Trends in digital content

NEM SUMMIT

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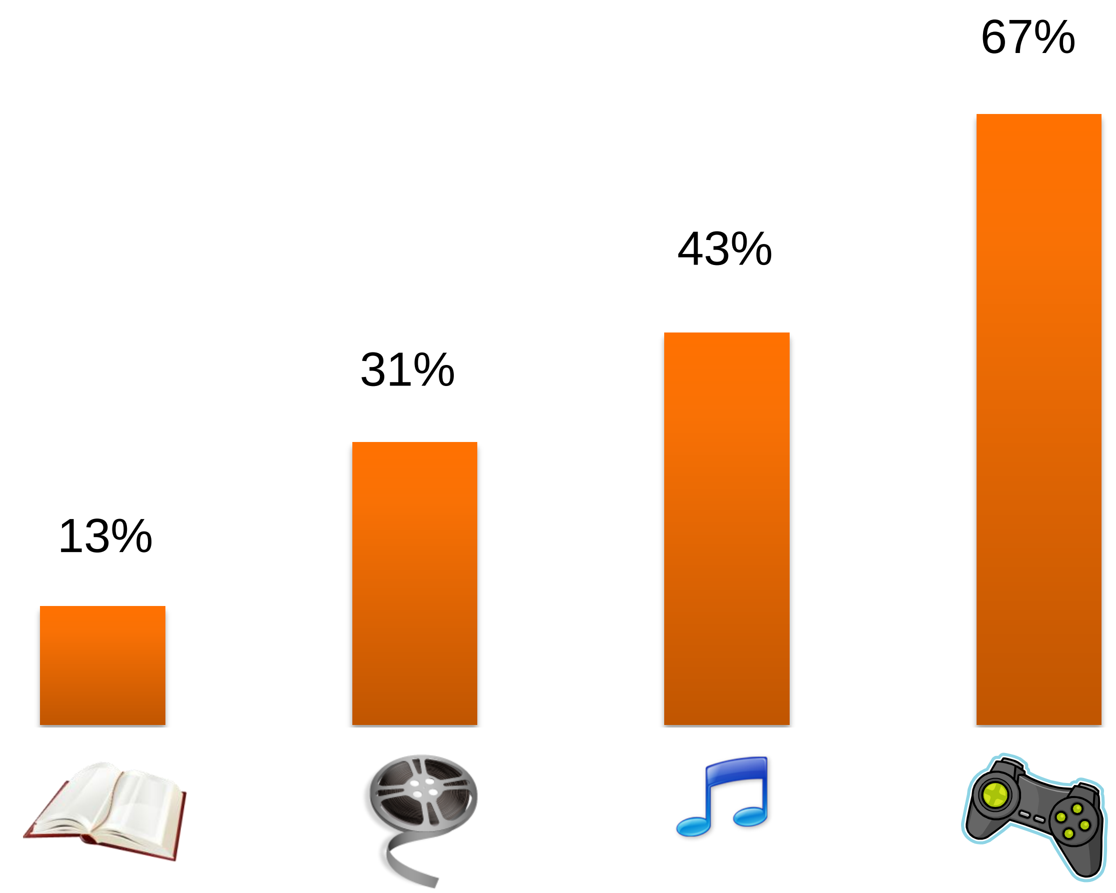
DIGIWORLD by IDATE

37% of the content market is dematerialized



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On-demand multiscreen video…

