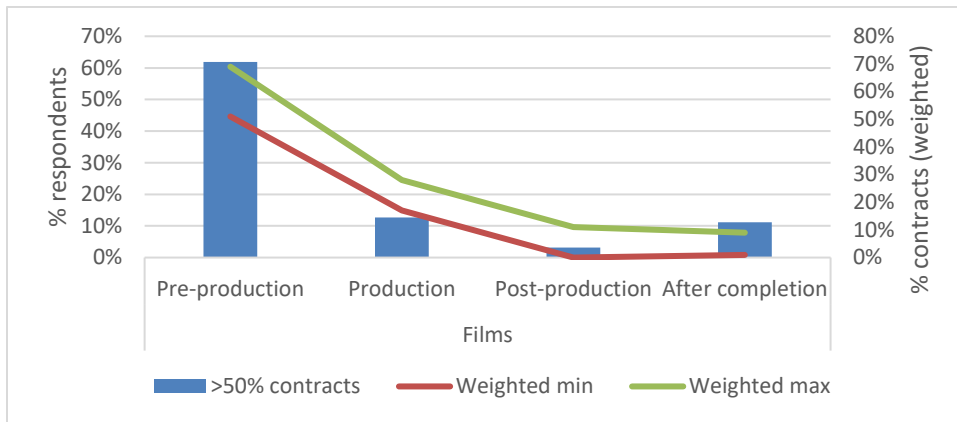
<sup>83</sup> This section also responds to a demand of the Culture Ministers in the Union, who asked the Commission in May 2021 to look into the impact of streaming in general and also the relevant contractual practices in the sector

<sup>84</sup> It did not cover films and documentaries destined primarily for theatrical distribution because such films and documentaries can be sold through intermediaries (sales agents, distributors) without a direct contractual relationship between the buyer (streamer/broadcaster) and the producer.

<sup>85</sup> In some questions, respondents were offered to reply and provide intervals (e.g. 0-25; 26-50; 51-75; 76-100%) instead of absolute figures. This explains that sometimes, under the related chapter results are presented as two averaged points of an interval in order to be more faithful to the questionnaire results.

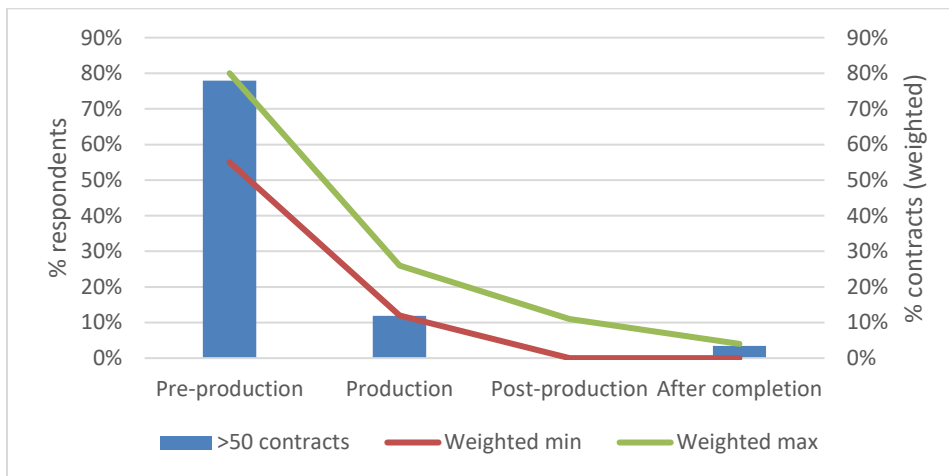
broadcasters/streamers once completed is insignificant (1-9% films; 0-4% series) and concluding the major contract in post-production stages is even less likely.

**Figure 4. Stage of films production cycle at which producers concluded their most significant sales contracts with broadcasters and/or streamers**



N=63 (films)

**Figure 5. Stage of the series production cycle at which producers concluded their most significant sales contracts with broadcasters and/or streamers**



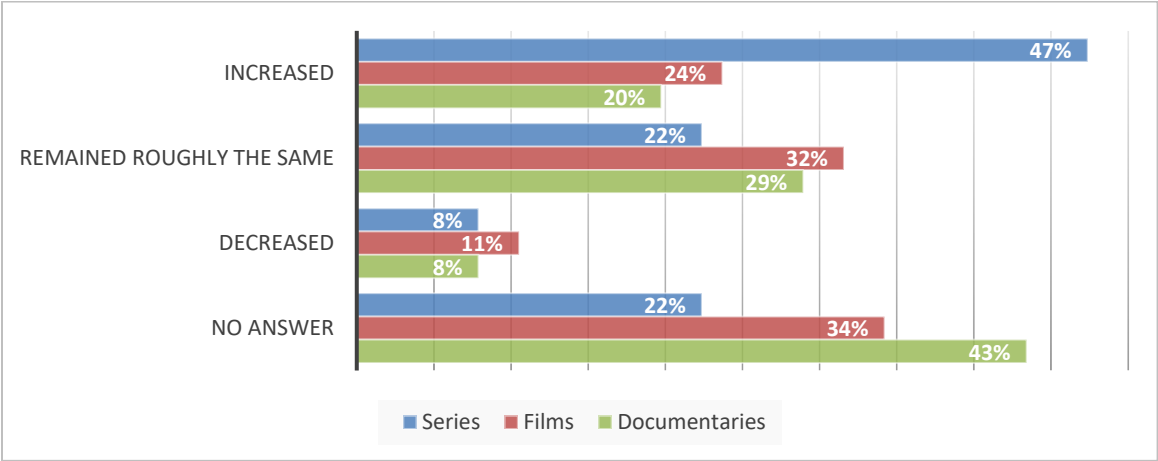
N=59 (series)

*How has the production of different categories of EU audiovisual content evolved in recent years?*

**Series production show the strongest growth by a significant margin, but apparently not at the expense of other audiovisual formats, such as films or documentaries.** 47% of producer respondents said they had increased their series production in recent years vs only 8% who said they decreased their

production. The other two segments offer a more stable outlook: only 24% of respondents said they increased their film productions vs 11% indicating a decrease, compared to a 20% vs 8% for documentaries. The response rate is also highest for series by a significant margin, which further strengthens the finding about the strong increasing trend.

**Figure 6. Evolution of producers’ output of TV series, films and documentaries in the past 3 years, % of producers’ responses**

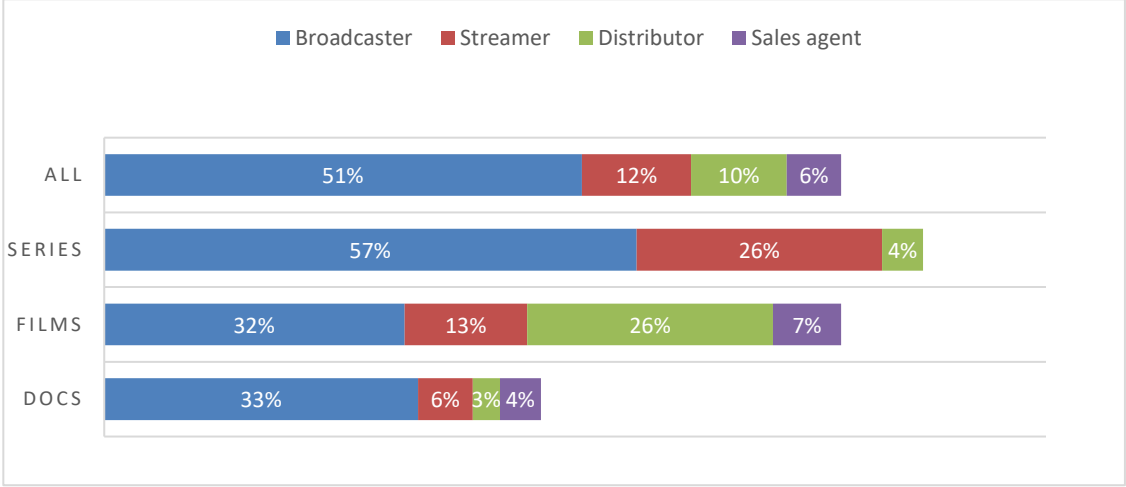


N=76 respondents

*Which type of downstream players are the most important partners for the distribution of EU films, series and documentaries?*

**Broadcasters remain the top clients of producers.** EU producers were asked to rank the different type of downstream clients they had a direct relationship with (broadcasters, streamers, distributors and sales agents) in order of importance for the producers’ business. Broadcasters were identified as the most important client overall and led all categories. Streamers came second on series (and overall), while distributors were second on films. Sales agents were only considered as top clients by a very small minority of respondents (6%).

**Figure 7. Most important downstream client type in the past 3 years, per type of work, % of all responses**

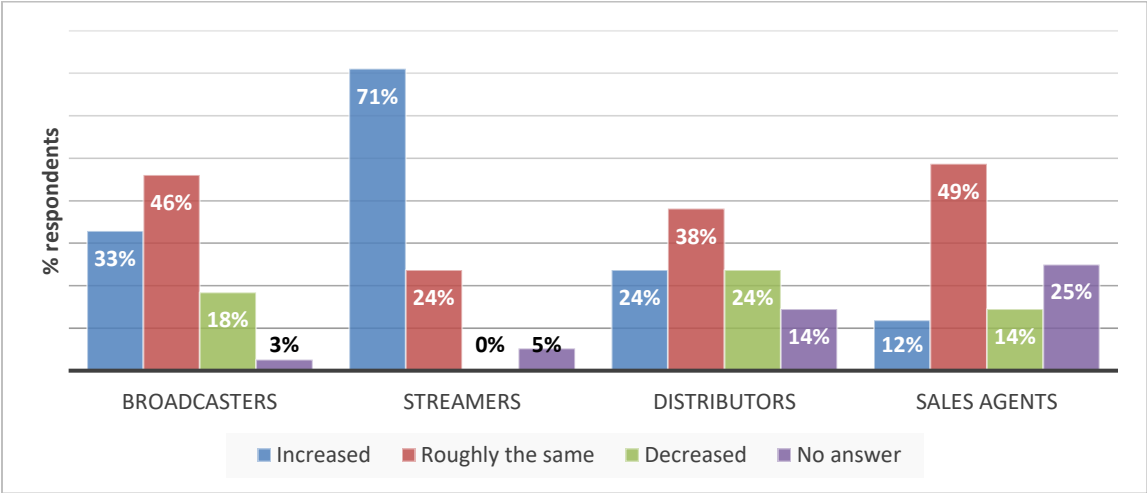


N=69 respondents

Notabene: Numbers do not add up to 100 as some respondents did not indicate that one client was substantially more important than another

**Business with streamers has been growing significantly** in recent years, outpacing, by a large margin, the increase in business with broadcasters, distributors and sales agents. 71% of respondents said they had increased their business with streamers in the three years prior to the consultation. By contrast, not a single respondent indicated a decreasing business with streamers. Only 33% of respondents said that their business with broadcasters increased vs 18% who indicated a decrease. Business with distributors seems to be stagnating while a slight decrease can be observed for sales agents.

**Figure 8. Evolution of the business with the different types of clients during the past 3 years**

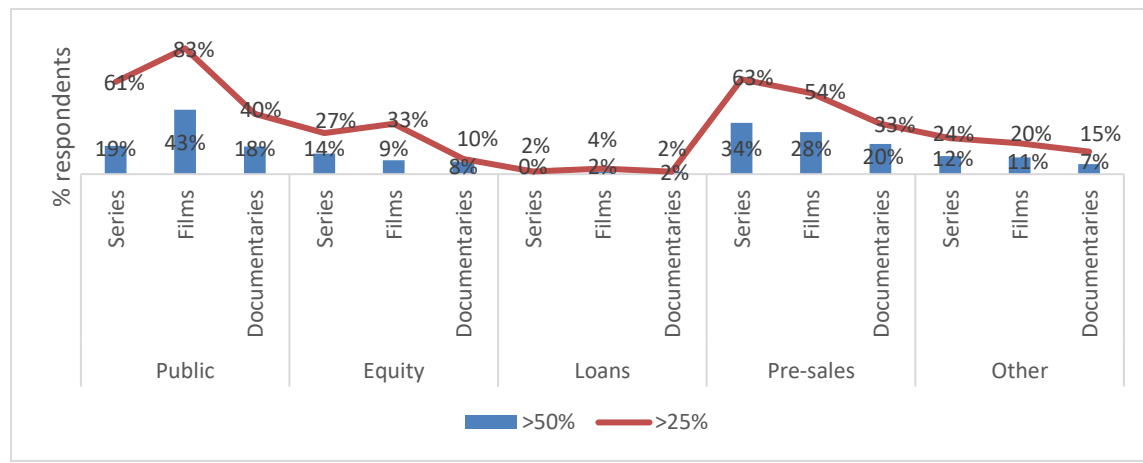


N=76 respondents

### Importance of different financing sources

**Public financing<sup>86</sup> is the most crucial source of financing, especially for films. The second most important source of finance overall was pre-sales<sup>87</sup>.** Equity was the third most important type of financing, well behind public financing and pre-sales. Loans appear to be less important. The consultation did not reveal any significant additional type of financing<sup>88</sup>.

**Figure 9. Financing sources (above 25% or 50%) per type of audiovisual work, for the last work produced**



N= 59 (series); 54 (films); 60 (documentaries)

**Per type of content, series and films have differences in their funding models. Pre-sales is the most important source of financing for series.** It accounts for a significant (>25%) share of financing for 63% of series and for the majority (>50%) of financing for 34% of series. Public financing is the second most important source, accounting for significant financing in 61% of series and majority financing in 19%.

**Public funding is the most important source of financing for films.** It accounts for significant funding in over 80% of films, including over 40% of films where it covers the majority of finance. Pre-sales are the second most important source. They account for a significant share of finance in over 50% of recent films, and for most of the financing in around 30% of recent films.

<sup>86</sup> Which includes, amongst others, tax incentives (e.g. tax rebates and breaks) and grants.

<sup>87</sup> Pre-sales corresponds to when a rightholder, such as a producer, sells the distribution rights of its audiovisual work to one or more distributors, any time before its completion. It allows to finance the production of the work and can help leverage further financing.

<sup>88</sup> Yet, some examples of other forms of financing were singled out: full commissioning (not covered by the question given that it is not the producer who is responsible for the financing); minimum guarantees (which are pre-sales), co-production (which belongs to the category of equity or public financing<sup>88</sup>); bank guarantee (which is related to a loan).

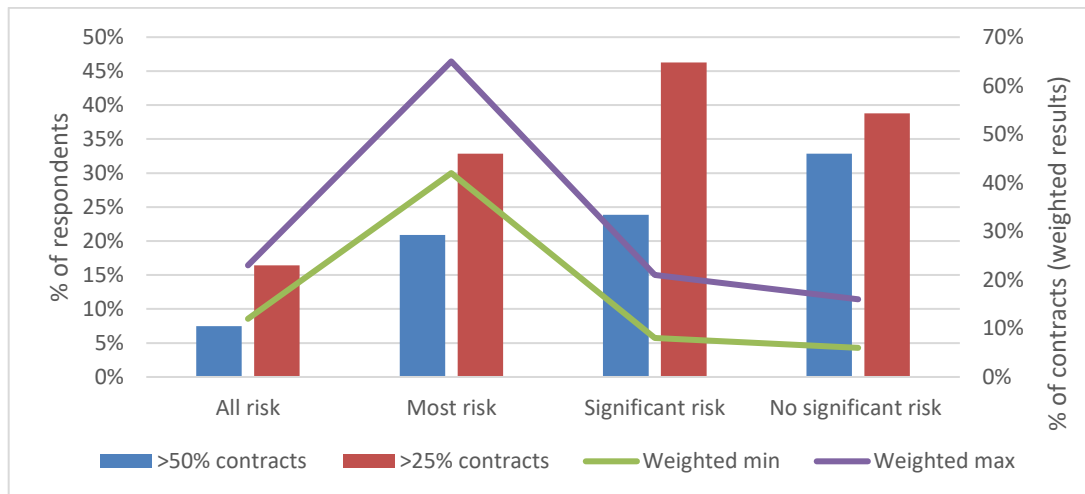
Equity comes in third place both for series and films. **For documentaries, public funding and presales are comparable in importance**, followed distantly by equity.

*Financial exposure by broadcasters/streamers in EU audiovisual works*

**There are diverse perceptions on financial risks taken by broadcasters and streamers.** According to almost half of the producers, broadcasters/streamers were taking most or all risks in a significant share (>25%) of works, while 28% said broadcasters/streamers took most or all risks in the majority (>50%) of their productions. Almost a quarter said that broadcasters/streamers took a significant risk in most of their EU productions for TV and streaming in recent years. At the same time, almost 40% said however that in at least 75% of their productions, broadcasters/streamers did not assume any significant risk.

**The perceived financial exposure of broadcasters and streamers appears to be higher when weighting the responses based on the volume of works.** According to producers, broadcasters and streamers assumed all risks for productions in between 12% and 23% of contracts and assumed most risks in between 42% and 65% of the contracts. It was only in between 6 and 16% of contracts that broadcasters and streamers did not assume any significant financial risk<sup>89</sup>.

**Figure 10. Shares of works produced in the last 3 years where the broadcaster/streamer clients assumed significant or majority financial risk**



N=67 (producer respondents)

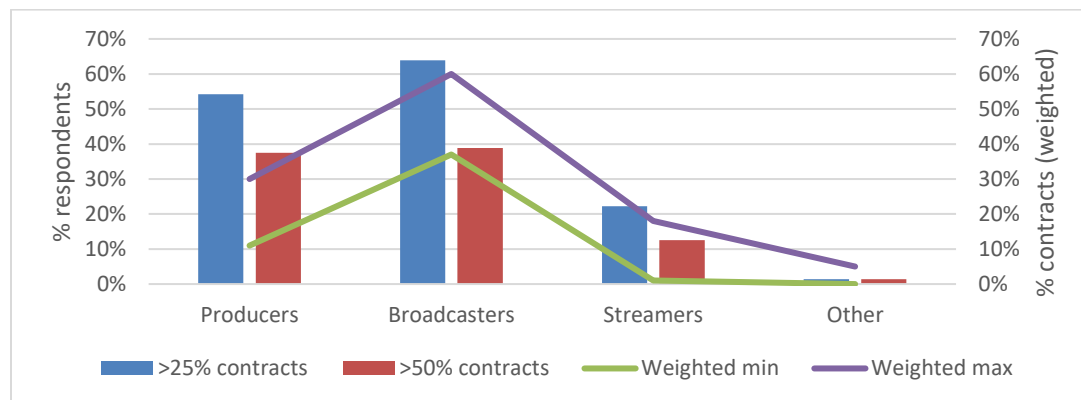
<sup>89</sup> As mentioned in previous footnotes, respondents were offered to reply and provide intervals (e.g. 0-25; 26-50; 51-75; 76-100%) instead of absolute figures. This explains that sometimes results are presented as two averaged points of an interval in order to be more faithful to the questionnaire results

The broadcasters/streamers view does not go in the same direction. Only 1 in 4 broadcasters/streamers would agree that they assumed all or most financial risk in most of the works they purchased<sup>90</sup>.

*Co-productions with other producers, broadcasters and streamers*

**The most important co-production partners for EU producers producing for TV and streaming are broadcasters, followed closely by other producers<sup>91</sup>.** Around 40% of respondents said that most of their EU productions for TV and streaming in recent years have been co-produced with broadcasters (meaning between 37% and 60 of contracts). Streamers acted as co-producers only in 1-18% of contracts<sup>92</sup>. Only 13% of respondents indicated that they co-produced most of their productions for TV or streaming with streamers (with 22% indicating that they co-produced a significant (>25%) share of such works with them).

**Figure 11. Shares of works produced in the past 3 years which were co-produced with different partners**



N=72 respondents

## Intellectual property

*The relative importance of different types of IP*

**The most valuable IP indicated by producer respondents is primary exploitation on TV in the main national markets<sup>93</sup>.** This is followed by primary exploitation of streaming rights in the main national

<sup>90</sup> 3 in 12 would agree that they assumed ‘all’ risk in the majority of works and 1 in 10 would agree that they took ‘most’ risk in majority of works.

<sup>91</sup> That is to say, joint works with other producers.

<sup>92</sup> See previous footnotes, data is presented as the result of two averaged extremes of an interval to align to the results of the questionnaire.

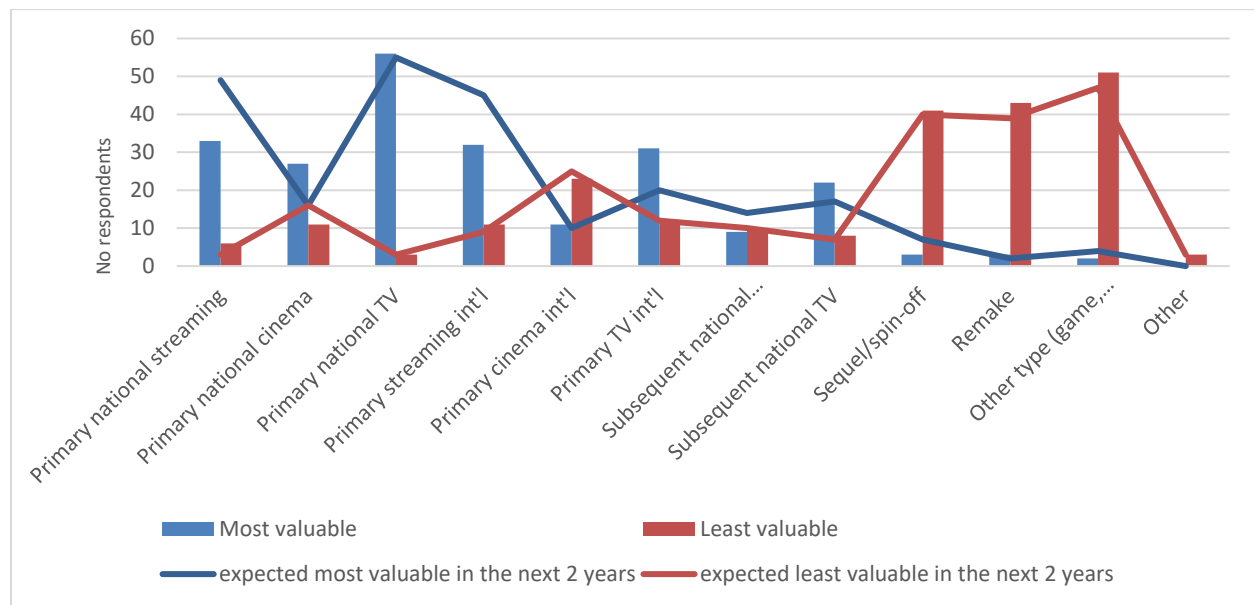
<sup>93</sup> Or markets that are very similar to the main national market due to language or cultural traditions

market (or similar markets), then primary exploitation on streaming and TV internationally. Conversely, respondents consider sequels, remakes and exploitations outside traditional exhibition channels (e.g. games or merchandise) as the least valuable type of exploitation<sup>94</sup>.

**Yet, there are signs of change in the market.** Producers expect the importance of exploitation linked to streaming to grow in the coming years, while exploitation via TV and cinema would become less significant. They expect ancillary exploitations (sequels, remakes, spin-offs) to remain comparatively less important, just like rights outside traditional exhibition (games, merchandise). The latter suggests that producers do not expect to venture outside traditional monetisation strategies in the coming years.

This is consistent with the replies received from broadcasters and streamers, who value streaming rights relatively higher, on par with TV rights for primary exploitation and more valuable than TV for subsequent exploitation in the main national (and culturally and linguistically similar) markets.

**Figure 12. Value attached to each type of exploitation**



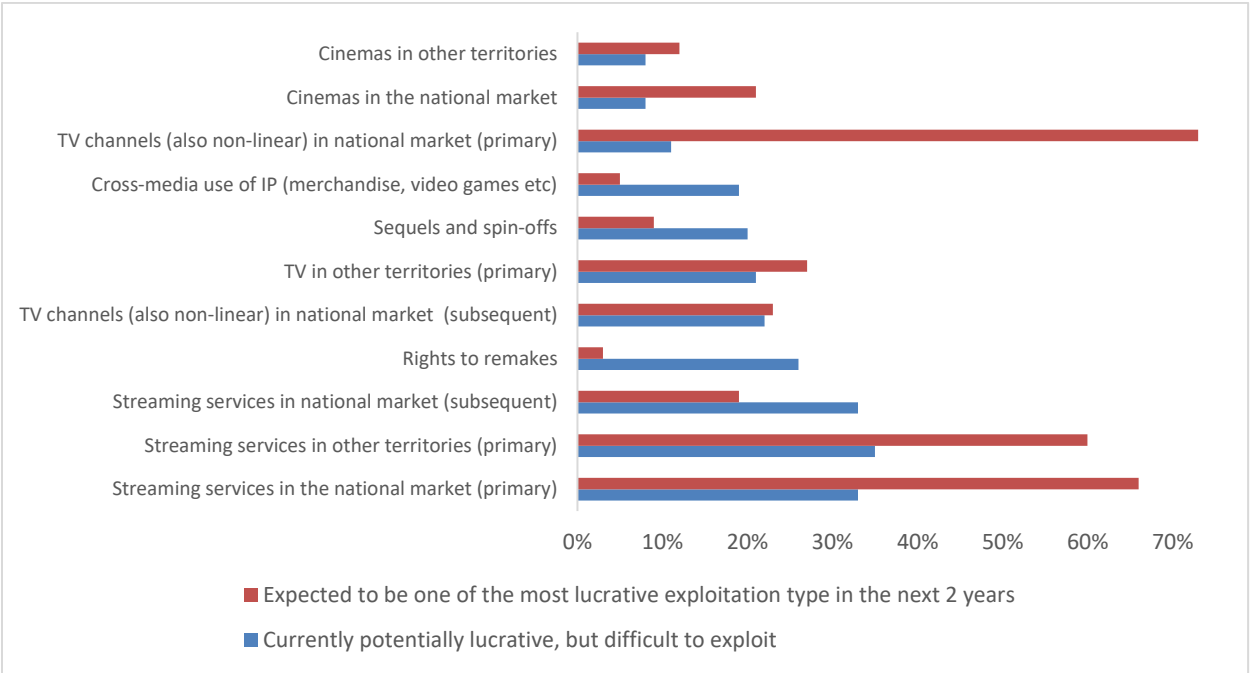
Notabene: Respondents had to pick their main three types of exploitation

At the same time, for over 35% of producers, **‘streaming’ is a type of exploitation that could potentially be more lucrative for them, but they find it difficult to fully take advantage of it.** Producers also mentioned sequels/spin-offs and non-traditional exploitation like gaming, merchandise etc as other important categories which they consider to be potentially valuable, but also difficult to take advantage of.

