



Market research Dutch Media & Entertainment Management Summary - August 2009

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The (main) focus of ME-India is to create a structural hub between the Dutch and Indian Media & Entertainment (M&E) industries. The aim of the program is to increase the market share of Dutch M&E companies in India. ME-India intends to stimulate existing initiatives and to create new ones, so that a structural business relationship with India can be constructed.

ME-India is a collaboration that consists of 14 companies of the Dutch M&E industry and Dutch Ministry of Economic Affairs. These companies have an interest in India for various reasons: The growing economy of India, the sharing of knowledge and/or the outsourcing of activities. The possibilities and intentions are broad. However, this is difficult to achieve as an individual company as well as to become a part of the Indian M&E industry as a Dutch company. To achieve this ME-India is established as a cluster of companies.

In 2008, the turnover of the Dutch Media & Entertainment industry was Euro 15 Billion. The most important division in the M&E industry is the audiovisual sector which had a turnover of Euro 4,7 Billion. This can be further divided into:

Film revenues	: Euro 612 million
Advertisements	: Euro 975 million
Subscription fees	: Euro 1,85 billion
Public funds	: Euro 427 million
Gaming revenues	: Euro 654 million

It is expected that in 2012 the total turnover of the M&E industry will be approximately Euro 18 billion, including a turnover of Euro 10.2 billion of the audiovisual sector. The prospect is that this amount will be doubled in the years subsequent to 2012.

In 2008, 7,1% of the Dutch labour-people were employed in the Creative Industry of which M&E forms a part. Within this sector the employment increased with 2.5% in 2008. From 1996 until 2007 the number of jobs increased with 9.7%. The sector has a 2,7% share in the Dutch GDP.

Presently, The Netherlands have a negative economic growth rate of 4,8%. At this stage it is not clear how this will influence the M&E industry. Despite the negative growth rate, cinema visits for the first quarter of 2009 were higher than for the same period in 2008. The advertisement revenues are decreasing, not because the number of advertisers are decreasing but because broadcasters have reduced their rates. Although The Netherlands are just a small player, in comparison with the great potency of India, all the pillars within the Dutch M&E industry have been developed extensively. The expected turnover of the Indian M&E industry this is Euro 20 billion by 2012 and will increase rapidly. If we look at the Dutch M&E industry it is expected that the turnover will reach 18 billion in 2012, but then the growth will only be a fraction of that of the Indian M&E Industry.

In this summary we will give a brief introduction of the most important M&E fields: Film, Television, and Gaming. Subsequently, the industry is described together with the benchmark, that we researched as well.

Film

Film results have been decreasing since 2003, with an absolute low in 2005. Several reasons can be given. Firstly, the lack and non-availability of big commercial films. Secondly, the downloading of films that are available everywhere on illegal download sites. However, the increasing figures in the industry since 2005 show that the illegal downloading of films does not affect the industry in a structural way. The home video releases have even gained more turnover and profit since then. There is a change in content holders from DVD to Blu-ray and it is expected that Blu-ray will become the standard in the near future. Due to this growth the rental and online content are becoming increasingly popular.

Each year Dutch films receive a higher market share in the Netherlands. In 2008, the market share increased to 17,8%. The market share of non-European or Hollywood films increased as well. The market share of Hindi content in the Netherlands is very low, ~ 0,3%. The majority of the Dutch films are made in Rotterdam or Amsterdam. Dutch and foreign productions are shown at several occasions in the Netherlands, like the IDFA in Amsterdam, the international Film festival Rotterdam and the Dutch Film festival in Utrecht.

In 2008, 88 Dutch feature films, short films and documentaries were sold for screening outside The Netherlands. The sales of these films takes place mainly on the big international film festivals through sales agents and distributors. Dutch films are very popular at international festivals; in 2009 until now 11 documentaries, 6 short films, and 9 feature films, were nominated and/or won a jury of public award. International Dutch film stars like Carice van Houten (Valkyrie with Tom Cruise) and Famke Jansen (James Bond; X-Men) are the brand ambassadors of the Dutch Media & Entertainment industry.

India has not really been explored by the Dutch for their content. There are only several distributors of Dutch films in India like Palador Pictures, UTV Motion Pictures, Sony Pictures, Interpannonia Film Distribution and Golden Jubilee. They mainly purchase films at film fares.

