

Pay-VOD in Germany – Forecast 2018-2023

VOD Market Development: Players, Drivers and Segment Analyses for S-VOD/T-VOD/EST May 2018

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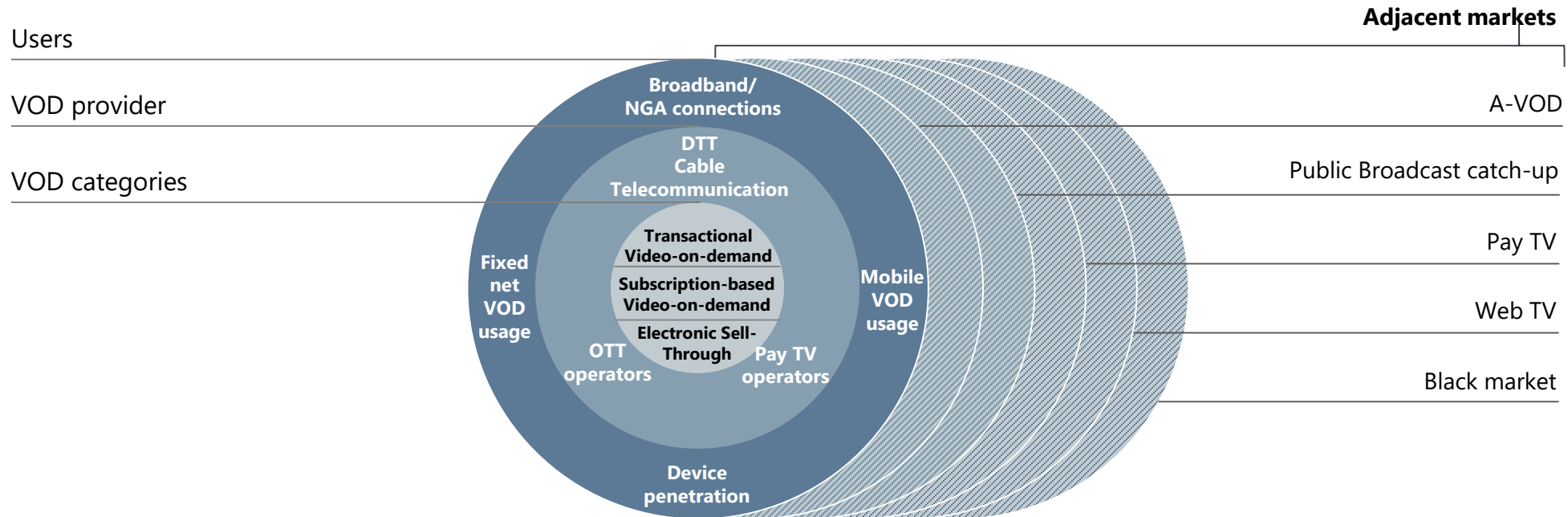


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German Pay-Video-on-demand Forecast 2018-2023: Online video market classification & focus

Environment and structure of the German Video-on-demand market



Focus of the report & Methodology

- This report focuses on legal Pay-VOD services marketing content in Germany (T-VOD, EST, S-VOD)
- Ad-supported-VOD (A-VOD), public broadcast catch-up, Pay TV, Hotel VOD & B2B services are not included in the analysis
- The forecasts on revenues for T-VOD, S-VOD and EST-Services by 2023 are mainly based on:
 - Goldmedia’s VOD research tool www.vod-ratings.com that is based on a unique and comprehensive “Day After Recall” survey approach for measuring VOD usage in Germany
 - Primary & secondary market & database research and analyses of all available industry data for a top-down market forecasts

Definition: Video-on-demand business models

Subscription-based VOD (S-VOD)



- Pay-VOD business model
- Model: Pay monthly/annually
- The subscriber pays a monthly fee for the unlimited use of a provider's VOD catalogue within a set period.
- During the subscription period, VOD content can be streamed indefinitely to multiple (mobile) devices
- Examples: Netflix, Sky Select, Amazon Prime Video, Maxdome (Amazon and Maxdome also offer T-VOD and EST)

Electronic Sell Through (EST)



- Pay-VOD business model
- Model: Purchase
- Digital purchase of a movie, also: Download-to-Own (DtO).
- The customer can buy and download digital video content on several devices. DRM restrictions prevent copying this video content to other storage devices.
- Examples: Google Play, iTunes

Transactional-VOD (T-VOD)