<sup>94</sup> As the subsequent question shows, the fact that producers identified those as potentially lucrative but difficult to take advantage of can explain this response, but more research is needed.

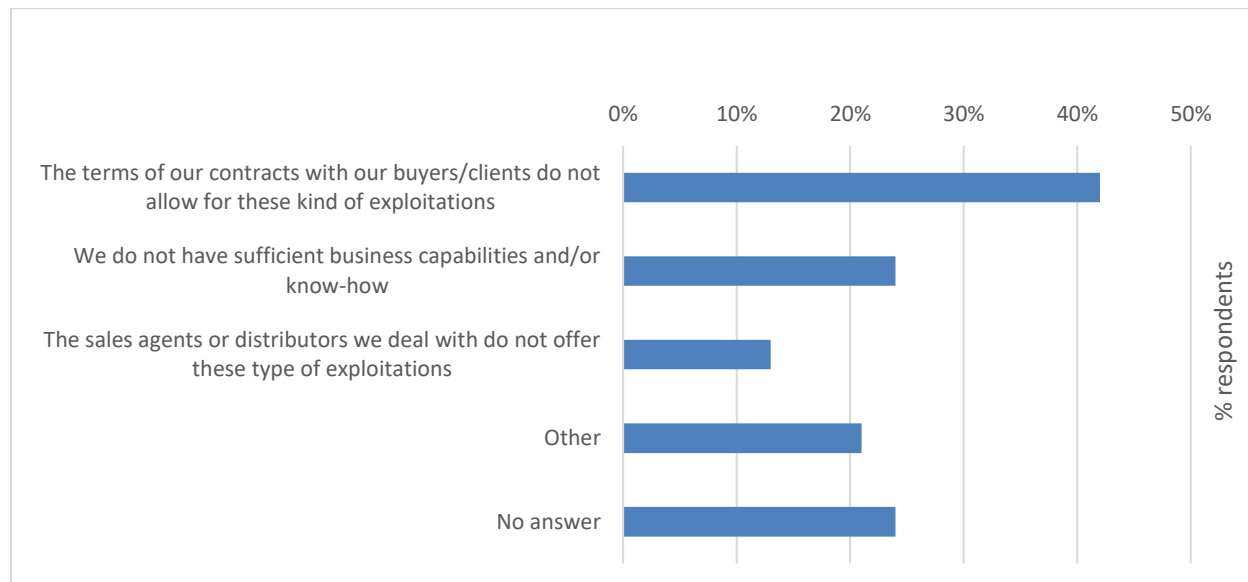
More than 40% of respondents mentioned the terms of their contracts as the main reason for difficulties to take advantage of these types of exploitations. 24% of respondents identified lack of business capabilities and know-how as reasons why they struggle to take advantage of certain types of potentially lucrative exploitations of IP.

**Figure 13. Types of exploitation currently considered potentially lucrative but difficult to take advantage of, and types of exploitations expected to be most valuable in the next 2 years, in %**



Notabene: Respondents had to pick three statements for each question

**Figure 14. Main reasons explaining difficulties in taking advantage of potentially lucrative types of exploitations, in %**



Notabene: multiple answers were allowed

*Ownership/control of IP – state of play and recent developments<sup>95</sup>*

**There are signs of streamers and broadcasters retaining full ownership of the IP in an important share of contracts.** Most respondents said that both streamers and broadcasters (60% for streamers, 70% for broadcasters) kept full control of the IP in less than 25% of their contracts. Yet, a significant minority of producers (19%) indicated that streamers keep full control of all IP in most of their contracts. This percentage is slightly lower for broadcasters (12%)<sup>96</sup>.

**Weighted results show a higher incidence of full IP ownership by streamers and broadcasters following the conclusion of contracts.** When weighting the producers’ replies based on the number of overall EU audiovisual works produced by respondents, streamers kept all the IP in 38-62% of contracts<sup>97</sup>, while broadcasters kept all the IP in 11-35% of contracts<sup>98</sup>. *Prima facie*, the relatively higher weighted figures above indicate that respondents (producers) who said streamers and broadcasters kept

<sup>95</sup> The figures obtained may vary across national markets, given different regulatory/funding and market conditions. Also, the information and data received through the consultation is not sufficient to test the impact of any national regulatory provisions for example or tax rebates/incentives and other types of public funding conditions which may have an impact on IP ownership.

<sup>96</sup> These figures include all instances when the streamer or broadcaster had full control of all IP after the contract, irrespective of who owned the IP before the contract (in 75% these had been producers, in the remaining cases it was the streamer/broadcaster or a third party).

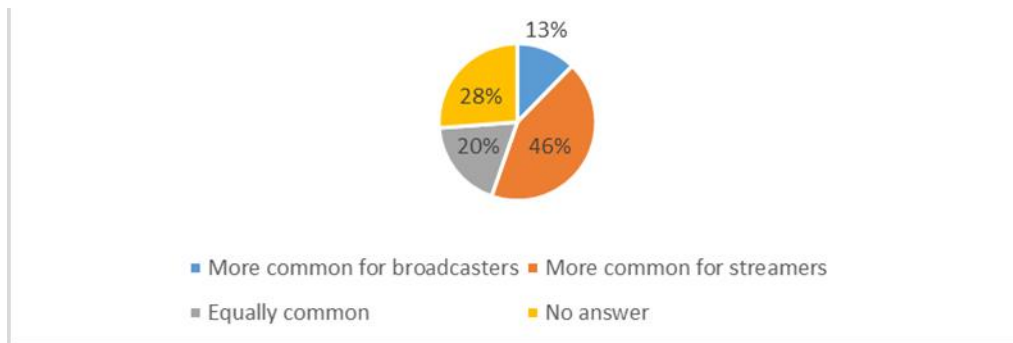
<sup>97</sup> N in this question = 60.

<sup>98</sup> As in some previous questions, results are presented averaging the two extremes of a given interval, in order to remain aligned with the concrete question. Respondents were offered to reply and provide intervals (e.g. 0-25; 26-50; 51-75; 76-100%) instead of absolute figures.

ownership of the IP as a prevailing practice is composed of relatively bigger producers with a bigger volume of productions.

**Overall, producers perceive that streamers are more likely to retain IP of audiovisual works than broadcasters.** Such an answer would be shared by 46% of respondents, whereas over 3 times less – only 13% believed that broadcasters would tend to keep the IP more often than streamers. 20% would not see significant difference between the practices of both.

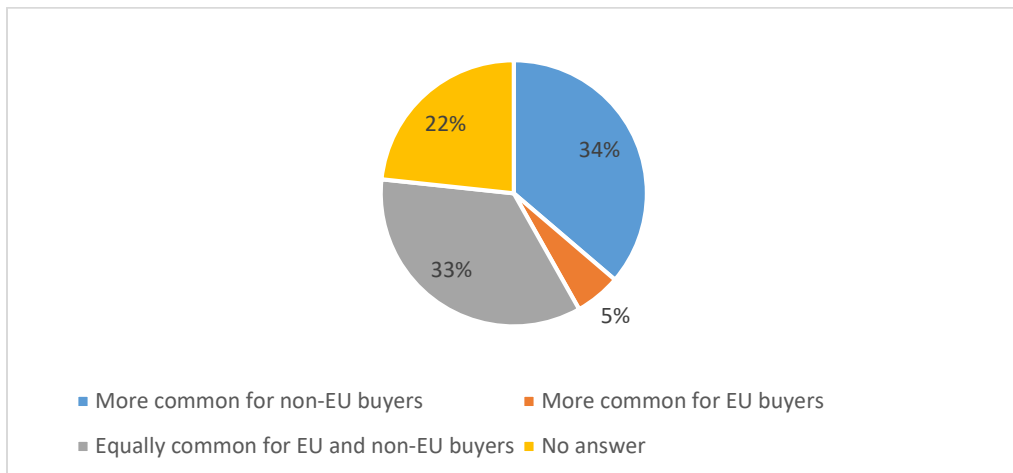
**Figure 15. Perception of producers of the incidence of keeping intellectual property, per type of client, in %**



N=61 respondents

**Moreover, the perception of the producers is that non-EU players (including streamers and broadcasters) are more likely to keep the IP than EU players (34% of responses vs 5% of responses).** However, as many as 33% producers would not see significant difference between both.

**Figure 16. Perception of producers on the incidence of keeping intellectual property, per type of client (EU vs. non-EU players), in %**



N=76 respondents

**In addition, the questionnaires showed a relatively strong perception by producers that streamers have been increasingly demanding full ownership<sup>99</sup>.** The perception that broadcasters increasingly demand ownership of IP is significant, but less pronounced than for streamers. Yet, this is not entirely consistent with the replies received from broadcasters and streamers, who indicated that their own practice has not changed or that it is less and less common for them to demand full ownership of IP. This segment of respondents indicated that the practice of keeping full ownership is not that common (<25% of contracts).

**In parallel to full ownership of IP, other types of contractual arrangements may have, de facto, a similar impact.** This is for example the case of long-term (>7 years) licencing of all IP and streamers/broadcasters getting full ownership of key, even if not all, types of IP. The responses of producers indicate that this might be a practice happening almost as often as full transfer of IP ownership (around 80% of the scale of full IP transfer), affecting more often contracts with streamers than with broadcasters.

**Among producers, 55% of the respondents indicated that they do not find it easy (or even have great difficulties) in finding a buyer without the pressure to give up the IP rights.** However, 45% of respondents consider that there are still many or at least a sufficient number of buyers who do not insist on retaining ownership of intellectual property.

**Table 10. Statements which best reflect respondents’ experience regarding their options to commercialise their production of works without giving up the IP rights for such works.**

There are still many potential commissioners/buyers we can do business with who do not insist on retaining ownership of IP over the works we produce	21%
There are still a sufficient number of potential commissioners/buyers we can do business with who do not insist on retaining ownership of IP over the works we produce	24%
It is not easy to find commissioners/buyers unless we are willing to give up ownership of IP over the works we produce, but we still manage	33%
It is very difficult to do business with commissioners/buyers unless we are willing to give up IP over the works we produce.	22%

N=67 respondents

*Ancillary exploitations and performance-linked terms*

**As far as ancillary exploitations are concerned, producers of TV series are typically offered the right to produce a second season, but this right is more difficult to secure for remakes.** Most of those

<sup>99</sup> In this case, producers were asked to rate their agreement about statements in response to the following question: ‘Based on your own experience in doing business with streamers and broadcasters over the past 3 years, how do you see developments in the market regarding IP rights ownership?’. The options were ‘Strongly agree (+2)’ ‘Agree (+1)’ ‘disagree (-1)’ and ‘strongly disagree’ (-2) and express no opinion. The scores in brackets were then summed up, giving the overall agreement score. Based on 69 replies (the rest was no opinion, hence a score of 0). The overall agreement with ‘streamers increasingly demanding full ownership’ reached 96 points – being the highest- while the same but with broadcasters only obtained 38 points.

respondents who had produced series were offered the right to produce subsequent seasons by the streamers (70%) and broadcasters (74%) who bought the series. While a majority (64%) got offered the right to remakes as well from the broadcaster, only 45% got this right from streamers. Producers typically cannot secure remuneration from either subsequent seasons or remakes if they do not produce them. This is the same irrespective of whether the buyer is a streamer or a broadcaster.

**Table 11. Typical offers for series remakes or subsequent seasons included in contracts with broadcasters and streamers in the past 3 years**

	Streamers		Broadcasters	
	Subsequent seasons	Remakes	Subsequent seasons	Remakes
Typically was offered to produce second season	70%	45%	74%	64%
Typically was not offered to produce remake	9%	32%	9%	17%
Typically secured remuneration even if did not produce	18%	18%	17%	17%
Typically did not secure remuneration even if did not produce	55%	55%	58%	57%

N=44 (streamers); 53 (broadcasters) – respondents who confirmed they produced series for streamers and broadcasters respectively

**Performance-related remuneration is rare.** The vast majority of producers reported that performance-linked bonus remunerations were granted in very limited cases, both when engaging in contracts with streamers (79% of producers reported that less than 25% of their works are covered by such a remuneration) and with broadcasters (70%). This seems to be confirmed by the replies provided by streamers/broadcasters, 61% of which reported that producers were offered a performance-linked bonus remuneration in less than 25% of contracts. The picture is not different if we weight the result based on the volume of production of respondents, suggesting that bigger producers on average do not get much better terms in this respect.

**Broadcasters give much more access to data than streamers on the performance of the work produced.** When it comes to being granted access to data on the performance of the AV works they produced, the practice of streamers and broadcasters seems to differ. 70% of producers reported that streamers provided them with such information very rarely (less than 25% of their works), while 54% of producers reported that broadcasters provided them with such information quite often (for more than 50% of their works).

### *Drivers and impact of IP transfer*

Among the reasons to transfer ownership of all or at least the most valuable IP to buyers, producers mentioned remuneration, low financial risk, potential exposure to wider audiences and increased chances of getting future commissions<sup>100</sup>.

**Altogether, 80% of producers are concerned about the practice of broadcasters and streamers keeping the IP in the works they produce.** More than half of the respondents are concerned that these practices will make them dependent on commissioners and will drain resources from their productions. A majority also took issue with inadequate remuneration. Finally, a majority also indicated loss of creative control as a concern.

For broadcasters and streamers, the main driver for retaining control of the IP seem to be to gain full control over the development and use of the work which can facilitate its exploitation. It is also pointed out in these replies that the advantage for the producer is the lower financial risk, given that it is the commissioner who is financially exposed if the work does not do as well as expected.

### Creative control

**According to producers, broadcasters and streamers are perceived to have a high or very high degree of involvement in creative decisions.** The trends seem to be on the increase<sup>101</sup>. Almost half of the respondents indicated that it was not very easy or even very difficult to conclude agreements with broadcasters or streamers unless the producers are willing to give up significant control over creative decisions. On the other hand, around a third of respondents indicated that there were still many or at least a sufficient number of potential buyers they can do business with, who do not insist on a high involvement in creative decisions. Producers indicated that reasons for giving up creative control also include the potential to get future commissions from the same buyer and, to a lesser extent, from other buyers.

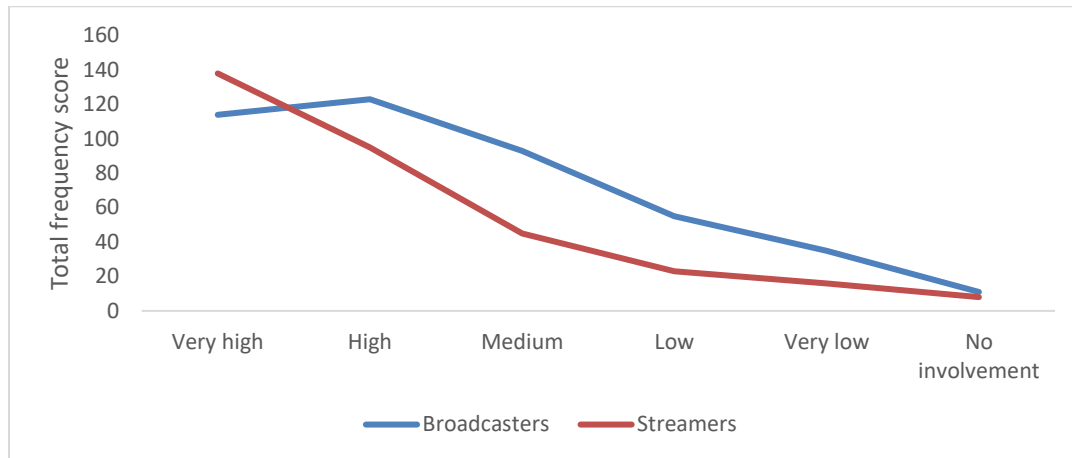
**Streamers overall are perceived to be slightly more involved than broadcasters,** but the difference is not striking. This latter trend is broadly consistent with what broadcasters and streamers indicated in their own replies. There were some, but no strong indications from the consultation that private broadcasters may be more involved than public broadcasters.

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<sup>100</sup> Based on a relatively low number of respondents. More research would be needed on this aspect.

<sup>101</sup> Or stable, based on the limited data from streamers/broadcasters.

**Figure 17. Producers' perception of the involvement of broadcasters and streamers in creative decisions in the past three years**



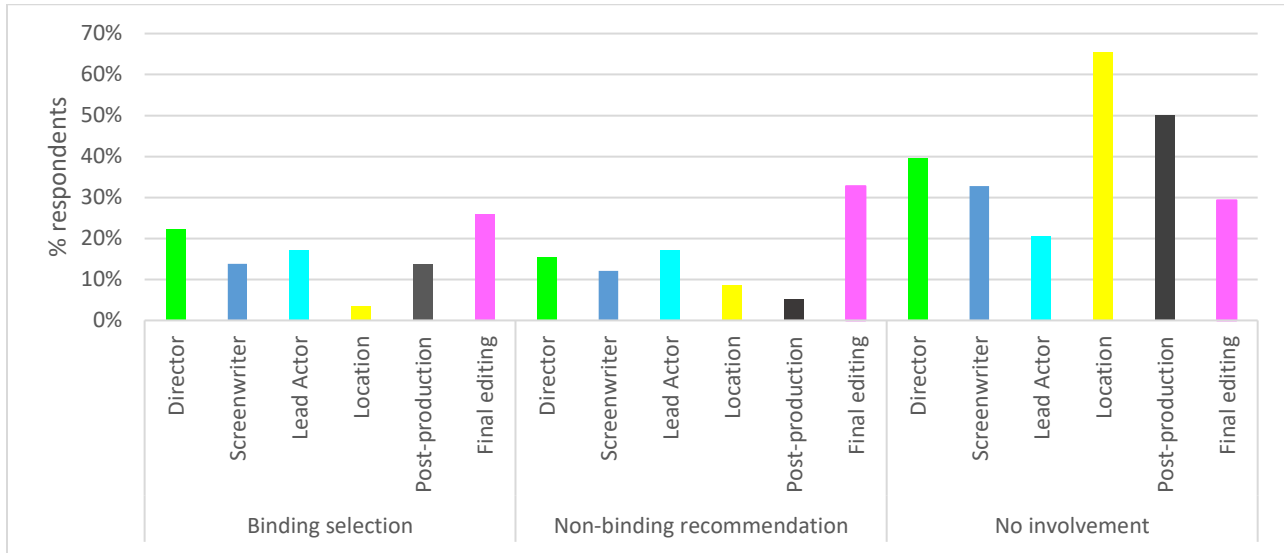
Nota bene: for every frequency (very high, high, medium etc.) respondents had to choose from options: always/very often/often/sometimes/rarely/never. These options were later assigned weight, respectively: 5/4/3/2/1/0. The scores for each frequency were summarised on the Y-axis.

**It does not seem to be typical for streamers to be contractually empowered to make binding creative decisions.** However, according to producers, they appear to be involved in:

- **Final edits:** 26% of the producers indicated that streamers typically have a final say while another 33% said streamers could make a recommendation.
- **Selection of directors:** 22% said that streamers could typically have a binding say, while 16% said streamers could make a recommendation.
- **Selection of locations:** only 3% of responding producers said streamers typically chose the location, and even recommendations seem to be uncommon.

**Producers' replies overall suggests that there is still considerable freedom for most producers to take key creative decisions.** Broadcasters' and streamers' replies show an even lower incidence of contractual terms that give streamers/broadcasters a binding say over these creative decisions. It was pointed out that decisions can also typically be taken jointly and these arrangements are difficult to fit in any of the categories offered by the questionnaire.

**Figure 18. Typical degree of involvement of streamers, according to producers (>50% contracts of each respondent)**



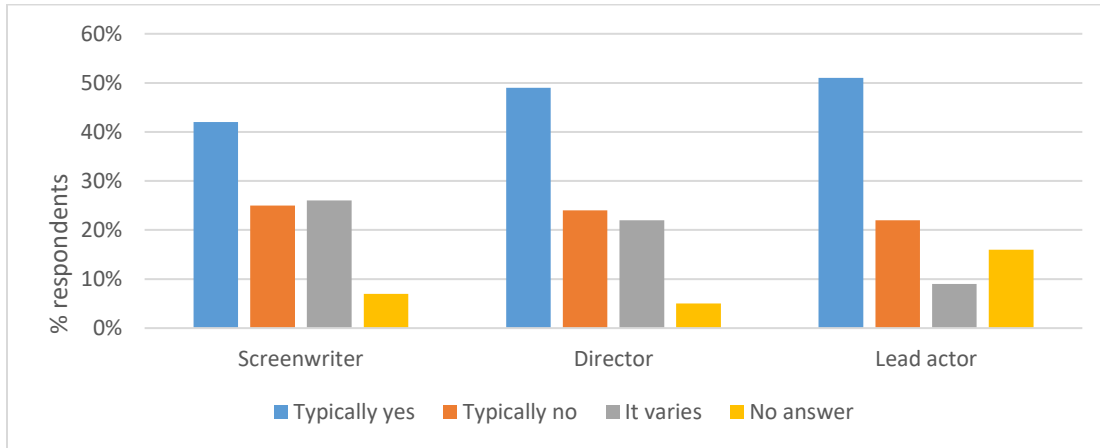
**Producers are typically allowed full control over the script as well in their contracts with streamers.**

62% of producers said they had full control over the script in most of their contracts. Only 7% said that the streamer provided the full script for their production in most of their contracts and only 12% said that the streamer provided the concept or main elements of the script in most of their contracts. The replies of broadcasters and streamers are overall consistent with this finding, emphasising their involvement as a means to provide support to enhance the quality of the script if and as needed to reach wider audiences or stay within budget.

**Producers often offer work-for-hire contracts for creative talent when producing films and series independently.**

Based on the replies to the relevant question, work-for-hire contracts seem to be typical arrangements first and foremost for the lead actor, but also for the director (51% and 49% indicated that they typically offer work-for-hire contracts to creative talent against 22% and 24% of respondents who said this was not typical). A lower, but substantial, 40% of producers typically offer work-for-hire contracts to screenwriters against 25% that does not typically offer this contract.

**Figure 19. Incidence of the offer of work-for-hire contracts for creative talents**



**Overall, according to producers, their financial risks have increased in recent years.** This is the opinion of 80% of producers, while only 13% think the risks are stable and 3% consider the risks to have decreased. Broadcasters and streamers in the consultation confirmed the trend of increasing risks for independent productions.

**Increasing costs across the board, and in particular for costs on technical crew and creative talent, are seen as the main reason for increasing risks.** Though less important, the replies also show an increased demand for scripted shows by streamers and an increased supply of productions. This is no surprise as increased demand would normally increase supply, which would explain the inflated costs upstream. At the same time producers also rate reduced cinema attendance as an important reason for increasing risks for independent productions (with above average importance). This may indicate that the increased demand from streamers does not absorb the type of independent productions for which theatrical release was traditionally important.

## Summary

The audiovisual industry in the EU can be broken down into broadcasting (83.7% of revenues in 2021), VoD (12.8%), cinema (2.5%) and physical video (1%). Overall, the EU audiovisual market is recovering from the COVID-19 pandemic whilst continuing its transformation. After a 5.5% dip from 2019 to 2020, revenue picked up by over 8% the following year, reaching EUR 91.4 billion in 2021.

However, there are stark differences between the different sub-sectors. Whereas VoD is growing fast, and TV remains resilient, cinema was hit hardest by COVID-19 and physical video is vanishing. The main sources of revenue - pay TV subscriptions, TV advertising and public funding - have stagnated in recent

years. Overall audiovisual sector is growing by 3%<sup>102</sup>, driven by VoD at 35% whereas the main sources of revenue - pay TV subscriptions, TV advertising and public funding - have stagnated in recent years.

Employment in production represented the largest share at 42% of 490 000 audiovisual jobs in 2019. The main trend is the sharp increase in employment in production, equivalent to 55% from 2011-2019, which reflects the increase in production in the EU since the arrival of streaming platforms.

The European audiovisual industry is characterised by a high number of small, independent audiovisual companies which reflect Europe's cultural diversity. However, revenues are highly concentrated. The largest 100 AV companies have been growing twice as much as the overall audiovisual market, reaching 17% growth between 2015 and 2021. Also, out of the top 100 companies active in Europe, US companies accounted for 30% of revenues by the end of 2021: their share has been rising in recent years (mainly due to the SVoD).

The large US footprint in the EU market also shows in that, out of the top 20 companies active in the EU, US companies accounted for 44% of revenues in 2021. The top three SVoD providers reached 71% of 177 million subscriptions in Europe: Netflix – 36%, Amazon Prime – 23% and Disney+ - 12%.

The way content is financed, produced and distributed has changed profoundly. **On financing**, broadcasters were identified as the main buyers/co-production partners for EU productions, but the role of streamers is growing substantially. Pre-sales and public financing are the two most widely used sources of funding, followed by equity, while loans play a limited role. Key contracts with broadcasters and streamers are made already before production begins (pre-sales) and it seems very difficult to make a film/series without significant involvement of the buyer already in the early stages. The development phase is thus crucial to convince potential buyers. In terms of formats, series are experiencing the strongest growth.

On **intellectual property** – and the wider topic of contractual arrangements between producers and streamers/broadcasters, producers reported increasing business with streamers (for 74% of them) and expect the importance of exploitation of intellectual property linked to streaming to grow in the coming years. They shared that the most valuable type of intellectual property was primary exploitation on TV and streaming rights in national markets. Results of the market survey also provided evidence of full buy-out practices, the incidence of which appears to be significant for relatively bigger producers with bigger volume of productions. Producers also indicated that broadcasters kept all the international property rights in 11-35%<sup>103</sup> of contracts, and that streamers kept all the intellectual property on average in 38-62% of contracts. They also perceived an increasing tendency of the latter to demand full ownership, and that non-EU streamers and broadcasters would be significantly more likely to keep the intellectual property compared to EU players.