The Netherlands have 130 cinemas across the country. Over the years this amount remained very stable. The number of screens and seats did increase as a result of the introduction of multiplexes. The most important cinema exploiters are Joghems; Pathe; Minerva and Wolff. They have a total market share of 80%. A fifth very interesting player owning only multiplexes is Mustsee, which is a new cinema concept introduced by Minerva and Wolff. The other 20% of the market share belongs to smaller chains like Utopolis and/or private owned multiplexes and single screens. All cinemas in the Netherlands are equipped with and/or will be equipped with digital cinema possibilities.

There has never been any substantial collaboration in the field of film production between the Netherlands and India. Besides some shootings in The Netherlands (Silsila) and India (Bollywood love) no considerable tie-ups have been established. Parties in The Netherlands see a lot of possibilities in outsourcing films, production as well as post production to India. The technical infrastructure is excellent in the Netherlands with high speed fibreglass internet. In addition, The Netherlands' excellent logistic infrastructure enables an almost daily connection with India through KLM-Air France. The Dutch environment offers modern architecture as well as wide woodlands and hills. In the benchmark section the different cities and environments will be described.

Television

In the period 2003 to 2008 there was a noticeable growth in the size of the Dutch television market from Euro 2.3 billion in 2003 to Euro 3.3 billion in 2008. There is an expected growth towards Euro 4.1 billion in 2011. The share of Dutch television in the European market in the period mentioned above was approximately 4,5%. It is expected that this share will remain at the same level in the coming years.

The Netherlands have public and commercial broadcasters. In 2008, the contribution of the Dutch government to the public broadcasters was approximately Euro 430 million. There is an expected growth until Euro 445 million in 2012.

The commercial broadcasters are financed through advertisement sales. This involved a total amount of approximately Euro 1 billion in 2008. Interesting is the growth in non-spot advertisements in 2008, which implies that the advertisement revenues are linked directly to broadcasted programs. Separate commercial blocks are often skipped by viewers and are therefore not reached by the audience. Non-spot programming is, however, part of the show and hence reaches the audience.

Dutch programs are popular among Dutch television viewers. The top 25 of best viewed programs, aired during prime time in 2008, are all in Dutch. In the top 25 sports broadcasts, for instance matches of Dutch football teams, are not included. They draw a lot of viewers and take an important position in the best viewed programs.

Cable companies offer the Dutch viewer more and more possibilities to watch the programs they want to see with video-on-demand. It is expected that video-on-demand will grow from revenues from Euro 56 million in 2008 to Euro 157 million in 2011.

Every household in The Netherlands (> 7 million) own television. Digital television is gaining ground fast. More than half of the Dutch households watch (interactive) digital television through cable, airwaves, or satellite. Coverage of digital television is high, depending on the way how digital television is offered, and ranges from 80 to 97%. Digital and analogue television is offered by 14 cable companies. The most important are Ziggo, Canal Digitaal, KPN and UPC. Together they make up 89% of the market.

There are 273 television production companies in The Netherlands, most of which are located in Hilversum and Amsterdam. Apart from these companies, there are another 11 companies specialized in the development of television formats. Especially these formats are particularly successful in foreign countries. These formats are, like films, sold through sales agents on international trade fairs, of which MIP TV in Cannes is the most important.

To expand the collaboration with India in the field of television, Dutch television producers can offer their formats as export products and expand their network through existing contacts in India. The high penetration of digital television offers potential advertisers the opportunity to present high quality commercials to the Dutch population.

Gaming

Gaming is a blooming market in the Netherlands. The sales of game consoles increased with a massive 49,2% between 2007 and 2008, which corresponds with 1.48 million sold consoles. The growth in the revenues was slightly less, from Euro 212.2 million in 2007 to Euro 312,5 million in 2008. A growth of 47.2%.

In 2008, the Dutch market share in Europe, the Middle East and Africa was 4.7%. Within the EMEA The Netherlands will lose its lead to other countries. Its market share will equalize and eventually decrease slightly to 4.4% in 2011. There are 118 companies active in concept development, production and the distribution of games in The Netherlands. Most of these companies have a diverse selection of games in their archive.

Adventure and action games are popular on game consoles. In the PC-game market, War and Strategy games take the lead. This enables a strong growth that will continue in the coming period. The expected average growth in the coming years will be 9.7%. Because of the high penetration of broadband internet, the expected growth for online gaming is approximately 8% for the coming period.

The possibilities for collaborations with India can be found mainly in concept development and the production of games. The Netherlands great strength is the development of game concepts and the production of games. India is also developing games, often as promotional material for films and productions. A further development in the field of gaming as a tool for marketing and advertisement may be interesting for both countries.

