European video production market

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Interviewees

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Market Segmentation and Structure

Question: Is the market fragmented or more consolidated?

Answer:

We're going to focus on the UK premium content market. So that's typically television and film, but primarily television. For reference, in 2024, the television market in the UK was worth ~£5.6 billion, and the film market was about £2.1 billion.

We can categorise the TV producers into three types of players.

First, traditional "public service" producer broadcasters who remain the main commissioners of content. In the UK, the BBC and ITV are the main commissioners and producers of content, and their production (studio) arms account for about 30% of all UK production spend. I think this is similar in many European markets.

Second, the "Super Indies". These are independent producers who are not vertically integrated into a major broadcaster or platform. These include players like All3Media, Banijay, and Fremantle and some US owned players like Sony and Warners. These are typically groups that have been built up over time by buying up a portfolio of smaller producers across different genres and geographies. These Super Indies account for about 40 to 45% of production spend in the UK.

Finally, you have a long tail of "true indies", who account for the remaining 30% of the market. These are typically small entities, and their dynamics will vary depending on what genres they produce. So, if you are a documentary producer, you might be just two people producing one or two documentaries a year. If you have a daytime entertainment format, you might be larger. However, typically, this long tail is made up of small companies; there are few mid-sized players.

There is a prevailing tailwind towards consolidation, with some notable scale mergers in this space, such as Banijay and All3Media. There are definitely scale benefits.

First, you need a certain volume of content to have a distribution business. In production, the vast majority of income comes from a "primary commission", where a channel (e.g. BBC 1) will commission a programme and probably fund 60 to 75% of the budget. Additional money (the "deficit") needs to be found through distribution to the secondary market, to international channels (e.g. Germany or China), or to secondary (repeat) windows. You need scale to run a distribution business and sell into the secondary market.

Second, producers also need scale to invest in business development (i.e. identify talent, writers, come up with concepts, and develop treatments), as typically none of that is funded by the primary commissioner. Typically, producers who are not part of a bigger group, have limited access to business development financing and resources.

Finally, it is increasingly important to be able to optimise things like financing and tax benefits, particularly in drama. For instance, you may want to film in Central Europe or Northern Ireland to optimise tax breaks. These are a key part of the budget, so you need access to these skills and capabilities, which are difficult for a small player.

It is possible to be a small player and successfully make a limited number of programme hours, but the barriers to scale are significant. The economics and the attractiveness of production also vary by genre. The dynamics (investment requirements, tax breaks, repeatability of commissions and international sales potential) are very different for drama, documentary, entertainment, comedy and kids.

Question: Within the long tail of smaller players (indies), are there mid-sized companies that are trying to scale up?

Answer:

You see some consolidation plays. For instance, STV has recently been doing a roll-up of smaller indies to create a medium-scale production group.

You also see new production companies entering the market. It is very talent-led. So, as an example, in drama, you may find an established drama producer deciding to set up their own company, building on strong relationships with the writing or on-air talent.

Question: Is geography a limiting factor?

Answer:

The reality is that geography is a limiting factor. A one-man band is unlikely to be in multiple geographies at one time and will depend on a third-party distributor (probably part of one of the big production groups) to sell their programmes overseas.

Being part of a geographically diverse group is particularly valuable for those with formats (typically entertainment or reality formats). You can sell a successful format into different markets, but if you also have a local production company, you take both the format and the production fee. Endemol was a great example of that. They were very good at creating reality TV formats (such as Big Brother) and producing them in multiple markets. Increasingly, we are seeing drama being formatted as well.

<u>**Overseas Players in the Market**</u>

Question: Are you seeing more US or Asian competitors in the market, beyond global platforms such as Netflix?

Answer:

The UK production market is very strong: it has a strong creative base, is cost competitive, has attractive tax breaks, and benefits from the English language. This makes the UK a global hub. The UK accounts for about 3% of global commissions but about 12% of global production, attracting a lot of inward investment.

We see a lot of US SVOD content being produced in the UK, both for the UK and for global markets. US players are also investing in UK production infrastructure. Sony, for example, owns Bad Wolf and Left Bank. Left Bank made *Downton Abbey*, and Bad Wolf made *Doctor Who*. Warner Bros. owns Wall to Wall and Ricochet.

We haven't seen much investment from Asia into Europe, as these remain quite distinct in terms of the programmes they commission and the way they operate. There are definitely secondary market sales, with programmes being sold into Asia. The exception is probably South Korea, which has been very successful recently with the global SVODs. So, we are seeing some migration of formats from South Korea into Europe.

<u>**Customer Relationships and Main Sales Channels**</u>

Question: How do customer relationships work along the main sales channels?

