Entertainment & Media Outlook for the Netherlands 2016-2020

'The converging media landscape'

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Entertainment & Media Outlook for the Netherlands 2016-2020

Entertainment & Media Outlook for the Netherlands 2016-2020
16th annual edition, October 2016

Each year, PwC's global and local teams of entertainment and media experts generate unbiased, in-depth forecasts for 13 industry segments. The Entertainment & Media Outlook for the Netherlands 2016-2020 combines thorough knowledge of the Dutch market with a truly global perspective – a powerful tool for understanding critical business issues.
To learn more about the challenges and opportunities ahead for the entertainment and media industry, please contact Ennèl van Eeden via +31 (0)88 792 45 40 or ennel.van.eeden@nl.pwc.com


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Welcome to the PwC Entertainment & Media Outlook for the Netherlands 2016-2020

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Dear Outlook reader,

Hardly any industry is more impacted by technological developments, globalisation, digitisation and changing consumer behaviour than the Entertainment and Media industry. Not a single day passes by without the emergence of interesting and often unexpected new developments. One overarching development we observed this year is that more and more companies are changing their position in the media landscape – all with the ultimate goal to closely engage with their customers.

For us, this is a good reason and opportunity to once again explore, forecast and summarise the consumer and advertiser trends in this industry. It is therefore with great pride and pleasure that we present the 16th edition of the Dutch Entertainment & Media Outlook.

In this edition of the E&M Outlook we reflect on the Dutch market along the lines of four global shifts, as well as by deep-dives in thirteen industry segments. The four shifts relate to the converging business models, the impact of demographics, the impact of Digital Giants and the growing number of options for consumers. We have chosen these four shifts as they will continue to impact virtually all broadcasters, publishers, advertisers, content producers, cable companies and new market entrants.
Our views are continuously challenged and nourished during numerous discussions with senior media executives. Four of these discussions are included in this Outlook. In these interviews Rob van Griensven (*HEINEKEN*), Iris Boelhouwer and Boudewijn Beusmans (both *Endemol Shine*), Ron Sterk (*Vue*) and Hans Schoolenberg (media advisor) share their views on the media landscape, now and in the future.

We also included abstracts of two recent PwC Outlook Specials – *Staying relevant in the stampede of the Digital Giants* and *Success factors of email marketing*. The full versions of these specials are published on our website. We encourage you to visit our Outlook online at www.pwc.nl/outlook for these topics, detailed financial information and more insights to follow.

We thank all the people who have openly engaged with us and shared their views on the trends and direction of this dynamic industry. We hope you will enjoy reading this edition of the E&M Outlook and will find new ideas that contribute to your success and the success of your network. If you would like to discuss any of the topics covered, we kindly invite you to contact us.

Yours sincerely,

Ennèl van Eeden
Entertainment & Media Leader

Casper Scheffer
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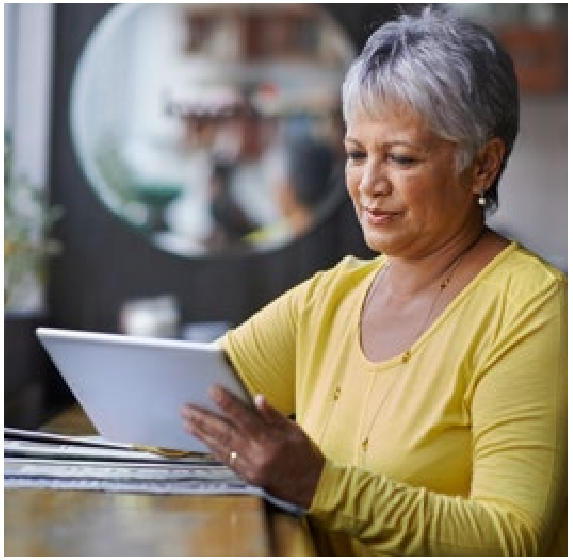


The converging media landscape

Many entertainment and media companies around the world have been making great strides towards transforming themselves in order to reach digital consumers. At first glance, the outlook for many companies in the industry seems troubling – pricing pressure, the continued notion of free media and transition from ownership to access make it challenging to realise organic growth in some areas. In the years to come, the transitions will continue as macroeconomic, technological and social trends drive significant changes in many industries, not just media. There are four important global Entertainment & Media shifts from a local, Dutch, perspective: transforming business models, differences between demographics, new forms of competition and changing media behaviour. In all four shifts we see blurring boundaries between media, devices and companies. The media landscape is converging.

Shift 1 - Business models

A transforming industry

Ziggo is producing sports content, TMG is partnering to prepare OTT channels, Amazon is offering its own streaming services, Ahold is positioning itself as a marketing and media group, B2C companies are producing sponsored magazines, and Sanoma is partnering with GroupM to re-use its data.
We could easily fill this market overview with more examples of companies which are changing their business models. Unexpected parties suddenly become competitors. Competitors become partners. Sectors are converging. New business models are created overnight.

All these transformations are symptomatic of companies that are redefining their position in the changing landscape at a high pace. Such a high pace, enabled by technology, is critical as companies need to keep up with changing customer behaviour and new forms of competition, often on a global scale. Capturing media and entertainment business models in traditional sectors becomes increasingly difficult as business models are converging.

When we group the individual sectors of the Outlook into larger sectors, we see that internet (+ 5.6% CAGR), video entertainment (+1.6% CAGR), and games (+4.9% CAGR) are growing. These three sectors are more successful in attracting (and monetising) more and more consumers, advertisers and media companies.

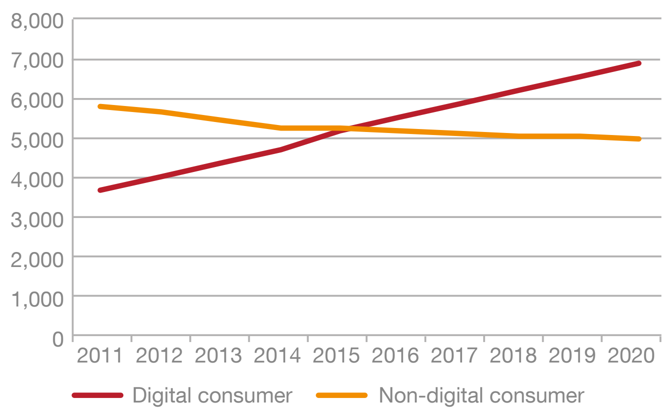
Total revenue generated in the music sector is gradually increasing (+1.9% CAGR) due to continuous growth in live music, supported by rapid growth in streaming services which come from a lower baseline. Also, local companies in the music industry need to find strategies to remain relevant and manage the impact of global competitors such as streaming services.

Publishers in general (- 0.8% CAGR), and in particular B2C, will continue to face difficult times. Advertising revenues are continuing to move away from B2C printed media and are unlikely to return.

Out-of-home advertising companies continue to experiment more and more with digital solutions, which are enabled by new technologies. So far, this market, with a value of 160 to 170 million euros, has been primarily non-digital, but we expect this to change at an accelerating pace.

All these developments result in a further increase of total digital Entertainment & Media spend, and a decrease in non-digital spend. Historically, non-digital spend has always been higher than digital. Consumer spending, however, will reach an important tipping point in 2016 when digital consumer spend will overtake non-digital spend. For advertising spend this tipping point is expected to occur by 2020.