Industry

a. Film

In the release of films, there is a distinction between 'theatre release' and 'home video release'. Theatre releases are films that are released in theatres and during festivals. Home Video releases are films that are released in a home setting on either physical carriers such as DVD and Blu-ray, or through video-on-demand and internet. In this description we will differentiate between these methods of distribution.

Players

There are many companies active in the field of film production. Examples are BosBros Film/TV productions, Fu Works, IDTV Film BV, NL Film & TV. In the Dutch market, several distributors are active in releasing films. Many of these distributors have local offices in large American companies, such as Buena Vista, UIP and Disney. There is also a group of independent, Dutch distributors active on the Dutch market. For instance: A-Film, Paradiso Films, RCV EntertainmentBV, Dutch Film Works and Independent Films.

Theatre Release & Home Video Release

The majority of movie theatres in The Netherlands consists of small, independent theatres. Theatre chains active in The Netherlands are, for example, Pathe and Bios Wolff. Home Video releases are released on video and DVD. Due to the increase in popularity of DVD, VHS-players will probably disappear in the future. Another upcoming carrier is Blu-Ray, which has the highest rise in sales, and is gaining in popularity fast. In 2008, Home Video sales in physical carriers were worth Euro 338.66 million, a decrease compared to 2007. The number of sold carriers has increased slightly with 0.3%. The (legal) downloading of films will cause an even higher decrease in sales of physical carriers. Movie rentals are decreasing even faster.

Financing

In the Netherlands, Dutch film productions are mainly financed by the government. In addition, film productions are also financed by commercial TV broadcasting stations, distributors and private investors. The process is different with international co-productions. International European funds have different criteria. 35% of the films are funded by Eurimages, the other 65% is covered by the producers.

Dutch funds who finance films are: The Dutch Film fund (Het Nederlandse Fonds voor de Film), The coproduction fund for national broadcasters (Het Coproductie Binnenlandse Omroep Fonds - CoBO fonds), Dutch Cultural Broadcasting Fund, Rotterdams Media Fund.

International focus

The purchase of Dutch films is usually carried out by foreign companies through film sale agencies or during film festivals and fairs. Holland film, a semi-branch organization, reports that in 2008 Dutch films were sold to 186 countries. Purchasing countries are from the Middle-East, Latin America and French Africa. Palador Pictures, a Mumbai based film distributor, bought the rights of films like 'The Polish Bride' (De Poolse Bruid – 1998) and 'My little Sister' (Zusje van me' – 1995). Recently, a lot of Dutch films have been shot in India. Examples are 'Zoop in India' by NL Film & TV, 'Bollywood Love' made by IDTV and 'Saiyan Chitchor' made by BEIFILMS.

