



# Pay TV and OTT video in Western Europe: trends and forecasts 2019–2024



Martin Scott and Jakub Konieczney

# About this report

This report provides:

- forecasts for the number of pay-TV households and services, premium OTT video users, their retail revenue (spend) and average spend per user (ASPU)
- forecasts split by pay-TV platform: cable (analogue and digital), IPTV, pay DTT, satellite (DTH) and operator OTT.<sup>1</sup> Operator OTT and third-party OTT are split by category of OTT video service – linear channels, linear events, TVoD (rental), TVoD (ownership) and SVoD
- forecasts for 16 individual countries and Western Europe as a whole.

## WHO SHOULD READ THIS REPORT

- **Product and strategy managers** within pay-TV providers and operators who require market sizing for business planning purposes, as well as an overview of the key trends that are affecting the market in order to help them to develop propositions accordingly.
- **Business development managers** within vendors of video solutions who need to assess the size of the opportunity for their products and services.
- **Financial analysts** who need to understand the dynamics and the size of the pay-TV market and its interaction with OTT video services.

## GEOGRAPHICAL COVERAGE

### Regions modelled:

- Western Europe

### Countries modelled individually:

- Austria
- Belgium
- Denmark
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Netherlands
- Norway
- Portugal
- Spain
- Sweden
- Switzerland
- UK

## KEY METRICS

- Pay-TV households and connections
- OTT video users
- retail revenue (spend)
- ASPU

### Pay TV is split by the following access technologies:

- cable (analogue and digital, CATV)
- IPTV
- pay digital terrestrial TV (DTT)
- satellite (DTH)
- operator OTT<sup>1</sup>
- third-party (non-operator) OTT

### OTT video is split as follows:

- linear – channels (paid-for and free)
- linear – events
- TVoD – (rental and ownership)
- SVoD (paid-for and free).

<sup>1</sup> The full definition of the term 'Operator OTT' is articulated in the appendix at the end of this report. In short, this term refers to OTT video services offered by telecoms operators and also by pay-TV providers that have previously provided traditional pay-TV services.

# An introduction to the terms and definitions used in this forecast report

The pay-TV market is in the middle of a reconfiguration – service categories are changing, and terms such as ‘connections’ and ‘subscribers’ – which fit into broadcast TV services reasonably well – do not apply as well to OTT services. This forecast provides multiple category splits that aid different purposes, such as understanding the role of existing pay-TV providers versus new OTT entrants, the scale of on-demand consumption versus live streaming, and whether the mode of purchase is transactional or subscription. As such, detailed articulation of the terms used and the categorisations made is required in order to provide full clarity. Further detail regarding these assumptions, terms and our methodology can be found at the end of this report.

## Key terms and conventions used in this report

- **‘Traditional’ versus ‘OTT’.** ‘Traditional’ services refer to TV services delivered over a managed network that deliver a known and predictable latency and quality of broadcast content. ‘Traditional’ access technologies include the sum of services carried over IPTV, cable, DTH and pay DTT.
- **OTT services.** These are TV or video services that are delivered over an unmanaged IP connection, known as ‘the open Internet’. In this report, we use this term as a contraction of ‘premium OTT services’, which are services that generate transactional or subscription revenue, not exclusively advertising revenue. This means that services such as the free YouTube service are not included, but a free trial to Netflix is included.

Furthermore, multi-screen services (for example, unmanaged IP services that are sold alongside traditional pay-TV services to diversify the ways that consumers view content) are not included in ‘OTT services’. Revenue for such services is attributed to the associated traditional pay-TV service.

- **Operator OTT.** The full definition of this term is articulated in the appendix. In short, this refers to OTT video services offered by telecoms operators and also by pay-TV providers that have previously provided traditional pay-TV services.
- **Third-party OTT.** This refers to services offered by OTT video providers that have not offered traditional pay-TV services in a country in the past. This includes, for example, Amazon, DAZN and Netflix. It also includes Sky’s OTT service in Spain (where it launched an OTT service in 2017, but had not previously offered a traditional pay-TV service).
- **Connections and users.** Consumers may subscribe to multiple traditional pay-TV services and use multiple OTT services at once. This makes the process of forecasting users and revenue complex. This forecast allows for multiple traditional pay-TV subscriptions by articulating both the number of pay-TV ‘households’ and the number of ‘connections’. For OTT, this report forecasts ‘users’ of particular types of services – a single user may use multiple services, and this is reflected in higher spend assumptions for each user.