E&M spending - consumers (€ millions)

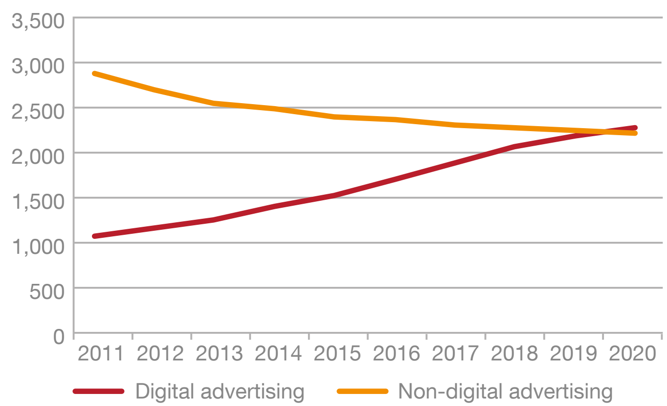


Source: PwC, Ovum

In addition to having the right content, which we will reflect on later, a key factor for success in this business landscape is having access to the right mix of skills and talents. Competition is intense and businesses use multiple ways to contract and retain talent. For example, more and more partnerships are formed as developing all capabilities in-house takes too much time and is risky due to high investments and fixed costs. TMG's announced plans to launch a news and a sports OTT channel is a good example. TMG will combine its own extensive content repository and subscribers audience, with Talpa's capabilities to produce video content and, for instance, with Apple TV's technology as a distribution channel.

In content creation we see multiple trends. One of which is the rise of branded content which started quite a while ago. Media companies are offering their ad space as well as their content generation skills to advertisers. Simultaneously, we see large advertisers building in-house branded content generation capabilities. Ziggo's Brand Publishing and PepsiCo's Creator League are just two examples.

E&M spending - advertising (€ millions)



Source: PwC, Ovum

Shift 2 - Demographics

Target audiences develop at different paces

Many articles have been written about the millennials or digital natives. Advertisers and media companies compete and collaborate in order to engage this target audience. Millennials can make or break a brand, product or technology. Their spending patterns are very different from other age groups - millennials are willing to spend a large part of their limited budgets on certain types of media, such as phones, access, games and festivals. At the same time, this generation has a startling ability to multitask and is used to accessing and sharing free content. All around the world, younger people consume more media than older people. Younger people are more open to adopt new, digital, behaviours and are more inclined towards digital spending on access to content, rather than on the content itself.

Embrace the senior citizens

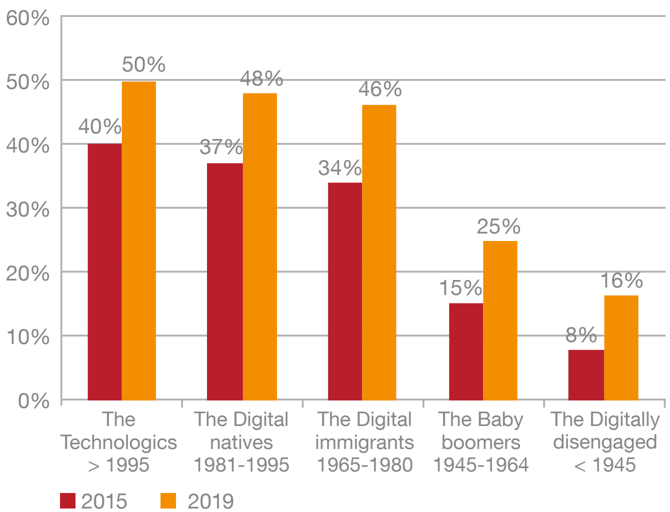
Based on last year's Outlook Special '*Behavioural Shifts in Target Audiences*', we see many differences in how media is consumed and how this is expected to develop over time. One way of looking at the shifts in demographics is dividing the population into two groups: younger audiences (born after 1964) and older audiences (born before 1964). Younger audiences already spend between 30% and 40% of their media budget on digital media. It remains to be seen how their behaviour will change once they get older; the current expectation is that their digital media spend will range from 46% to 50% by 2019. For the coming years, older audiences will continue to spend the most significant part of their media budget (and time) on more traditional, non-digital, media.

A positive aspect of the older age group is that they represent a large part of the consumption spend and, as the average life expectancy is high, will continue to do so for decades.

The fact that older audiences are still spending a considerable part of media time on non-digital media particularly allows TV advertising to remain more or less stable in the Netherlands. Yet, the mix of advertisements is changing. Traditional advertisers are moving towards digital platforms and digital companies are using TV advertising to increase brand awareness and reach a wide audience. Perhaps one could even say that digital companies are a lifesaver for TV?

The combination of internet and TV may be a key to success. This notion is illustrated by a recently published BrandDeli case study on the effectiveness of TV commercials for an e-commerce company. And as Rob van Griensven of HEINEKEN mentions in his interview in this Outlook: "A continuous focus on the next best thing makes people forget the power of what is already there".

Digital media spend as % of total media spend



Source: PwC Outlook Special 2015

Shift 3 - Competition

Industries are trampled by the Digital Giants

There is no media company boardroom in the Netherlands where digital giants such as Google, Apple, Facebook and Amazon are not discussed during strategy meetings. The scale of disruption caused by these giants, as a result of their pace of growth, the broad range of their existing offerings and their ambition to develop new activities, is impacting all of us. Many incumbent media companies have seen revenues declining year-on-year. Investments in innovation, consolidation and cost reduction programmes were required. Multiple products and product types, such as certain magazines, printed directories, physical recorded music, text messaging and free newspapers, ceased to exist or declined rapidly. In order to survive the fierce competition stirred by these giants, local media companies working together in alliances, both against and with digital giants, could be the answer.

In reality, not all Dutch media companies will be successful in responding effectively, while, in parallel, new market entrants will be attracted. As described in our Outlook Special '*Staying relevant in the stampede of the Digital Giants*', we believe that being effective in this new playing field requires at least one out of the following three strategic capabilities:
1. owning a unique asset
2. providing a niche offering
3. fully embracing the change created by the giants

Owning a unique asset
For a media company a unique asset can be anything. Not surprisingly, there are multiple varieties of the well-known mantra 'content is king': context is king, data is king and so on. The right unique asset and, more importantly, how to use it, varies per company. Some incumbents are owners of a strong brand, have a loyal audience, create strong content, but still see revenues slipping through their fingers.

Recent strategy updates, launches of product offerings and announcements of strategic partnerships of listed companies such as De Persgroep, TMG, Ziggo and Sanoma all show that these companies are experimenting with their assets.

Multiple companies across the whole E&M spectrum are using sports rights to strengthen their key asset (SBS/nu.nl *Champions League*; *Ziggo Formula 1*, *Premier League*; BrandDeli/FOX *Eredivisie*, NPO *Olympics*). Sports events, especially broadcast licenses, are assets that enable E&M companies to attract large, dedicated and live audiences. As licenses typically provide exclusive use it puts the acquirer in a unique position, although at a high price.

Providing a niche offering
One niche offering that Dutch media companies have in common is that they are local. Geographical, language and cultural aspects can still be exploited by local companies rather than by the Digital Giants.

The majority of the news we read is domestic, regional or even local. The Top 10 daily TV shows mainly include Dutch programmes. The radio stations we listen to have Dutch DJs. This is also recognised by Iris Boelhouwer, co-CEO at Endemol Shine Netherlands. "TV networks that want to distinguish themselves in a local market really need local content products. American hit series are now available on a wide range of OTT platforms, which is why TV networks need local drama series and daily soaps to keep attracting an audience."

As the Dutch market is relatively small it will be difficult, or at least less attractive, for international companies to develop profitable local propositions. However, first attempts in this direction by companies such as Vice and Huffington Post will be watched closely. Just like Netflix whose CEO Reed Hastings commented that locally produced and globally distributed content is the future for Netflix and therefore creates opportunities for domestic content creators.

Fully embracing the change created by the giants
Google, Apple, Facebook and Amazon have become both partners and competitors of many media companies. There is no easy answer, yet Digital Giants can enable incumbents to exploit their key asset, continuously renew and enrich their offering, and reach an even wider audience.

