Swiss Entertainment & Media Outlook 2020-2024

Traditional TV and home video

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

Traditional TV and home video

Segment definition

This segment comprises consumer spending on basic and premium pay-TV subscriptions; consumer spending on public licence fees where applicable; physical home video revenue; and on-demand video services via a TV subscription provider. The related revenue is derived from digital as well as non-digital offerings. Consumer spending on basic and premium pay-TV subscriptions includes video on demand (VOD) and pay per view (PPV) accessed from cable operators, satellite providers, telephone companies and other multichannel distributors. The amount reflects only the primary pay- TV subscription in each household so that penetration will not exceed 100%. It captures all instances where a TV service can only be legitimately received by paying a subscription fee to an operator. Cable TV households receive TV programming primarily via an operator which has historically delivered services via cable/MMDS technology. Internet protocol TV (IPTV) households receive TV programming primarily via a telecom operator wholly or partly using managed Internet protocol TV technology. Satellite TV households receive TV programming primarily via an operator which has historically delivered services via DTH/SMATV satellite-TV technology. Digital terrestrial TV (DTT) households receive TV programming primarily via an operator which has historically delivered services via DTT technology. Physical home video cover films, TV programming and other premium video content. Revenue comprises sell-through and rental of physical home video. Physical home video is split between rentals and sell-through and covers consumer spend on movies, TV programming and other premium filmed entertainment content on DVD or Blu-ray. The purchase of physical home video products – be they DVD or Blu-ray – is captured here with all spending considered, including retail and online. Rental revenue comprises spending on rentals of videos at video stores and other retail outlets, along with DVD or Blu-ray discs distributed by postal services. Ultraviolet sales – where the digital version is bundled with a physical disc – are recorded under physical home video revenue. Electronic through-TV-subscriptions comprises revenue from both video on demand (VOD) and pay per view (PPV) services delivered by a TV provider as part of a TV subscription package, or as an enhancement to that core package. This category excludes revenue from stand-alone operator OTT services that do not require a subscription, such as Sky's Now, but includes incremental revenue from "TV Everywhere" packages (such as Comcast's Xfinity) that bundle OTT with conventional pay-TV services. The segment also includes consumer spending on public licence fees if such are required. Where the public licence fee also covers provision of radio services, a proportion of the total has also been included in the Radio segment, but 100% of the total fee is shown in the TV section, and figures for total revenue eliminate any double counting. This revenue is non-digital, and from consumer spending.

Global market drivers

The global market for subscription TV continues to grow, with an additional 31mn pay-TV homes projected by the end of the forecast period. Nevertheless, this masks a range of trends as developed markets reach maturity or face decline because of changes in consumer viewing habits.

The expansion of streaming services like Netflix and Amazon Prime Video, as well as the growth of domestic rivals and the rapid uptake of smart-TV and connected-device viewing are putting pressure on the traditional pay-TV model. The rates of cord-cutting and cord-shaving continue to increase, most notably in North America. This trend is forcing traditional pay-TV operators and media companies to launch their own streaming services in effort to mitigate subscriber losses.

These new services are being positioned at a significant discount to traditional pay-TV packages. Operators are applying a range of models, including undercutting incumbents such as Netflix on price, creating slightly higher-priced options for an ad-free experience, offering skinny bundles or, in some cases, pursuing free video-on-demand (VOD) services funded by ad revenue. Companies will closely monitor the success of these strategies to determine the right moves for retaining and increasing their customer base.

Pay-TV operators are focusing on enhancing the premium experience for customers in an attempt to boost average revenue per user (ARPU) and offer value to loyal subscription TV fans. This includes pushing products such as 4K, 8K, and next-generation set-top boxes and striking previously unthinkable deals with players such as Netflix to create a one-stop TV experience. A customer-first mindset is clearly an imperative in the new age of over-the- top (OTT) providers.

The impact of COVID-19

The outbreak of COVID-19 in 2020 will further deepen the global decline in the traditional TV and home video sector.