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- 10. Traditional pay-TV retail revenue has peaked in most Western European countries, but OTT video revenue is also growing where traditional TV revenue is in decline

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- 14. Retail revenue for OTT video services will almost double in Western Europe between 2019 and 2024; the bulk of this continues to be for SVoD services<sup>1</sup>
- 15. The number of subscriptions of IPTV and operators' OTT services will increase, but cable, DTH and pay-DTH subscription numbers will fall between 2019 and 2024
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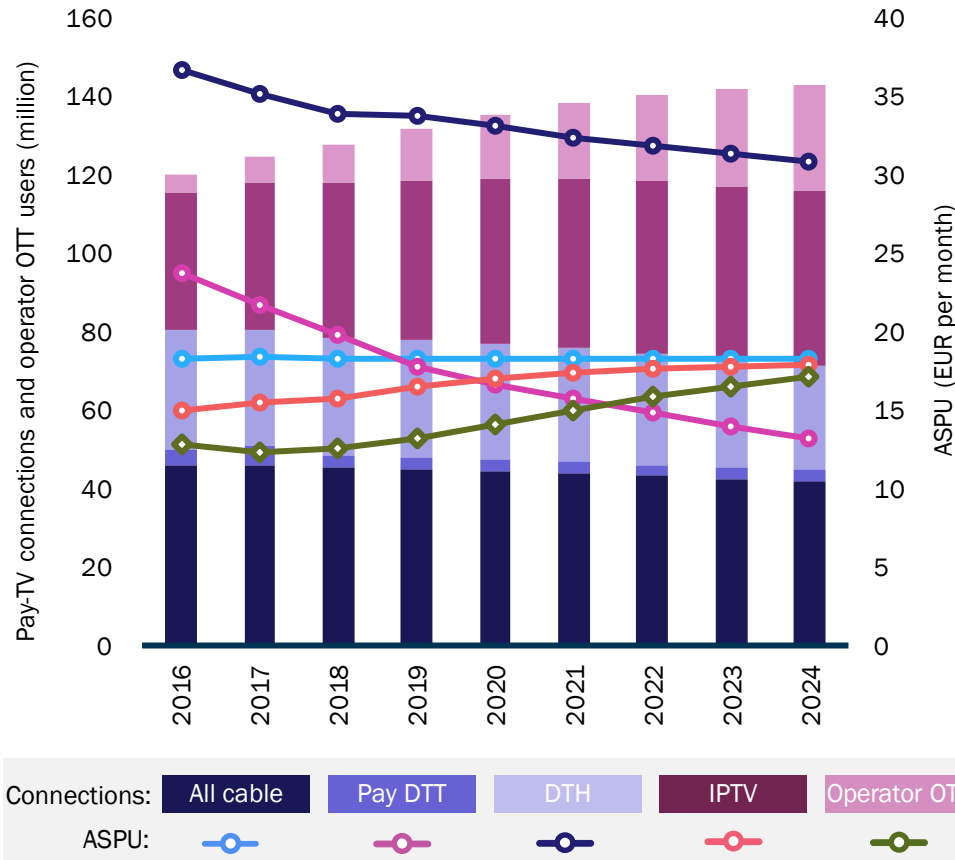
UK

### Forecast methodology and assumptions

### About the authors and Analysys Mason

## The number of subscriptions of IPTV and operators' OTT services will increase, but cable, DTH and pay-DTT subscription numbers will fall between 2019 and 2024

Figure 11: Pay-TV connections and ASPU by access technology, Western Europe, 2016–2024



Source: Analysys Mason

### DTH and cable subscriptions will fall by 6.8 million to 2024.

The number of DTH subscriptions in Western Europe will fall by 3.5 million between 2019 and 2024, to 26.4 million. Much of this decline will be driven by the active migration of DTH customers to OTT services, though Sky's plan to do so (initially announced in 2017) has run more slowly than initially envisaged. We anticipate the launch of a 'dishless' Sky service will still take place across all countries in its footprint in 2020 and 2021.

Cable TV subscription numbers will fall by 3.3 million over the forecast period to 41.8 million in 2024. This decline will be strongest in Germany, where it will lose share to new DTH entrants and strong IPTV competition. However, we expect some growth in the number of cable subscriptions in France due to the tight service bundling.