One example is bol.com. Initially, bol.com was recognised in the market as an e-commerce company which focused on media related products such as books. Since its incorporation in 1999 the company continuously renewed itself, its product and service offerings, and its technologies while staying close to its brand identify. The company is further exploiting its knowledge and market position, e.g. by starting to provide marketing and media services to its suppliers and therefore advertisers.

Also check: www.pwc.nl/digitalgiants

Shift 4 - Consuming media

Consumers have more options than ever

The growth of the internet enabled many solutions. Further, the willingness to shop online will continue to change how people spend their time and how companies make money. In the Netherlands, fast and reliable internet access has become as fundamental as utilities. Fixed broadband penetration with speeds exceeding 30 Mbps is becoming the lower limit of fixed access and four near-national 4G mobile network operators are competing for customers.

Consumer spending is still growing in multiple segments

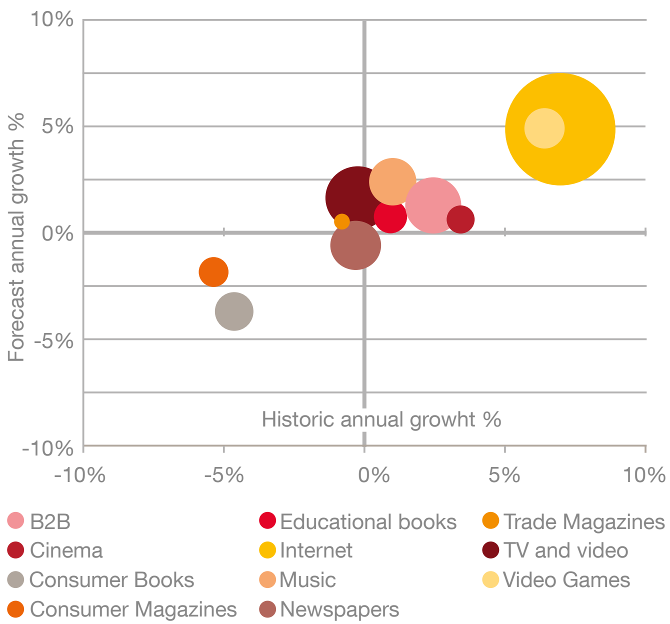
Total consumer spending on access and content has grown over the last five years. In spite of numerous references to a declining willingness to pay for content, we see revenue growth in a wide variety of categories. Growing segments include TV and video, Music (both partly due to streaming), Video games, B2B and Cinema. This clearly shows that consumers are willing to pay for entertainment, media content and services.

Finding the right business model to fit the changing behaviour

The never-ending challenge to balance advertising and consumer revenue will continue. Important factors that determine the right model include: the availability of free content, changing consumer behaviour, the ability to convert consumer data into useful information and the willingness of the target audience to pay.

The classic subscription model remains an interesting prospect for revenue growth across multiple consumer segments. Traditional content distributors, such as network operators, are exploiting the success of the subscription models by increasing the scope and content of their bundles. Ziggo's investment in Ziggo Sport, the merger of Ziggo and Vodafone and KPN's addition of Spotify Premium to its bundles are local examples. The wider scope of bundles can help retaining consumers and reduce the speed attrition of for instance TV subscriptions. So far, stacking all these products which appeal to a wide audience seems to be attractive to both consumers and distributors. However, discussions among consumers as well as politicians (e.g. Sander Dekker, *State Secretary for Education, Culture and Science*) on charging consumers for bundles they don't use will give rise to new developments such as skinny bundles.

E&M consumer spending by sector (€ millions)



Source: PwC, Ovum

For content distributors, seamless delivery and a focus on the consumer experience constitute the integral groundwork for growth. On top of that, they must offer truly compelling content. For instance, *House of Cards* draws consumers to Netflix, *Spectre* is a movie that demands to be seen in an IMAX theatre to provide the ultimate experience, and *Starcraft 2* tournaments keep online/micro transaction PC games revenue in good health.

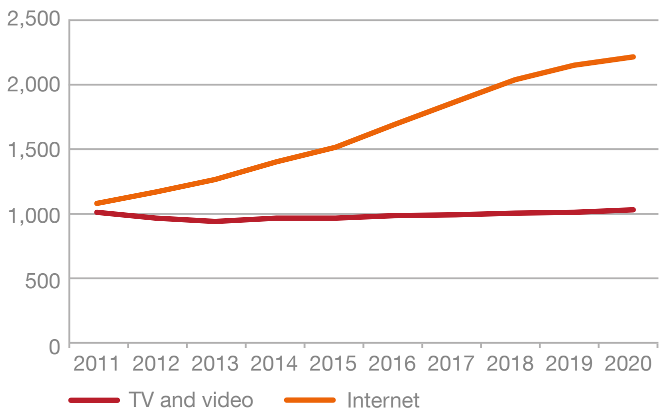
Simultaneously, scale and sustainable revenue agreements with subscription platforms are vital for content producers. These agreements can be a blessing, and at the same time trigger cannibalisation. The impact and performance of subscription models Mofibo and Maggy will be watched with interest. These propositions entered the Dutch market with unlimited e-book and magazine subscription offerings in 2016.
Out-of-home experiences too, remain a differentiator in a digital world. Cinema is set to grow in the mid-term despite its high base position, live music is also holding steady and new live events, including gaming events, are introduced.

Meanwhile, video games continue to perform strongly as the social/casual model draws more and more consumers who consider themselves as "gamers".

Changing consumer behaviour continues to drive advertisers to the internet

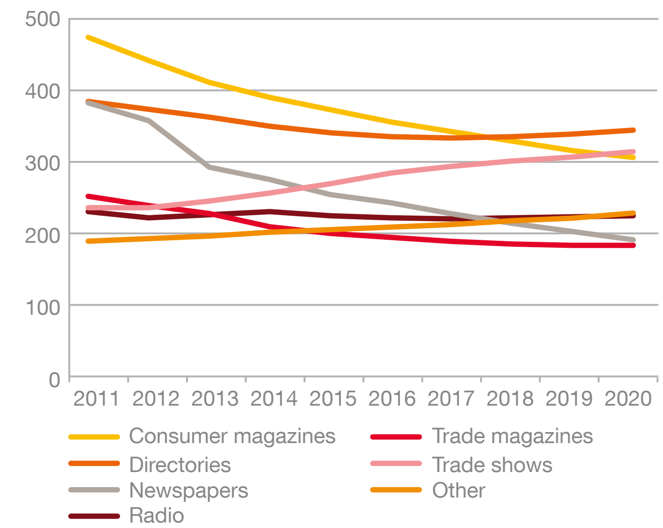
Over the last five years digital developments triggered a 400 million euro growth in Dutch internet advertising revenues, largely at the expense of other advertising segments. And we expect that a growing share of the budgets of advertisers will move to the internet. Increasing knowledge on how to engage consumers on mobile devices and opportunities to tailor ads to consumer groups and even to individuals will outweigh risks such as ad blockers.
An important question is to what extent further growth of internet advertising spend will continue to reduce ad-spend in traditional media. Today, we expect that growth in internet

TV and internet advertising revenue (€ millions)



Source: PwC, Ovum

Advertising revenue by sector, excl. TV and Internet (€ millions)



Source: PwC, Ovum

advertising will go more hand in hand with advertising in other media than it did over the past years. Only few media sectors, for instance printed media, will continue to see a material decline in ad-spend.

In the mid-term, we expect that the high growth of internet advertising may come to a halt and a saturation point or new balance will be reached. As more and more players strike back with integrated and multi-platform propositions around various brands, it becomes increasingly difficult to categorise and track revenues in accordance with the traditional sector classification.