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<sup>102</sup> Compound Annual Growth Rate between 2017 and 2021

<sup>103</sup> Including own productions. As stated in previous footnotes, results are presented averaging the two extremes of a given interval, in order to remain aligned with the concrete question. Respondents were offered to reply and provide intervals (e.g. 0-25; 26-50; 51-75; 76-100%) instead of absolute figures.

Moreover, the survey indicated that other types of contractual arrangements are also used by broadcasters and streamers, which may also limit the ability of the producers to exploit intellectual property rights (e.g. long periods of exclusive rights for primary exploitation).

**On creative controls**, according to the survey, it is the producer, almost without exception, who contracts talents directly: directors, screenwriters and lead actors. Notably, producers typically offer work-for-hire contracts<sup>104</sup> to directors, screenwriters and lead actors and enjoy considerable freedom. Yet, broadcasters and streamers tend to have notable degrees of involvement in creative decisions.

**On the future of EU productions**, the overall perception among producers is that the risks have increased in the EU for European producers. The main reason is the upstream costs mainly for creative talent and technical crew but also other services, resulting from the increased demand and supply of competing films and series.

From the **consumer perspective**, TV remains the preferred service of Europeans for films and series but consumers intend to increasingly use VoD services. Consumers intend to consume SVoD more often in the year ahead, while TV and cinema are resilient. Crime/mystery/thriller, action/adventure, and comedy are the film and series genres EU consumers say they like most. However, the preferences are quite evenly distributed among different genres, implying that audiences are quite open.

Finally, consumers are quite open to watch works irrespective of the language or country of origin. Yet, **80% of EU consumers** say they are likely to watch film and series coming from the US, which tops the list. **71% say they are likely to watch film and series coming from other European countries**. There is significant interest in UK films and series. Thus, whilst dubbing or subtitling remain necessary in several countries, they are not a significant chilling factor. This may represent an opportunity for the circulation of European films across borders.

As regards actual **consumption trends online**, a survey provides for the first time VoD consumption data, from nine EU Member States representing 75% of the population. It indicated that Netflix was the most popular service, accounting for half of total viewing time. Consumption is dominated by US works at 59% of viewing time whereas they only account for 47% of the works available. EU works (including national works) constituted 28% of all works available in the catalogues under the sample, but their consumption amounted to only 22% of viewing time. Of these EU works, non-national EU works counted for 14% of titles available (meaning half of EU works) and 9% of viewing time. Finally, UK works are very competitive and represented 9% of both availability and viewing time.

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<sup>104</sup> Understood as works whose copyright ownership belongs to a third-party rather than to the creator.

## Chapter 2: Outlook of the video games sector

### *Context*

**The days where video game was considered a hobby for the fringe are long over.** The sector has gained a strong foothold in the attention economy, with available estimates pointing to around half of the European population now playing video games<sup>105</sup>. Much like other audiovisual sectors, video game is becoming mainstream form of cultural expression, and as such increasingly contributes to shaping values, beliefs and ideas.

**The industry has emerged as one of the main media sectors since its inception in the 1970s<sup>106</sup>.** In the past, the prevailing business model was selling consoles at minimal margins and ensuring profits from the sale of games. For the most part, games are now services, not packaged goods. The industry has indeed taken advantage of the mainstream use of smartphones to develop mobile gaming<sup>107</sup> and successfully harnessed the digital shift. It also diversified its offer to consumers, exploring a plurality of purposes (e.g. serious gaming) or designs, and onboarding many creative skills to offer a richer experience. In addition, the COVID-19 pandemic gave a further boost to video game consumption across Europe and the world.

**This growth leads the sector to no longer sit at the margins, but at the crossroads of industrial media activities.** As a content form with a complex mix of technology, visual art, musical arrangements and, in some cases, interactive storytelling, video games can provide their users with stories and experiences that rival the scope of other art forms such as movies, painting, music or literature. The audiovisual and games industries, for example, have increasingly interchangeable skillsets. Video game also has the potential to address societal challenges through collaboration with other fields, such as education, training and health, and to further contribute with its underlying technology to processes (e.g. simulation) in other industrial sectors.

**Further research and data are needed to fully comprehend the sector and its developments, especially in the EU.** With regards to its contribution to the European economy, its integration in a global market, and its place in society, video gaming is approached by public policy through a plurality of angles<sup>108</sup>. In the face of so far limited evidence base, this chapter of the Media Industry Outlook provides an overview of the state of the European game industry and analyses ongoing market trends. It includes specific focuses of relevance in view of recent market developments, explaining for example how game intellectual property is climbing in value, as the sector behind an increasing number of transmedia franchises. This chapter also discusses Extended Reality (XR), understood as Virtual, Augmented, Mixed

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<sup>105</sup> Interactive Software Federation of Europe, [Key Facts for 2021](#), 2022, based on the main European markets and for people aged 6-64 years old.

<sup>106</sup> According to the European Audiovisual Observatory, in 2022 gaming software accounted for about 15% of the top 50 worldwide audiovisual leaders' cumulated revenues, with nine videogame publishing and distribution companies in the ranking.

<sup>107</sup> Accounting for most of the consumption of video games.

<sup>108</sup> European Parliament, [Report on esports and video games \(2022/2027\(INI\)\)](#) Committee on Culture and Education, 13 October 2022.

and any future immersive digital realities: just like games, XR is an expanding and strategic economic sector embedded in a global market, which relies on collaboration between content creators and tech and results of the successful combination of skills from both fields.

To prepare this chapter, the Commission relied on several sources, for the most part specialised in the video game sector<sup>109</sup>, and at times research carried out by the industry<sup>110</sup>. As part of a Pilot Project, it also procured a dedicated study to measure the economic, financial and business dimensions of the European video game industry and review the cultural and social impacts that video games have on society<sup>111</sup>. It helps provide a first picture of the European gaming and XR reality, yet revealing that analysts have for now mostly focused on US or global data<sup>112</sup>.

## Market overview

### *Definition and activities*

**There is no single consensus definition of video games.** Based on existing understandings<sup>113</sup>, video games can be tentatively understood as software-powered and interactive games mediated by screens and made available to the public on a physical medium or online, and incorporating audio and video elements of artistic creation (such as sounds recordings and animation).

**The traditional value chain of the video games sector often begins with the hardware manufacturer, which supplies the hardware (consoles, PCs, mobile or tablets) on which games can be played<sup>114</sup>.** Developers oversee, design and write the software programme for the game, while the publisher (when it forms part of the value chain) produces and distributes the game. The distributor acts as a marketing and distribution intermediary which, in the end, retail both the hardware and software to consumers. Newer value chains brought about by the digital disruption are marked by a more direct connection between the developer and the consumer (e.g. the mobile game value chain typically bypasses smaller games publishers in favour of e-shop/app stores).

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<sup>109</sup> Such as Newzoo

<sup>110</sup> Including the European Game Developers Federation and the Interactive Software Federation of Europe

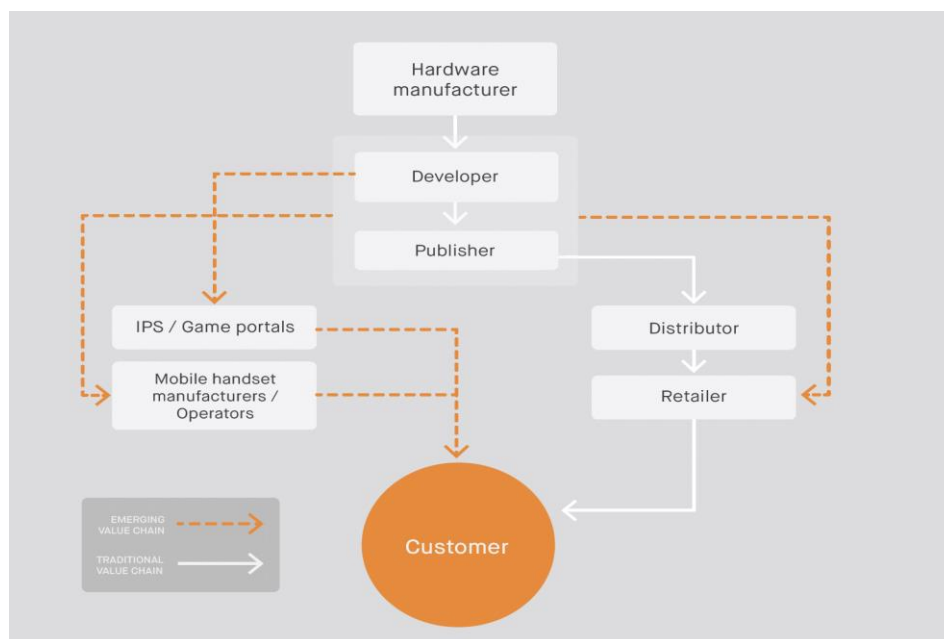
<sup>111</sup> Report '*Understanding the value of a European Video Games Society*', Ecorys and KEA, publication planned for Q3 2023

<sup>112</sup> Due to the limited production and availability of data, it is not always possible to provide EU data. World data is therefore often used, and when referring to 'Europe' or 'European', data can include the UK, Norway and Switzerland. Such data gaps notably concern revenues and consumption data on video games, as well as general market data for extended reality (XR).

<sup>113</sup> Including from the Court of Justice of the European Union and the World Intellectual Property Organisation

<sup>114</sup> Retrieved from [Newzoo](#)

**Figure 20. Value chains in the video game sector**



Source: Manel González-Piñero, *Redefining The Value Chain of the Video Games Industry*, 2017

## Revenues

**The market has seen continuous growth in the last decades.** As of 2022, the global market stands at EUR 179 billion<sup>115</sup>, representing a 5.4% growth from the previous year<sup>116</sup>. Globally, the video game sector is forecast to reach EUR 196.4 billion by 2024.<sup>117</sup>

**The EU market<sup>118</sup> is growing too, but its overall share of the world market is gradually declining.** In 2022, the EU market accounted for EUR 23.48 billion<sup>119</sup> <sup>120</sup>. This market is set to continue to grow,

<sup>115</sup> According to The Economist, this compares with just over EUR 100 billion for video streaming, and in the region of EUR 24 billion for music as well as for cinema. Games is expected to overtake pay TV (currently over EUR 200 billion) by 2026.

<sup>116</sup> Report 'Understanding the value of a European Video Games Society', Ecorys and KEA, publication planned for Q3 2023, based on Newzoo data.

<sup>117</sup> Idem

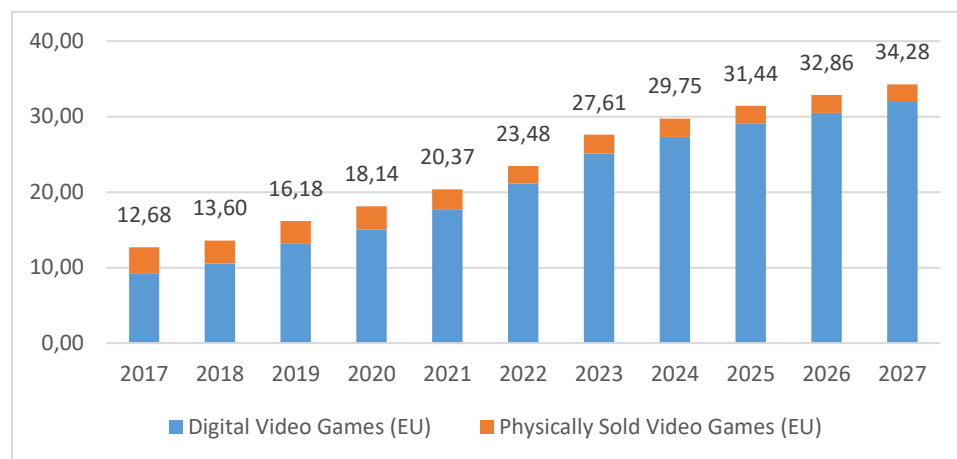
<sup>118</sup> Understood as revenues from the European market, not of European companies active in the sector.

<sup>119</sup> Data from [Statista](#)

<sup>120</sup> As far as the performance of European video games developers and publishers are concerned, the European Game Developers Federation (EGDF) and the Interactive Software Federation of Europe (ISFE) pointed to a turnover of EUR 16.6 billion, which could indicatively compare with a market of EUR 23.3 billion (the difference being captured by non-EU companies). There are however methodological issues: data was collected across several years (2019, 2020 and 2021) when the market was fast evolving, and it may cover European subsidiaries of big global games industry conglomerates.

reaching nearly EUR 33 billion in 2026<sup>121</sup>. Yet, the overall share of the EU video games market in the global market declined from 8.7% in year 2017 to 7.7% in 2021<sup>122</sup>, mainly due to the very fast growth of the Asian markets. The EU share of the global market is forecast to stabilise at 7.3% by 2025<sup>123</sup> <sup>124</sup>.

**Figure 21. Overall European video games revenues (physical and digital formats), (in billion EUR)**



Source: Statista<sup>125</sup>

**France, Germany, Italy, Spain and the UK represent most of the market in Europe.** These countries account for 75% of the European market<sup>126</sup>. During the COVID-19 pandemic, they saw a sharp increase in revenues, with a year-on-year increase of 22%<sup>127</sup>.

**Not all gaming mediums are performing at a similar pace.** In the past markets were dominated by arcade and console games. Since the advent of smartphones and tablets, mobile gaming has grown fast, becoming the largest share in both revenue and players, both globally and in the EU<sup>128</sup>. Growth has been driven primarily by the console and mobile games (8.4% and 5.7% year-on-year respectively). Conversely, browser PC games saw a decline of 16.9% from 2021 to 2022.

**Mobile games are top of the list when it comes to revenues.** Globally, they account for 51% of the market, consoles for 29% and PC games for 20%. This dominance of mobile gaming is also visible on

<sup>121</sup> PwC's forecast in its Global Entertainment & Media Outlook 2022-2026 gives a comparable estimation.

<sup>122</sup> Data from [Statista](#)

<sup>123</sup> Idem

<sup>124</sup> Note that the data source on market share differs from the data on the global and EU video games industry used for this report.

<sup>125</sup> Data from [Statista](#)

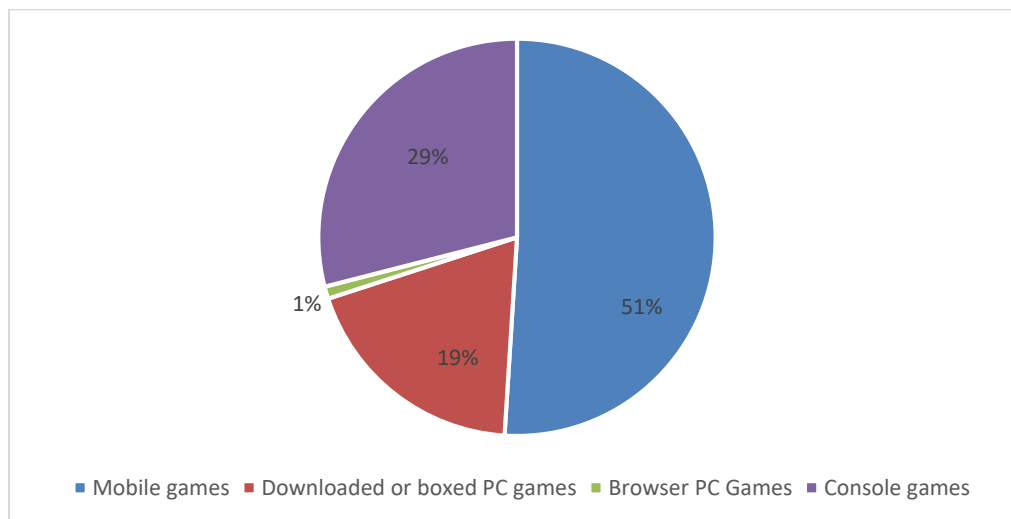
<sup>126</sup> Interactive Software Federation of Europe, [GameTrack](#).

<sup>127</sup> Idem

<sup>128</sup> Alissa McAloon, [Breaking down nearly 50 years of video game revenue](#), Game Developer, 30 January 2019

the European market where mobile games accounts for more than half of the market, at EUR 12.31 billion<sup>129 130</sup>.

**Figure 22. Market shares of the video games segments in the global market (year 2022)**



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Source: Newzoo

Notabene: Mobile games covers smartphone (45%) and tablet (6%). Total revenues equal EUR 179 billion

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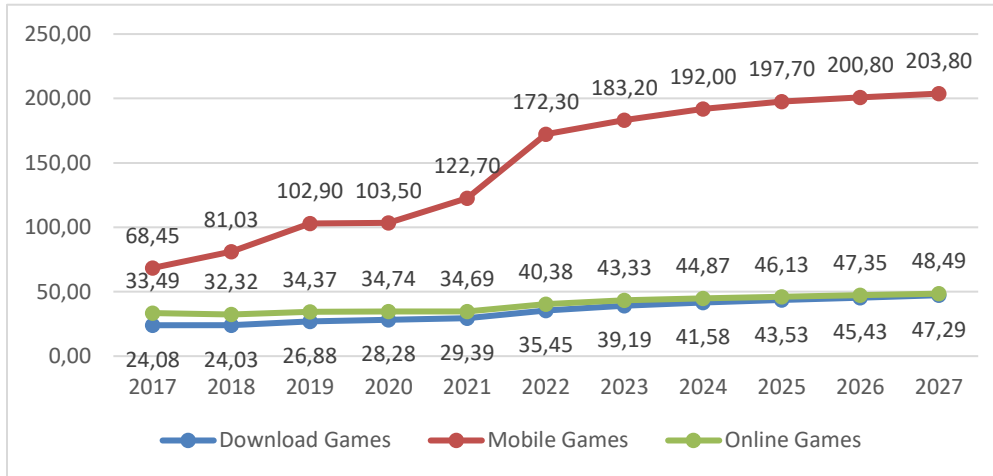
**Additionally, the mobile games segment is the best performing in terms of average revenue per user.** In 2022, mobile games stood at EUR 172.3 per user, more than four times that of downloadable or online games, played mainly on consoles and PCs. Estimates show that the widening of the gap will continue with the other segments in the years to come.

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<sup>129</sup> Report 'Understanding the value of a European Video Games Society', Ecorys and KEA, publication planned for Q3 2023, based on [Statista](#).

<sup>130</sup> Note that the data source on the EU mobile market is different from the one for the total EU video games industry used for this report.

**Figure 23. Average Revenue per user by segment of digital gaming (EU)**



Source: Statista

### Structure and size

**The international market is dominated by non-European video game companies.** The top four largest firms (Sony, Tencent, Nintendo and Microsoft)<sup>131</sup> generate around half of all revenues for the worldwide video games sector. Of the 19 largest video games companies in the world, only two are located in the EU (Ubisoft in France and the Embracer Group in Sweden) and none is in the Top 10. These two generate just 1.4% of the revenues among the top 19 companies. Japan (7 companies), the US (6), China (3) and South Korea (2) dominate the list.

**Table 12: Top video games companies worldwide**

2020-2021	Studio Name	Country	Revenue €bn
1	Sony	Japan, United States	17.04
2	Tencent	China	15.20
3	Nintendo	Japan	11.25
4	Microsoft	United States	9.61
5	NetEase	China	6.25
6	Activision Blizzard	United States	5.99
7	Electronic Arts	United States	5.19
8	Take-Two	United States	2.89
9	Bandai Namco	Japan	2.83

<sup>131</sup> Companies Market Cap, [Largest video game companies by market cap](#), accessed 12 April 2023.

10	Square Enix	Japan	2.24
11	Nexon	South Korea, Japan	2.14
12	Netmarble	South Korea	1.76
13	Ubisoft	France	1.35
14	Konami	Japan	1.22
15	Sega	Japan	1.08
16	MiHoYo	China	0.80
17	Capcom	Japan	0.72
18	Warner Bros.	United States	0.69
19	Embracer Group	Sweden	0.30

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*Source: Newzoo*

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**In Europe, the video game sector is mainly composed of small and micro enterprises.** It is estimated there are 4600 companies of which approximately 80% are small and micro-enterprises<sup>132</sup>. This could explain why there is a limited number of European large-scale and high-budget projects (so-called ‘AAA’ in the industry), as these often require large teams and are the result of years of development.

**The industry is moving towards increased consolidation, a potential challenge for smaller EU players.** This trend seems to be working in favour of the eight biggest industry giants: Sony PlayStation, Nintendo, Electronic Arts, Take-Two Interactive, Tencent, Microsoft Xbox, Activision Blizzard, and Ubisoft<sup>133</sup>. Globally, there were roughly 400 announced or completed gaming deals in 2021, totalling at about EUR 35 billion<sup>134</sup>. In January 2022, Microsoft declared its intention to pay EUR 60 billion for Activision Blizzard, a gaming company. This was the largest planned tech acquisition of 2022, set to make Microsoft the third largest gaming company after Tencent and Sony<sup>135</sup>. At an EU level, Embracer (Sweden) has made over 170 acquisitions in the video game industry since its founding in 2008, with a total estimated value of over EUR 6 billion. Strategies aim to acquire talents, technologies, or popular game franchises.

**This phenomenon could continue in the future, as the biggest tech companies are investing in the video games market.** In fact, many of the biggest tech and media companies, from Apple and Amazon to

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<sup>132</sup> In terms of sources used, EU-level reports analysed do not provide a broad and comparable picture of the size of video games companies in Europe. This means this section draws on national publications, the survey results undertaken as part of this research as well as information from databases such as Crunchbase.

<sup>133</sup> Brian MacNamara, [The oligopolization of the video game industry](#), 2020.

<sup>134</sup> EY, [Competition that helps gaming companies innovate | EY - US](#), 2022

<sup>135</sup> George Hopkin, [Top 10 technology mergers and acquisitions deals in 2022](#), Technology Magazine, 13 December 2022

Meta and Netflix, are already involved in several parts of the video games industry, from development to publishing and IP licensing, as well as streaming<sup>136</sup>.

**Table 13: Media and tech companies activities on the video games market (at least one prominent studio developing game)**

Company	Developer*	Publisher	Hardware	Cloud Gaming	IP Licensor	Storefront
Amazon	●	●		●	●†	●
Apple		●	●			●
Disney					●	
Google		●	●	●		●
Lionsgate		●			●	
Meta	●	●	●			●
Microsoft	●	●	●	●	●	●
NBCUniversal					●	
Netflix	●	●			●	
Paramount					●	
Sony	●	●	●	●	●	●
WB Discovery	●	●			●	

Source: VIP+ Analysis

Yet, in a global survey of the video games industry, managers appear to prefer focusing on investment into R&D activities or new technologies (44 %) <sup>137</sup>. Within the industry, only 16% of managers of video games companies consider mergers and acquisitions a priority. However, gaming executives are aware that constant innovation and product differentiation will be essential to success. Of those surveyed, 83% stated that the gaming industry is constantly under pressure to innovate and develop fresh gaming experiences<sup>138</sup>.

### Employment

**The video games sector has been an emerging source of employment.** In 2020, the sector employed nearly 100,000 people in Europe, growing 12% from the year before<sup>139</sup>. EU employment stood at roughly three quarters of that, employing 74,000, and is expected to grow in the coming years<sup>140</sup>. However, since 2022 there have been reports of layoffs across many big companies in the video games and tech sector (instances include Microsoft/Xbox, Ubisoft, Unity and Riot Games<sup>141</sup>). Several explanations have been raised, such as normalisation of the market after the lockdowns, rising inflation, or specific circumstances

<sup>136</sup> [Battles over streaming break out for video games](#), The Economist, 20 March 2023.

<sup>137</sup> EY, [Gaming Industry Survey 2022 – What’s possible for the gaming industry in the next dimension?](#), 2022, which draws its conclusions from the responses given by 200 video games executives from Europe, Asia and the US.

<sup>138</sup> Idem.

<sup>139</sup> Data is extracted from the 2019 [European Video Games Industry Insights Report](#) by European Game Developers Federation (EGDF), supported by Interactive Software Federation of Europe (ISFE). The data is based on estimations.

<sup>140</sup> Interactive Software Federation of Europe, [Key Facts for 2021](#), 2022

<sup>141</sup> Dring, C. [Analysis: Why are video game companies laying off staff?](#), VGC, 30 January 2023.

such as the lack of hardware components. Such layoffs are often seen as rather characteristic of the sector and have already been witnessed in the past<sup>142</sup>.

**The evolution of gaming requires new skills and expertise, and challenges in recruiting are seen as a constraint to growth<sup>143</sup>.** Given the cross-disciplinarity of the medium, companies need both technical and artistic skills, as well as business and operational expertise, to compete in a dynamic market.

**In fact, it is not uncommon for vacancies across a range of developer roles to stay unfilled for six months or more, according to industry stakeholders.** In a recent survey, 40% of respondents said that their company was not able to recruit the skills and talent they need. Interviewees reported that many people hire ‘under-skilled people because of a lack of better options’<sup>144</sup>. When compared to other digital sectors, video games are usually associated with a relatively low pay, longer working hours and higher, more versatile skills requirements<sup>145</sup>.

**The brain-drain of more experienced employees towards other sectors has created a loss of structural knowledge in the industry.** Talents are drawn to competing parts of the IT sector, and in the last years also towards film animation and visual effects. This lowers long-term competitiveness of the video games sector as it leads to poor training opportunities and costly (re-)training processes every time new, young employees arrive<sup>146</sup>. Notably, it is the drain to competing sectors – rather than to other geographical areas – that is perceived as the bigger challenge of the two<sup>147</sup>.

## Main trends

### Consumer preferences

**Gaming is a popular leisure time activity.** Worldwide, there were over three billion players (roughly four in ten people) at the end of 2022 and industry analyst Newzoo forecasts that there will be 3.5 billion players by 2025. This represents nearly 40% of the total world population. Gaming therefore attracts more users than the world’s biggest social media platform<sup>148</sup>. According to the best available estimates, the number of video gamers in Europe in 2021 was estimated to be around 124.8 million.

**Gaming touches all age segments, but especially youngsters.** In Europe, more than 70% of 6–24-year-olds play games, compared to more than 60% of 25-34 year olds. This compares to nearly half of 35-44

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<sup>142</sup> Report ‘*Understanding the value of a European Video Games Society*’, Ecorys and KEA, publication planned for Q3 2023.