Dexter S1 2006
Live: 69%

Homeland S3 2013
Live: 32%

Video viewing time: 2013 VS 2012

TV-screen **Desktop** **Laptop** **Smartphone** **Tablet**

Source: Ericsson ConsumerLab TV and Media, 2013

…on a subscription model

➔**Music streaming**
21 m subs

Spotify
DEEZER

➔**SVOD**
67 m subs

NOW TV
hulu
amazon instant video
NETFLIX
CANAL PLAY INFINITY

➔**Online libraries**
2 m subs

Scribd.
OYSTER
amazon.com

Markets under pressure: volume does not offset decrease in prices…

Average price, in Europe, in 2013

Book
11.4 EUR

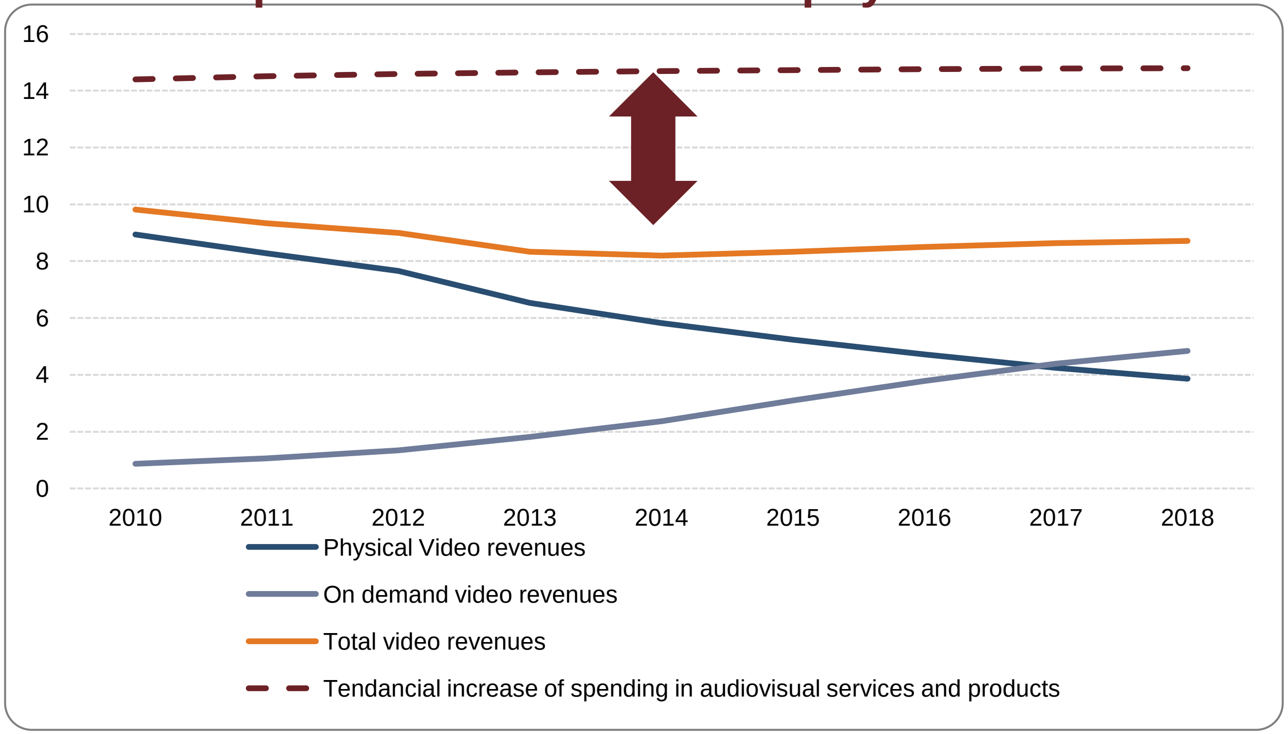
e-book
6.8 EUR

DVD
10.6 EUR

VOD
9.7 EUR

…and piracy

The piracy gap: dematerialization does not compensate for decrease in physical sales