A major game changer in the mix between internet and other advertising spend may be TV advertising, which is the only segment, besides internet, that generates annual revenues of 1 billion euros. So far, this segment has not been affected too much by the internet. In the near future we expect TV advertising to remain broadly stable as TV remains an important medium for advertisers to reach a large and wide audience. However, TV broadcasters will need to continue to invest in content that will seduce consumers away from all the other video propositions out there.

In the longer term, an accelerated reduction in linear viewing due to organic declines and due to cord cutting may reduce pricing and volumes in the traditional TV advertising segment.

2015: predictions vs actuals

For the second year in a row, total E&M revenue growth (+3.5%) was higher than our forecast (+2.4%). On the consumer side, content creators delivered compelling experiences, particularly in the consumer books and cinema segments. This helped non-digital consumer revenue grow for the first time over the surveyed period. The increase in total revenues is also driven by consumers spending 250 million euros more on fixed and mobile internet access compared to 2014. This is 50 million euros more than we forecasted and illustrates the willingness of consumers to pay for fast and reliable access. Advertisers too were encouraged by the continuing allure of internet and internet advertising, finding appeal in its reach and increasing possibilities on mobile platforms. Total advertising revenues increased, albeit at a slightly slower pace than we anticipated as digital advertising grew by 8-9% versus our estimated 11%.

Staying relevant in the stampede of the Digital Giants

Business innovation demands the appropriate blend of 'design' and 'decision' attitudes

Rajendra Sitompoel
May 2016

Throughout the year our Outlook Specials address key developments that are transforming the Media & Entertainment industry. Digital Giants transform and disrupt markets at an incredible pace. Many incumbents across industries are responding effectively, while others struggle to adapt to the new reality. An important characteristic of companies that thrive in the stampede of these Giants, is the ability to recognise that they are not just disruptors but also enablers. Below you will find the summary, the full publication can be viewed online.

A select group of companies is pushing the boundaries of digital technology, transforming business and everyday life. Some of them – notably Google, Apple, Facebook and Amazon - have grown into true Digital Giants. They are disrupting, exploring and creating new markets through an unprecedented wide range of complex activities. They do not shy away from entering new markets when they see potential in leveraging their technology and introducing innovative business models, thereby thoroughly reconfiguring existing value chains.

These companies add huge value to the economy in a number of ways: creating new products and services, matching supply and demand and facilitating exchanges between market parties.
We present some guidelines that can help companies to remain relevant and not get trampled in the stampede of these Digital Giants.

‘Will you thrive or get trampled in the stampede of the Digital Giants?’

Go to pwc.nl/outlook

To read the full Digital Giants publication

The economics behind the rise of the Digital Giants

The rise of Digital Giants in this environment was not a chance event. A number of economic forces have driven, and are still driving, consolidation in the digital ecosystem and have facilitated exponential growth of the strongest players. These forces are: network economies, economies of scale and low entry barriers due to technology.

So what sets these companies apart? A relentless focus on the consumer, speed of action, a strong position in the digital ecosystem and attracting the best talent.

Digital Giants leave a trail of destruction...

Many companies are fundamentally challenged by the rise of the Giants as they are transforming markets in multiple ways:

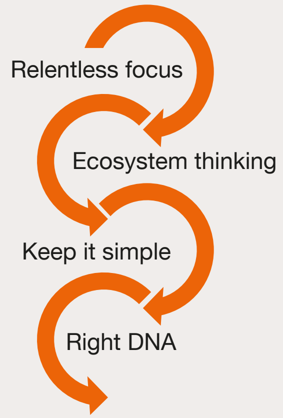
- Posing a strong threat in the new markets they enter
- Breaking down entry barriers for new players
- Indirectly putting downward pressure on margins
- Bringing direct competition for consumer attention

...fortunately they also bring heaps of opportunities

Digital Giants are not just severe disruptors. They are also enablers for change. Many companies have been able to benefit from low entry barriers and have successfully found their way to a viable place in the new ecosystem. Start-ups like Tinder, Spotify, Lyft, and Uber have grown on the back of the infrastructures of Digital Giants. Many established companies also benefit from the presence of the Giants as they facilitate and accelerate innovation processes, thereby opening up new markets for established players. ■

Guidelines to remain relevant

In order to optimally position your business in the digital world, we believe it is possible to learn from the Giants’ experience and emulate their success factors. To be successful in a digital world, we encourage companies to:



1. **Maintain a relentless customer focus, combining left and right brain thinking**
   Digital Giants have led the way in developing intuitive design solutions. This ‘design attitude’ – or ‘left brain thinking’ – they embody thrives on empathising with end users and exploring beyond traditional courses of action. It is the opposite of the traditional ‘decision attitude’ – or ‘right brain thinking’ – which is about using (statistically significant) evidence to decide which out of the known alternative courses of action to take.

2. **Think in ecosystems and position accordingly**
   We are moving from a world of rigid relationships between customer, supplier and competitor to a world of ecosystems and strategic alliances. In this new world it is essential to determine how to cooperate with partners in order to create win-win situations for everyone involved. This ‘win-win thinking’ can be applied to all stakeholders of the company. Obviously, traditional companies can also decide to collaborate with digital players, instead of building capabilities from scratch.

3. **Keep it simple in order to act fast**
   It is essential to keep digitisation projects manageable in order to minimise execution risks. This can be achieved in several ways: Breaking down large ambitious projects into smaller bite-size pieces, limit the interdependencies between projects and continue operations as much as possible, combine short and long term projects, adapt the project approach to the full body of knowledge and skills in the organisation, go 'beyond PowerPoint' as soon as possible and use state-of-the-art tools to enhance cooperation.

4. **Restructure the organisation’s DNA**
   The assets and capabilities that are needed to be successful in the digital age are very different from the skills needed previously. Moreover, these new talents need to be deployed and managed in a different way than before.

Interview

Rob van Griensven
Head of Media, Sponsoring and CRM at HEINEKEN NL

Story and telling: it's time to collaborate

Rob van Griensven started his current position as Head of Media, Sponsoring and CRM at HEINEKEN two years ago and held several (senior) brand management positions in the six-and-a-half years at HEINEKEN before that. Van Griensven's team manages all consumer touchpoints of the HEINEKEN brand portfolio. The activities of his team range from the procurement of media inventory and brand activation in the retail and catering industry, to brand activation platforms such as the Vrienden van Amstel LIVE music events, the Holland Heineken House at the Olympics, and the Amstel Gold Race. Van Griensven: "Creativity and professional marketing communication skills are in the DNA of Heineken and this is why Heineken is able to send out strong and effective commercial messages."

"There is no better time to work in marketing and communications than right now", Van Griensven exclaims with much enthusiasm. "The developments are going faster every day and the advertising and media landscape keeps on changing." Van Griensven discusses the emergence of hybrid market players, as the boundaries between creating and distributing content are blurring. He regards collaboration between market parties and an open mind to change as the only way for media companies to survive in a market dominated by a few digital giants. He goes on to talk about the complexities and challenges involved with the ongoing digitisation and he acknowledges the utmost importance of consumer data and accurate benchmarks for the advertising industry.

Story and Telling
Today, campaigns are a joint effort of advertising agencies, media agencies and brand teams. Media agencies are now already involved in the early stages of developing a campaign. Van Griensven: "Only five years ago the focus of campaigns was on developing big creative ideas, in other words: the 'story', and the distribution of these commercial messages came second. Nowadays everybody talks about storytelling.

In my view 'story and telling' are two different things that are at the same time inseparable. Because of the continuous technological developments, the creation and distribution of content cannot be seen in isolation. The building blocks of a story depend on where you tell it. Instagram, Facebook, Twitter or Snapchat are all social media but very different. If you don't take this into account, then your message can be ineffective. Or, as they say in the business: content is king but distribution is queen and she wears the pants!"