<sup>143</sup> Idem

<sup>144</sup> Idem

<sup>145</sup> Idem

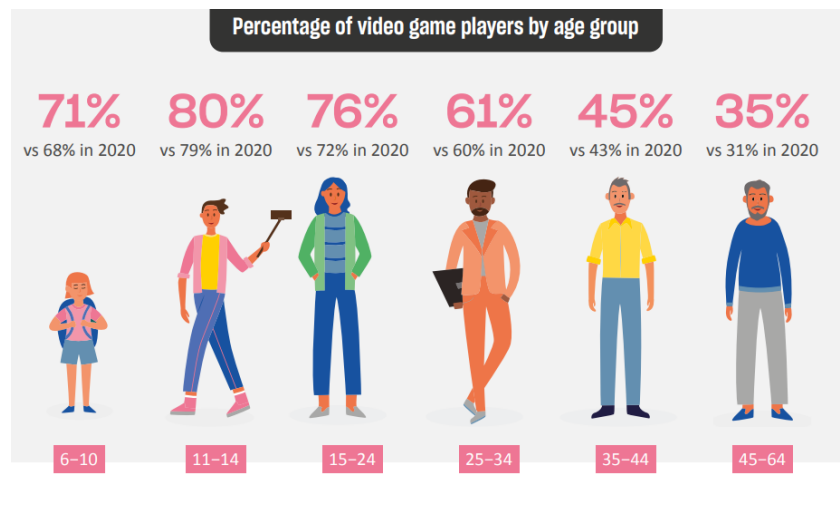
<sup>146</sup> Idem

<sup>147</sup> Idem

<sup>148</sup> Data from [Statista](#) , [Statista](#)

and still over a third of those aged 45-64<sup>149</sup>. In terms of the total player base, the average age of a European gamer is 31<sup>150</sup>.

**Figure 24. Percentage of players by age group**



Source: Interactive Software Federation of Europe, [Key Facts for 2021](#), 2022

**In Europe, those who play games do so frequently.** The majority (78%) plays at least once per week and the average playtime was 9 hours per week in 2021. This compares to 23.5 hours spent watching TV or 14 hours on social media<sup>151</sup>. However, Europeans spend less time gaming than the average global player who plays 12 hours per week, compared to 13 hours on social media<sup>152</sup>. In terms of market segments, mobile games were the most consumed type of game, with an estimated 63% of users<sup>153</sup>. Comparatively, 54% of players use consoles and 52% played on the PC<sup>154</sup>.

**Finally, men and women seem to play just as much.** Nearly half (47.8%) of European players identify as women. This is not consistent across platforms, as women do represent over 40% of both players for both console and PC, and just over half of the mobile and tablet market<sup>155</sup>.

<sup>149</sup> Interactive Software Federation of Europe, [Key Facts for 2021](#), 2022

<sup>150</sup> Idem

<sup>151</sup> Idem

<sup>152</sup> GWI, [Social: GWI's flagship report on the latest trends in social media](#), 2022

<sup>153</sup> This represents 52% of the population aged 6-64, but the sample is not fully representative as it covers only the French, Spanish, German, Italian and UK markets. Source: Interactive Software Federation of Europe, [Key Facts for 2021](#), 2022

<sup>154</sup> The sum of all market segments values is greater than the total as users can be active players in more than one segment.

<sup>155</sup> Interactive Software Federation of Europe, [Key Facts for 2021](#), 2022

## Business models adapting with the digital shift

In a context of digital transformation, new business models can include one or several of the below elements<sup>156</sup>:

- **Subscription models** to access a catalogue of games are being launched by console and hardware manufacturers, digital services, or game publishers). The increasing accessibility and adoption of cloud gaming<sup>157</sup> is accelerating this trend, offering players a wide library of rotating games to play. Variation of this model is a single game subscription models, especially used for massive multiplayer online role-playing games.
- **Microtransactions**: such as in-game purchases, downloadable content, season passes, lootboxes<sup>158</sup>. Young players, for example, are highly engaged in the gaming economy and 74% of Gen Z<sup>159</sup> have purchased digital games items for their avatar<sup>160</sup>.
- **Ad-supported**: the game is accessible for free and monetisation passes through advertisement within the game

**Game developers have bypassed publishers in favour of e-shop/app stores, which are largely non-European companies.** This way developers can sell games directly through online stores, allowing developers and distributors to capture more revenue and save on retail and packaging costs. However, it is worth noting that large US companies (Google, Apple, Amazon, Steam) control a significant share of the app store market<sup>161 162</sup>. The profitability of the platform business model in video games is not publicly available at this point of time and requires further research. However, the revenue sharing model applied by Apple, equivalent to 30% of apps purchases<sup>163</sup>, has been raised as a concern by companies such as Epic Games<sup>164</sup>.

**In-game purchases is another source of revenues.** The rise of free-to-play video games allows companies to earn revenue from in-game purchases and services such as additional game chapters or

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<sup>156</sup> Not mutually exclusive. One game can use several of the monetization tools.

<sup>157</sup> Cloud gaming: a type of online gaming that runs games on remote servers and streams them directly to a user's device.

<sup>158</sup> In-game boxes that contain randomised items (cosmetics or gameplay-related), that can be accessed through gameplay and in-game currencies, or which may be optionally paid for with real-world money. Although there are no specific consumer protection mechanisms at European level, some Member States have qualified loot boxes as either illegal or restricted gambling. See also the 2023 Report of the European Parliament on 'Consumer Protection in Online Video Games: a European Single Market Approach.

<sup>159</sup> Born 1997 - 2012

<sup>160</sup> EY, [Gaming Industry Survey 2022 – What's possible for the gaming industry in the next dimension?](#), 2022

<sup>161</sup> David Curry, [App Store Data \(2023\)](#), Business of Apps, 23 February 2023.

<sup>162</sup> Just like they control the console or cloud gaming markets, as well as virtual worlds platforms.

<sup>163</sup> And 15% for smaller developers since 2021. Google Play, Apple's main competitor, subsequently offered the same cut.

<sup>164</sup> See for example the lawsuit brought by Epic Games against Apple in 2020

digital goods<sup>165</sup>. For example, Fortnite made more than EUR 7.7 billion in its first two years (2018-2019)<sup>166</sup>, with a large share stemming from the sale of in-game items<sup>167</sup>.

**Similarly, business models are driven by the rise of cloud gaming streaming services, which has the potential to become a major trend<sup>168</sup>.** Cloud gaming enables players to enjoy demanding games on virtually any device, as the games are hosted on servers maintained by cloud providers, where a virtual machine simulating a PC or console is used to run the game, rather than on the player's device. This has a potential to disrupt the industry, as hardware is comparatively less important than gaming platforms and users' access, potentially opening new avenues of engagement (i.e. making complex games accessible on slower devices or casual multiplayer entertainment). Additionally, it will allow PC gamers to play games designed for a specific operating system on PCs running different systems. This is made possible due to technological developments in cloud computing and infrastructure that enables low latency connection.

**There might be opportunities for more device agnostic gaming under the EU's Digital Markets Act.** Under these new rules mobile app store providers will be required to open up their platforms, and some large companies active in the video games industry are eyeing this as an opportunity to set up their own mobile games store on Google and Apple devices<sup>169</sup>.

### Intellectual Property: Value beyond the game

**In the age of content recommendation and audience concentration on a few media titles, intellectual property has become a critical asset of media organisations.** In the attention economy, platforms' algorithms<sup>170</sup> and networks effects tend to favour the consumption of a limited number of items, often the ones which get off to a good start and are quickly recommended. In this context, and when media works are adapted on a new support (whether TV, series or video games), companies exploiting intellectual property can count on the existing fanbase to follow the franchise on the new support and boost the visibility of the new work early enough. It also contributes to increase consumption of the original work. This explains – partly – the multiplication of crossovers between popular video games, books, films or TV series.

**While video games used to be mostly another step of transmedia production, the industry is now more directly investing in intellectual property for their growth and revenues.** One specific strength of video gaming companies is that they can count on their relatively young communities to follow the subsequent adaptations of their original work and provide the early impetus needed. Popular creators and developers today are therefore building universes around their games and intellectual property, and across different platforms. As a result, from 2021 to 2022 and at a global level, video games adaptations

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<sup>165</sup> Report '*Understanding the value of a European Video Games Society*', Ecorys and KEA, publication planned for Q 2023

<sup>166</sup> Mitchell Clark, [Fortnite made more than \\$9 billion in revenue in its first two years](#), The Verge, 3 May 2021.

<sup>167</sup> Ben Gilbert, [How much money is 'Fortnite' making? Nearly \\$2.5 billion in 2018 alone, according to the latest report](#), Business Insider, 16 January 2019.

<sup>168</sup> Newzoo 2022 Global Games Market Report

<sup>169</sup> Tim Bradshaw, [Microsoft plans mobile games app store to rival Apple and Google](#), Financial Times, 20 March 2023.

<sup>170</sup> Content platforms as well as review aggregators

increased 47%<sup>171</sup>, and as of early 2023 there were about 60 game-based productions in development<sup>172</sup>. The perception of films and series adaptations is improving, and the industry counts with many success stories<sup>173</sup>.

**Although US-based franchises are more common, European video games companies are slowly embracing this model to improve their market position.** The Witcher, the popular video game of Polish game developer CD Projekt Red, was for instance adapted on Netflix in 2019<sup>174</sup>. Some video game companies do not stop at exploiting their own intellectual property: they also acquire rights of other franchises which were not born as video games. Such is the case of the Swedish Embracer Group which, in 2022, declared having acquired worldwide rights to motion pictures, video games, board games, merchandising, theme parks and stage productions relating to The Lord of the Rings trilogy and The Hobbit by J.R.R. Tolkien, as part of the company's IP-driven transmedia strategy.

### Games as a gateway to virtual worlds

**Video games are one of the key gateways to virtual worlds and host diverse virtual experiences.** This is both the traditional 2D screens, such as smartphones or laptops, but also through the use of dedicated virtual and augmented reality headsets or comparable devices. The latter is an important interface or portal to access virtual environment, although a mainstream adoption might still be some years off. In virtual world a player's digital avatar may not have a single purpose but instead it could explore digital world and be open to different experiences that go beyond gaming — from entertainment and social connection to work, education and business.

**There are numerous examples of 3D interactive worlds, where players can interact in real-time, accessed through a 2D screen.** Many 'metaverse-like' games are widely popular and profitable, such as the virtual world-building game Minecraft. Originally developed by the Swedish video games company Mojang, it was acquired by Microsoft for EUR 1.93 billion in 2014<sup>175</sup>. By 2021, Minecraft had sold nearly 240 million copies, making it one of the most popular games of all time<sup>176</sup>. Many such virtual worlds exist, but none of the major ones are European.

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<sup>171</sup> Richard Middleton, [Exclusive: Video game adaptations soar 47% in 2022 as 'quality perception' rises](#), Television Business International, 21 March 2023

<sup>172</sup> IGN, [All Upcoming Video Game Movies and TV Shows: 2023 Release Dates and Beyond](#), 5 January 2023

<sup>173</sup> Some of the most recent being *The Last of Us*, adapted as a TV series, and *Super Mario Bros*, adapted as a film.

<sup>174</sup> This, in turn, boosted the sales of the original video game to which the franchise owes its reputation, as well as the initial books written years before.

<sup>175</sup> Darrell Etherington, [Microsoft Has Acquired Minecraft For \\$2.5 Billion](#), TechCrunch, 2 September 2014.

<sup>176</sup> Microsoft, [Minecraft Franchise Fact Sheet April 2021](#), 2021

**Figure 25. Video games and virtual worlds**

### Entertainment Formats That Will be Enhanced by the Metaverse

Asked among Americans aged 13-56. Data shown for "A lot better" or "A little better"



SOURCE: UTA/VOX MEDIA

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Source: VIP+ Variety Intelligence Platform

**In some of these virtual environments the lines between gaming, social platforms, music venue or fashion retailer are becoming blurred.** In Fortnite<sup>177</sup> players can game, interact, go to concerts and buy items for their avatars as part of a single game. Other platforms go even further, creating a virtual creator economy running on game's own digital currency. Roblox gives players user-friendly tools to create games and accessories for other users. The platform had nearly 60 million daily active users in 2022 (and 16.6 million daily active users in Europe in the fourth quarter of 2022), and more than 40 million user-generated experiences<sup>178</sup>. Like Fortnite, there have been concerts organised with large-scale international pop artists, generating income through the sale of virtual merchandise. One example was the concert with country rapper Lil Nas X, watched by 33 million and selling merchandise for 'close to eight figures'<sup>179</sup><sup>180</sup>. It is worth noting that the aforementioned platforms are bound to consolidate their place on the market and influence future consumption trends, as they currently attract a young audience: just shy of half of Roblox's users are under 13 years old, and more than 60% of Fortnite players are between 18 and 24 years old.

**Companies are adapting their own strategies in view of this changing reality.** The European fashion industry, for example, has engaged early on in testing out new users' experiences in community games in virtual worlds. These new dimensions could affect the business models of gaming companies as highlighted by a survey of 200 video games industry leaders<sup>181</sup>, where about half of the respondents mentioned investing in immersive experiences as one of the priorities in the next three years.

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<sup>177</sup> Fortnite reported around 70 million monthly active users in 2023. While it does not provide the break down per country, EU countries such as Poland and Germany have been in the top 5 countries with most players at some point in the last years (around 5% of total users).

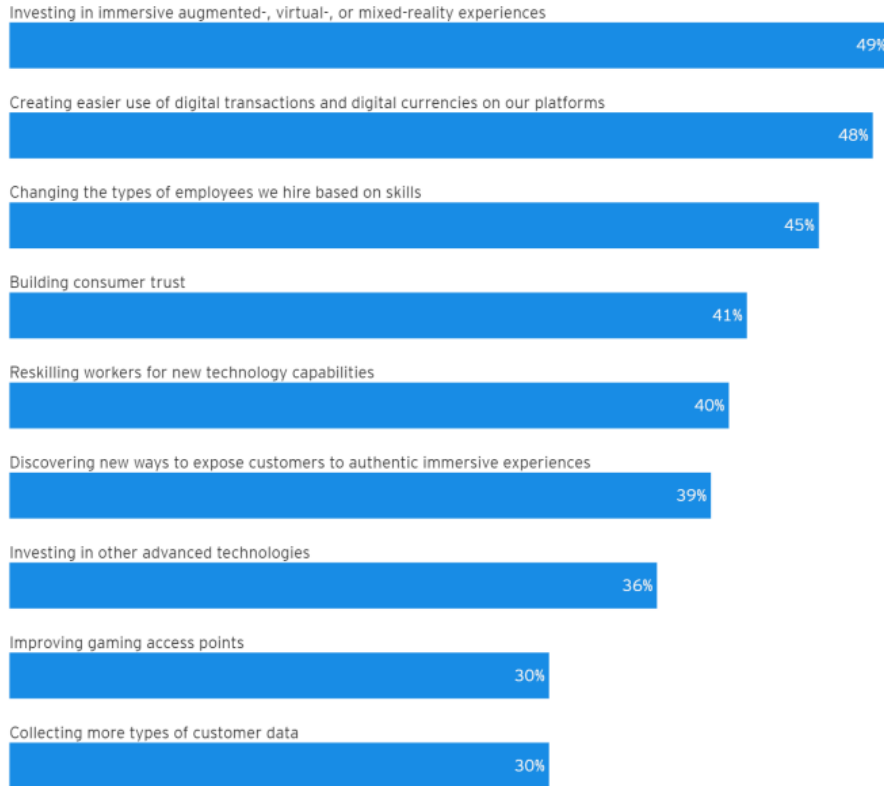
<sup>178</sup> Data from [Statista](#) and [Backlinko](#)

<sup>179</sup> Jacob Kastrenakes, [Lil Nas X's Roblox concert was attended 33 million times](#), *The Verge*, 16 November 2020

<sup>180</sup> Meaning close to USD 10 million. Source: Musically, [Merch sales from Lil Nas X Roblox gig near 'eight figure](#), 2021

<sup>181</sup> EY, [Gaming Industry Survey 2022](#), 2022

**Figure 26. Priorities of the gaming industry representatives for the next three years**



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Source: EY, [Gaming Industry Survey 2022 – What’s possible for the gaming industry in the next dimension?](#), 2022

Notabene: Based on a survey of 200 representatives of leading gaming companies from North America, Asia and Europe

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## Market overview of Extended Reality

### *Definition and activities*

Another format engaging users through three-dimensional environments is that of Extended Reality (or XR). Where video games traditionally do this through a two-dimensional screen, XR allows the user to experience these environments through immersive hardware, such as a headset. Extended Reality (or XR) is an umbrella term covering Virtual<sup>182</sup>, Augmented<sup>183</sup>, Mixed<sup>184</sup> reality and any future immersive digital realities. A closer look at these technologies is also justified in view of their similarities with the video

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<sup>182</sup> Which can be defined as an immersive technology that creates an interactive and fully immersive, virtual environment accessible through different devices

<sup>183</sup> Which corresponds to layers digital information on top of the physical world often accessed through a smartphone device. PokemonGo is an example of a popular game based on Augmented Reality.

<sup>184</sup> Which includes both Virtual and Augmented Reality, but allows digital content to interact with physical surroundings in real-time

gaming industry: a merge of creative and technological skills, an international market and leading non-EU actors and industrial champions<sup>185</sup>.

This section therefore focuses on the European XR industry, including zooming in on the media aspects, for which there is a lack of data at the EU level. As these technologies are used across several sectors, most of the economic data reflects this cross-sectoral usage and it is not always possible to split these into specific activities.

As is the case with video games, the XR market is international and in many cases there is little data arising from just the European Union. The text hence focuses on ‘European data’ or global figures as proxies.

### *Revenues*

**Although a nascent market, the XR industry (all sectors considered) is expanding fast.** Globally, the XR market was estimated to EUR 23.7 bn in 2021<sup>186</sup>. In the same year, the European XR market was EUR 7.95 billion<sup>187</sup>, thus making up a third of the world market. According to one report, the EU XR market was EUR 7.1bn in 2021, growing 26% from the previous year. The market is expected to continue to grow fast in the coming years<sup>188</sup>. Depending on the forecast, the compound annual growth rate (CAGR) in the period between 2021 and 2026 is forecasted to between 37% to 43%. As with video games, the European XR industry is expected to grow at a slower pace than the global industry<sup>189</sup>.

**This growth is also found at company level.** According to a recent survey, over 86% of the consulted European companies (total 285) stated that they have expanded their XR sales and turnover in the period from 2018 to 2020. For about half this growth was substantial (from 50% up to 150%).<sup>190</sup> However, as is the case for the video games industry, available forecasts indicate that the global XR market will grow faster than the EU XR market.<sup>191</sup>

**When looking at the market across sectors, video games, media and entertainment industries constituted nearly half of the XR market in Europe in 2021**<sup>192 193</sup>. According to one estimate, video games make up the largest part of this market, with a total of 29% (EUR 2.1 billion) of the XR industry in 2021<sup>194</sup>. These sectors are interlinked in more ways than one. Not only are games the biggest XR market,

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<sup>185</sup> Such as Meta or Taiwan’s HTC.

<sup>186</sup> European Commission, [VR/AR Industrial Coalition Strategic paper](#), 2022; European Commission, [Extended Reality: Opportunities, Success Stories and Challenges \(Health, Education\)](#), 2022

<sup>187</sup> Idem.

<sup>188</sup> European Commission, [VR/AR Industrial Coalition Strategic paper](#)

<sup>189</sup> Idem.

<sup>190</sup> Ecorys, XRA, [XR and its potential for Europe](#), 2021

<sup>191</sup> European Commission, [Extended Reality: Opportunities, Success Stories and Challenges \(Health, Education\)](#), 2022

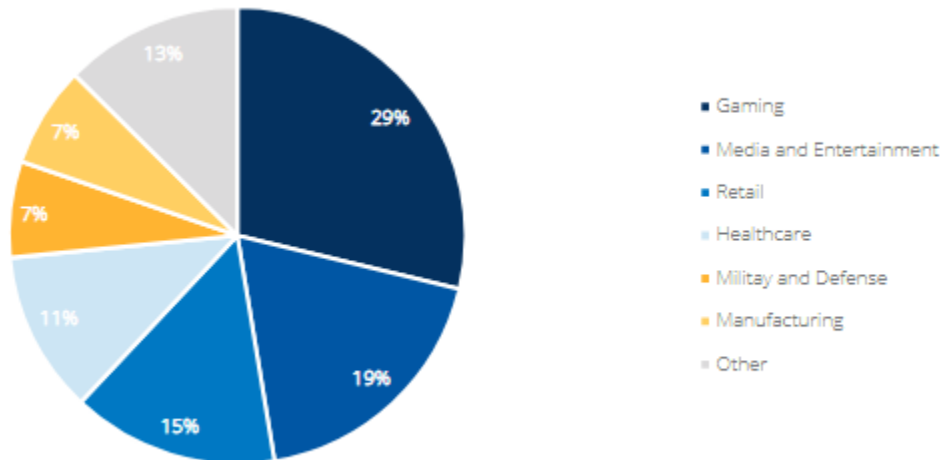
<sup>192</sup> One report estimates the share to be 49% in 2021, whilst another 42% in 2022. The estimate for games is based on the former report which estimated the total EU XR market to 7.1bn in 2021.

<sup>193</sup> European Commission, [VR/AR Industrial Coalition Strategic paper](#), 2022

<sup>194</sup> Idem.

but they are connected in that the similar skills and technologies are required to create three-dimensional content.

**Figure 27. European XR market per sector, 2021 (% of total)**



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Source: Ecorys calculations based on multiple market reports<sup>195</sup>

Notabene: total EU XR market represents around EUR 7.1 billion

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### *Structure and size*

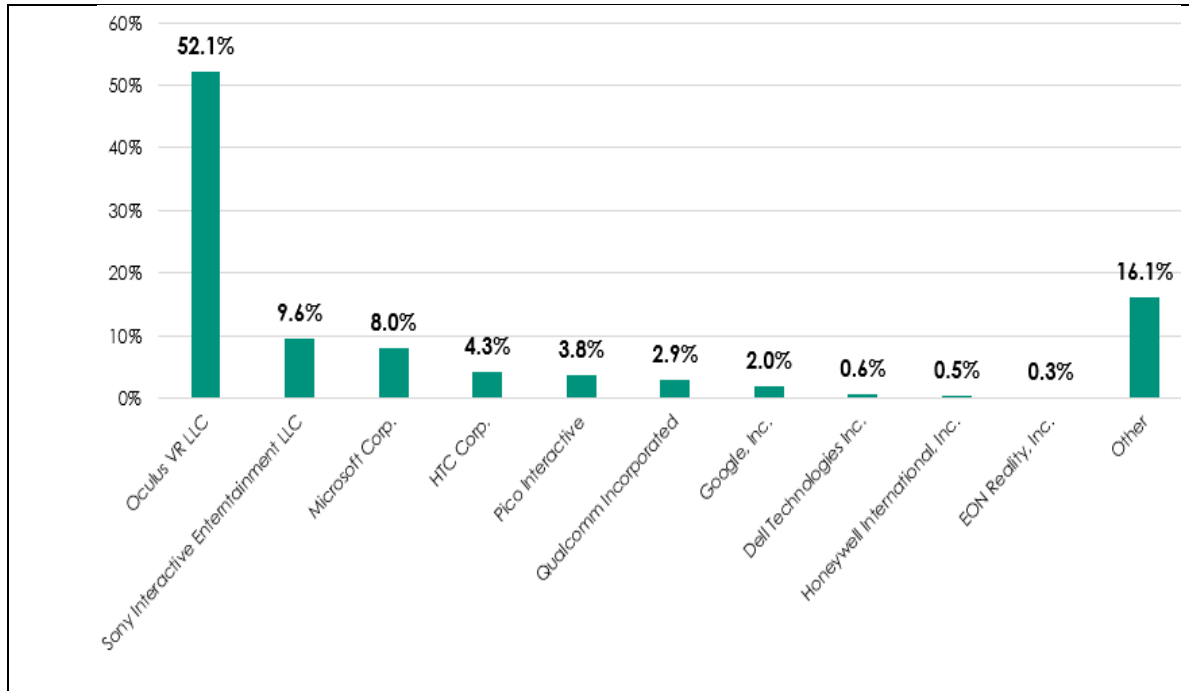
**As is the case in other media sectors, international players populate and dominate the European XR market.** Here, 84% of revenue across Europe is generated by ten companies, but none of these are from the EU. These companies all provide hardware and platforms where XR content is distributed. Market leader Meta accounts for over half of the total European XR market (52.1%)<sup>196</sup>.

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<sup>195</sup> Idem.

<sup>196</sup> Idem.

**Figure 28. European XR market by market player, based on revenue, (%)**



Source: Commission: *Extended Reality: Opportunities, Success Stories and Challenges (Health, Education)*, 2022

**The EU’s strengths lie in research, development and content production, with hubs across the EU.** There is a dynamic XR ecosystem with vibrant hubs in capitals such as Paris, Berlin, Amsterdam and Helsinki, but also in Laval, Munich, Hamburg and Milan<sup>197</sup>. Member States with the largest market are Germany (2.84bn), France (2.22bn), Italy (1.34bn), Spain (0.81bn) and the Netherlands (0.6bn)<sup>198</sup>.

## Main trends

### *Emerging media content, hardware and consumption*

**XR is set to become mainstream in the coming years.** In the EU, XR technologies reached an estimated 189 million users in 2022<sup>199</sup>, also driven by augmented reality which accounted for 94% of users<sup>200</sup>. This is consistent with the global trend, where AR software accounts for 95% of the reach. Some of the main

<sup>197</sup> European Commission, [VR/AR Industrial Coalition Strategic paper](#), 2022

<sup>198</sup> European Commission, [Extended Reality: Opportunities, Success Stories and Challenges \(Health, Education\)](#), 2022

<sup>199</sup> Data from [Statista](#)

<sup>200</sup> A popular example is Snapchat’s filters

revenues in this part of the market are generated by ads displayed in photo- and video-sharing apps featuring AI-powered face filters<sup>201</sup>.