- Pay-VOD business model
- Model: Pay per view
- The customer pays for each individual movie or episode without signing a temporal agreement.
- VOD content is delivered by streaming or progressive downloads and can be accessed at any time for usually up to 48 hours
- Examples: Google Play, iTunes

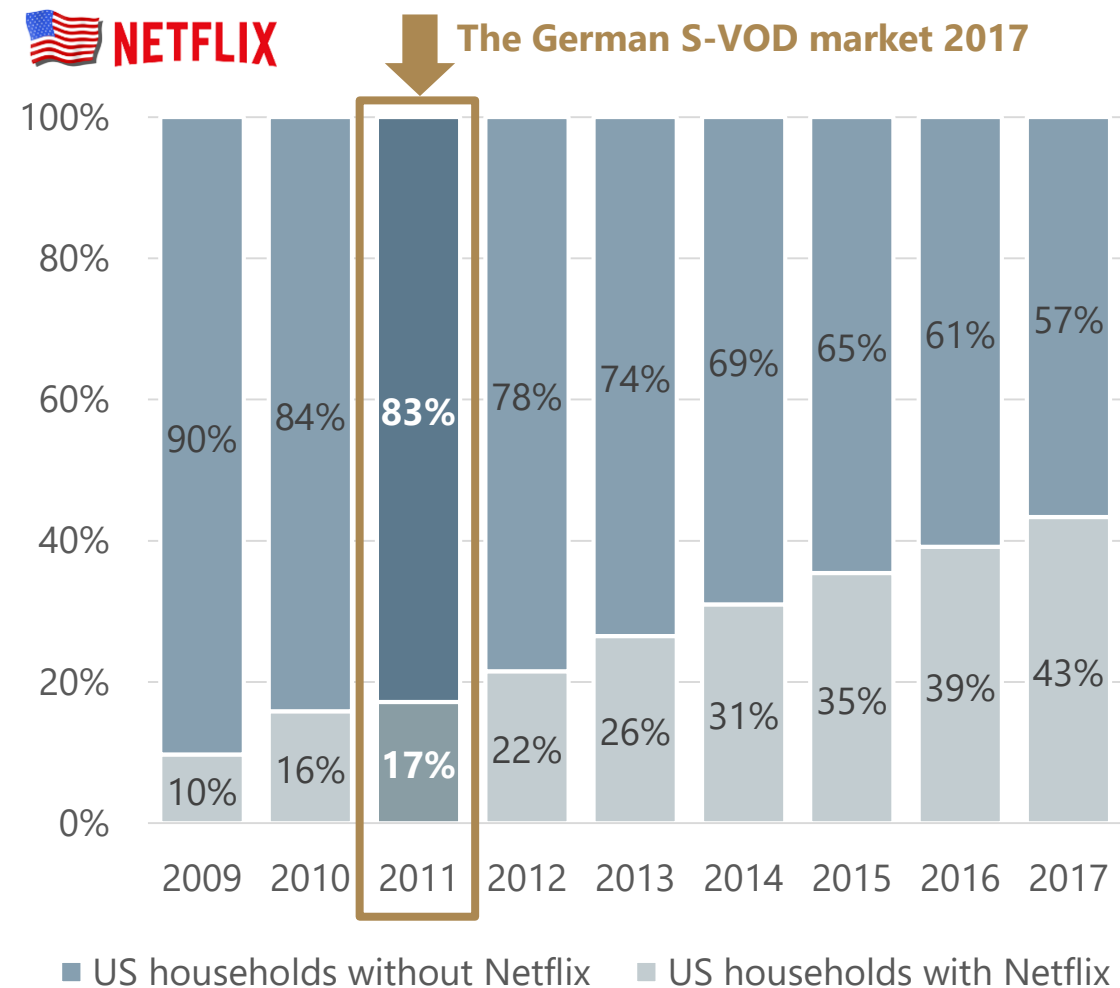
Advertising-based VOD (A-VOD) (not part of this analysis)



