Chapter 40
The Video-on-Demand Market in Germany:
Dynamics, Market Structure and the (Special) Role of YouTube

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ABSTRACT

The markets for audiovisual content are subject to dynamic change. Where once "traditional" television was dominating, i.e. linear audiovisual media services, markets display nowadays the strong growth of different types of video-on-demand (VoD), i.e. nonlinear audiovisual media services including paid-for VoD such as Netflix and advertised-financed VoD like YouTube. This article aims at providing insights into the VoD market in general and the competitive environment in particular. For doing so, the authors first present recent developments in the German VoD market. In the second part of this article, the authors focus on the (perhaps special) role of YouTube in the market for audiovisual (online) services. Thereby arguments for and against YouTube exerting competitive pressure on i) other non-linear audiovisual media services (e.g. Netflix) as well as ii) on other linear audiovisual media service providers (TV stations) are discussed. The article concludes that there are numerous pros and cons speaking for a relevant role of YouTube for both markets.

INTRODUCTION

Watching video on the internet is still on the rise not least due to broadband connections as well as technologies favoring video usage on mobile devices (Crawford, 2015; Kupferschmitt, 2015). According to the ARD/ZDF Onlinestudie 2017, 72 per cent of the German speaking population from 14+ years watches moving images[1] on the internet at least rarely, whereas 53 per cent do so at least once per week (Koch

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& Frees, 2017, p. 443; Kupferschmitt, 2017, p. 448). The latter figures are highest in the young(er) age groups (14-29 years: 88 per cent; 30-49 years: 70 per cent), whereas consumption decreases in the older age groups (50-69 years: 34 per cent; 70+ years: 17 per cent) (Koch & Frees, 2017, p. 443). Altogether, consumption of video streaming services (e.g. Netflix, Amazon Prime Instant Video, Maxdome, etc.) has increased within one year by 11 percentage points (from 12 per cent at least once per week in 2016 to 23 per cent in 2017; Koch & Frees, 2017, p. 443). Lower frequency consumption even increased by 20 percentage points to 38 per cent in 2017 (Kupferschmitt 2017, pp. 448-449).

In line with consumption growth, the overall market for audiovisual online content in general and video-on-demand (VoD) in particular displays high dynamics. Among the various players are online media libraries of traditional TV stations (both commercial TV providers and public service broadcasters), video portals such as YouTube as well as video streaming providers such as Netflix and Maxdome – just to mention a few. Particularly, the market for video streaming services is currently highly competitive. At the beginning of October 2015 Amazon, for instance, announced to remove devices of Apple (i.e. Apple TV) and Google (i.e. Google Chromecast) from their website, informing the market place providers that from October, 29th, 2015 on those devices cannot be sold anymore on Amazon (Horizont Online, 2015).[2] Watchever, the German VoD player of the French media company Vivendi, by contrast, launched a new content concept in order to set itself apart from its competitors in October 2015 – however, at the end of 2016 Vivendi shut down Watchever (Schobelt, 2015; Meedia, 2016). In addition to this, new and well established players from abroad have entered the market, such as Amazon Prime Instant Video in February 2014 or Netflix in September 2014. Both have taken leading positions in the German VoD market throughout the past years. In 2018, the traditional broadcasters such as ProSiebenSat.1 as well as RTL announced their plans to further expand their video-on-demand activities in order to compete with the leading players Netflix and Amazon (Meedia, 2018a, 2018b; Winterbauer 2018). Also, Deutsche Telekom aims to play a role in the market and announced plans to start investing in own content production as well as to open up their streaming-service Entertain TV for non-Telekom customers, the latter effective from October 2018 on (Meedia, 2018c).

This paper aims at providing insights into the dynamic VoD market and elaborating on the competitive environment. The authors therefore start with presenting recent developments in the German VoD market including business models, market structures and dynamics (section 2). Following in section 3, the authors focus on the (perhaps special) role of YouTube in the market for audiovisual (online) services. Thereby, arguments for and against YouTube exerting competitive pressure on other-non-linear audiovisual media services (i.e. VoD players such as Netflix and Amazon) as well as on other linear audiovisual media service providers (i.e. TV channels such as ProSieben and RTL) are discussed.

In order to specify the term video-on-demand, the authors follow the 2010 Audiovisual Media Services Directive from the European Union (2010, p. L95/12). According to it, linear audiovisual media services are services delivered by a media service provider "for simultaneous viewing of programmes on the basis of a programme schedule". Television broadcasting is, thus, falling under this definition. Non-linear audiovisual media services (also referred to as on-demand audiovisual media services) by contrast are services delivered by a media service provider "for the viewing of programmes at the moment chosen by the user and at his individual request on the basis of a catalogue of programmes selected by the media services provider". The latter corresponds to the International Telecommunication Union (ITU) definition of VoD[3]: "A service in which the end-user can, on demand, select and view a video content and where the end-user can control the temporal order in which the video content is viewed (e.g. the ability to start the viewing, pause, fast forward, rewind, etc.)" (ITU, 2009, p. 6). A report by the European Commis-

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