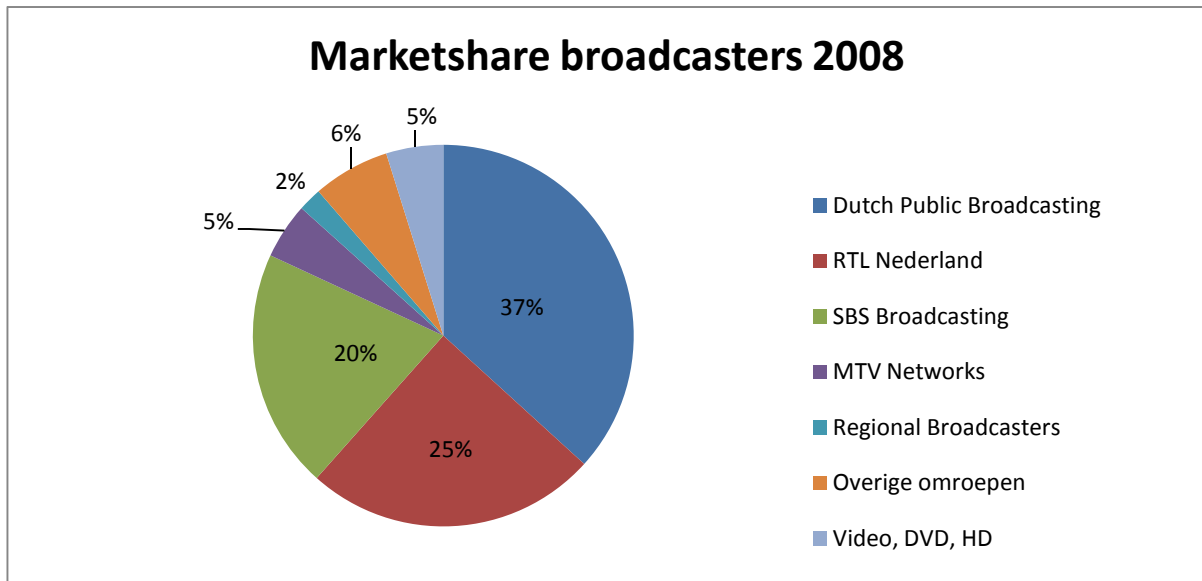
b. Television

The majority of the Dutch households watch TV using a digital signal. 2 million households watch television using cable and approximately 1,9 million households watch TV using DTH and IPTV. The number of people that still watch analogue TV is decreasing rapidly.

Public Broadcasting vs. Commercial Broadcasting

Dutch TV consists of three main public channels where the 26 public broadcasters show their content. There are at least 8 commercial TV stations with programming based on the Dutch population.

The market shares are:



1

The Dutch Public Broadcasting station (NPO) divides their Broadcasting time over the 26 TV broadcasters. The broadcasters depend on their members, which pay a certain subscription fee. Obtaining a Broadcasting slot depends on the individual status of the Broadcasting stations.

The broadcasting stations are being grouped as follows:

Aspirant – Broadcasting station: This station has 50.000 members and aims to get the C-Status

C-Status : 100.000 – 150.000 members

B-Status : 150.000 – 300.000 members

A-Status : 300.000 and more member

Apart from these public broadcasters there is a variety of local and regional channels like AT5 and RTV Rijnmond.

Commercial Broadcasting stations

The most important Broadcasting stations are RTL Netherlands with 3 channels (RTL4; RTL5 and RTL7) and SBS Broadcasting also with 3 channels (SBS6; NET5 and Veronica). MTV Networks has MTV Netherlands and TMF, both music channels.

Players

According to the Dutch Broadcasting/Production manual there are over 270 companies operating in the RTV industry. There are 11 major companies operating in the field of TV-Formatting and/or distributing of TV Formats. In the field of digital TV distribution there are 14 major players operating on both local and national level. The main players in the field of TV formatting are Blue Circle, Endemol, Eyeworks. And in the field of digital distribution these are Ziggo, UPC, Canal Digital, KPN and Tele2.

¹ Based on information of the SKO, year report 2008

Financing and support

The Dutch public Broadcasting is financed in two ways. Out of the total, 2/3 of the incomes come from government funds, 1/3 are incomes out of advertising. This is in contrast with the commercial broadcasting stations, which depend on advertising for the fully 100%. They use spot and non-spot advertising. Spots are the regular TV-commercials. Non-spot is related to a certain program or show. The market for non-spot advertising is increasing. In 2007 the revenues were Euro 93 million, whereas in 2008 this increased to 119 million. The major cause is zapping/skipping. People usually skip the regular TV commercials and turn back to the program after an advertisement slot. When commercials are advertised during the program or show, people do not have the opportunity to skip or zap away from it.

The total income obtained by advertisements (spot and non-spot) increased from Euro 944 million in 2007 to Euro 974 million in 2008.

Dutch Formats abroad

The Netherlands is exporting country no.2 in the field of TV formats. Famous formats are

- Big Brother
- Love Letters
- Wedden dat (Will you bet me)
- Deal or no Deal
- Fear Factor
- Model in a day
- One vs. 100

The sale of formats is similar as the sale of Films, through fairs and festivals and sales agents.

c. Other media

Internet

Almost all Dutch households (86%) have internet access. In the Netherlands there are 19 internet providers. But just a few of them operate nationwide, some of them have a very strong regional position like e.g. Zeelandnet in the province of Zeeland. Most internet connections anno 2009 are broadband connections.

Mobile telephony in 2008

There were 20.7 million mobile connections in 2008, with a turnover of 6.37 billion euro. There was an increase of 1% compared to 2007. There are 3 major players: The Dutch KPN, T-Mobile and Vodafone. The number of mobile connections is higher than the population size (16,5 million) of the Netherlands.

Games

Dutch Games are normally distributed and sold by major worldwide players. Mostly at fairs like the Leipzig Games Convention, Game Developers Conference, E3. Console games are becoming popular and winning share on PC games. Popular genres are adventure and action. For PC games there is another popular genre 'War & Strategy'. Games which are being played for more than one hour continuously are more popular on the PC. An upcoming market are serious games, especially in the field of e-learning.