Hybrid companies
The blurring of boundaries between creating and distributing content in today's advertising landscape is resulting in more and more market parties becoming hybrid companies. Van Griensven: "Should we consider online advertising agencies and content marketing specialists like AdFactor as a network of bloggers who can tell your commercial story? Or are they a network of websites to distribute your story? Well, the answer is they are both.

Another example is Vice Media, which is a publisher, creative ad agency, digital media company and broadcasting company in one. They know how to produce content and where to distribute it because they can judge if a story is relevant or not for specific media channels."

These hybrid companies can combine all these activities, which poses a threat to established publishers and ad agencies. Van Griensven: "Although the biggest shake-out in the market is behind us, current players need to have vision, set their egos aside and be bold enough to make the right choices. Some digital agencies may have specific technological knowledge, but if they are not willing to cooperate and share with others their success will be fairly limited."

Hollywood Producer Model
The notion of blurring boundaries also applies to the agencies HEINEKEN works with, because HEINEKEN increasingly calls in different creative agencies and production companies for the same campaign and expects them to work together. HEINEKEN calls this model, which hinges on close cooperation between agencies, the Hollywood Producer Model.

Van Griensven: "For an ad campaign you can hire different agencies for all the stages of the campaign, such as the development of a creative concept, digital activation and ATL production. This way we make the most of an agency's expertise. In today's market the only way for agencies to survive is by collaborating. Specialists need to work together, give each other input on their ideas, and respect each other's opinions. The Hollywood Producer Model formalises this situation."

Hiring different agencies for different types of campaigns also works very well for HEINEKEN. "In the past we focused too much on a few campaigns that didn't go as planned.

But instead of ignoring the successful campaigns and pitching for a new agency you can also hire another agency for only those elements of the campaign process that were not successful enough."

Consumer data

Strategic collaboration is also key for media companies - even those that are fully adapted to the digital age - to successfully compete with their large digital opponents, such as Google and Facebook. Van Griensven: "What works to the advantage of smaller media companies is the fact that consumer interest in local content is substantial and still growing. Another advantage for them is the notion that social media platforms are so-called 'walled gardens'.

This means you have access to these platforms, but you will never be the owner of the data. Big advertisers may not be inclined to spend all their media budget there, but instead may want to work with parties that provide them with consumer data.

Imagine companies such as Sanoma, TMG, Persgroep and Adfactor working together. Such a group of companies could function as a one-stop-shop for programmatic ad buying and could give advertisers aggregated consumer data in return." Van Griensven prefers to use the words smart data instead of big data, because filtering out the data you don't need makes it more valuable to advertisers. "Data, anonymous or identifiable, is the gold of the future. Moat Analytics is an interesting market party in this respect. Within all digital touchpoints of a brand they include some components that make benchmarking possible and provide advertisers with consumer data. The industry needs to move in the direction of easy-to-understand generalised metrics that advertisers can use to gain insights into their target groups and the success of a brand campaign."

Complexity and lack of transparency

Digital advertising, measurement techniques and programmatic buying of ad space have grown exponentially. Van Griensven: "The problem is that it has become too complicated for most people to understand, both for buyers and sellers of online ad space. This lack of transparency defines the world in which advertisers have to operate. What also makes things complicated for advertisers is the fact that the definitions of concepts, such as 'a click', 'a view', 'an impression' or 'reach' are different for each platform. Views on YouTube, Twitter or Facebook cannot be compared with each other, which makes it very complicated to create accurate benchmarks."

Despite its complexities, digital marketing is often left to junior employees while seniors are often in charge of more expensive (television, outdoor) media campaigns. Van Griensven: "More and more people want to turn this around, because for a solid digital campaign you need experienced people who know all the pieces of the (brand) puzzle. For instance, a digital media campaign around the Holland Heineken House has infinite possibilities and is more difficult than, for example, an outdoor bus stop shelter ad campaign."

'A continuous focus on the next best thing makes people forget the power of what is already there.'

What keeps you awake at night?

"What worries me is that the rapid digitisation of the world, including the world of media, will become an unstoppable monster", Van Griensven says. "In my profession this uncontrollable speed could mean that you're always too late when responding to new developments. Besides, what is happening in the digital ad world as investigated by the ANA Papers could also happen in other vital segments of society, such as the financial world. Adding the warnings of, for instance, Stephen Hawking and Tesla's Elon Musk about artificial intelligence creates a doom scenario that worries me and even keeps me awake at night sometimes."

Focus on the next best thing

On the other hand, a continuous focus on the next best thing makes people forget the power of what is already there. Van Griensven: "TV still makes impact and is very effective for advertising and I think audio-visual branding is here to stay. However, in some cases fear of change can turn some market players obsolete, similar to what happened in the record company business. Print, TV and outdoor should be aware of this. Open mindedness, not holding on to existing price/earnings models and a focus on innovation are key."

Access spending

Fixed or mobile internet access is regarded as a basic necessity rather than a luxury, as it enables customers to work, socialise or watch TV at a desk, at home or on the move. Demand for fixed and mobile broadband services continues to grow and with four near-national 4G networks competing for customers, mobile internet will fuel growth in the medium term. Bundling is important in the Dutch market with triple play being the key bundle. The planned joint venture between Ziggo and Vodafone is likely to bring bundle competition firmly into quad play territory.

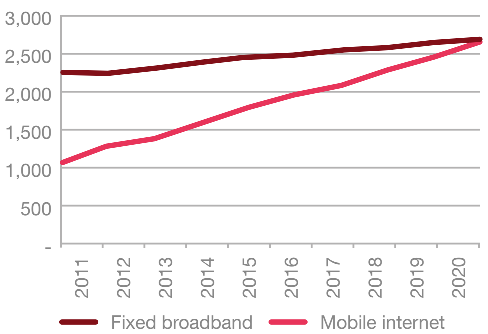
The Netherlands is a broadband leader in the EU

The Dutch broadband markets are among the most advanced in Europe. According to the European Commission's 2016 Digital Economy and Society Index, the Netherlands tops the list of all member states with regard to connectivity in 2015. It ranked second and third with regard to fixed broadband take-up and Next Generation Access Network (NGAN) coverage, respectively. Of all Dutch households 98% are able to subscribe to speeds of at least 30Mbps.

At the end of 2015, 45% of residential fixed broadband connections had a transmission speed between 30Mbps and 100Mbps, and 21% had a speed of 100Mbps or more, according to the regulator, the ACM. Fixed broadband penetration will grow to 96.5% in 2020 and more than 82% of all subscriptions will have speeds of 30Mbps or above.

Fixed broadband upgrades continue

In the Netherlands high-speed services (i.e. over 30MBbps) are delivered via cable or fibre. These advanced broadband networks enable services such as digital video recorder (DVR) programming, cloud storage, on-demand programming and pay-per-view content. All of these will play an important role in trying to retain pay-TV customers.