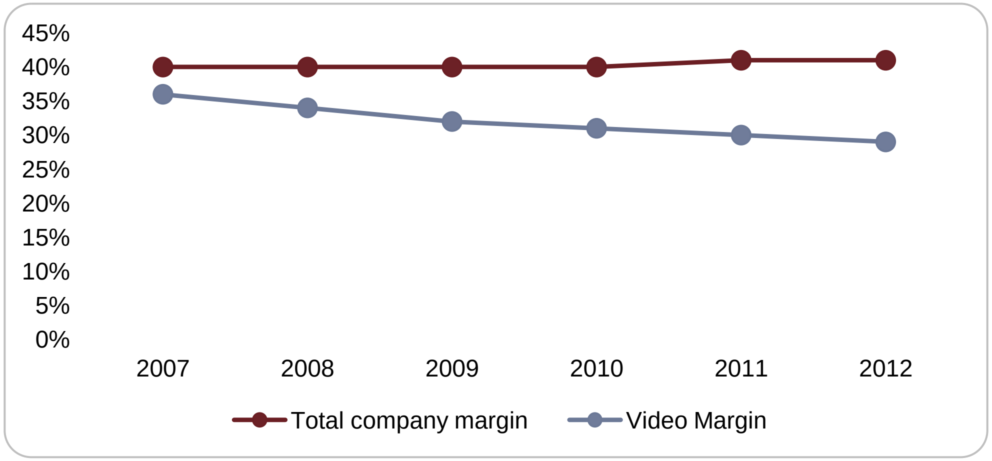


Distribution challenged: bundling at stake

➔US Cable has more broadband subscribers than video subscribers

➔US households watch 17 out of 189 available channels

➔Higher margins for broadband than for video



Comcast total and video margins

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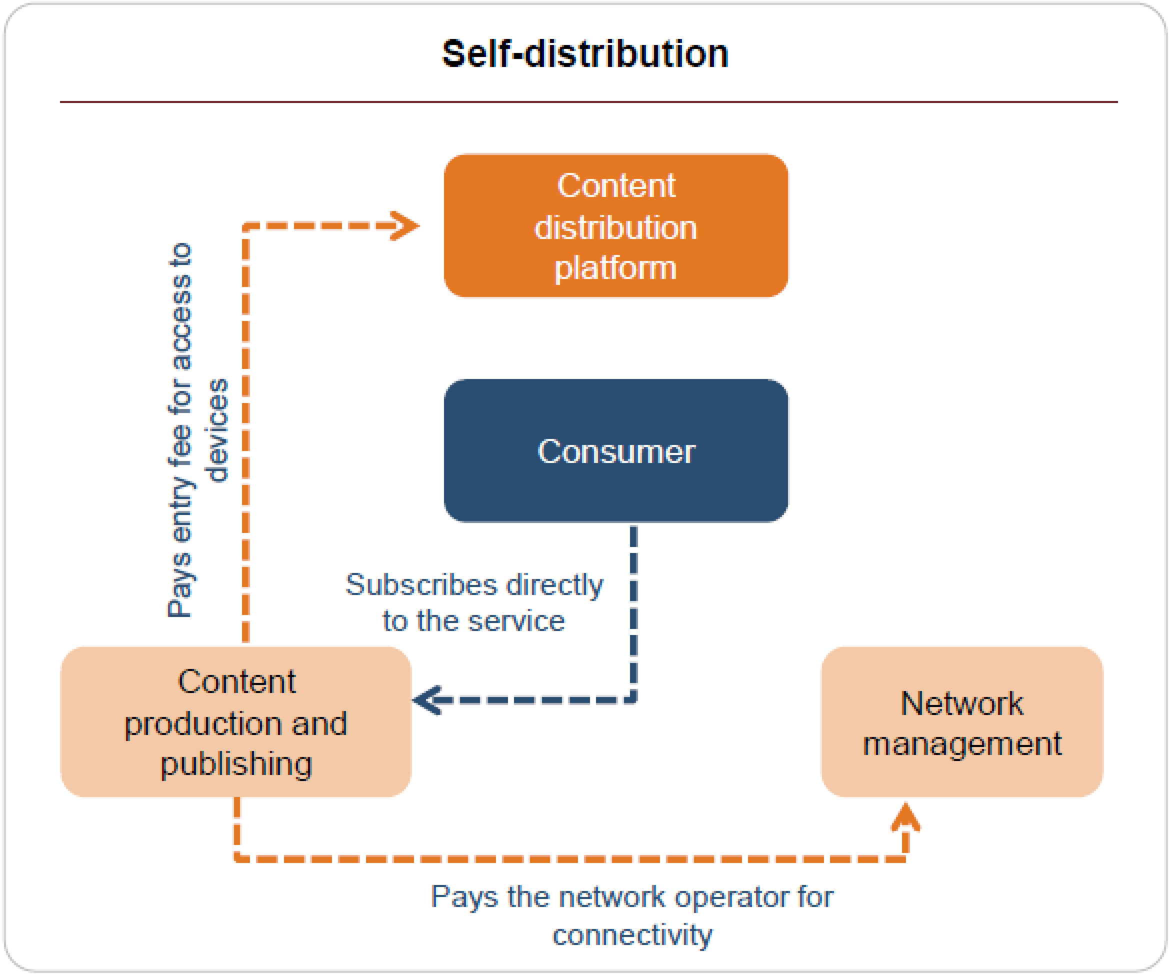
Distribution challenged: self distribution



Source: IDATE, *Future TV 2025*, July 2014

Delivery networks: IP convergence, Cloud

➔IP Convergence

Contribution

Broadcast to IP

Hybrid networks

➔Cloud-based delivery

How Tivo migrated to the cloud

1999 – 2008
Most logic in client STB

2008 - 2013
Migrated key functions from STB to Service
- *Unified Search*
- *Recommendations*
- *Multi-Tenant Service*
- *Tablets, Smartphones, & SmartTVs*