Due to the high broadband internet penetration, online gaming became very popular as well. In 2007, from all of the broadband households, 23,7% had an account on one or more online game websites. According to research performed by Price Waterhouse Coopers, there will a doubling in online gamers as the games are getting cheaper and the internet is getting faster and cheaper as well. In 2007 the online game expenses were Euro 156 million.

The market for Mobile Gaming is still to be developed in the Netherlands. Just a little number of people uses their mobile phone for gaming. In 2007 there were 1.3 million registered mobile games. The turnover was not more than Euro 32 million.

d. Benchmark

The cities of Amsterdam, Rotterdam, The Hague, Almere and Maastricht have been selected for the benchmark. These cities have an important creative component in the city policy.

General

- Especially Rotterdam, but also Amsterdam and Almere are relatively young cities. Maastricht has an older population but tries to attract youth by an innovative cultural program. In all the benchmark cities there is a governmental interest in the creative sector as well as a reasonable creative industry.
- Due to the economic recession all cities have suffered, especially within the economic sensitive creative sector.
- All benchmark cities have a reasonable population of foreign citizens/immigrants with the exception of Maastricht. The major ethnic groups are Turkish, Moroccan and Surinamese. In Rotterdam a fundamental ethnic group come from the Netherlands Antilles as well as from Portugal/Cape Verde.

Business climate

- Amsterdam has the largest international appeal of all benchmark cities ,also in relation to foreign investors and companies. Amsterdam has a strong position as European ICT Hub as well as a travel transfer city with the proximity of Schiphol Airport. The other cities all have their own interesting economic components. Rotterdam as being one of world's largest ports and industrial zones of the world. The Hague is the basis of the Dutch parliament and the city where the international court of peace and justice is located. Almere is the city with the largest growth within The Netherlands and has a strong position in ICT and Media. Finally, Maastricht forms a gateway towards Belgium and Germany.
- Amsterdam, Almere, Rotterdam and The Hague deal with enormous traffic problems. The Dutch government is working on structural solutions, mainly by creating new highways and better public transport. Maastricht is located almost 200km from Amsterdam but is well accessible with private and public transport.
- International companies willing to establish themselves in one of mentioned cities receive all the required help and support. Special teams at the local Chambers of Commerce address all possibilities to create a good start for these companies. In the areas of education, visa, accommodation, etc., the companies are supported.
- Amsterdam, Rotterdam and The Hague have their own expat desk to help companies and individuals that want to establish their activities in the Netherlands. The immigration process can be complex, but with these desks all barriers will be overcome as much as possible. Almere uses Amsterdam's Expat desk and Maastricht will open its expat desk in 2010.

Audiovisual creative industry

- Amsterdam promotes itself as the Dutch creative city. Amsterdam has most companies and jobs in this sector.
- Rotterdam is upcoming and has a stable creative sector, in which almost 10.000 people are working. It has certain business areas where creative companies are clustered and supported by the local authorities. Furthermore, Rotterdam is the only Dutch city with its own Film fund to stimulate film shootings in Rotterdam.
- The Hague focuses on improving the Development of local media and entertainment. It has a number of local film and cultural festivals. The Hague is well known for the companies in graphical design.
- Almere at this stage mainly focuses on ICT. Although Film and Television production companies are mainly based in Amsterdam, Almere is trying to attract these companies to create a wider creative sector.
- The number of media and entertainment companies in Maastricht is low compared to Amsterdam and Rotterdam. However, Maastricht is becoming increasingly popular thanks to the variety of the locations available. It is hosting the popular series 'Flikken Maastricht' and is aiming on acquiring more business in this sector.

Media and entertainment Policy

- All benchmarked cities have a proactive policy against creative industry and are investing in this industry
- Amsterdam follows the national policy and focuses on international advertising, television and gaming.
- Rotterdam invests in the creative sector conform their policy to stimulate certain areas in the city. Some initiatives in Rotterdam are Spirit of Media and Creativity Starts Here.
- The Hague is primarily focusing on ICT with Media and Entertainment on a second place.

- Almere has a cross media policy, the city is open for all kinds of new creative business. However the main focus at this point is still ICT.
- Maastricht is focusing on developing their media- and entertainment policy. The created facilities to support e.g. film and TV shootings.

Services in the field of international acquisition

For foreign companies the existence of one agency for all their queries is essential. This is understood by the city of Amsterdam who has these kind of services under the umbrella of Amsterdam in Business. This agency is also active in acquiring foreign companies to settle in Amsterdam. They provide all kinds of facilities, like an introduction program, one coordinator for queries, an expat desk, permissions desk, etc.