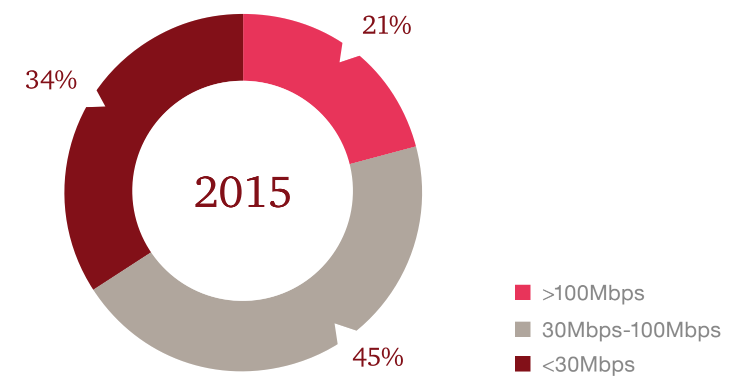


Access spending market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Fixed broadband	2,271	2,260	2,342	2,400	2,455	2,509	2,561	2,611	2,658	2,703	
y-o-y growth		-0.5%	3.6%	2.5%	2.3%	2.2%	2.1%	1.9%	1.8%	1.7%	1.9%
Mobile internet	1,064	1,289	1,409	1,593	1,786	1,951	2,108	2,287	2,473	2,659	
y-o-y growth		21.1%	9.3%	13.0%	12.1%	9.2%	8.1%	8.5%	8.1%	7.5%	8.3%
Total	**3,335**	**3,549**	**3,751**	**3,992**	**4,241**	**4,460**	**4,669**	**4,898**	**5,131**	**5,362**	
y-o-y growth		**6.4%**	**5.7%**	**6.4%**	**6.2%**	**5.2%**	**4.7%**	**4.9%**	**4.8%**	**4.5%**	**4.8%**

Source: PwC, Ovum

Fixed broadband download bandwidth, end-2015



Source: ACM

'More quad play competition may dampen access price increases.'

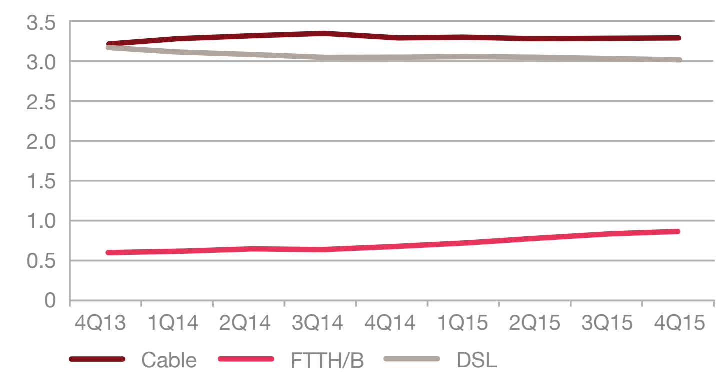
KPN offers fibre in two flavours: FTTH/B (available to 29% of households at the end of 2015; capabilities clearly over 100Mbps) and lower capex FTTC-based technologies which include vectoring and pair bonding (36% of households; offering speeds up to 100Mbps). KPN aims to reach 80% of households through a combination of FTTH/B and FTTC by the end of 2016.

The network of the largest cable operator Ziggo passes about 92% of TV households and offers speeds of up to 300Mbps for residential and 500Mbps for corporate customers. The company has begun trials of DOCSIS 3.1 which will allow higher speeds and a wider range of services.

Cable networks accounted for 3.3 million (45.8%) of all fixed broadband customers at the end of 2015. The number of DSL subscriptions has decreased slightly since 2013 and is now 3 million. Even though high-speed services are available via DSL, over 40% of retail DSL subscriptions are not high-speed (i.e. less than 30Mbps download bandwidth). The number of FTTH connections has increased slightly faster than the drop in DSL connections, resulting in a market that is seeing a slight increase in number of broadband subscribers.

The access spending for fixed broadband is expected to increase with 1.9% p.a. on average until 2020. Fixed broadband subscriber growth potential is limited as market penetration is already high, but some access price increases may be expected. In the longer term, broadband access is the more secure revenue stream in a triple-play package as it is tied to the physical household access which cannot be disintermediated by an OTT player. This is why operators try to gradually transfer perceived value from the telephony and linear TV revenues to broadband access. This will increase access prices. However, increased quad play competition due to the Ziggo-Vodafone joint venture may dampen access price increases.

Fixed broadband subscriptions by technology (in millions)



Source: PwC, Ovum

Mobile broadband usage and competition are further increasing

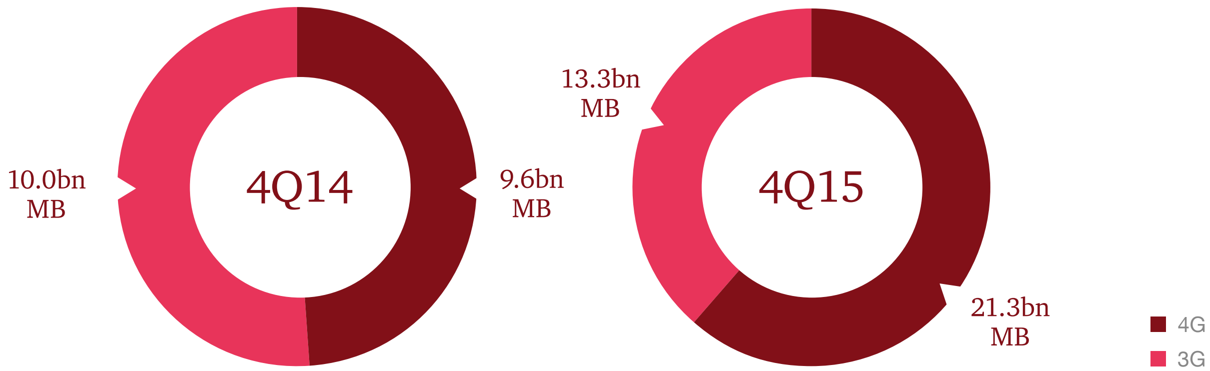
Four mobile network operators (MNOs) with widespread 4G coverage are now competing for a share of the Dutch 4G data market. Tele2 was the last to launch its network, introducing consumer services in November 2015, having launched a limited business offer in January.

After lagging behind KPN and Vodafone in terms of LTE network rollout, T-Mobile's image got a boost when its network was annouced to be the best in the Netherlands by P3 Communications in March of 2016.

Increased competition also led to a refocus on (semi) unlimited mobile data bundles after a failure to monetise such packages at the start of the decade. Tele2 intensified competition for large 4G bundles with its new attractively priced 24GB bundle in March 2016. Subsequently, in May 2016, T-Mobile annouced the introduction of an 'unlimited' 4G bundle. The 100 euro offer contained netneutrality limitations that drew immediate attention from the regulator and the provider changed some limitations even before market introduction. Unlimited mobile data bundles completely disappeared from the Dutch mobile market at the start of the decade as MNOs struggled with the monetisation of data.

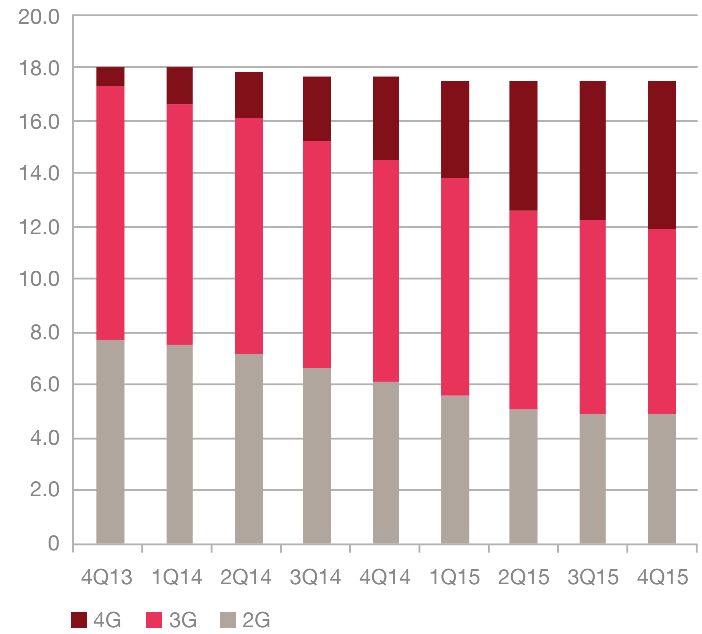
Despite the increased competition the mobile access market is set to continue at an average growth rate of 8.3% towards 2020. Mobile internet penetration will rise to over 89% and nearly 89% of mobile internet subscriptions will be to high-speed services via LTE or LTE Advanced (LTE-A) networks. The average price per user will also continue to rise, as providers shift traditional voice revenues towards data access in their pricing. This trend will be stimulated by the introduction of VoLTE, which was first launched by Tele2 in Q1 2016 and which other providers are also expected to launch in 2016.