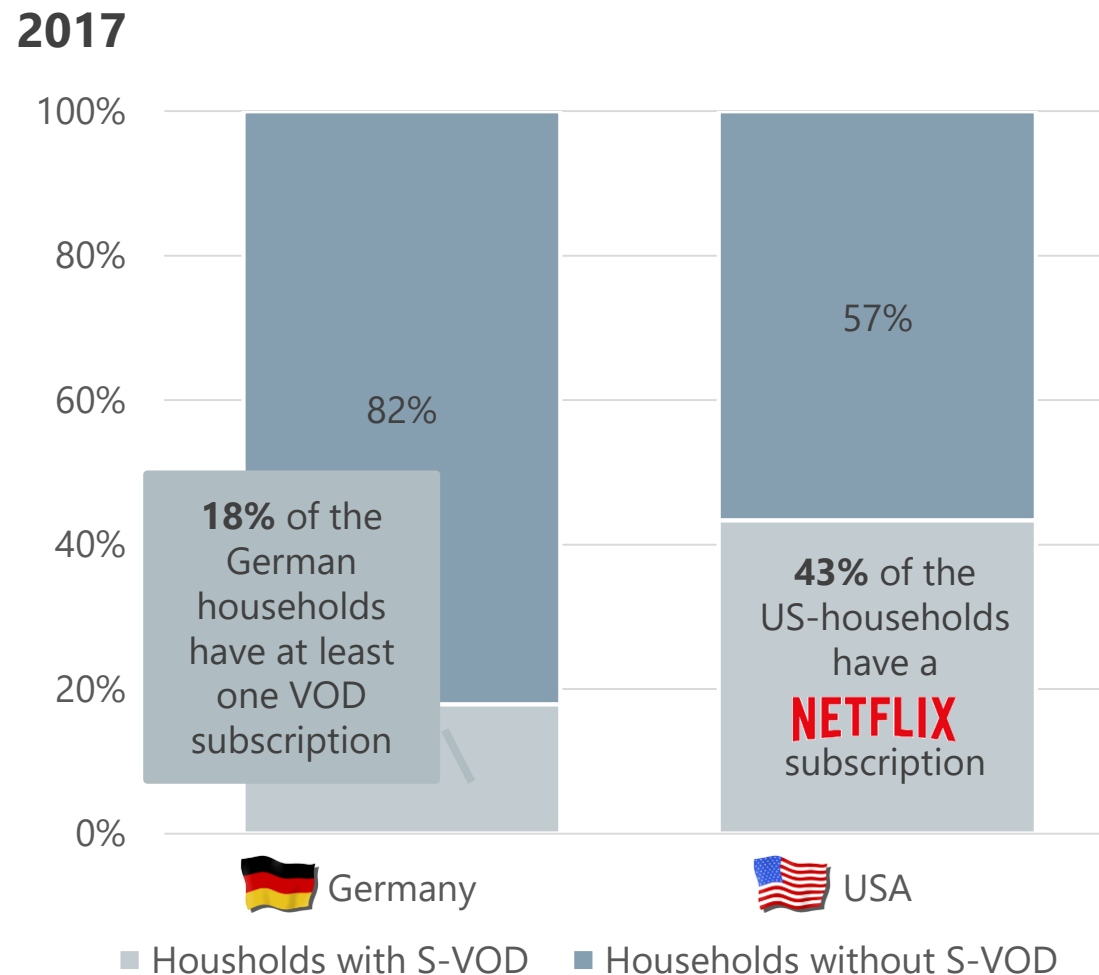
- Advertising-based VOD business model
- Model: Free
- A-VOD platforms employ ad-supported & affiliate business models.
- Providers implement display ads and commercials into their VOD content, e.g. as pre- or mid-roll video spots
- Example: YouTube

The German market is today where Netflix US was in 2011. In 2017, the share of US-Netflix households is almost 3x higher than the total amount of German S-VOD hhs

Number of Netflix subscriptions in the USA, Q1/2015 - Q4/2018, in mill.



Share of Netflix- resp. S-VOD memberships as of households in the USA and Germany, 2017, in percent



Source: Goldmedia Analysis, company information and US Census Bureau

VOD will remain a fragment of Google's overall business model but a meta-level service for other VOD platforms is a strategic step

Google Play: Company and Strategy

Company Overview

Google Play is a digital store operated by the US-American company Google LCC that offers videos, music, and e-books and magazines. Movies and tv shows are available for rental or purchase (T-VOD and EST) in more than 110 countries. Primarily started as app store for Androids operating system, Google Play also enables the download of applications.