**Within extended reality, AR is a more mature market.** Globally, there are 1.1 billion mobile AR devices<sup>202</sup>, compared fewer than 30 million AR headsets and just over 20 million standalone VR headsets<sup>203 204</sup>. Given high market share of AR compared to VR, coupled with the high smartphone penetration rate (nearly 80 percent in Europe<sup>205</sup>), integrated AR-enabling smartphone tech (such as LiDAR<sup>206</sup>) and the significance of video games in the overall app economy (67% of in-app revenue globally) – the immediate impact of XR might be highest in mobile AR in the short term. It is predicted that by 2025 nearly 75% of the global population will be using AR<sup>207</sup>. Yet, dedicated standalone AR devices for the consumer market are not there yet.

**However, the technology is becoming more advanced and accessible, and VR is gaining more market traction.** This is especially the case for standalone headsets such as the Meta Quest that are available at an accessible price point. In 2022, ByteDance entered the EU market, with the Pico 4 as a viable competitor to Meta’s VR headset. It is worth noting that these are specialised Virtual Reality devices, as opposed to a multipurpose device like a smartphone.

**Where face filters are the main use case for AR, gaming is the preferred use case for virtual reality.** One report shows that 72% of VR users use their headsets to play games<sup>208</sup>. In general, a third of VR owners use their headsets several times per week, and they tend to be in a high-income bracket (43%). Although the number of total global headsets are still low, one report looking at the US shows that 23 percent of households either own or have used a VR headset. Still, the same survey of 98,000 Americans shows that 18% are ‘just not interested’ in trying VR<sup>209</sup>. Comparable numbers have not been found for the EU, but this could be an indication that mainstream adoption of VR will not happen in the short to medium term.

**The lack of mainstream adoption of VR could also be due to the perceived limited supply of VR content** Many game developers have been reluctant to create games for VR as the market is too small<sup>210</sup>. In turn, the market uptake remains low due to the lack of content, a so-called ‘chicken-and-egg’ problem

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<sup>201</sup> PwC, [Global Entertainment & Media Outlook 2022–2026](#), 2022

<sup>202</sup> Smartphones, for the most part.

<sup>203</sup> Augmented reality is most commonly run on an AR capable smartphone, but there are also dedicated AR such as devices produced by Magic Leap or Nreal.

<sup>204</sup> Data from [Statista](#)

<sup>205</sup> Europe, not EU and smartphones, not AR capable smartphones. Based on data from [Statista](#).

<sup>206</sup> Standing for ‘light detection and ranging’, it increasingly equips smartphones.

<sup>207</sup> Deloitte, [Snap Consumer AR Global Report](#), 2021

<sup>208</sup> Newzoo, 2022 (looking at four global markets, none of which are in the EU: US, UK, China and Japan) vis Game World Observer, [Newzoo expects global games market revenue to fall for first time in 15 years to \\$184 billion](#), 2022

<sup>209</sup> ARtillery Intelligence, [VR Usage & Consumer Attitudes, Wave VI](#), 2022

<sup>210</sup> Newzoo, [Global Games Market Report](#), 2022

for the VR games market. Forecasts indicate that the global user base will increase to 69 million in 2026, meaning this market will remain a niche in the medium term<sup>211</sup>.

**Still, virtual reality has been forging ahead in the last years.** From 2016 to 2020, Playstation's first VR headset (PSVR) sold 5 million units worldwide<sup>212</sup>. The next generation device, PSVR 2, launched in February 2023. This was three years after VR saw its first AAA release, a key moment for the industry. The AAA title was *Half-Life: Alyx*, developed by Valve, the game developer behind PC gaming platform Steam and the Valve Index VR headset. In the months before the release this headset was sold out across the globe<sup>213</sup>, illustrating how content and hardware are strongly linked.

### *Virtual production*

Among XR technologies, virtual production merits a closer look, as it could transform the audiovisual ecosystem, and is the subject of much attention with respect to the competitiveness of the European audiovisual market. In a nutshell, virtual production (VP) is an emerging audiovisual (i.e. film and TV) production process which supports the deployment of high-quality 3D graphics traditionally used in video games development and visual effects (VFX), often using a light-emitting diode (LED) platforms in a real-time filming environment. At its core, virtual production leverages the integration of technology throughout the entire production life cycle to enhance the way content is created.<sup>214</sup> It also blurs the boundaries between the traditional, linear phases of film and TV (pre-production, production, post-production)<sup>215</sup>.

**Virtual production is still in the early days, but it is quickly gaining momentum<sup>216</sup>.** Deloitte Global predicts that the worldwide market for virtual production tools will grow to around EUR 1.98 billion in 2023 (20% up from around EUR 1.6 billion in 2022)<sup>217</sup>.

**US companies, like Disney or Netflix are early adopters.** Netflix is stepping up its investments on virtual production<sup>218</sup>, including by creating a new production innovation team and acquiring VFX studio and signing partnerships with virtual production companies. Epic Games' Unreal Engine<sup>219</sup>, is one of the most widely used engines used in virtual productions sets.

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<sup>211</sup> PwC, [Global Entertainment & Media Outlook 2022–2026](#), 2022

<sup>212</sup> Joe Parlock, [PlayStation VR Sells Five Million Units Since 2016](#), Forbes, 7 January 2020.

<sup>213</sup> Ben Lang, [Index Sold Out in all 31 Regions, Valve 'working hard' to Meet Demand Ahead of 'Half-Life: Alyx'](#), Road to VR, 14 January 2020.

<sup>214</sup> Deloitte, [The future of content creation: Virtual production](#), 2020

<sup>215</sup> Altman Solon, [Global Film and Video Production Report](#), 2022

<sup>216</sup> Deloitte, [The future of content creation: Virtual production](#), 2020

<sup>217</sup> Deloitte, [Virtual production gets real: Bringing real-time visual effects onto the set](#), 2022

<sup>218</sup> Altman Solon, [Global Film and Video Production Report](#), 2022

<sup>219</sup> Unreal Engine (UE) is a real-time 3D graphics game engine developed by Epic Games which is now being used by the film and television industry.

**Outside the US, the UK is positioning itself as an industry leader in virtual production**, building on its production studios, a skilled workforce, VFX supply chain and innovation capabilities on creative technologies<sup>220</sup>. In the EU, there are virtual stages being developed in almost every capital city, plus in many non-capital cities. For instance, Studio Babelsberg in Berlin has developed one of Europe's largest, permanently installed LED studios for virtual film productions, called Dark Bay<sup>221</sup>.

**Contents that rely heavily on digital capabilities, such as sci-fi and live action productions, have been frontrunners in the deployment of these technologies**<sup>222 223</sup>. Game engines are increasingly used in animation, in previsualisation, or in shoots that involve filming in small environments, such as a car. They are also used in productions where a lot of planning is involved such as is often the case for high end TV or advertising, or in specific environments (shoots with dim lighting, or difficult locations to film in, such as protected areas or unstable weathers)<sup>224</sup>. It facilitates the creation of content and creative exchanges by decentralised teams<sup>225</sup>. However not all productions are suited to this technology. Therefore, it is important to understand from the outset where VP can be beneficial to a production, and where it is not.

**Virtual production contributes to reducing and shifting production costs**<sup>226</sup> **and may allow to cut carbon emissions**. By integrating virtual production in an efficient way, one estimate put the cost saving of VP to a 20-25% reduction in workdays, by decreasing the number of shooting hours and the crew size, as well as the duration of post-production. This can however vary greatly from one production to another. In addition, though the full environmental impact of virtual production still needs to be further examined, virtual production might contribute to reducing carbon emissions by reducing traveling to different locations, which account for half of carbon emissions in a traditional film production<sup>227</sup>. All in all, virtual production shifts cost structure, from post to pre-production<sup>228</sup>, as shown in the figure below<sup>229</sup>. In practice, this means that the financing traditionally dedicated to visual effects comes in much earlier than in a traditional shoot<sup>230</sup>. This could in turn affect the European public film-financing model, which focuses on the production phase.

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<sup>220</sup> UK Department for International Trade, [Virtual Production How the UK is setting the global standard](#)

<sup>221</sup> The Netflix series 1899 was shot in this facility.

<sup>222</sup> Altman Solon, [Global Film and Video Production Report](#), 2022

<sup>223</sup> Disney's Star Wars spin-off production of The Mandalorian is an example of ground-breaking use of virtual production.

<sup>224</sup> Devin Coldewey, [Inside Dark Bay, the spinning LED volume at the heart of Netflix's upcoming '1899'](#), TechCrunch, 10 February 2022.

<sup>225</sup> What is virtual production? Digital asset management Performance November 2022

<sup>226</sup> Green Screen Interreg Europe, Film Paris Region, [Virtual production: A study on its environmental impact](#), 2022

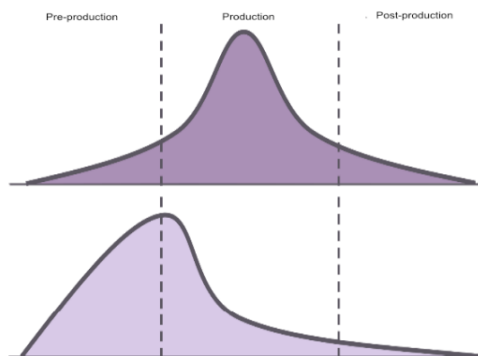
<sup>227</sup> Albert, [Screen New Deal](#), 22 July 2020

<sup>228</sup> Devin Coldewey, [Inside Dark Bay, the spinning LED volume at the heart of Netflix's upcoming '1899'](#), TechCrunch, 10 February 2022.

<sup>229</sup> Green Screen Interreg Europe, Film Paris Region, [Virtual production: A study on its environmental impact](#), 2022

<sup>230</sup> Devin Coldewey, [Inside Dark Bay, the spinning LED volume at the heart of Netflix's upcoming '1899'](#), TechCrunch, 10 February 2022.

**Figure 29. Costs for traditional production vs. virtual production**



Source: Workflows

**Moreover, the entry costs are seemingly still quite high.** One available estimate put the cost of building a VP set ‘from 3 million to 30 million USD’. After setup, running the stage and the production is costly, and so not yet beneficial for smaller productions<sup>231</sup>.

**The limited availability of skilled professionals with the right VP experience might slow down the use of virtual production<sup>232</sup>.** Because virtual production is still an emerging technology, there is a shortage of talent with hands-on experience in the industry<sup>233</sup>. The skills challenges are not just about the stage itself, but also about the surrounding ecosystem, as the rest of the traditional production crew also needs to learn how to work with VP<sup>234</sup>. New specialised roles such as Virtual Production Supervisors are needed to manage new production pipelines. Some skills can be drawn from the video games sector, but this sector is also facing a skills shortage and difficulty attracting talent<sup>235</sup>.

**There are few education institutions dedicated to the sectors, resulting in companies often bearing the cost of talent development.** User-generated learning resources are available online, putting some of the burden on individual professionals instead, but with little financial cost (other than time) associated. It is therefore often global engine vendors which meet the demand for skills<sup>236</sup>.

<sup>231</sup> Carolyn Giardina, [Too Much Volume? The Tech Behind ‘Mandalorian’ and ‘House of the Dragon’ Faces Growing Pains](#), The Hollywood Reporter, 19 October 2022

<sup>232</sup> Altman Solon, [Global Film and Video Production Report](#), 2022

<sup>233</sup> Altman Solon, [Global Film and Video Production Report](#), 2022

<sup>234</sup> According to Altman Solon Global Film and Video Production Report 2022, Virtual production requires skills: In-Camera Visual Effects (VFX), Previs / Techvis – Allows a crew to visualize how a scene will look prior to filming with a preview; 3D Asset Management Virtual Scouting, Cloud-based Editing and Motion Capture – A tool to record real-life motion and interaction that can be applied to visual effects and animation

<sup>235</sup> European Video Games Society report

<sup>236</sup> The company Epic, for instance, has trained nearly 2,000 professionals through its ‘Unreal Fellowship’ programme. Additionally, the company has established a talent development programme where they partner with

**Virtual production involves building digital assets that can then be used for previsualisation or projected on an LED panel as a backdrop for a shoot.** The use of the assets created on other productions or from existing libraries allows achieving efficiency gains. Moreover, these assets created for film and TV can be deployed in other medium such as gaming, VR/AR or virtual worlds<sup>237</sup>, facilitating the emergence of transmedia content and experiences.

**The use of assets, in return, raises questions about intellectual property ownership, use, exploitation and storage** (e.g. who stores the assets, which data and in which format, and who pays the costs of storage). Ownership appears to depend on many variables: the country, the location and the permits. There are specific questions regarding the ownership of assets created in relation to cultural heritage sites or concerning works that are in the public domain, in particular on the identification of the organisations legally empowered to deliver permits allowing to create and exploit such assets.

Since virtual production assets can be re-used multiple times<sup>238</sup>, better sharing of virtual assets could be an opportunity, both for independent producers and for Europe, with locations and rich cultural heritage with the potential to be digitised. There are such examples but established business practices for the licensing of these models are still missing.

**The next frontier of virtual production will be synthetic productions** (or full digital productions). In this case, all the assets, even the actors, are created digitally (meta-humans)<sup>239</sup>. The combination of virtual production engines and AI generative tools is likely to have significant impacts in the overall filmmaking process.

## Summary

This chapter has examined video games, extended reality and virtual production, digital media formats that require a mix of technical and creative skills to engage users in virtual environments.

Since the industry's inception in the 1970s, video gaming has grown to an impressive 3 billion players' community globally, among which 125 million in Europe. There are a variety of genres and games available, from simple puzzle games to complex high-end titles, moving independent stories and social games providing virtual spaces for users to meet and engage with one another.

The main driver for growth is mobile: games played on tablets and smartphones now make up more than half of the total market, both globally and in the EU.

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training centres/universities to become authorised in their game engine (Unreal Engine). There is a high concentration of these training centres in Europe compared to other continents.

<sup>237</sup> Doug Shapiro, *Forget Peak TV, Here Comes Infinite TV*, Medium, 4 January 2023

<sup>238</sup> For example, Netflix digitised the set of Money Heist to be able to reuse it in the future instead of rebuilding the set.

<sup>239</sup> Runway, AI powered tools and engines company has launched a first annual AI Film Festival (2023 edition will be held in New York) to celebrate creators working at the forefront of AI filmmaking.

The European video games market is characterised by an overwhelming majority of small and micro-companies with fewer than 10 employees. It is slowly consolidating and growing, and is set to continue to increase in the coming years. But the EU share of the overall global market has been - and is set to – decline, at least in the short-term. There is a lack of large-scale European companies in the global market, where the top four largest firms generate around half of all revenues in the industry globally.

The digital shift is transforming the sector, where new business models are providing new ways to monetise games. Many games are now initially free to play, and instead focus on making revenue from ads, subscriptions and/or microtransactions. The latter can include selling in-game items, or more controversial practices like lootboxes, amongst others. Recently, cloud gaming is seen as a potential driver for more device-agnostic gaming.

When looking at video gaming in the wider media environment, it looks clear that intellectual property has become an important competitive asset: existing video games provide content that can build on an existing fanbase for subsequent transmedia adaptations.

Some video games are also proving to be a key gateway to virtual worlds. Popular games such as Fortnite and Roblox provide millions of (young) users with experiences that blur the line between gaming, social platforms, music venue or fashion retailer. This has provided opportunities for other industries, such as fashion brands who are selling digital branded in-game items.

A more nascent market than video games<sup>240</sup>, extended reality (XR), relies on hardware that immerses users in virtual environments. The European market is growing fast, but it is - like video games - dominated by non-EU companies. Video games is one of the preferred use cases, especially for virtual reality. In fact, nearly half of the European XR market is media, entertainment and video games.

Finally, virtual production (VP) utilises technologies from both video games and XR in the production process of film, series and commercials. Large companies are early adopters of this technology-driven process, where traditional post-production elements are incorporated before and during a shoot. Although there are a few production facilities across the EU, it is Britain which is positioning itself as a key hub for VP in the region.

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<sup>240</sup> E-sport is also an activity that is quickly developing and contributing to the growth of the sector. Although it would deserve further research, it was not analysed as part of this Outlook.

## Chapter 3: Outlook of the news media sector

### *Context*

News media contribute to the good functioning of societies and democracies by providing trustworthy and professionally produced information. However, the sector is undergoing a challenging transformation, as a result of digitalisation and changes in consumption habits. Legacy media (TV, radio, printed press) are further expanding their presence online and at the same time are competing with new digital players in the new economy of attention. Meanwhile the news media were hit by the economic downturn caused by the COVID-19 pandemic.

In this context this Outlook Report analyses the market of the news media. The financial health of news media outlets lies at the foundation of their capacity to produce and make available independent and trustworthy news in line with professional standards. Conversely, low viability carries risks for news quality, and, subsequently, to fundamental values such as media freedom and pluralism.

The report gives an overview of the market for news media in the EU 27 before looking at the main trends driving its ongoing transformation, both within the news sector and more widely in the attention economy.

To inform this section the Commission procured a study which was conducted in 2022<sup>241</sup>. This study was a first step in assessing the competitiveness and economic viability of the news media sector in the EU. Part of this analysis included a closer analysis of trends in nine EU countries<sup>242</sup>. Other sources of evidence were also used where relevant.

The analysis has revealed that there are still important data gaps at EU level concerning the main types of news media. These data gaps include the geographical scope of media companies, the size of native digital news, number of start-ups, investments, costs, revenue diversification, cross-subsidisation and employment, including free lancers, share of journalists and non-journalist workforce, relative size of news content output (in companies with mixed activities). According to the study, this is ‘to a certain extent, telling of the industry’s available resources to generate and synthesise such information’. Data gaps have been mitigated as much as possible by using qualitative evidence collected through a consumer survey in the nine aforementioned EU Member States<sup>243</sup> as well as interviews with industry.

It is worth underlining that the research does not focus in depth on issues such as media freedom and pluralism or copyright, which are analysed as part as other policy cycles. The Media Pluralism Monitor,

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<sup>241</sup> PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU*, 2023.

<sup>242</sup> Bulgaria, France, Germany, Hungary, Italy, Lithuania, Poland, Spain and Sweden

<sup>243</sup> Methodology: the survey was launched on Alchemer and disseminated via online panels to representative audiences. 1,750 responses were collected in 9 target countries, with the number of surveys varying from 150 to a maximum of 300 responses per country.

the Media Ownerships Monitor and the European Media Freedom Act Impact Assessment, for example, provides ample data and evidence on the challenges for media freedom and pluralism.

## Market overview

### *Definition and activities*

The news is understood in this report as content produced by news media outlets, which are service providers engaged in professional and regular production and dissemination of journalistic content in any form under their own editorial workflows, standards and responsibilities.

The news media sector includes news-producing and news-distributing/retail/wholesale by both legacy and born digital organisations. The sector has historically experienced successive technical evolutions with the digital shift representing the latest paradigm. Today the main types of media value chains relate to broadcasting (TV and radio), the printed press (mostly newspapers and magazines) and digital news media<sup>244</sup>. Unless otherwise mentioned, the latter includes the digital news of printed press outlets and broadcasters, as well as digital-born outlets (websites and apps, newsletters, podcasts)<sup>245</sup>.

### *Revenues*

Besides their societal importance, the news media are an important economic sector, with revenues in the range of EUR 20 billion in 2021 for printed press and digital news media (to which one could add EUR 68 billion for TV and radio<sup>246</sup>).

The main types of news outlets have strikingly different growth trajectories. Revenues have dropped for the printed press in recent years whilst rapidly increasing for digital news media and gradually increasing for TV and radio. The decline of the printed press (from EUR 22 billion to EUR 16.1 billion, a drop of 27% from 2016 to 2021) has been only partly compensated for by moderate growth in TV and radio (+5.5%, from 64.5 to 68 billion EUR) and strong growth in digital news media (from EUR 2.5 billion in 2016 to EUR 3.7 billion 2021 – a growth of 60%)<sup>247</sup>. Yet, the printed press sector remains four times bigger than the digital news media.

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<sup>244</sup> Throughout the document, the news media sectors include the following Eurostat categories as a proxy for all news media organisations: Publishing of newspapers (J5813), publishing of journals and periodicals (J5814), news agency activities (J6391), printing of newspapers (C1811), TV broadcasting (J602) and radio broadcasting (J601). This is also the methodology used in the study commissioned to PPMI, KEA and Oliver & Ohlbaum Associates.

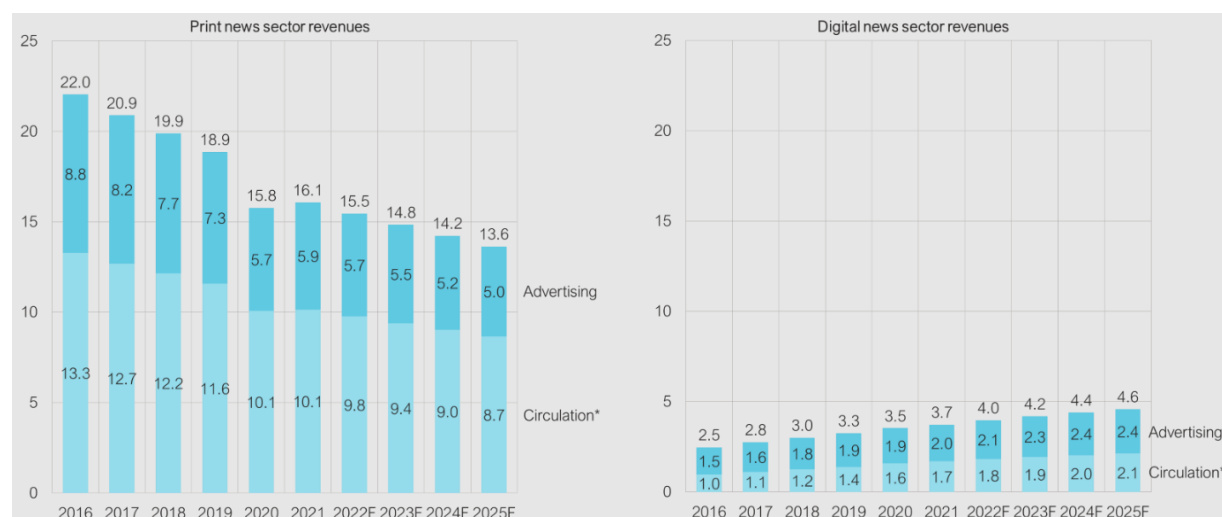
<sup>245</sup> In spite of the logic of the value chains, it is not always possible to establish a clear-cut distinction between legacy media operating online and digital-born outlets

<sup>246</sup> It is not possible to extrapolate revenues specifically from news services in TV and radio, as the share corresponding to news can differ from one organisation to another.

<sup>247</sup> PwC, *Global Entertainment and Media Outlook: 2021-2025*, 2021

Revenues are forecast to continue along existing trends, with the printed press further declining by 14%, TV and radio growing by over 11% and digital news media growing by 22% by 2025<sup>248</sup>.

**Figure 30. Revenue dynamics in the press sector, EU, (billion EUR)**



Source: PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU, using internal estimates and data from PwC, Global Entertainment and Media Outlook: 2021-2025, 2021*

### Structure and size

**News media companies are many, but small, but the sector’s turnover is mostly driven by large companies, in particular in TV broadcasting.** The EU news industry is characterised by a large number of companies: almost 44,000 companies in news media sectors in Europe in 2020 and almost 60,000 in the news-related retail sector (which includes organisations such as press kiosks<sup>249</sup>). However, it is estimated that core news media industries shrank by 20% between 2008 and 2019 (29% if accounting for the retail sector)<sup>250</sup>. Most news media companies have 10 or less employees (92.8% in the publishing sector, 84.7% in the radio sector and 82.3% in the TV sector)<sup>251</sup>. Conversely, as far as turnover is concerned, larger companies account for a large majority of the turnover of the sector: 97.5% of the overall turnover in TV broadcasting, 89.6% on radio broadcasting, and 90.3% of the publishing sector is from companies of over 10 employees<sup>252</sup>. The fact that the publishing sector has the highest share of micro enterprises<sup>253</sup> can be taken as an indicator of fragmentation, potentially leading to a lack of economies of scale.

<sup>248</sup> PwC, *Global Entertainment and Media Outlook: 2021-2025, 2021*

<sup>249</sup> Corresponding to Eurostat category G4762

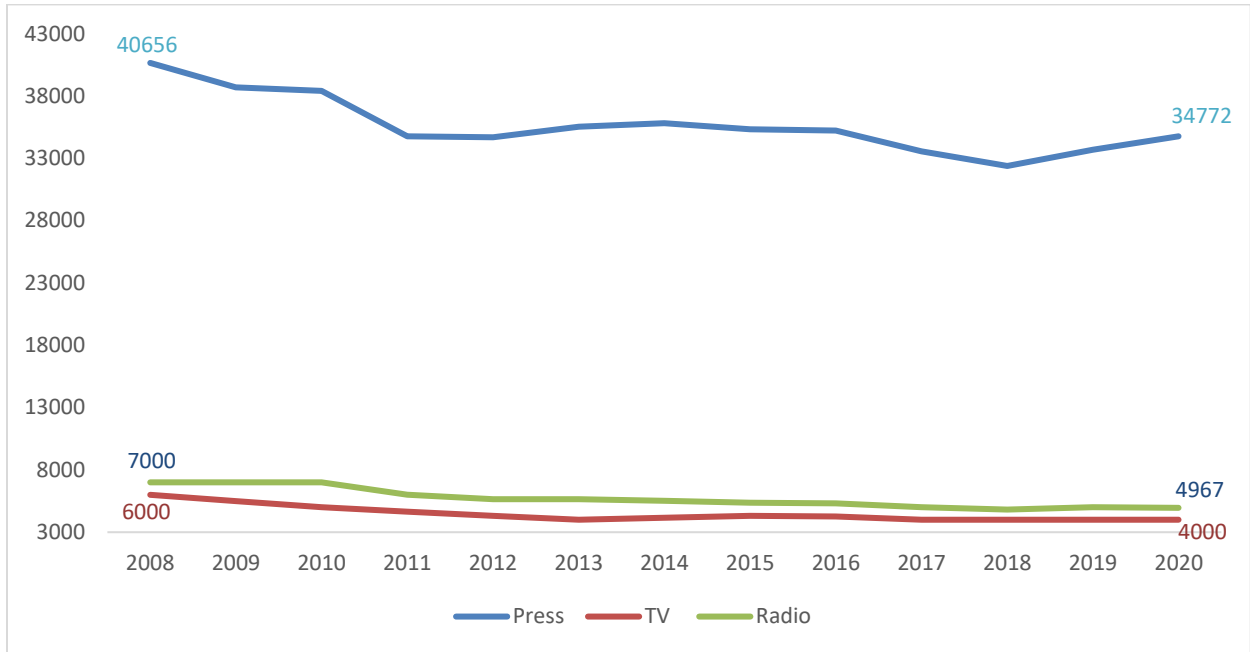
<sup>250</sup> Source: Eurostat

<sup>251</sup> Eurostat data. Stats results of summing up existing categories ‘Micro (2-10 employees)’ and 0-1 employee (the latter category corresponding to sole proprietor enterprises and companies with one employee).