Answer:

The primary sales channel is through “a commission”, and the traditional commissioners were the traditional linear television companies. While Netflix drives a lot of viewing with some very high-profile, high-value productions, in terms of volume and diversity of genres, the market is still dominated by traditional linear players who are the most important commissioners.

Regulation (in the UK and Europe) has been an important factor. In the UK, “Terms of Trade” regulation means that a broadcaster, such as ITV or the BBC, when commissioning a programme has to leave the underlying rights with the production company. If the producer maintains the rights, then they can sell their proramme in the secondary market. However, the commissioner would not necessarily fund 100% of the programme (leaving a deficit for the producer to fund with secondary market sales). In theory, if they have success, they can drive incremental value over and above the deficit they need to fund. This drives profitability and the ability to invest in business development and build scale.

By comparison, the SVODs are not constrained by regulation, so they can (and frequently do) come in and fully fund a programme, but they then retain all the rights. So, if a show is a great success, they retain access to any upside or international value.

These two different models deliver very different financial incentives (more short term cashflow from an SVOD commission versus more long term rights potential from a PSB commission). While regulation varies from market to market, these dynamics are broadly similar in the European markets.

Question: What are the key ways that pure content producers differentiate themselves? Is it mainly about focusing on a specific area in which they are particularly strong?

Answer:

Crudely, yes. A commissioner is commissioning what they think will attract the audience. Hence, whether you are an All3Media or an ITV Studios or a small indie, the producer needs to differentiate based on the idea, the quality, the talent or the storyline. Track record and confidence about ability to produce on time, on budget and to quality are also key.

There are some advantages to being part of a producer-broadcaster; they might have a first look or better access to the commissioning editors. However, even when you have an integrated player, like ITV, which has channels and production studios, the studios operate at arm's length. So, ITV Studios will make programmes for ITV but will also make programmes for the BBC and Netflix. The ownership of the production company is not a major factor.

Commissioners are probably becoming more risk-averse, a bit more selective, and are looking to place greater emphasis on IP ownership, repeatability, format, longevity, and concepts that have that broad international appeal, which you can take offshore and sell in secondary markets.

Question: The industry is also very relationship-based, especially to enter into the market - is this true?

Answer:

Yes. And it's quite interesting that quite often people who become producers were at some point commissioners as well. So, there's movement between the buyers and the providers.

Audience Preference

Question: Is it accurate to say that nowadays consumers prefer subscription-based streaming platforms?

Answer:

I think that's broadly right. What we're seeing is absolute growth in subscription globally. However, if you actually look at the numbers, it's amazing how much is still watched through linear TV, with linear and catch-up combined.

In the UK, the last Ofcom figure was something like 55% of viewing is still associated with linear plus catch-up. It is much higher than most think as there remains a whole generation of older people who still only really watch linear TV. If you talk to young people, you'll get a completely different perspective, and, in reality, it is SVOD and YouTube which are driving growth.

On the YouTube piece, in H1 2025, YouTube was the most-used streaming platform in the UK and was outranking the SVODs and the BVODs (BBC iPlayer and ITVX). This is a crucial platform, as the YouTube audience skews younger, an increasingly elusive demographic for traditional broadcasters. Players like Channel 4 are starting to strike deals with YouTube to enhance monetisation of their own ad inventory. It's not just a reach play and they are not just delivering short token clips to YouTube, but doing full-episode drops and thematic channels, whether that's cooking or sports, to leverage the YouTube ecosystem.

<u>Profitability and Operations</u>

Question: What drives the profitability?

Answer:

For each slot or genre, the commissioner will have a budget—higher for prime time and lower for daytime or fringe time. The producer has to make the programme for that budget, which will include a 10% production margin, which is effectively the profit. If you are clever, you may be able to push that production margin up a bit by being more efficient. For instance, if it is a returning series you can drive some economies by booking your locations for longer periods of time, or you might drive efficiencies by investing in post-production, to keep the post-production margin in-house.

There are some exceptions to this cost-plus model. If there is a really, really premium product that everyone wants, the commissioner will pay through the nose, allowing a producer to drive super-profits. These are typically shows with very large budgets. One example was *The Crown*, which cost circa £15m an episode—a huge production budget—but Netflix really wanted it. However, these shows are the exception.

Commissioners and producers are often trying to drive value through multi-series commissions that will keep audiences engaged over multiple years. These are optimal for global distribution. The feasibility of this varies by genre. In entertainment, the big "shiny-floor" Saturday night shows, such as *Dancing with the Stars*, can return annually for over 20 years. With big returning series you produce for six months (and probably prep production for another six months). These shows can be formatted and sold internationally and can be very effective at driving profitability, particularly, if you are part of a group and can produce in multiple markets. However, there are relatively few new windows for entertainment formats because the premium Saturday night slots are basically booked out by existing returning formats.