3G and 4G data consumption, 4Q14 vs 4Q15



Source: ACM, Ovum

Mobile subscriptions by technology (in millions)

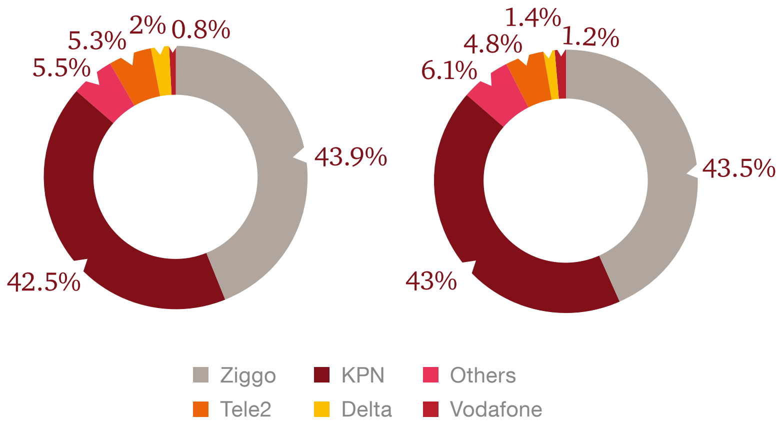


Source: PwC, Ovum

Competition in the Netherlands is bundle-based

Bundle penetration is high in the Netherlands at 87%. According to ACM data, 10% of the country's 6.2 million residential multi-play customers switched to quad-play in 4Q15, up from 7% the previous year. The other bundle combination which gained market share was a broadband and TV double-play, which rose by one percentage point to 15%. Triple play was by far the most popular bundle (62%), but its share fell by one percentage point over the year.

Fixed broadband market share



Source: PwC, Ovum

Bundling, especially the traditional triple play, is clearly a significant part of the strategy of many operators in the Netherlands. At the same time they need to keep a wary eye on the nascent cord cutters – the so-called millennials who are more likely to want their TV streamed to mobile devices, rather than having to subscribe to a traditional bundle. ACM data show that there has been a slight quarterly net loss of residential TV subscribers since 4Q14.
The utility company Delta is said to be considering putting various units, including its cable division (Zeelandnet), up for sale. Ziggo has been cited as a potential buyer as it does not have coverage in Zeeland.

In January 2016 Fiber NL acquired Stipte (formerly Scarlet). Both operators provide services through KPN's network through unbundling.

Ziggo and Vodafone to accelerate the quad-play bundle penetration

A planned 50/50 joint venture between Ziggo and the predominantly mobile operator Vodafone Netherlands would create a duopoly in a market where the two leading players, incumbent KPN and the new

'At the moment, key players are choosing different competitive strategies.'

joint venture, would control over 85% of the fixed broadband sector and 75% of the mobile market.

Under the terms of the deal, announced in February 2016, Ziggo and Vodafone aim to create total cost, capex and revenue synergies of 3.5 billion euros five years after closing the deal and after spending about 350 million euros on integration costs. Savings will be generated in a number of ways, which includes combining infrastructures and network management systems and the reduction of wholesale fees. Four years after the deal closes either shareholder can initiate the sale of the joint venture to a third party, having first offered it to the other shareholder.
The joint venture proposal is being approved by the EC under the condition that the Vodafone fixed network activities are sold and will also involve discussions with the works councils of the operators over potential job losses. The latter could prove contentious given that the recent Ziggo/UPC merger resulted in about 1,000 redundancies. Ziggo and Vodafone expect the venture to close by the end of 2016.

Ziggo and Vodafone will need to ensure the integration process runs smoother than in the case of Ziggo and UPC. In the aftermath of that merger the new Ziggo lost substantial numbers of TV customers, the majority of whom KPN managed to attract. In the post-merger situation Ziggo's quarterly fixed broadband net additions have also been lower than Ziggo's and UPC's combined numbers before the merger, resulting in a slight loss of share for Ziggo.
So, no easy path towards a second fully integrated fixed-mobile operator with national coverage. It would likely take until 2018 before the combination will start to reach its full potential.

Competitive quad play strategies to be ironed out

From 2018 onwards two strong integrated providers would probably quickly drive quad play penetration to levels above 50%. As the option of medium- or high-speed fixed broadband is already a given for many customers, the elements of the bundle where operators have the most potential for differentiation are TV (especially OTT and interactive services) and mobile. At the moment, key players are choosing different competitive strategies. KPN's Compleet offering starts with

mobile services and allows customers to build a bundle around it. In November 2015, KPN soft-launched its OTT offering, called Play, which is available on TVs and mobile devices also when consumers do not purchase any other KPN subscription.

Ziggo takes another approach: Ziggo customers can only have broadband if they also have a Ziggo TV connection and must subscribe to a fixed Ziggo service before they can add Ziggo mobile. If the joint venture goes ahead, the enlarged company might consider revamping its policy for bundled packages to make it more flexible.

T-Mobile, the only MNO in the Netherlands without a fixed offer, follows yet another strategy. In February 2016 it launched a new service allowing customers unlimited calls and additional data usage within a group of friends or family they select. This partly mimics the advantages offered by KPN and Ziggo. Also, in June 2016 T-Mobile launched Knippr, an OTT service focussed on viewing TV channels with added recording and replay functionalities. Knippr will be available to anyone and will target those who are not interested in buying a traditional fixed bundle. ■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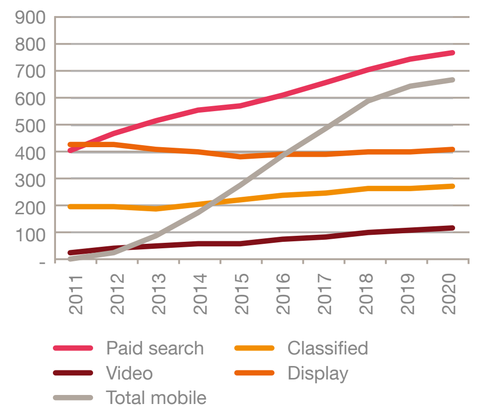
Internet advertising

The internet advertising market in the Netherlands is still enjoying rapid growth and will continue to do so over the next three years. As Dutch consumers spend more and more time online, advertising spending is likely to follow them. But given an expected saturation of mobile devices and usage we expect growth rates to be less steep from 2019 onwards and will no longer show double-digit rates. The growth rates for wired advertising will also drop in these years. Online advertisers are facing a series of challenges, especially the increasing use of ad blockers. Additionally, the rapid and ongoing shift towards mobile devices continues to pose new challenges. On the other hand, the benefits of mobile should also be considered. Improvements in technology and business models, such as programmatic trading and more granular measurements, are expected to sufficiently tackle these challenges. As a result, internet advertising cements its position as the pre-eminent advertising format in the Netherlands.