### The number of IPTV and operator OTT service users will grow.

The number of IPTV connections will continue to grow, by 3.6 million to 44.7 million by 2024. Spain will account for much of this growth, where the number of Movistar's IPTV subscriptions will increase. We anticipate a decline in the number of IPTV subscriptions in France and the UK, primarily due to competition.

Operator OTT as an access technology will continue to grow and evolve. Although the migration from DTH to OTT has moved more slowly than Sky had initially hoped, other low-priced operator launches have taken place and the number of operator OTT subscriptions will double to 2024.



# Italy: DAZN has rapidly changed the OTT market in 2018/19 and many Italian consumers are choosing to use multiple OTT services side by side

DAZN has rapidly changed the shape of the OTT video market in Italy, gaining 1.5 million users of its linear channels subscription service in the first year, driven by its acquisition of key sports rights. However, many users share accounts (the tariff design encourages this), so the number of users does not correspond 1:1 with subscriptions.

Netflix continues to gain subscribers in Italy. We anticipate continued growth for Netflix, but TIMvision will also continue to gain subscribers as a ‘super aggregator’. New services to the market, such as Disney+, are likely to be stacked on top of existing subscriptions, so blended ASPU for OTT video services will remain higher than the price of most single services.

Figure 20: Retail revenue by OTT video service type, and ASPU, Italy, 2016–2024

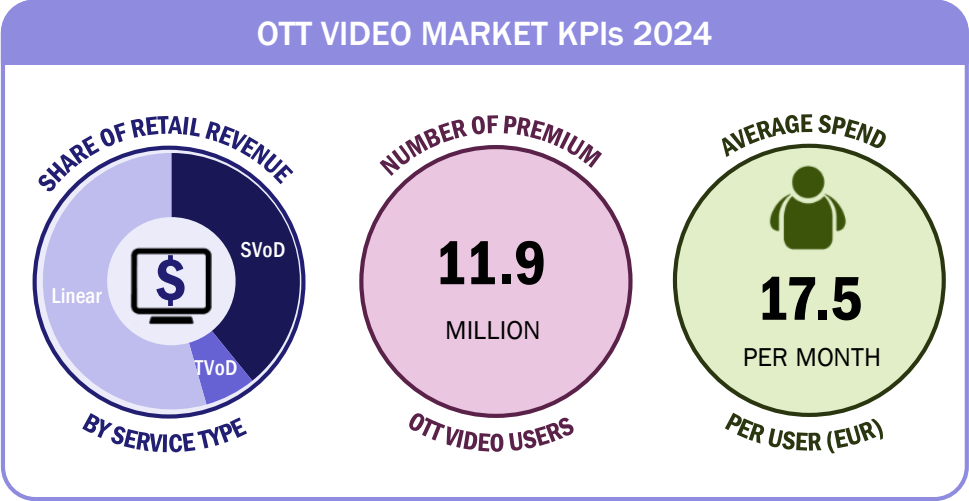
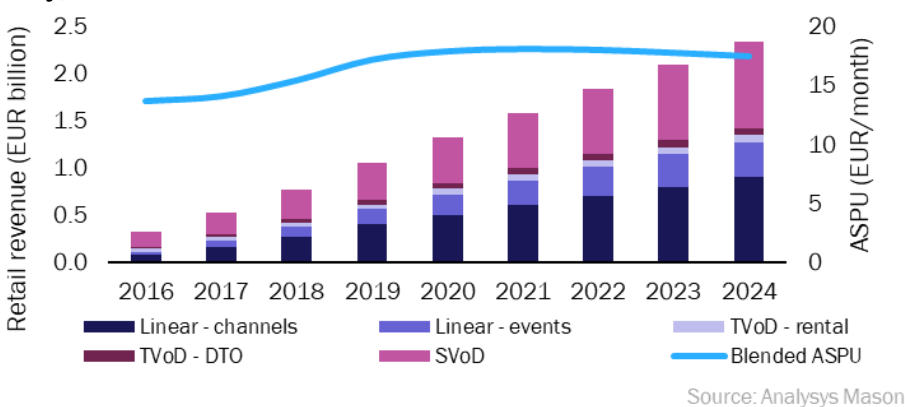
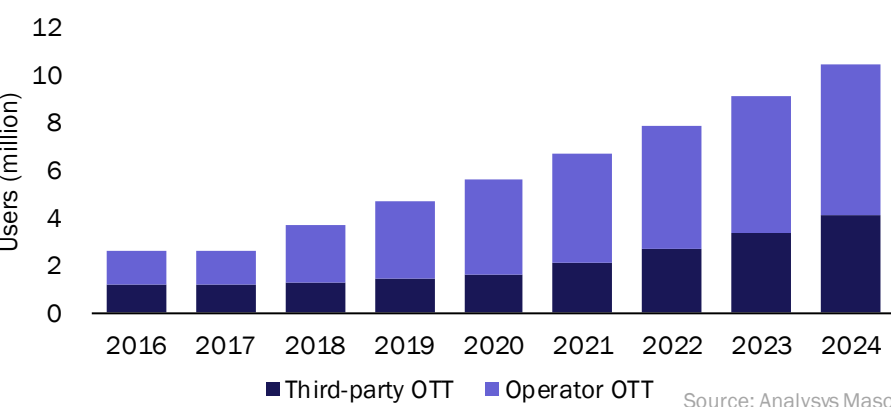