Drama is different. You can get some very high-end dramas with huge budgets, and because your production fee is 10% (and if you're efficient you can drive a bit more), you can make a very profitable show. But drama is hit and miss. You can have a big drama that does not get recommissioned, then you're starting from scratch again and the value of international sales is less.

Documentaries tend to be limited-budget, except for natural history, and are often small, one-off things, although clever producers can create repeatable formats, such as true crime, which follow a formula, so they can be efficiently replicated.

There has been quite a lot of downward pressure on production margins over the last five or six years, as a result of two things. One was super-inflation caused by Netflix coming into the market and, arguably, overpaying for premium on- and off-screen talent. This led to cost inflation. So, your director of photography, your best talent, all started to become more expensive.

Second has been a decline in demand and budgets. There was the short-term impact of the strikes in the US but there has also been downward pressure on the economics of traditional commissioners, both advertising-funded players, like ITV or RTL, and licence-fee-funded players like the BBC. Together, these factors have squeezed producer margins over the last three to four years.

Market Outlook

Question: What is the size and growth of the European video production market – or UK market in your case?

Answer:

The UK TV production market was worth about £5.6 billion in 2024. This includes UK commissions, a BBC commissioning a local producer; international commissions, e.g. a US commissioning a David Attenborough show for the US but to be made in the UK; and SVOD commissions, e.g. a Netflix commissioning *The Crown*. It also includes the value of secondary market sales.

In aggregate, the market is in slow growth, about 4% p.a., with traditional commissioners still accounting for about a third of the market but growing more slowly. I think this will be similar across Europe. Traditional public service broadcaster commissioners are commissioning less because their budgets have come down, but they commission in volume and across all genres. The biggest growth is in SVOD commissions, which are expected to grow at c. 6% p.a.

With Mr Trump threatening tariffs, there may be a slight shift over the next six months to some production relocating back to the US, e.g. New Jersey, but the US remains significantly more expensive.

Question: Do you have some key positive drivers for the market?

Answer:

The positive drivers are UK competitiveness versus other regions, with leading infrastructure and skilled talent. Global market access and IP protection give it a structural advantage versus some other European regions and the US. SVOD spend will continue to underpin growth at 5–6% per year. That's obviously below the rate seen during the streaming wars, but as that market matures, continued spend from the SVODs in terms of primary commissioning will support UK TV and film production.

UK tax incentives are probably another area which underpins inward investment. 10 to 15% of budgets can come in the form of tax breaks in high-end drama, kids, and animation. Commissioners build these tax breaks into the budget.

I think the AI ipmact is a bit unknown, and I don't know if I'd want to put it in a positive or negative category just yet. AI accelerates production and probably raises the ambition a bit, but doesn't necessarily replace the creative leadership. The economics still remain heavily driven by IP, talent, and storytelling, rather than technology. AI allows producers to do a bit more with similar budgets, more shots, more versions, higher ambition, rather than materially shrinking total production spend. It will also allow producers to drive efficiencies in areas like VFX, clean-up, asset versioning, localisation, etc.

I think AI will make VFX and post-production much more efficient. So, if players are not investing in that space, they are going to be exposed. AI will increase pressure on budgets, as commissioners will expect a 12-week shoot in 10 weeks if AI allows you to review your clips and rushes much more efficiently. I think that you'll see a streamlining of the process. It is still early days. I don't think that will necessarily result in more margins; it will just change expectations about what can be delivered in what time, and therefore what the budget should be.

There will probably be a slightly different impact by type of content, low-end versus higher-tier, and also by genre. So lower-end content production—the unscripted, the factuals, the lower-budget formats—probably faces greater automation risk. Our view is that AI-generated content is unlikely to have a material impact on the premium market. We are already seeing lots of AI schlock across Instagram, and maybe on YouTube, but in terms of the premium stuff, we think that’s relatively insulated. AI is more of a tool than a substitute.

Question: Do you see any risks that may constrain growth in the industry?

Answer:

It is increasingly difficult for new entrants to secure their first or second commission. That can be quite tricky, particularly in a tighter-margin period, and you often hear people in production saying they have no money for business development. So, there is a long-term cycle, as the industry is contingent on young people getting the right experience at the beginning of their careers. The UK has a really impressive talent base and production infrastructure, but how will that continue to evolve when established players, like the BBC, no longer fund big training programmes? That is where there are some longer-term risks to the industry. But it is an industry which people are very passionate about, and many may now get their experience from making short clips on YouTube or Instagram and building their skills that way. However, it is a tougher business than it was.