<sup>252</sup> PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU, 2023*, based on Eurostat’s Structural business statistics.

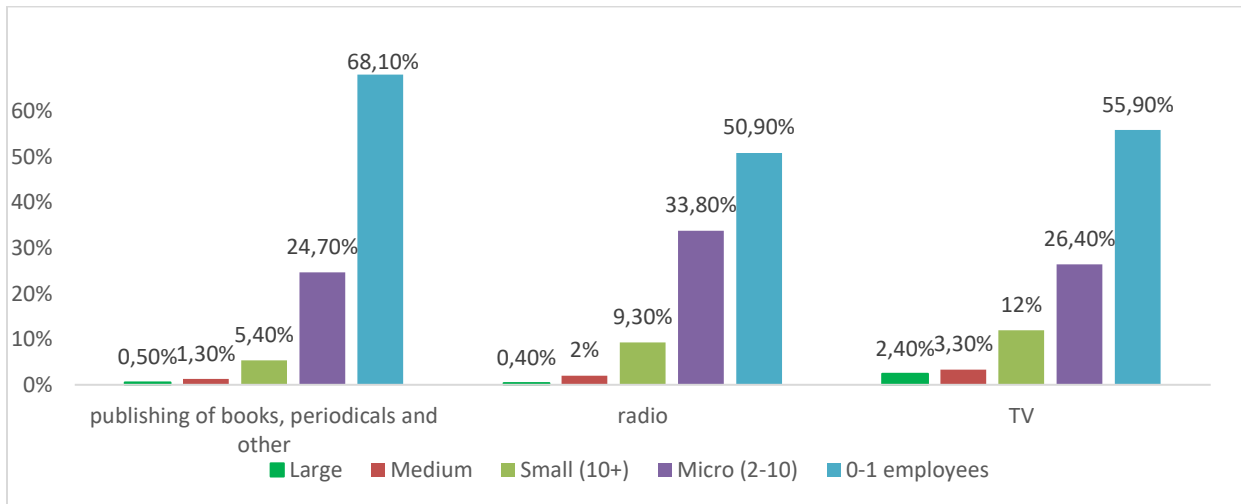
<sup>253</sup> Source: Eurostat, Structural business statistics

**Figure 31. Number of enterprises by media subsectors, EU**



Source: Eurostat, Structural business statistics

**Figure 32. Company segmentation by size, across news media sectors, EU, 2019, (%)**



Source: Eurostat, Structural business statistics

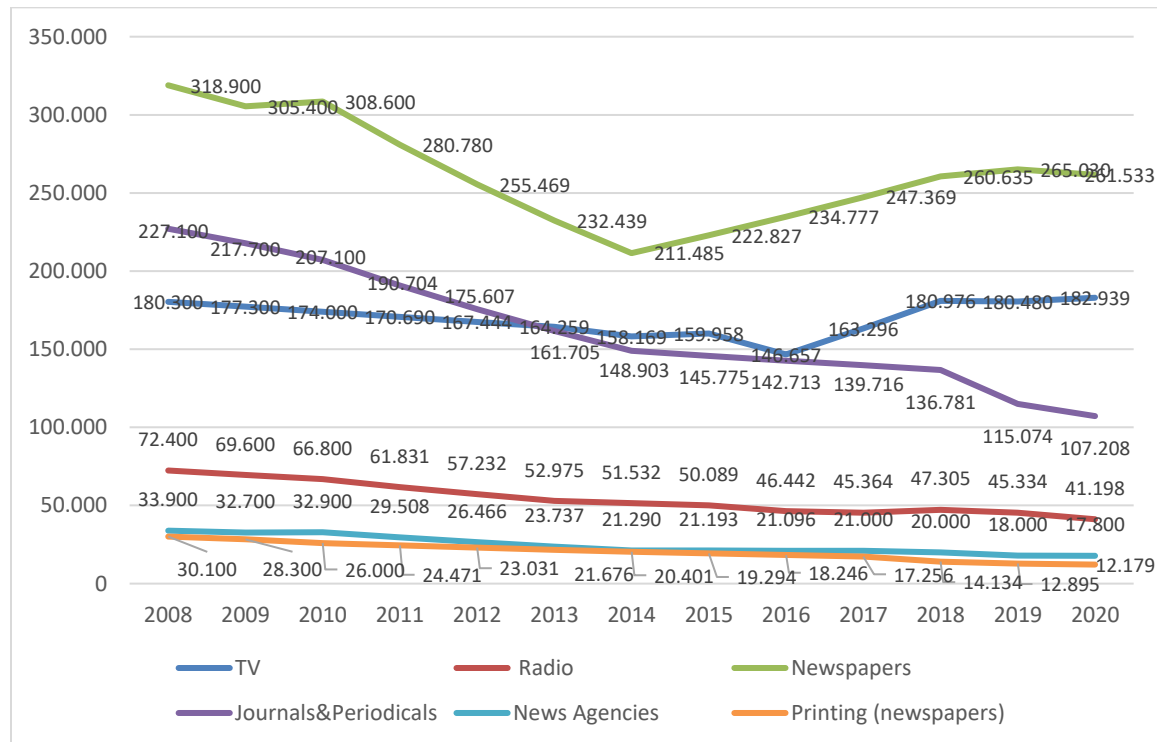
Nota bene: The 0-1 employee category corresponds to sole proprietor enterprises and companies with one employee.

## Employment

**Employment is overall falling, with some subsectors proving to be more resilient.** Total EU news media sector employment has fallen, from almost 863,000 employees to almost 623,000, amounting to a 27.8% decrease. If we count in the associated retail sector, the decrease is even more pronounced, dropping by 29.9% between 2008 and 2020 (from 164,000 to 80,000), altogether showing a net decline of 324,000 employees <sup>254</sup>. Most news media subsectors witnessed a significant decrease since 2008, particularly in the case of publishing journals and periodicals and retail of newspaper journals and periodicals, while TV remained resilient (*see figure 4*).

The shrinking of the sector is also visible by the reduced share of the news media sectors in total employment across EU economies, from 0.45% in 2008 to 0.32% in 2019<sup>255</sup>.

**Figure 33. Employees in news media sectors, EU**



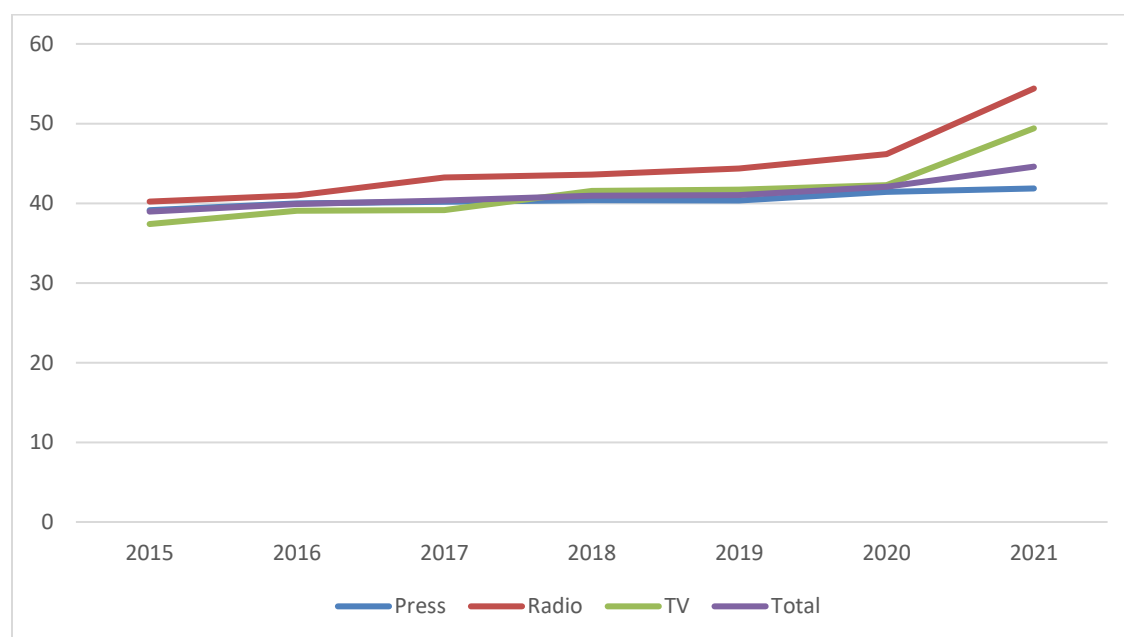
Source: Eurostat Structural business statistics, as well as Oliver & Ohlbaum analysis and estimates

<sup>254</sup> Discounting retail experience a decline of around 240,000 employees.

<sup>255</sup> Data from PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU, 2023*, based on Eurostat Structural business statistics. This is assuming the total number of employees in the EU was 190 million (2008) and 193 (2020). Nota bene: as Eurostat changed the unit of reporting (from legal to statistical) during the analysed period, there might be some inconsistencies between the years.

**Human resources remain a major cost of production.** Structural issues such as the growing automation of processes and increased competition are affecting the human resources structure of news media. Available data show that the average number of full-time equivalents in press outlets went from 16 to just 10.1 between 2008 and 2019, while TV and radio show a stable trend. Freelancers are playing an increasingly important role, amid reports of more precarious conditions<sup>256</sup>. Nonetheless, employment remains a major cost of production, with its relative importance stable for the press (online and print) and recently rising for radio and TV (sample EU-7 countries)<sup>257</sup>.

**Figure 34. Share of employee cost compared to other cost elements, EU-7, (%)**



Source: Bureau van Dijk, Orbis database

Notabene: The sample contains small, medium and large companies as previously presented. The sample is taken from the following 7 Member States: 7 EU Member States: France, Germany, Sweden, Bulgaria, Italy, Hungary and Poland.

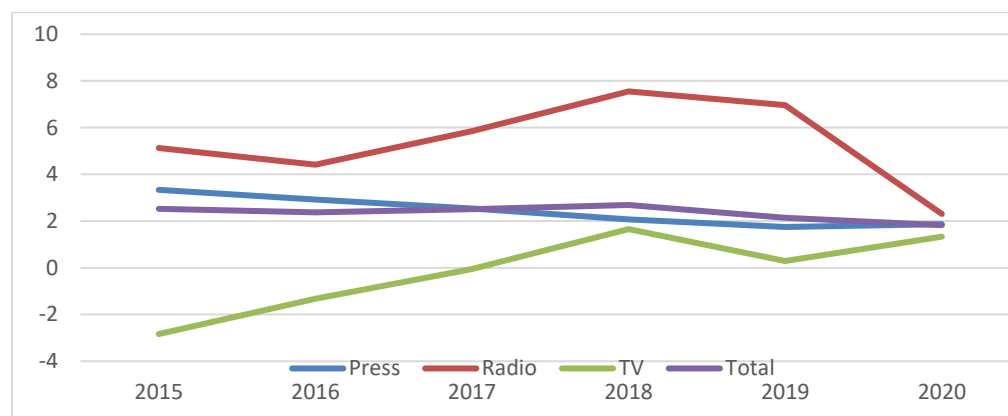
<sup>256</sup> Examples abound. In France in 2021 freelancers represented 20% of journalists and they represented 75% of first-time applicants for a press card that year. In Italy, more than 41% of freelance journalists are forced to have a second job outside professional journalism to meet their financial needs. A recent study focused on Germany shows that their income is lower than regularly employed journalists, although they tend to work for multiple outlets.

<sup>257</sup> PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU, 2023*

## Profitability

**Profit margins varied between -3% and 7.5% over 2015-20 across subsectors<sup>258</sup>.** Subsectors have followed different trajectories in terms of profitability. The press sector shows a steadily diminishing profit margin, the radio sector initially was relatively most profitable but then reported a steep fall during the COVID-19 pandemic, while television recorded losses before reaching some profitability.

**Figure 35. Mean profit margins in different news media sectors, (%)**



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Source: PPMI, KEA and Oliver & Ohlbaum Associates, The competitiveness and economic viability of the news media sector in the EU, 2023 based on an analysis of a group of 3517 news media companies in the Bureau van Dijk's Orbis database.

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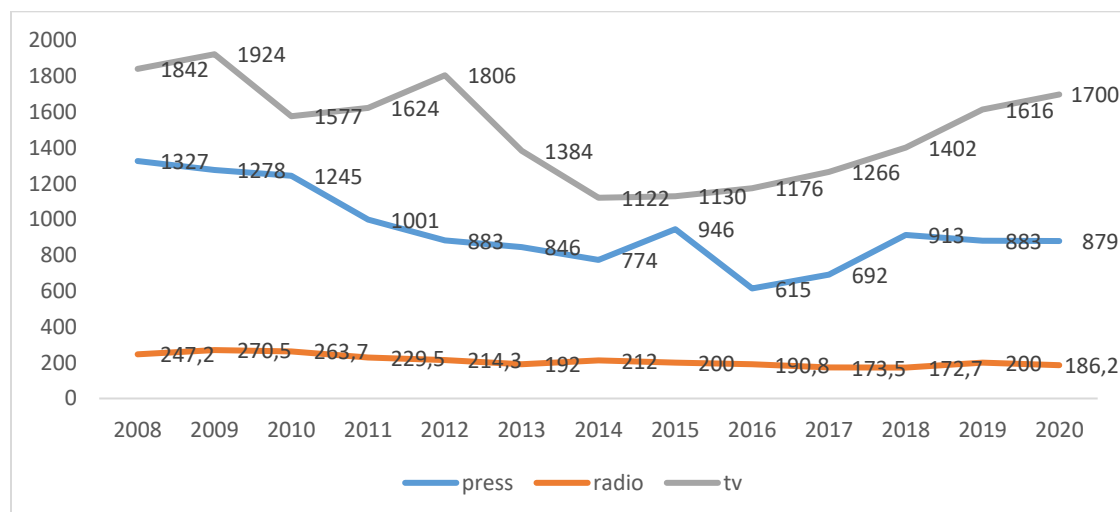
## Investment

**TV investment levels are higher than for the other sectors.** Comprehensive data on investments by the news media at EU level is lacking. However, the sector's gross investment in tangible goods can be used as a proxy. Between 2008 and 2020 investments in TV and radio were overall resilient but gradually falling for the press.

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<sup>258</sup> Profit margins help indicate the relative, instead of nominal, estimation of an industry's profitability and financial health. Profit margin is obtained by dividing a company's net income (profits) by its revenues. A profit margin of 10%, for example, means that a sector had a profit of EUR 0.10 for every euro of revenue generated. A negative margin indicates a loss.

**Figure 36. Gross investment in tangible goods in the news media sectors in the EU, [million EUR]**



Source: Eurostat, Structural Business Statistics. No info available for Malta nor Luxembourg in all categories, for Ireland on press and radio and for Sweden on TV and radio<sup>259</sup>.

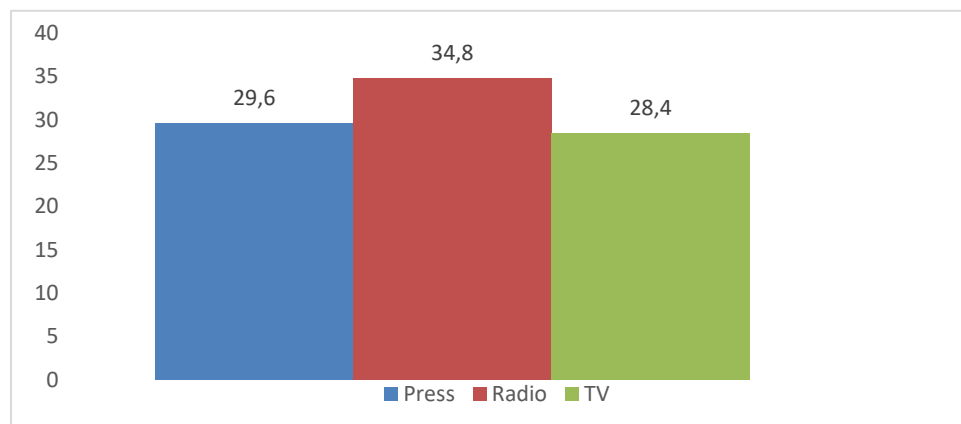
### International dimension

**News media companies across sub-sectors remain mainly focused on national markets.** More than half of business associations and (mostly large) companies responding to the public consultation for the European Media Freedom Act identified difficulties to the exercise of business activities in the EU media market<sup>260</sup>. In 2022, about 30% of companies exceeding EUR 1 million revenues or having more than 10 employees had a presence beyond their domestic market (in the EU or extra-EU), but data is not available on the share of revenue generated across borders.

<sup>259</sup> Eurostat definition of gross investment in tangible goods: investment during the reference period in all tangible goods. Included: new and existing tangible capital goods, whether bought from third parties or produced for own use (i.e. capitalised production of tangible capital goods), having a useful life of more than one year including non-produced tangible goods such as land. Excludes: investments in intangible and financial assets.

<sup>260</sup> Staff Working Document - [Impact Assessment accompanying the document Proposal for a Regulation of the European Parliament and of the Council establishing a common framework for media services in the internal market \(European Media Freedom Act\)](#), 16 September 2022, Part 2., Annex 2 p.15-17; Annex 5 p. 127-129.

**Figure 37. Share of companies with branches or subsidiaries out of their national market, EU, (%)**



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Source: Bureau van Dijk, Orbis database, N=3517

Note: Includes companies with more than EUR 1 million revenue or more than 10 employees. Micro-sized companies are excluded.

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## Main trends

### Consumer preferences

**News media today operate under the logic of the attention economy**, whereby different forms of content – in the form of news, advertising and entertainment – compete to capture attention, whether on or offline. This competition has been intensified by internet penetration and the wide take up of tech devices, which allow content to be consumed anytime, anywhere online<sup>261</sup>.

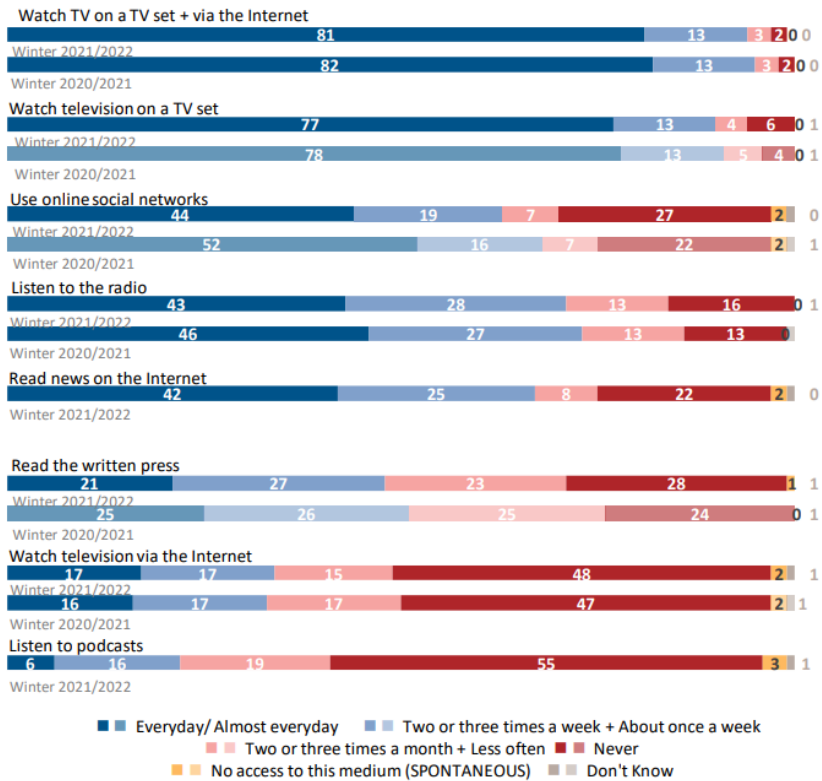
**In this context, the available data shows that most Europeans consume media on a daily basis**<sup>262</sup>. 77% of Europeans watch TV using their TV sets ‘everyday’, with other forms of consumption at distance: 44% use social networks, 43% listen to the radio, 42% read news on the internet.

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<sup>261</sup> In turn, attention guarantees revenues through sales as well as through the monetisation of customers’ data (for example by enabling targeted advertising).

<sup>262</sup> European Commission, Directorate-General for Communication, [Media use in the European Union : report, European Commission](#), Winter 2021-2022

**Figure 38. Use of different media on a daily/weekly/monthly basis, and trends 2020-2021 and 2021-2022, EU, (%)**



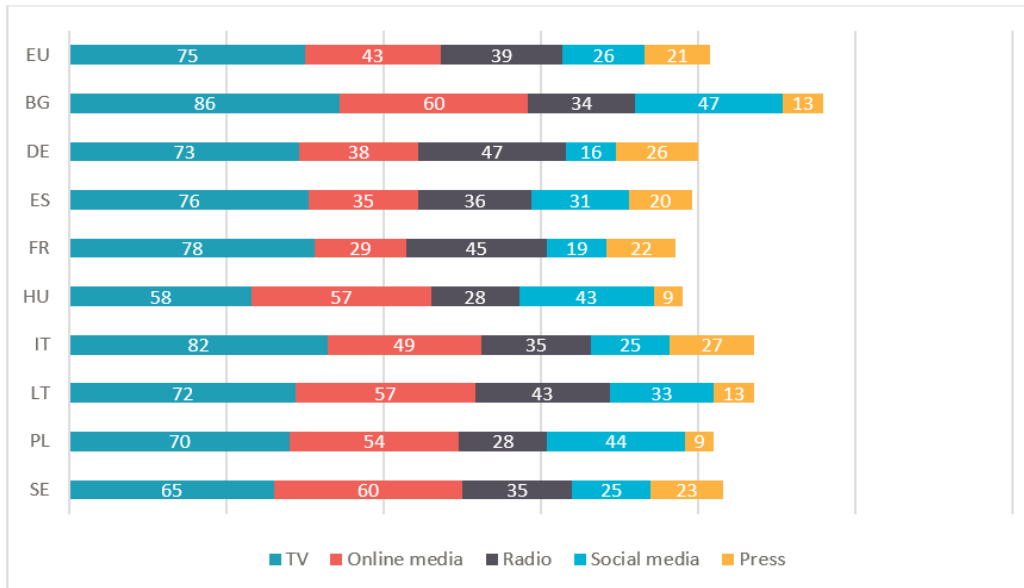
Source: European Commission, Directorate-General for Communication, [Media use in the European Union : report](#), European Commission, Winter 2021-2022

Notabene: Because of the changes in the methodology, from online to face to face or mixed mode between EB94 (winter 2020-2021) and EB96 (winter 2021-2022) in 12 countries, these results should be analysed with caution.

**This also applies to news consumption, where TV retains its appeal.** TV remains the most often used source for news, at 75% of the EU 27 population on a weekly basis – top of the list across all age categories and in 24 out of 27 EU countries. The reach of the printed press, however, has dropped to 21% of the population<sup>263</sup>.

<sup>263</sup> European Parliament, [Flash Eurobarometer News and media survey 22](#), 2022 and European Commission, Directorate-General for Communication, [Media use in the European Union : report](#), European Commission, Winter 2021-2022.

**Figure 39. Media used the most to access news in the past 7 days, (%)**



Source: Commission graph based on European Parliament, [Flash Eurobarometer News and media survey 22](#), 2022. n= 52,347\$

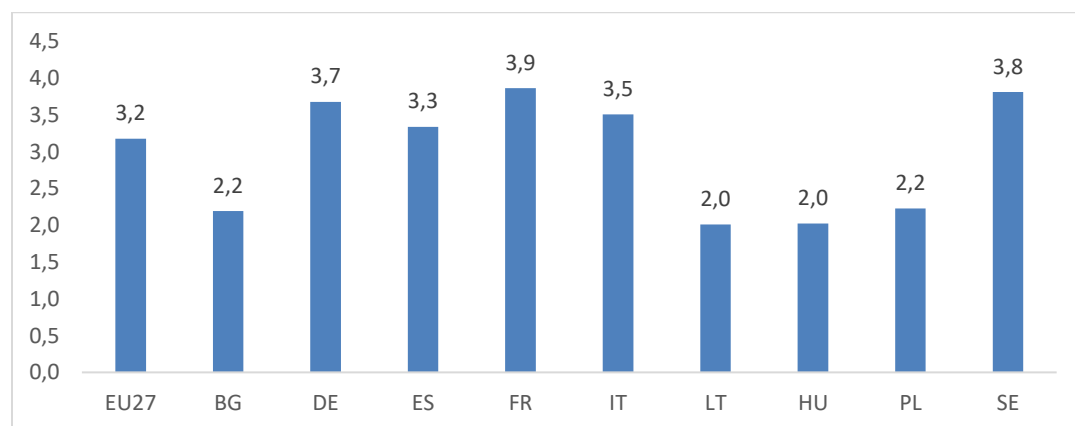
Notabene: respondents were allowed multiple choices

**Legacy and digital news media are still a more popular choice to access news than social media and related external providers<sup>264</sup>.** The ratio between consumers access through professional outlets vs. access through social media (and related) online platforms remains at around 3 to 1 in the Union, but with differences across EU countries and age groups<sup>265</sup>.

<sup>264</sup> Including social media platforms and blogs, YouTube or other video platforms, messaging apps or podcasts,

<sup>265</sup> There is a contrast between youngsters (ratio of **1.3 to 1**) and consumers above 55 years old (ratio of **6 to 1**).