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## About the authors



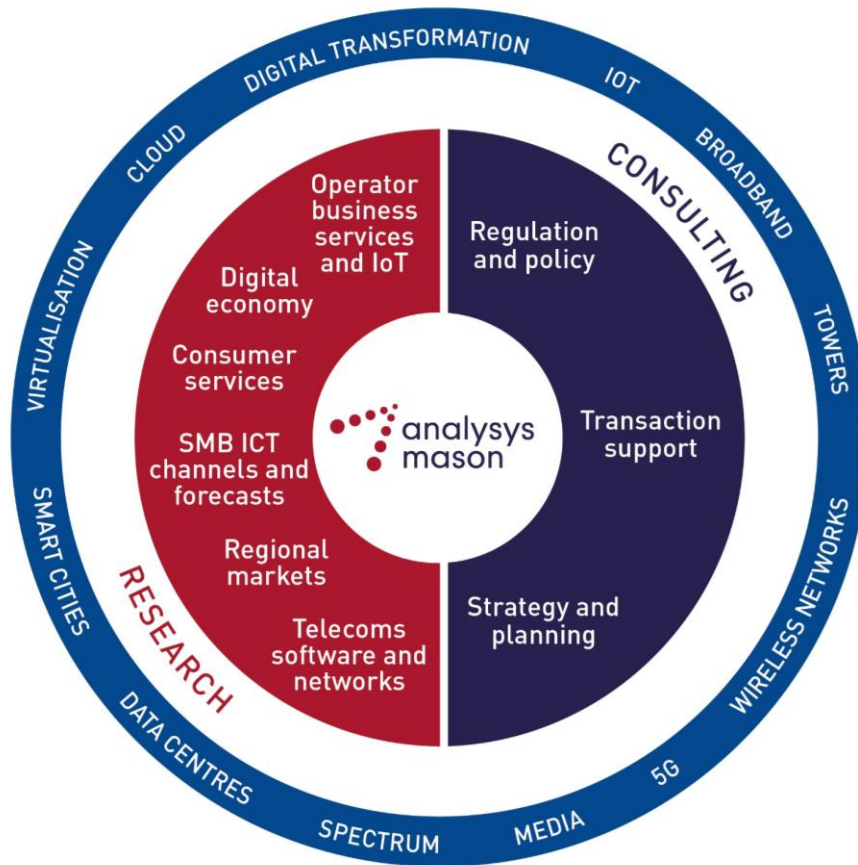
**Jakub Konieczny** (Research Analyst) is a member of the regional markets research team in London, contributing mainly to the *Telecoms Market Matrix*, *European Country Reports* and *Global Telecoms Data* research programmes. Jakub holds a BEng in petroleum engineering from the University of Aberdeen.



**Martin Scott** (Principal Analyst) co-ordinates Analysys Mason's research initiatives related to media and TV. He manages the Video Strategies research programme. Martin has held numerous positions within Analysys Mason during the last 10 years, including heading the company's Consumer Services, Data and Regional Markets practices. He also launched Analysys Mason's Connected Consumer Survey and Consumer Smartphone Usage series of research. His primary areas of specialisation include telco TV strategy, OTT video and media, consumer smartphone usage, the bundling and pricing of multi-play services, including quadruple-play bundling, customer satisfaction and consumer-facing marketing strategy. He also specialises in statistics, surveys and the analysis of primary research.

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