- Just like Amsterdam, Maastricht too has a central point where foreign companies can address all their queries. It is a bottom-up approach in which Maastricht is focusing on their hospitality as a city.
- In The Hague these services are part of the services of the WFIA and the expat desk. WFIA is usually the first agency contacted by foreign companies with interest in settling in The Hague.
- In Rotterdam, a full service agency is being developed. The Rotterdam investment agency is responsible for acquiring foreign companies to the city. Since last year a fully operational expat desk has been opened to service foreign companies and private persons with an economic interest in Rotterdam.
- Almere is until now using the services of Amsterdam but is growing rapidly. It is expected that in time they will give their own service .

Facilities for expats

- Apart from Almere and Maastricht, all the benchmarked cities have an expat desk. The establishment for an expat desk in Maastricht is planned for this summer. Almere also intends to establish an expat desk.
- All benchmarked cities offer international education for children of expats.
- In all cities, apart from Almere, the international acquisition departments together with the expat desks negotiate in matters such as housing, the recruitment of personnel, insurance and medical care. In Amsterdam the AMC offers a clinic especially designed for the needs in medical care of expats.
- Amsterdam and Den Haag provide expats with information about network meetings and special events for expats, such as the cricket tournament in Amsterdam.

Benchmark, summary

	Amsterdam	Rotterdam	The Hague	Almere	Maastricht
Focus	+	-	-	+	+
Media fund	+	+	+	-	-
Education	+	+	+	+	+
Financial inputs	+	+	+/-	+/-	+
Facilitating licensing	+	+/-	+	-	+
Facilitating housing	+	+/-	+	+/-	+
Facilitating education family members	+	+	+	+/-	+
Facilitating recruitment personnel	+	-	+	+/-	+
Expat desk	+	+	+	-	-

Recommendations

The economy of India is growing fast allowing the media- and entertainment sector to flourish. In contrast, The Netherlands is presently in economic recession, which will have its effect on the creative industry. Although the Dutch audiovisual creative industry is growing as well, but is less significant than that of India. When comparing both industries we are justified to say that The Netherlands may need India more than vice versa.

Based on the market research and the benchmark, the following recommendations for the audiovisual creative industry can be made:

- Dutch cities show an eagerness when it comes to attracting foreign companies. Furthermore, investor development causes foreign companies to stay, which has a positive effect on the Dutch economy. Not only the facilitating and settling constantly needs attention and improvement, but also the interest in companies and their employees during their stay in the Netherlands.
- Indian film producers want to make use of special locations in The Netherlands as background for their films. The exhibition of Dutch images in India, would imply that The Netherlands is promoted to at least half a billion people. Hospitality, a swift handling of procedures regarding licences, and a clear contact point about the establishment and stay, are all important aspects that make a city appealing to producers. Departments within local authorities that are involved in international acquisition and investor development, but also take care of the existing expat desks and the ones that still have to be established, should adjust their level of service. Especially when expats are concerned.
- Research and interviews reveal that especially Amsterdam is internationally known as a city to branch out into foreign companies, in part thanks to a clear profiling. A number interviewees pointed out that cities in The Netherlands often do not stand out concerning foreign companies and investors, as they offer 'more of the same'.
Although competition between Dutch cities can only improve the quality of products and servicing, it is wise for local governments, especially for a country as small as the Netherlands, to join forces so that an appealing palette of offerings can be created collectively with which the Netherlands can present themselves. An important profile and product- and services for each city is therefore of great value.
- Through universities, companies and network organizations a large number of contacts have been made with India and Indian companies. Established Indian companies, that are accomplishing their activities to their own satisfaction are the best ambassadors for The Netherlands as a country to branch out into. This network of companies could also be used for the audiovisual creative industry.
- In the cooperation with India in the audiovisual creative industry, The Netherlands can use their high technological standard, such as:
 - The high level of penetration of digital (HD)-television and digital film for optimal image quality;
 - A strong fibreglass infrastructure to ensure a fast transfer of films over the internet;
 - Increasing technological possibilities of online streaming and video-on-demandThe Netherlands as test area, for instance among advertisement developers, can be very interesting and can be profiled as such.
- The Netherlands are leading in the field of concept development in gaming, but also facilitates in the production and distribution of games. Their lead in the field of concept development can be used in the Indian market. India in their turn can be of service to The Netherlands in the production of games and their use as marketing tool for films.