**Figure 40. Ratio between consumption of news on professional outlets vs. social media and other platforms**



*Source: European Parliament, [Flash Eurobarometer News and media survey 22](#), 2022*

Ratios calculated as a division of number of responses of consumption of professional outlets divided by consumption through platform sources. A higher figure indicates wider prevalence of professional news outlets vs. social media and other providers.

**Yet, a key ongoing trend is the gradual decrease of consumption through legacy media and a shift of European consumers online for news.** This trend is driven by several factors:

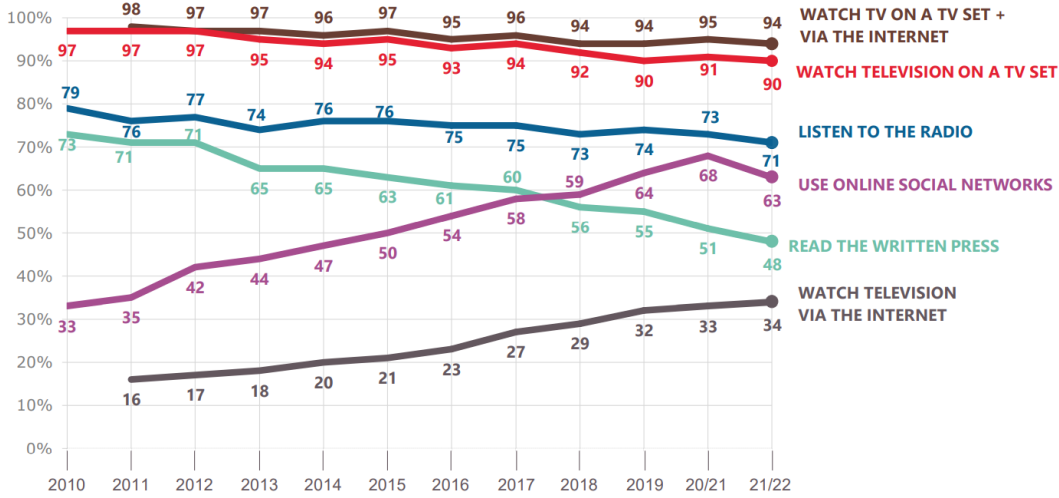
- **The infrastructure for digital content is facilitating its growth.** Growing levels of smartphone and mobile internet penetration alike have enabled news consumption virtually anywhere and at all times. Indeed, 77% of Eurobarometer respondents got at least some news online via their smartphone<sup>266</sup>, enhancing phenomena such as the usage of multiple screens (e.g. smartphone and TV) at the same time.
- **The online offer is evolving and influencing consumer preferences. There is evidence that consumers appreciate the interactive character of news online<sup>267</sup>.** For example, a growing number of EU consumers prefer to share and discuss articles with friends and colleagues directly via instant messenger apps<sup>268</sup>.
- **Younger audiences prefer to access the news through only partly professionally-moderated digital sources, and in particular through social media platforms and blogs, YouTube and other video platforms.** Youngsters consume professional news outlets less than other age groups. For example, 34% of younger respondents use YouTube and video platforms to access news, vs. just 15% all age groups considered.

<sup>266</sup> European Parliament, [Flash Eurobarometer News and media survey 22](#), 2022

<sup>267</sup> Susanne M. Almgren and Tobias Olsson (2016). 'Commenting, Sharing, and Tweeting News: Measuring Online News Participation.' *Nordicom Review* 37 (2): 67-81. <https://doi.org/10.1515/nor-2016-0018>

<sup>268</sup> N. Newman, R. Fletcher, A. Schulz, S. Andi, C.T. Robertson, K. Eddy, and R.K. Nielsen, [Reuters Institute Digital News Report 2021](#), 2021

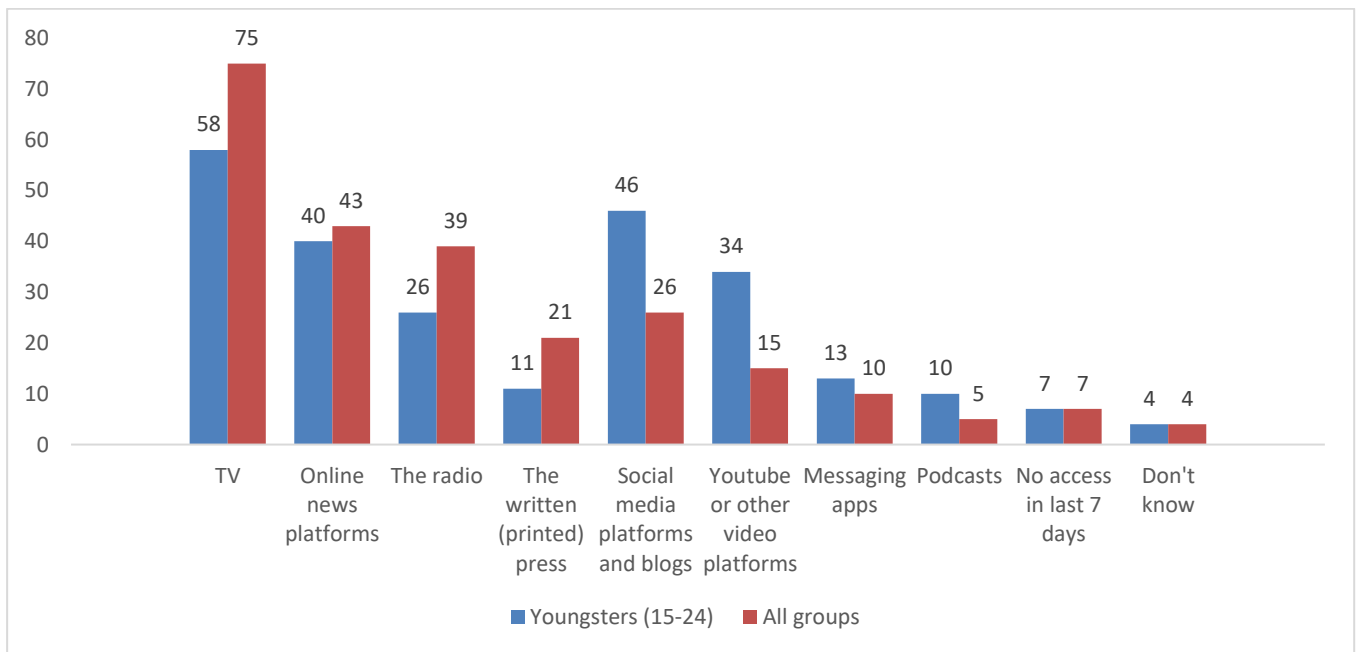
**Figure 41. Evolution over time of the use of different media on a weekly basis, (%)**



Source: European Commission, Directorate-General for Communication, [Media use in the European Union : report](#), European Commission, Winter 2021-2022

Notabene: respondents were allowed multiple choices

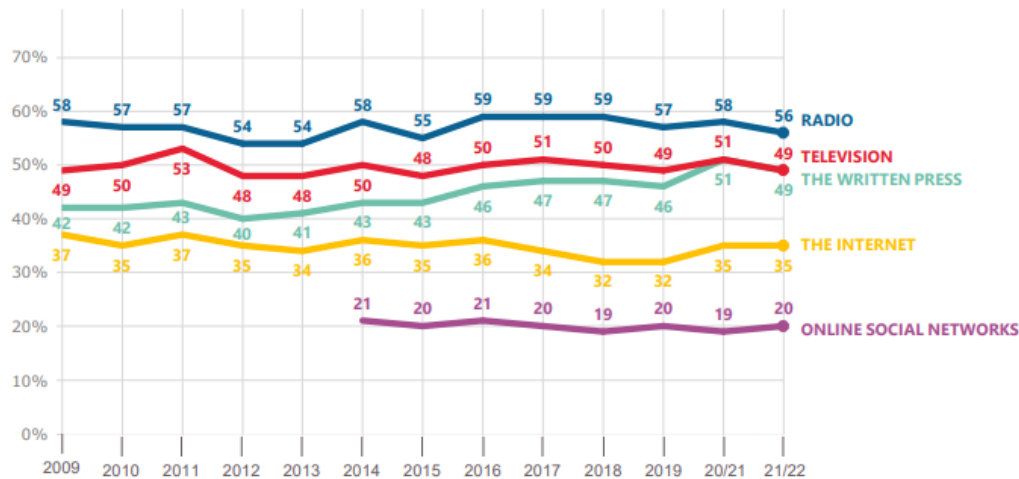
**Figure 42. Comparison of the use of media to access news in the past 7 days – 15–24-year-olds vs. all age groups, 2022 (%)**



Source: Own calculations based on European Parliament, [Flash Eurobarometer News and media survey 22](#), 2022

**While the digital shift is ongoing, citizens' trust remains an issue.** The most trusted media source is radio, which enjoyed the trust of 56% of EU consumers in 2022, followed closely by both television and print media at 49% (see below), with 35% of consumers trusting internet sources and 19% social media networks<sup>269</sup>. Trust in the written press, differently from the rest, has seen a gradual rise of 9 percentage points in a decade, a phenomenon possibly accentuated by greater consumer concern with information reliability during the COVID-19 pandemic.

**Figure 43. Trust in specific media, 2022, (%)**



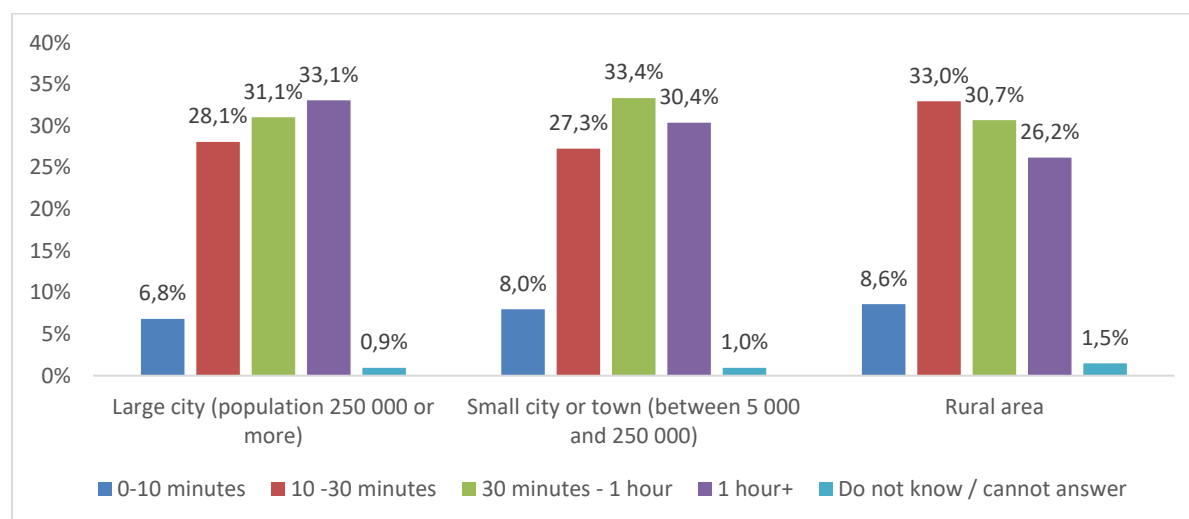
Source: European Commission, Directorate-General for Communication, [Media use in the European Union : report](#), European Commission, Winter 2021-2022

**Digitalisation interacts with other pre-existing consumption phenomena.** Apart from the age gap shown before, sometimes there are consumption differences in terms of user interests, gender, education, and other societal aspects such as geographical background, suggesting there is place for different types of news content across different media. For example, news on national topics is the most accessed form of news content in the EU, but access to local news led in 14 out of the 27 countries<sup>270</sup> in 2022. This partly explains the multiplicity of small niche/specialised media, including online, which address segments of the population capitalising on the sentiment of community.

<sup>269</sup> European Commission, Directorate-General for Communication, [Media use in the European Union : report](#), European Commission, Winter 2021-2022

<sup>270</sup> European Parliament, [Flash Eurobarometer News and media survey 22](#), 2022

**Figure 44. Time spent on a given day consuming news, by type of residence, 2022, (%)**



Source: Consumer survey from PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU, 2023*. N=1750

**Finally, there are citizens who do not consume news.** While this percentage only totals 7%<sup>271</sup>, a phenomenon of news avoidance is increasingly reported<sup>272</sup>. It has recently picked up in the context of COVID-19<sup>273</sup>. In certain European countries the proportion of people who declare to be ‘very interested’ in news has fallen (in Spain, from 80% to 55% over seven years). As a result, in 2022 (before Russia's invasion of Ukraine) in countries such as Italy, Spain or France already more than a third of consumers declared that they actively avoided the news, and the phenomenon affects younger people in priority.

### Monetisation challenges

**People value news, but it does not mean they are ready to pay for it.** Consumers have a keen interest in different types of news and also are aware of how news has value for society as a whole. However, Europeans in general do not pay to access news content<sup>274</sup>. This gap between the value associated with news content and its monetisation represents a key challenge to the economic sustainability of news media outlets.

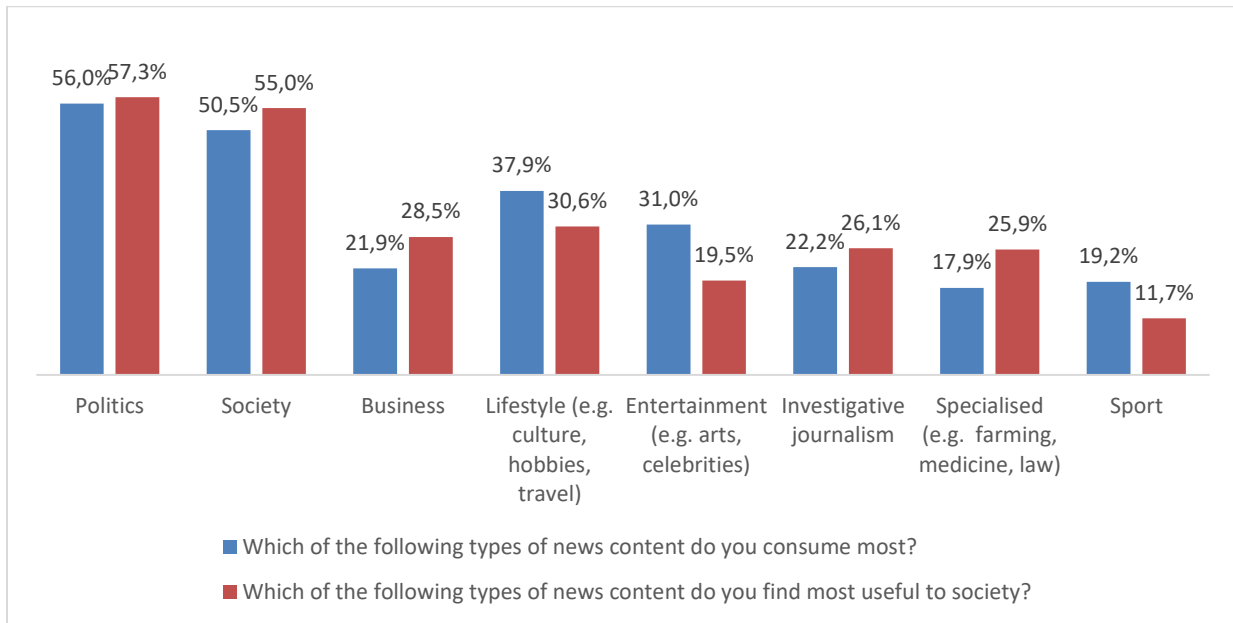
<sup>271</sup> European Parliament, [Flash Eurobarometer News and media survey 22](#), 2022.

<sup>272</sup> The situation is worse in certain sectors. The share of citizens stating that they ‘never’ read the written press has more than doubled between 2010 and 2022 (12% vs 28%) and represents nearly a third of the respondents, according to the Eurobarometer 96.

<sup>273</sup> N. Newman, R. Fletcher, C.T. Robertson, K. Eddy, and R.K. Nielsen, [Reuters Institute Digital News Report 2022](#), 2022

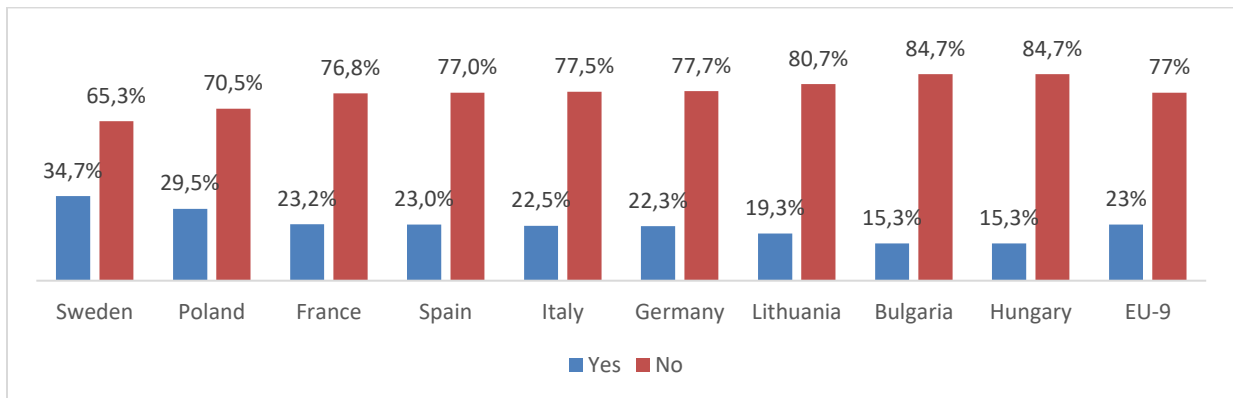
<sup>274</sup> Based on the consumer survey carried out as part of the study PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU, 2023*. It can be argued that all consumers pay for news (through taxes or a licence fee), but this dimension is not considered here.

**Figure 45. Type of content most consumed by consumers, compared with content considered most useful to society, EU-9, 2022, (%)**



Source: Consumer survey from PPMI, KEA and Oliver & Ohlbaum Associates, The competitiveness and economic viability of the news media sector in the EU, 2023. N=1750. The nine countries researched are Bulgaria, France, Germany, Hungary, Italy, Lithuania, Poland, Spain and Sweden.

**Figure 46. Proportion of the consumers paying to access news content, EU-9, 2022, (%)**

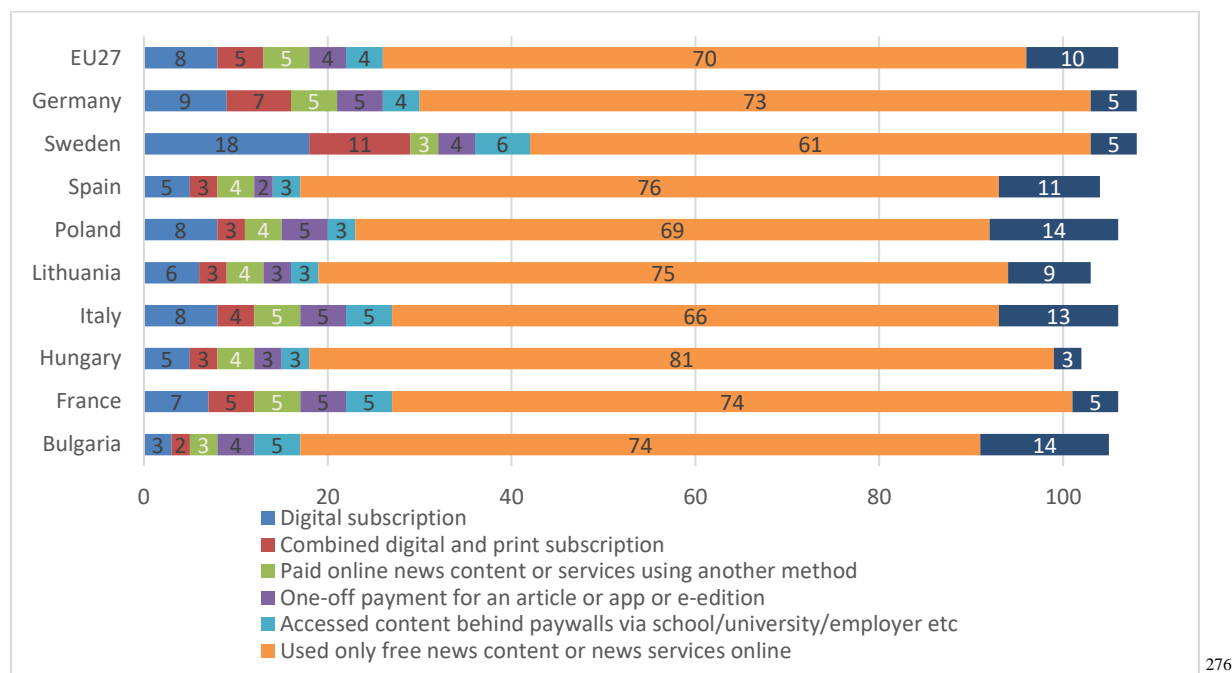


Source: Consumer survey from PPMI, KEA and Oliver & Ohlbaum Associates, The competitiveness and economic viability of the news media sector in the EU, 2023. N=1750. The nine countries researched are Bulgaria, France, Germany, Hungary, Italy, Lithuania, Poland, Spain and Sweden.

**Furthermore, free news is consumers’ preferred option online, on the grounds that news ought to be free, or is good enough.** Online, a large majority of consumers still prefer to use free news content or news services online (see figure below). Digital subscriptions are the most popular method of paying for

access of news content, but they are just used by 13% of the respondents. Conversely, those who do not pay argue that all news should be free<sup>275</sup>, that free news covers their expectations or that they want to avoid the hassle of paying for news. In addition to the graph below, 83.8% of the consumers consulted agreed with the statement that ‘some sort of accurate news should be available for free to everyone’, underlining respondents’ expectations on news availability.

**Figure 47. Method used by consumers to access news over the last 12 months (multiple answers), 2021-2022, (%)**

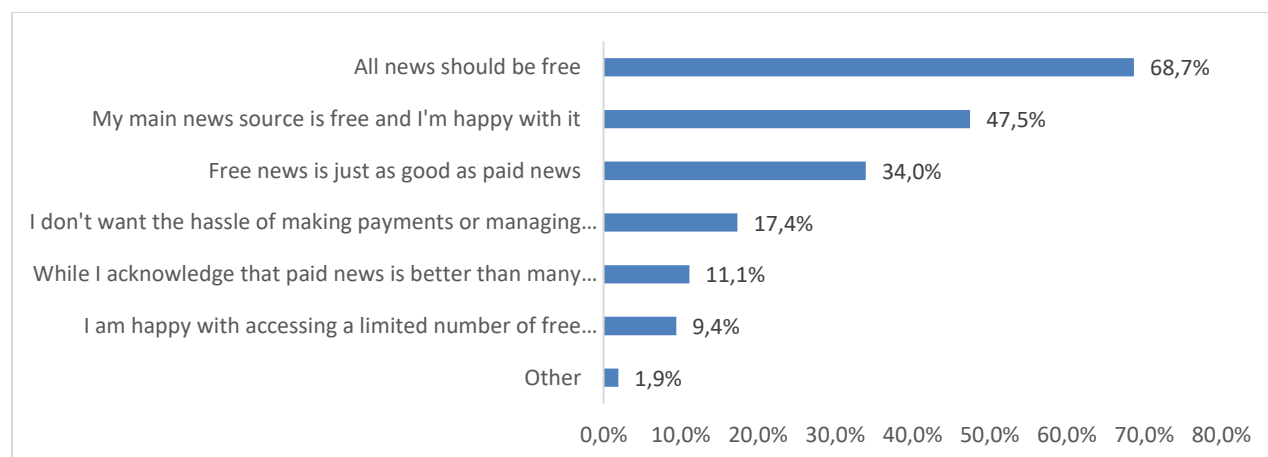


Source: European Parliament, [Flash Eurobarometer News and media survey 22](#), 2022

<sup>275</sup> This may be explained by the fact that consumers consider news to be free by default (online, mostly paid for by advertising or data), hence a difficulty to conceive that it should be paid for.

<sup>276</sup> Dark blue on the right represents the ‘Don’t know’ option.

**Figure 48. Main reasons put forward by consumers not to pay for news (multiple answers), 2022, (%)**



*Source: Consumer survey from PPMI, KEA and Oliver & Ohlbaum Associates, The competitiveness and economic viability of the news media sector in the EU, 2023. N=1348. The nine countries researched are Bulgaria, France, Germany, Hungary, Italy, Lithuania, Poland, Spain and Sweden.*

**In this context, advertising remains key in the financing mix, but it does not benefit news media as much as it used to.** Altogether, the EU advertising market (online and offline) has grown in the last years (EUR 69.2 billion in 2021, up from EUR 64.1 billion in 2016<sup>277</sup>), with the fast-growing segment being internet advertising. In 2000 just 1% of the advertising went to the internet<sup>278</sup> against 91% of expenditure in the news media sectors (radio, TV, newspapers and magazines, including outlets’ digital versions). Yet, by 2021, internet had captured 43% of all advertising spending, against 51% spent in the news media sectors. As a result, advertising revenues, while remaining an important source of income for news media, is on the decline (down 23.3% between 2016 and 2021<sup>279</sup>). This is more acute in the print news sector, where these revenues fell by nearly one-third over between 2016 and 2021, mostly caused by shifting consumption habits and decreasing circulation. And online, platforms such as Facebook or Google have managed to capture major shares of digital advertising revenues, especially in the case of programmatic advertising. Under this form of advertising, just an estimated 40% of ad revenues go to the publisher (compared to 85% in traditional advertising<sup>280</sup>), with the remainder going to global platforms and digital intermediaries<sup>281</sup>.

