



Swiss Entertainment & Media Outlook 2020-2024

# OTT video

Pulling the future forward: The entertainment and media industry reconfigures amid recovery

# OTT video

## Segment definition

This segment comprises consumer spending on video accessed via an over-the-top (OTT)/streaming service (such as Netflix). OTT video revenue comprises income streams from stand-alone services (such as Netflix) whose filmed entertainment content is accessed via a broadband or wireless Internet connection that bypasses TV subscription providers and is viewable on a PC, TV, tablet, smartphone, or other device. These services are split between transactional video on demand (TVOD) and subscription video on demand (SVOD). TVOD services (such as iTunes) deliver filmed entertainment content via the open Internet and do not require a subscription. SVOD services (such as Netflix) are also delivered over the open Internet, but are subscription-based. Note that this category includes revenue from stand-alone operator OTT services (e.g. MTG's Viaplay or Sky's Now) that do not require a subscription to a core TV service, but excludes revenue from operator "TV Everywhere" packages (such as Sky's Go or Comcast's Xfinity) that bundle OTT with conventional pay-TV services.

## Global market drivers

The days of the comfortable lead achieved by the more established global streaming players Netflix and Amazon are well and truly over. After several years of large-scale consolidation in the media and telecom industry, the 5-year forecast period will witness a new wave of streaming services that attempt to compete worldwide with the first movers. Netflix and Amazon continue to hold global sway, with well over 200mn subscribers between them, but the impact of rising costs for the best content in a much more competitive environment is starting to show. Netflix is boosting its subscription price to fuel its ongoing content focus, but stagnant growth in its home markets is resulting from the entry of rivals such as Disney and Apple, which have debuted lower-priced streaming services in order to lure subscribers.

The battle for viewer attention has spread throughout the leisure-time industry. Beyond OTT and pay-TV, hugely popular services such as YouTube, global gaming phenomenon Fortnite, video game streaming site Twitch and social media are all vying for a piece of consumers' leisure time.

## New business models

Many new streaming services are being launched, most of them directly comparable to Netflix and Amazon, as traditional players such as Disney and WarnerMedia target the hundreds of millions of TV viewers globally who use OTT video services. Discovery is set to join the global streaming wars with a kind of "Netflix for natural history", after it struck a £300mn, ten-year content deal with the BBC, which offers high-quality content such as Planet Earth.

A mixed ecosystem is also emerging. Some entrants are focusing on a combination of subscription video on demand (SVOD) and ad-supported video on demand (AVOD). Other new streaming services aim to become platforms that host other providers' content rather than seeking exclusivity like Disney+ and Netflix.

An intriguing new entrant is Quibi, a mobile-first video service. Quibi's content strategy is three-pronged: long-format shows distributed to viewers in 5–10 minute episodes; unscripted, nonfiction content such as reality, documentary and food shows; and "daily essentials" including news from NBC. Quibi has substantial funding from investors including Disney, NBCUniversal, Sony and Warner.

## Content, content, content

Content remains the coin of the realm in the increasingly fierce global battle for subscribers and viewers. In 2007, the year Netflix moved from DVD-by-post into streaming, the global spend on TV content was US\$90bn. In 2019, that figure was US\$170bn, and it will continue to climb throughout the forecast period.

## The impact of COVID-19

Many OTT services saw a surge in new subscribers in the first half of 2020 as consumers across the world were forced to stay indoors due to the outbreak of COVID-19. In Q1 2020, Netflix added just under 16mn subscribers to its global base, with the company stating that growth had been “temporarily accelerated due to home confinement”.

Newcomer Disney+ launched in several major markets such as the UK, Germany, Spain and India during the height of the outbreak. The service reported having a total of 60.5mn subscribers in August 2020. It has benefited from the fact that millions of people are under lockdown and hence the high demand for family and children’s content as a result of school closures.

The outbreak has severely impacted content production, with projects being put on hold due to social distancing measures. Netflix announced in its Q1 earnings statement that, whilst it has a “large pipeline of content” either ready to launch or in post-production, “some title releases will be delayed”. Services like DAZN, which rely on live sport content have also been affected as matches were postponed or cancelled entirely in early 2020. However, when “ghost games” were introduced in response to eased restrictions, DAZN resumed its international expansion plans in July.

The TVOD sector will also get a boost in 2020 as new film releases are fast-tracked to these services as long as cinemas are closed. France, which usually requires a four-month gap between theatrical release and TVOD and DVD release, allowed not only all titles already showing in cinemas when lockdowns commenced in March to be fast-tracked, but also those that were due for release during the lockdown period. Due to the one-off nature of TVOD purchases, however, this sub-sector will not be affected as positively as SVOD.

## Switzerland

### OTT video in Switzerland

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019 - 2024 CAGR
<b>OTT video in Switzerland (CHF mn)</b>	47	63	76	88	100	118	125	139	154	168	10.73%
Subscription VOD (CHF mn)	31	47	59	71	83	99	106	120	136	149	12.44%
Transactional VOD (CHF mn)	16	16	17	17	17	18	18	18	18	18	0.91%

Notes: Numbers shown are rounded. Totals may not equal the sum of their parts due to rounding.

Sources: PwC, Omdia, Bundesverband Audiovisuelle Medien

Switzerland is a small, but vibrant, Western European OTT market that will expand at a 10.7% CAGR from US\$110mn in 2019 to nearly US\$184mn by 2024, whereas that pace will slow from 13.6% to 8.6% across the forecast period. Subscription video on demand revenue accounted for over 82% of total revenue in 2019, rising to almost 89% in 2024. The only markets in Western Europe that are smaller in size than Switzerland are Portugal and Greece.

The domestic market remains highly competitive. Players include Sky’s Now TV, the sport streaming service DAZN and, more recently, Apple TV+, which launched in November 2019. Disney introduced Disney+, its global streaming service, in early 2020.

In September 2019, Viacom’s advertising video on demand service Pluto TV launched, making more than 30 channels available. DAZN has further expanded its sport broadcasting rights portfolio by securing the Copa del Rey, Spain’s domestic football cup competition.