Business Year 2017



- The company doesn't publish specific information about VOD performance. The total Google Play app store revenue grew by approx. 34% to \$ 20.1 bill. worldwide.
- Google's paid video service YouTube Red has still not been launched in Germany
- VOD users reached in Germany in Q4/2017*:
 - 2.5 mill. users with access to the platform
 - 1.4 mill. subscribers

Long-term Goals



- Cooperations with all major VOD operators
- Develop and manifest a service that will become the first contact point before using any VOD service – no matter on which (third-party) platform

Pursued Strategies



- Completely revised Google Play Movies & TV app including:
 - Deeplinks into playback for many third-party providers worldwide (e.g. Amazon Prime)
 - Teasers of a show with some free episodes
 - Extra features like personalized recommendations, watchlists etc.

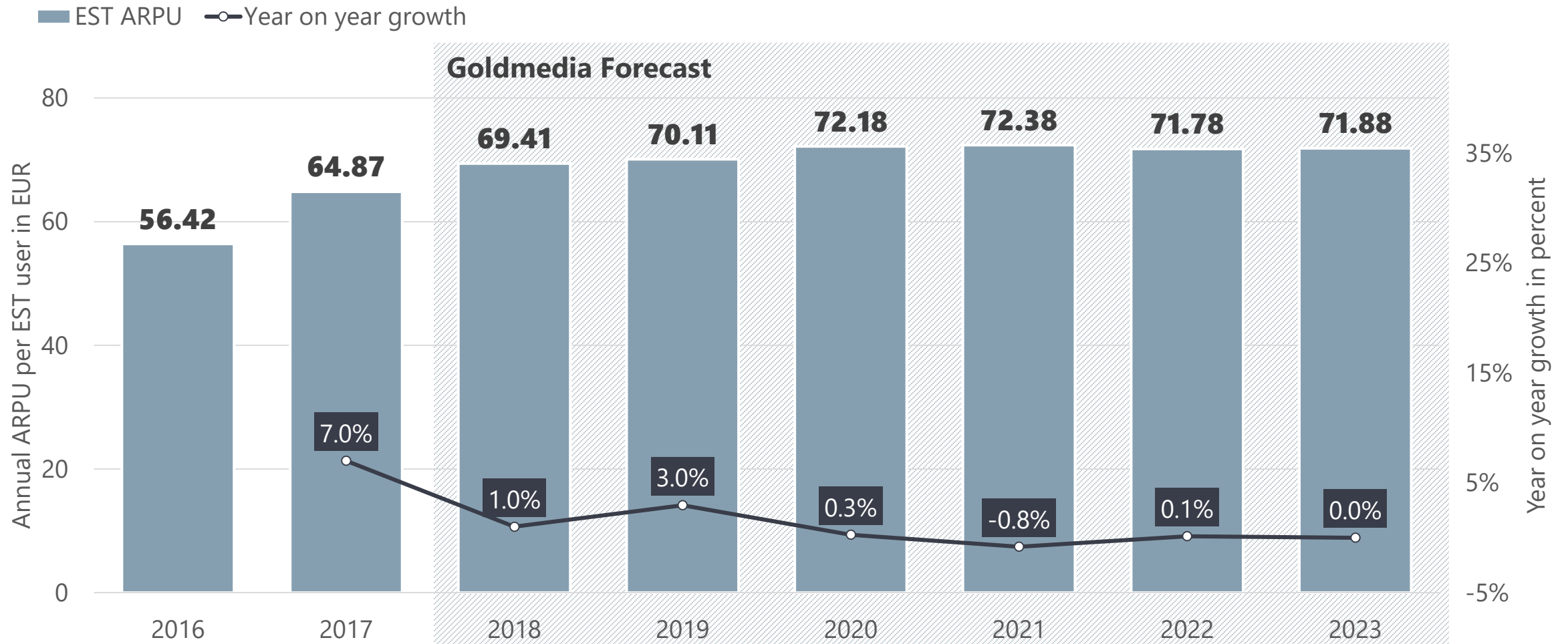
Prediction



- With the growing demand for VOD Google will heighten its focus on video-services with YouTube as a main component. Nevertheless, Pay-VOD will remain a fragment of its overall business model.
- A meta-level service which helps keeping track of favourite titles on different VOD platforms could be successful. Competitors in this field could be outperformed due to Google's expertise and reputation.

After shifts due to the rising demand for TV series in 2017 and 2018, the annual EST ARPU is expected to stay relatively stable

Annual average revenue per EST user (ARPU) in Germany 2016-2023, in EUR and year on year growth, in percent



Source: Goldmedia Analysis, 2016/2017 according to BVV/GfK Consumer Panel

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