<sup>277</sup> PwC, *Global Entertainment and Media Outlook: 2021-2025*, 2021

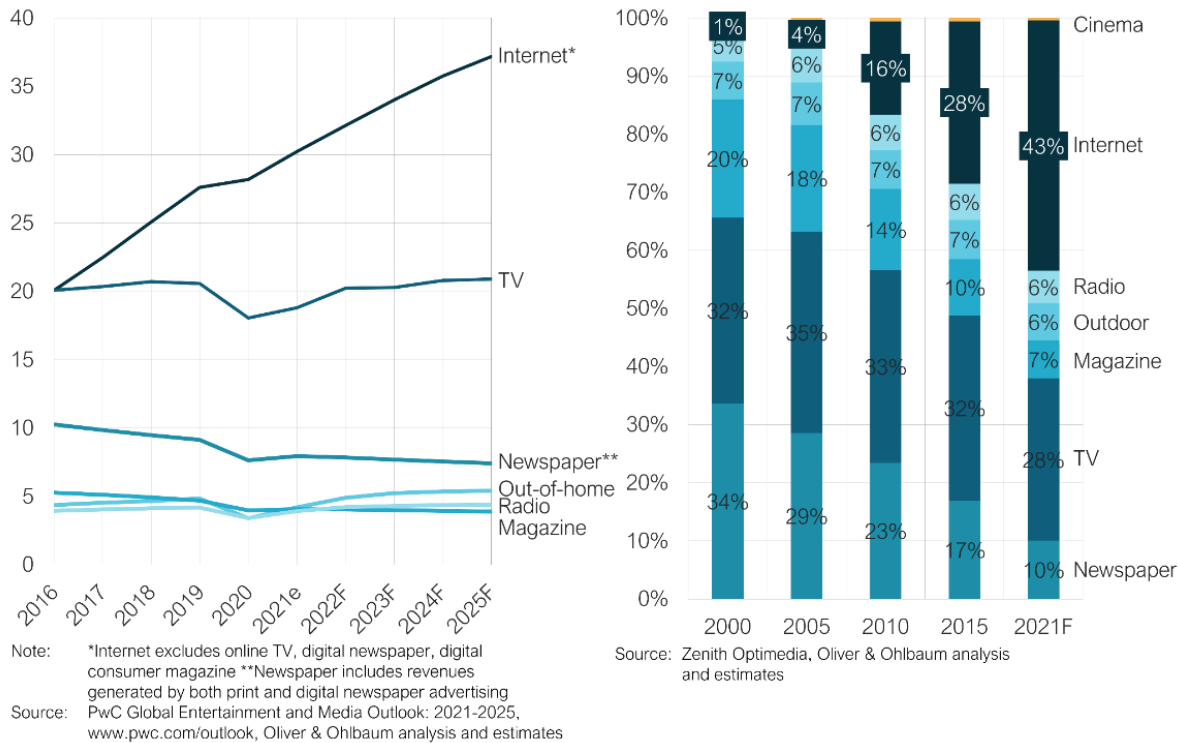
<sup>278</sup> Excluding the digital news of printed press outlets

<sup>279</sup> PwC, *Global Entertainment and Media Outlook: 2021-2025*, 2021; Oliver & Ohlbaum analysis and estimates

<sup>280</sup> World Federation of Advertisers, *Brand safety and online disinformation*, presentation for the European Commission, 16 April 2018. Traditional advertising is to be understood as advertising in legacy media such as television or newspapers.

<sup>281</sup> Also referred to as ‘ad tech’ companies.

**Figure 49. Evolution of advertising revenue and share of advertising spend by advertising medium, EU, (%)**



**In addition, online platforms have become an important driver of consumption of news, but also of traffic to the websites of news media providers.** Distribution of news content online through online platforms is affected by their use of automated content moderation and news personalisation technology, to the benefit of certain types of content and certain news providers. On the one hand, this might drive up revenues but on the other hand news media may become dependent on platforms, their distribution mechanisms (e.g. algorithms being used) and monetisation models. The dependency of companies on external platforms (including risks and benefits) remains ‘hard to measure and quantify’<sup>282</sup>. Yet, in 2021 Google and Facebook were the first two external sources of traffic to digital publishers, altogether accounting for around 28% of all pageviews. Between 2019 and 2021, referrals from Google increased by 51%, and referrals from Facebook by 21%<sup>283</sup>.

**The combination of the above trends results in an imbalance between the revenues of the printed press and the revenues of the digital news media.** In 2022, the press generated EUR 15.5 billion in

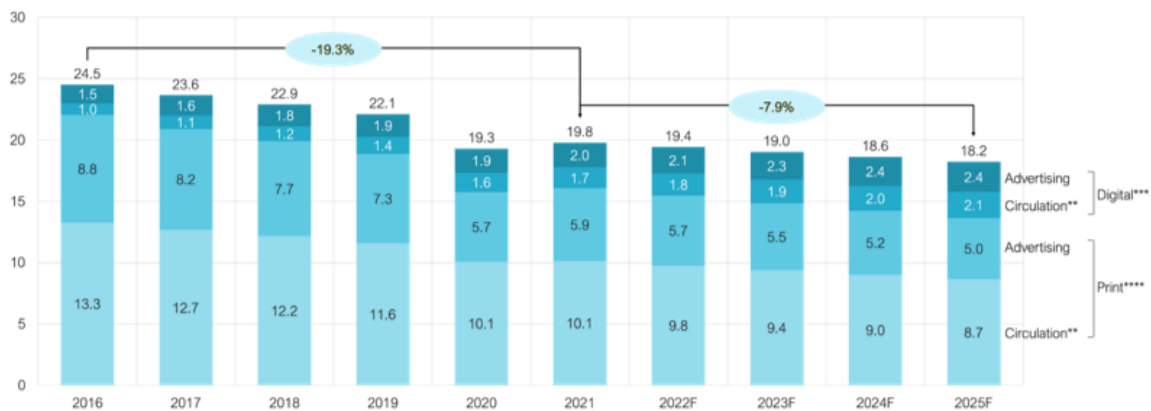
<sup>282</sup> PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU, 2023*

<sup>283</sup> Chartbeat, global data. Traffic from elsewhere on publishers’ website consistently ranks first as the main source of traffic. In addition, at the end of 2022, traffic from social media and search engines together accounted for 29% of all pageviews of digital publishers in Northern Europe, 42% in Central/Eastern Europe and 45% in Southern Europe.

revenues from print (which 21% of Europeans consume for news on a given week), compared to just EUR 4 billion for digital news media (which 43% of Europeans consume for news on a given week)<sup>284</sup>. Thus, the average return per digital news media consumer was almost one eighth what it was in the printed press<sup>285</sup>.

The imbalance between printed press revenues and the revenues of the digital media is forecast to gradually decrease<sup>286</sup>. This is because digital revenues are increasing slightly faster than printed press revenues are declining. Nonetheless, the imbalance remains substantial, and the overall print and digital revenues are forecast to drop by a further 8% from 2021 to 2025.

**Figure 50. Revenues in the print and digital sectors (excl. TV and radio), EU, (in billion EUR)**



Source: PwC, *Global Entertainment and Media Outlook: 2021-2025*, 2021 and Oliver&Ohlbaum analysis and estimates

Notabene: Revenues exclude broadcast media due to a lack of available data at this stage. \*\*Circulation revenues include subscription and individual purchases. \*\*\*Digital includes digital versions of traditional print newspapers and online-only news brands. \*\*\*\*Print includes traditional newspapers and newsmagazines

## The response of news media

**Digitalisation has impacted all processes across the value chain.** Digital tools have allowed for the faster production of news, blurred the boundaries between types of content and content providers, and led

<sup>284</sup> Understood as revenues from advertising and circulation, the two main revenue streams.

<sup>285</sup> Own calculations based on the European Parliament’s *Flash Eurobarometer News and media survey 22*, PwC’s *Global Entertainment and Media Outlook: 2021-2025* and Oliver&Ohlbaum estimates.

<sup>286</sup> From 11.6 in 2022 to 10.7 in 2023, 9.8 in 2024 and 9.2 in 2025 (in billion EUR)

to a multiplication of distribution channels through multiple devices<sup>287</sup>. As a result, consumers can easily access and interact with a wide range of content online<sup>288</sup>.

**In this context, legacy media are embracing new content formats to try to attract wider audiences.** Research<sup>289</sup> highlights that among the formats used by the majority of publishers to attract new readers, the most common ones are podcasts and digital audio (72%, down 8 percentage points from 2022), newsletters (69%, down 1 percentage point from 2022) and digital video formats (67%, up 4 percentage points from 2022)<sup>290</sup>. As an illustration, the Swedish Public Broadcaster SVT is now the number one destination for a quarter (26%) of Swedes aged between 20 and 29 years old, growing from a mere 9% in 2017, mostly thanks to investments in a range of mobile-friendly online video formats that get to the point quickly or address non-traditional subjects. At the same time, other public broadcasters like Germany's ARD have been experimenting with creating more bespoke video content for third-party platforms like TikTok and Instagram<sup>291</sup>. Altogether, close to 90% of leading publishers in France and Spain, 50% in Germany, and 30% in Italy are increasingly active on a platform like TikTok<sup>292</sup> to address younger audiences – although they still need to find out how to monetise content and channel traffic to their own accounts or websites.

**Beyond formats, news media have adapted their business strategies to the role of global platforms.** News media organisations have been using accounts on online platforms to attract users. The 2019 European Directive on Copyright and related rights in the Digital Single Market started to bring results as news media organisations are concluding licencing agreements with online platforms for the use of their content against remuneration. Google, for example, shared early in 2022 that it struck licensing deals with 300 news publishers in the EU – favouring mostly large legacy players<sup>293</sup> – in the follow-up to the 2019 adoption of a new EU Copyright Directive. At the same time, some European organisations active in news media are joining forces to retain part of the advertising value (*see further down on third-party cookies*) but also to build their own content platforms and to present a stronger bargaining position when negotiating with partners<sup>294</sup>.

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<sup>287</sup> This happens beyond any given medium but also within each of the value chains. For example, more and more Europeans are watching TV on the internet and smart TV have become a popular household item. IPTV offers the possibility for viewers to start over a programme or watch on demand, which is valuable to viewers but also to advertisers as IPTV can technically track users across programmes.

<sup>288</sup> Desk research and interviews carried out in the context of the study PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU*, 2023

<sup>289</sup> Nic Newman, [Journalism, Media, and Technology Trends and Predictions 2023](#), Reuters Digital News Project, January 2023.

<sup>290</sup> Nic Newman and Nathan Gallo, [News Podcasts and the Opportunities for Publishers](#), Oxford: Reuters Institute for the Study of Journalism, December 2019.

<sup>291</sup> European Broadcasting Union, [News report: what's next? Public service journalism in the age of distraction, opinion and information abundance](#), November 2021.

<sup>292</sup> Nic Newman, [How publishers are learning to create and distribute news on TikTok](#) Reuters Digital News Project, December 2022.

<sup>293</sup> N. Newman, R. Fletcher, C.T. Robertson, K. Eddy, and R.K. Nielsen, [Reuters Institute Digital News Report 2022](#), 2022.

<sup>294</sup> Examples includes Radioplayer, bringing together public and private radio, which is striking deals across the automotive industry, and Hamburg-based non-profit newsroom Correctiv, trying to make news media organisations

**Legacy news media are also trying to develop reader revenues and conversion strategies.** Key innovations to monetise audiences, both by newspapers and digital only outlets, include hard and freemium paywalls; membership, crowdfunding, micropayments and bundled offers of non-news content. The new emphasis on reader revenue, often at the expense of advertising, is for example represented by the diversification of paywall models (e.g. from hard, soft, metered, freemium and dynamic paywalls – the latter being on the rise<sup>295</sup>). News media are also considering production extensions and bundling news with other services or content (e.g. apps, sport or entertainment) to retain subscribers<sup>296</sup>. Games, podcasts, audio books or newsletters are regular items of packages<sup>297</sup>.

**Community-building and direct engagement of users and subscribers are at the heart of news media’s strategies to develop and retain audiences.** In a context of rising news avoidance and increasing churn, news media put efforts in building loyalty. Brands remain a main differentiator of news content, separating it from other products on the internet on grounds of transparency and production of authoritative content<sup>298</sup>. In this context, memberships models, which come with exclusive products and insights, have proven successful<sup>299</sup>. Several broadcasters have also developed strategies to survey the expectations and interest of their audiences<sup>300</sup>, in particular young people<sup>301</sup>. Research underlines that local media, despite their economic difficulties, could further exploit their grassroots position to develop their audience and therefore their business: consumers indeed value news of most direct interest to their daily life and concerns making them more willing to pay<sup>302</sup>.

**Altogether, subscription is publishers’ number one priority (80%) for 2023**, ahead of display advertising (75%), native advertising (58%), events (38%) and funding from platforms (33%)<sup>303</sup>. This approach is driven by the overall fall in advertising revenue for news media, and the prospects offered by subscription-based models (e.g. greater independence from advertisers, fewer intermediaries, stable and predictable revenue). In this regard, publishers already developed successful offers (in particular digital

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less reliant on third-party platforms in terms of community engagement by offering a tailored platform to interact with subscribers.

<sup>295</sup> Jessica Vomiero, [Dynamic paywalls: the latest must-have tool for publishers?](#), The Fix, 18 October 2021.

<sup>296</sup> Nic Newman, [Journalism, Media, and Technology Trends and Predictions 2023](#), Reuters Digital News Project, January 2023.

<sup>297</sup> France’s *Le Figaro*, for example, developed launched both games and cooking app in 2022.

<sup>298</sup> PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU, 2023*

<sup>299</sup> Examples of successful approaches include Poland’s *Gazeta Wyborcza*, which launched in 2020 its Club membership giving subscribers direct contact with the newspaper’s editorial team, and Italy’s ‘*Il Post*’, which made available its popular daily podcast only to members, allowing to keep the rest of the editorial content free.

<sup>300</sup> One notable example is that of Sweden’s public broadcasters SVT, which organised community meetings across the country to assess the relevance of its news production.

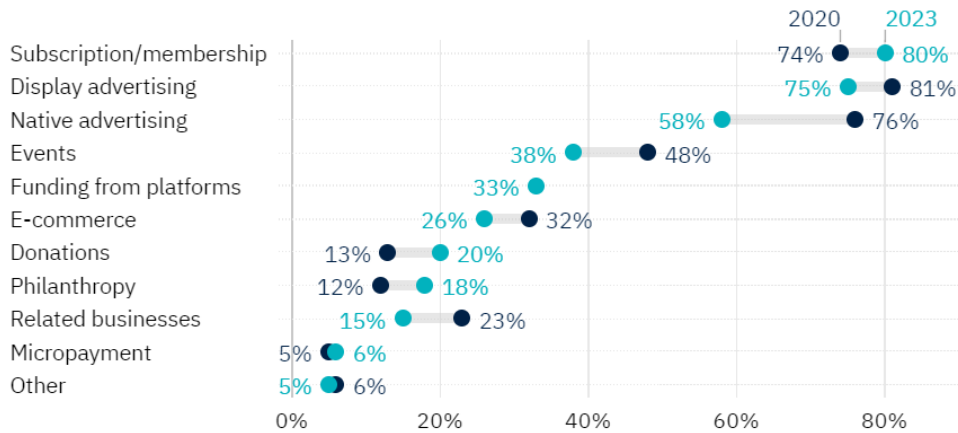
<sup>301</sup> Public Media Alliance, [Public media and the fight for young audiences](#), 16 February 2022.

<sup>302</sup> Desk research and interviews carried out in the context of the study PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU, 2023*

<sup>303</sup> Nic Newman, [Journalism, Media, and Technology Trends and Predictions 2023](#), Reuters Digital News Project, January 2023. The report points out that ‘the fastest growing income stream in recent years has come from funding from tech platforms’, which is primarily about content licensing, up 4 percentage points between 2022 and 2023.

ones) during the COVID-19 pandemic<sup>304</sup>. Subscription to services, including news, may also become a preferential avenue for television: with increasing availability of smart television sets which include streaming applications as a default, the subscription models may become more prominent<sup>305</sup>.

**Figure 51. Most important revenue streams expected by publishers for the year 2023, global data, comparison 2020-2023, (%)**



Source: Nic Newman, *Journalism, Media, and Technology Trends and Predictions 2023*, Reuters Digital News Project, January 2023.

Notabene: data from a survey of 303 media leaders in 53 countries

**News media adapted their editorial production process to the constraints of the pandemic, reinforcing digitalisation patterns.** In 2020 and 2021, news organisations pressed ahead to redesign offices, upgrade technology, reduce office space and renegotiate contracts to accommodate the shift towards remote working<sup>306</sup>, causing increasing demand for digital skills as well as a persistent recourse to freelancers<sup>307</sup>, also to increase coverage and reduce costs. Should these practices endure, which is likely, they may call for developing new editorial standards and governance models so they do not have too negative an impact over editorial oversight and do not generate precarious working conditions in certain markets<sup>308</sup>. Similarly, not all media are equally equipped to make the necessary investments for the digital

<sup>304</sup> Such is the case of Spain’s leading current affairs newspapers ‘El Pais’, which reached 164,000 digital subscribers in 2022, two years after creating its digital offer. Germany’s BILD is another oft-mentioned successful example.

<sup>305</sup> PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU*, 2023

<sup>306</sup> F. Cherubini, N. Newman, R. K. Nielsen, [Changing newsrooms 2020: addressing diversity and nurturing talent at a time of unprecedented change](#), Reuters institute Report, October 2020.

<sup>307</sup> Interviews carried out in the context of the study PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU*, 2023

<sup>308</sup> Ibid.

transition. Qualitative evidence indicates that smaller media sometimes lack sufficient financial resources to invest in digital newsrooms, newer monetisation models, digital or data skills<sup>309</sup>.

**Finally, research<sup>310</sup> points out that cross-subsidisation appears to be a factor for the financing of the production of news.** Cross-subsidisation refers to a wide range of practices: subsidisation between various companies which are part of the same group, subsidisation within a given company (i.e. between print and digital segments), and subsidisation referring to the usage of more profitable non-news content to sustain news activities<sup>311</sup> (e.g. entertainment or sport)<sup>312</sup>.

## External drivers

There are several developments in the attention economy – from industry decisions to technological developments – which are expected to affect news media viability, although sometimes their effects cannot yet be fully analysed nor quantified. This is particularly important as regards the relations between news media providers and online platforms.

**Decisions and plans made by large online platforms have an impact over the news media sector.** Online, the phasing out of Google’s third-party cookies is pushing news media organisations to adapt<sup>313</sup>. While the impact of the phaseout on the short-run revenue of publishers varies from one analysis to another<sup>314</sup>, the platform’s decision will affect publishers’ business and privacy practices<sup>315</sup>. To reduce their dependency to large platforms, media are developing alternatives (e.g. user IDs) and specific calls for action (e.g. through games, polls, comments sections) to exploit first-party data and sell targeted segments to advertisers, often building on scaling strategies and/or cross-media partnerships.<sup>316</sup> Outlets are however still facing users’ concern for their e-privacy, which remains strong<sup>317</sup>. More generally, platforms’ future decisions towards news (e.g. investment or prominence) will also affect news media, which count on the former for part of their traffic and revenues (e.g. innovation or licensing<sup>318</sup>). In this

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<sup>309</sup> Ibid.

<sup>310</sup> Desk research and interviews carried out in the context of the study PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU*, 2023

<sup>311</sup> Ibid.

<sup>312</sup> More research is needed to analyse cross-subsidisation as there are several data challenges. For example, it is not possible to isolate the revenues of news content from other types of content of the same media outlet.

<sup>313</sup> Knowing mobile IDs are (e.g. Apple’s) are also facing a decline.

<sup>314</sup> In the UK, the Competition and Markets Authority found in 2020 that blocking third-party cookies decreases the short-run revenue to publishers by 70%, while a study carried out by scholars point to a possible 4% decrease.

<sup>315</sup> According to Statista, Google Chrome represents 60% of browsers in the EU.

<sup>316</sup> Several initiatives, some older than the announcement of the phase-out, are being developed in EU Member States: the ‘Czech Ad ID’ in Czechia, Denmark’s JP/POLITIKENS HUS’ own proprietary first-party data platform, or netID and Verimi in Germany.

<sup>317</sup> N. Newman, R. Fletcher, C.T. Robertson, K. Eddy, and R.K. Nielsen, [Reuters Institute Digital News Report 2022](#), 2022

<sup>318</sup> Nic Newman, [Journalism, Media, and Technology Trends and Predictions 2023](#), Reuters Digital News Project, January 2023.

respect, reports currently point to a possible decoupling between some social media platforms and news media<sup>319</sup>.

**Emerging technologies will continue impacting the news media sectors.** AI has the potential to support all news media subsectors and increase the quality of news media production. Media using AI and big data were till now large companies<sup>320</sup>, or big media groups<sup>321</sup>, but the use of AI is also expanding to smaller organisations as it is becoming more affordable. An increased availability of off-the-shelf tech stack, instead of in-house development, is helping the technology spread. Although recent developments around generative AI in content creation<sup>322</sup> causes some concern in the media community, AI is seen less as a threat to journalism<sup>323</sup> and more newsrooms are slowly embracing automated processes<sup>324</sup>, including language processing, text mining, text production and visual creation as well as investigation of data sources. It frees up time for journalistic work and has the potential to drive up conversion and engagement in the future<sup>325</sup>. Similarly, big data can have an important impact on media operations, as a sufficiently comprehensive retrieval of user data could enable them to create detailed predictive models and competitive opportunities. On the other side, new technologies associated with disinformation, such as deepfakes, will continue to blur the boundaries between authentic and synthetic content, underlining the value of professionally produced news content but impacting its dissemination. In all, the emergence of new technologies require that journalists increase their digital competences and add new sets of skills<sup>326</sup>.

**Finally, the wider economic and geopolitical context can have an influence over consumers' demand and revenues, for instance for printed press revenues in a context of inflation.** Following the COVID-19 pandemic and Russia's invasion of Ukraine, newspapers and magazines are exposed to increased prices for paper supplies, adding to existing challenges of the printed press. The price of a ton of paper on the European market more than doubled between the first quarter of 2021 (EUR 400) and December 2022 (EUR 900)<sup>327</sup>, causing the price of the printed press to rise <sup>328</sup>. This wider context equally applies to the overarching legal framework and conditions underpinning the activities of the news

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<sup>319</sup> WAN IFRA, [Innovation in News Media](#), INNOVATION Media Consulting Group, 30 September 2022.

<sup>320</sup> Examples include Finland's Sanoma Media and Yle (for content recommendation system, editorial assistance and translation) or Denmark's Zetland and Berlingske (text-to-speech).

the numerous ones across Europe partnering with the robot journalism company 'United Robots'<sup>320</sup>

<sup>321</sup> Examples include Swedish media groups partnering with the robot journalism company 'United Robots'.

<sup>322</sup> ChatGPT or Midjourney are examples of tools which can compete with and disrupt traditional content creation processes.

<sup>323</sup> Interviews carried out in the context of the study PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU*, 2023

<sup>324</sup> International News Media Association report, [How Automated Journalism Is Shaping the Future of News Media](#), November 2022

<sup>325</sup> International News Media Association conference blog, [Robot journalism adds value to a newsroom in 5 ways](#), 30 March 2022

<sup>326</sup> Interviews carried out in the context of the study PPMI, KEA and Oliver & Ohlbaum Associates, *The competitiveness and economic viability of the news media sector in the EU*, 2023

<sup>327</sup> Fastmarkets, [Are European newsprint prices at their peak?](#) 14 November 2022,

<sup>328</sup> Leading French newspapers, for example, increased their price by 6% to 12% on 1 January 2023. The price of Le Monde, the leading national newspapers for current affairs, doubled in 10 years.

media sector, and in particular the prevalence of media freedom and pluralism in the Union and beyond.<sup>329</sup>

## Summary

The news are today an important part of people's lives, with Europeans using the media every day. The main news source is TV at 75% of the population but a key ongoing trend is the gradual shift of consumers online for news. Online media is already the second most used medium today, ahead of radio and the printed press. This trend is likely to continue, driven by digital infrastructure and devices and consumer preferences, especially of younger generations. Yet, significant parts of the population now access news through other sources, and most notably social media.

The number of media outlets, which are mainly small companies, has been gradually contracting (-20% between 2008 and 2019), whilst employment (-30% between 2008 and 2020) will continue to be under pressure in particular in the printed press. Overall profitability for the sector fell during the COVID-19 pandemic, although there were differences between subsectors. Likewise, investment by the press and radio (at least from the data available) has stagnated or declined whilst for TV it has steadily increased<sup>330</sup>. Finally, the forecast revenues of television and radio have experienced moderate growth, while revenues of the printed press are on a downward trend and digital news revenues grow rapidly. Yet, the growth of the latter does not compensate for the decrease in the printed press, which is still four times larger than digital.

The outlook shows that the transformation of the news media sector faces a problem of monetization of content online.

A first aspect relates to consumption. Europeans value news. They still trust legacy media, well ahead of online sources, and they value the role of news for society and the variety of themes and topics covered by news organisations. In spite of growth of online consumption, most consumers are not willing to pay for news online and most online consumers just use 'free news content'. Evidence suggests there is a widespread perception that news in general should be free, which contributes to monetisation challenges for the professional media. A second source of funding for online content would be advertising. Yet, while advertisers have progressively shifted towards the internet, online platforms are obtaining significant shares of advertising value that went to news producers in the analogue era.

The combined effect of these trends is a revenue shortfall for the press, as the drop in printed press revenues is not compensated for by the rise of digital news revenues.

In this context, news media have been experimenting various responses to the challenging market landscape in particular by developing new content formats and distribution strategies (e.g. podcasts,

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<sup>329</sup> Media pluralism is not the focus of this document, as it is analysed separately and on an annual basis by the Commission-funded Media Pluralism Monitor. On that basis, the study *The competitiveness and economic viability of the news media sector in the EU, 2023* (PPMI, KEA and Oliver & Ohlbaum Associates), assesses media pluralism among its indicators.

<sup>330</sup> Investment data based on Eurostat Structural business statistics

newsletters), new digital productions processes (e.g. remote working during the COVID-19 pandemic) and business strategies to obtain greater revenues (licensing agreements, new subscription models). The early uptake of emerging technologies (i.e. AI) and innovative tools, today used by bigger companies, may appear as a solution to embrace automated processes and data analytics supporting original news content also for smaller organisations.

In all, the **future competitiveness of this sector will depend on its capacity to invest and innovate, as well as to manage and monetize their content and data.** Yet, reductions in revenues, number of companies, investment capacities, employment (as well as other factors, such as, for example, the rise in prices of paper pulp prices) imply that the sustainability of some parts of the sector might be at stake.