2014 – 2016
Offer cloud services independent of client device or software

Content is king (again): Cord cutting…not for TV services

While Netflix reached 30 m subs in the US…

Penetration rate

March 2012 and Sept 2013

28%	HBO	29%
21%	SHOWTIME	23%
20%	starz TAKING YOU PLACES	22%
11%	CINEMAX	14%

Content is king (again): Self-distribution means more investments in programming

	HBO	NETFLIX
Average retail price	**15US$**	**9 US$**
Share of consumer spendings invested in content	**39%**	**67%**

Content is king (again): Dematerialization means a higher share for content

Rightholders/producers share of the final market:

Physical	Vs	Dematerialized
41%		58%
46%		49%
39%		59%
21%		54%

Consolidation: winner takes all ?

ITunes market share of the US music download market: 63%

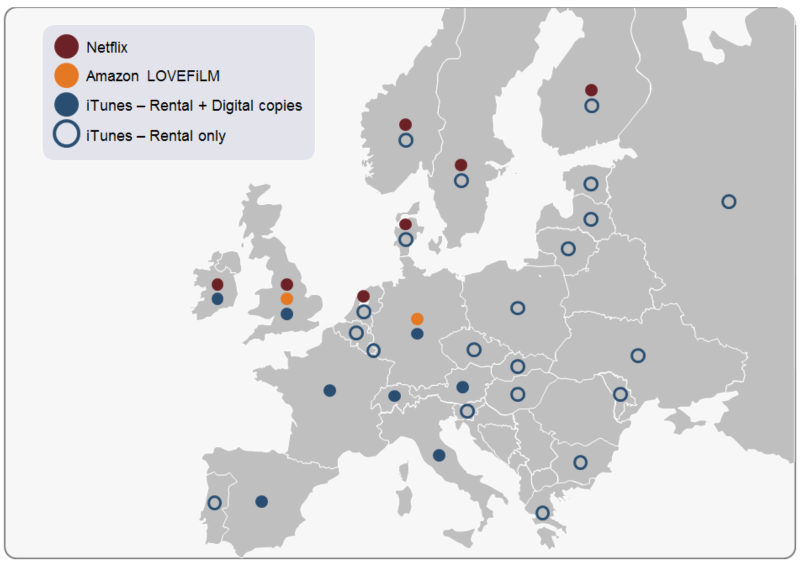
World market share of the top 3 streaming services: 80%

US Market share of the top 4 rental VOD services: 90%

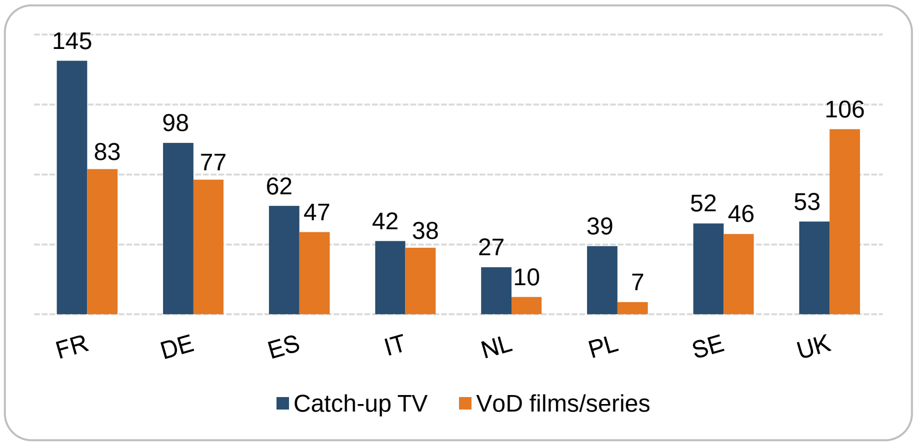
Netflix market share of the World SVOD market: 66%

A fragmented Europe

VOD: 3 key US players in Europe



VOD: 500+ national players in Europe



Source : Observatoire Européen de l'Audiovisuel

DigiWorld by IDATE

To sum-up: productivity gains needed all along the chain

➔Delivery

Cloud
Networks cooperation

➔Advertising

Real Time Bidding
Integration of mass advertising and one-to-one marketing

➔Production

Big data
Post-production in the cloud
International distribution and formats

➔Marketing

Big data
Yield management