Satellite and cable providers will be hurt by the cancellation or postponement of major sporting events across the 2020 calendar. During the height of the outbreak, some pay-TV providers have offered more flexibility with their subscription packages to prevent subscribers from abandoning plans, with Sky allowing viewers to temporarily pause their Sky Sports subscriptions when coverage was not available.

The production of TV content in 2020 will also be significantly reduced to ensure that cast and crew are observing social distancing rules and preventing the spread of the virus. As social distancing restrictions continue, there will be a reduction in the amount of content available for viewers in late 2020 and into 2021, diminishing the attractiveness of monthly subscriptions to consumers, which can sometimes be costly.

The negative trajectory of the physical home video sector will not see any major divergence in 2020 as a result of COVID-19. While some consumers may invest in more physical entertainment products such as DVDs or Blu- ray discs to entertain themselves during lockdowns, those who buy are likely to be already loyal to the medium. On the whole, consumers will continue to abandon physical media, opting instead for new SVOD services like Disney+ and TVOD platforms that host films which currently cannot be shown in cinemas.

Switzerland

Traditional TV and home video in Switzerland

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019 - 2024 CAGR
Traditional TV and home video in Switzerland (CHF mn)	2'813	2'848	2'866	2'884	2'887	2'831	2'842	2'839	2'822	2'807	-0.56%
Physical home video (CHF mn)	126	106	82	65	50	39	32	27	23	19	-17.40%
Physical home video - rentals (CHF mn)	5	4	3	2	2	1	1	1	1	1	-13.64%
Physical home video - sell - through (CHF mn)	120	102	79	63	49	38	31	26	22	18	-17.54%
Public licence fee (CHF mn)	1'198	1'214	1'242	1'265	1'264	1'254	1'257	1'249	1'234	1'214	-0.81%
TV subscription (CHF mn)	1'490	1'528	1'542	1'554	1'573	1'537	1'554	1'563	1'565	1'574	0.02%
Electronic through-TV-subscription (CHF mn)	38	40	40	42	43	44	44	45	47	49	2.77%
Non-through-TV subscription (CHF mn)	1'452	1'489	1'501	1'512	1'530	1'493	1'511	1'517	1'519	1'524	-0.06%

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

Part of this component is counted within the Radio segment within the component Public radio licence fees. Sources: PwC, Omdia, Bundesverband Audiovisuelle Medien, European Audio Visual Observatory Yearbook

Switzerland has a mature pay-TV market with over 90% of households subscribing to such a service in 2019. Penetration will still be roughly at the same level in 2024, with flat growth resulting in 3.2mn subscription households by then. TV subscription revenue growth is also projected to be flat, totalling US$1.7bn in 2024. Public licence fees continue to play a vital role in the traditional TV landscape, accounting for 44% of revenue in 2019 and only easing to 43% by 2024.

Swisscom has long been the country’s pay-TV leader and dominates multiplay bundles, taking well over half of the broadband market. The company reported having just over 1.5mn subscribers to its IPTV platform in mid-2019, roughly unchanged from the previous year. Swisscom has defended its position by securing important sports rights, including the Swiss football league, UEFA Champions League and Europa League, while also offering coverage in 4K Ultra HD.

UPC Switzerland reported having just a tad more than 1mn subscribers to its cable service at 30 September 2019, down from 1.1mn a year earlier. While around 0.3mn subscribers had premium TV packages by end- September 2019, the company said that 435,700 still retained analogue cable services, representing over 42% of the subscriber base. Upgrading networks to digital will be the priority for UPC if it is to avoid further churn.

Liberty Global has been divesting many of its assets around Europe in the past year but stated in November 2018 that it was not looking to sell its Swiss operations. Despite this, a deal was agreed in February 2019 to sell the business to Swiss telco Sunrise for around €5.5bn. This move would leave Sunrise well positioned to challenge Swisscom as the aggregated telecoms leader. However, the deal had still not been concluded by December 2019 despite having received the go-ahead from the Swiss Cartel Commission in September 2019.