Internet advertising market (€ millions)

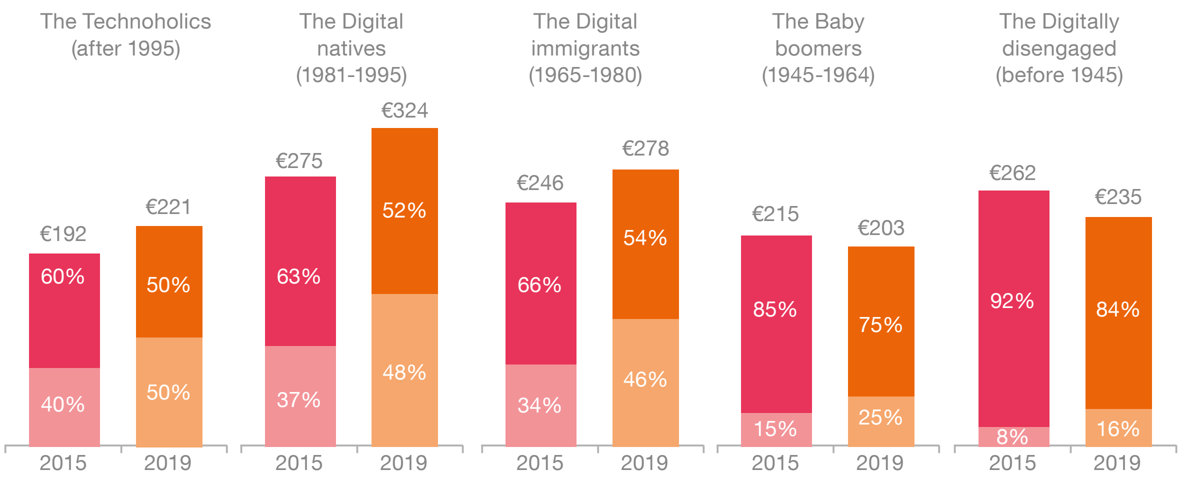
Netherlands	Historical data					Forecast data					CAGR %
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2016-20**
Paid search	410	473	517	554	571	611	658	705	745	763	6.0%
Classified	200	195	191	206	225	237	248	259	264	268	3.6%
Display	420	420	409	402	382	389	395	399	404	408	1.3%
Video	30	41	48	58	61	73	84	95	105	115	13.5%
Total Wired	**1,060**	**1,129**	**1,165**	**1,220**	**1,239**	**1,310**	**1,385**	**1,458**	**1,518**	**1,554**	
y-o-y growth		6.5%	3.2%	4.7%	1.6%	5.7%	5.7%	5.3%	4.1%	2.4%	4.6%
Mobile paid search	2	3	27	55	102	152	200	248	278	286	22.9%
Mobile display	4	22	47	94	135	173	207	241	257	273	15.1%
Mobile video	1	6	16	28	37	57	76	94	102	108	23.9%
Total Mobile	**7**	**31**	**90**	**177**	**274**	**382**	**483**	**583**	**637**	**667**	
y-o-y growth		342.9%	190.3%	96.7%	54.8%	39.4%	26.4%	20.7%	9.3%	4.7%	19.5%
Total	**1,067**	**1,160**	**1,255**	**1,397**	**1,513**	**1,692**	**1,868**	**2,041**	**2,155**	**2,221**	
y-o-y growth		**8.7%**	**8.2%**	**11.3%**	**8.3%**	**11.8%**	**10.4%**	**9.3%**	**5.6%**	**3.1%**	**8.0%**

Source: PwC, Ovum, IAB/Deloitte

Internet advertising represents the largest advertising format in the Netherlands, reaching 1.5 billion euros in revenue in 2015. This revenue level is more than 55% higher than TV advertising, the second-largest advertising channel. In 2015, internet advertising made up 38.3% of the total advertising spending of 3.9 billion euros in the Netherlands. Internet advertising revenue is forecast to rapidly increase over the next five years, reaching 2.2 billion euros in 2020, which is a CAGR of 8.0%. At this point, internet advertising will dominate, as it will make up slightly less than half of the total Dutch advertising market (49.3%).

Globally, the rapid growth of internet advertising is being driven by a variety of factors. The most prominent factor is the increasing number of people in emerging markets gaining access to the internet. In mature markets, such as The Netherlands, most of the population already has internet access and time spent on the internet is increasing across all demographics. Young people already use the internet intensively. This is attracting advertisers to internet advertising, as they tend to focus on younger consumers. There is an ever-growing cohort of digitally engaged consumers who are further driving internet advertising growth in the long term.

Digital versus traditional media types explored



Percentages in graphs are the digital (at the bottom) versus traditional shares (at the top)

Source: PwC Outlook special 2015

Mobile is the biggest growth area, but device categorisation is becoming less clear

Mobile is the fastest-growing segment of the internet advertising market, set to increase at a remarkable 19.5% CAGR over the next five years. This is considerable compared to the 4.6% growth in wired internet advertising. By 2020, mobile internet advertising revenue will reach 667 million euros, which is 30% of total Dutch internet advertising revenue – up from just 0.7% in 2011. All sub-segments of mobile internet advertising will see annual growth rates well in excess of 10% as mobile devices make up a rapidly-increasing share of search, display and video advertising. This trend is being driven both by evolving consumer preferences, which are moving towards mobile devices, and the increased capacity and willingness of advertisers to target mobile platforms.

However, the picture is complicated as device categorisation is becoming increasingly blurred. This is because devices are converging in size, with smartphones becoming larger, tablets becoming smaller and laptops gaining more and more tablet-like features. This makes sharp distinctions between device categories less and less meaningful. Instead, advertisers are not looking to focus on the devices people use to consume content, but on the content that will drive the greatest consumer engagement. Screen size will become less of a defining factor over time, as advertising formats across all devices begin to converge. This can already be observed in the growth of content marketing and native advertising, which are device-agnostic advertising formats.

Technology improvements are vital

New advertising formats and technology are increasingly content-focused, rather than device-focused, with programmatic trading of ads now commonplace across all devices. Programmatic advertising revenue has increased dramatically in recent years, with over 10% of Dutch advertising display spend now flowing through programmatic platforms.

‘Screen size will become less of a defining factor, as advertising formats across all devices begin to converge.’

We are also seeing the development of better measurement technology, with providers going beyond simple measures of clicks and impressions. Instead, they are looking to measure the quality as well as the quantity of these interactions, factoring in metrics such as the time a user spends on a page and their likelihood to remain on the same website. More and more advertising is now based on a “cost-per-hour” rather than a “cost-per-click” model. These improvements are vital for publishers of high-quality content as it enables them to compete with “click-bait” providers who can drive large volumes of low-quality impressions. The technological improvements are also critical for advertisers because it offers them the possibility to accurately assess the value of different types of content.

Video shows the highest CAGR

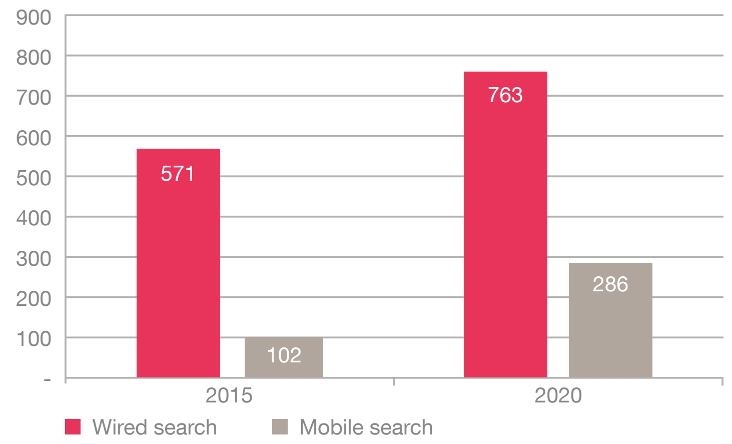
Video advertising is becoming more and more popular, showing the highest CAGR in both wired and mobile (13.5% and 23.9% respectively). Video advertising revenue will reach 223 million euros by 2020 (115 million euros wired and 108 million euros mobile). Consumers increasingly access content across a broad range of devices. The decline of linear TV viewing is driving the rapid growth in video internet advertising; while subscription services such as Netflix do not display advertising, other providers such as catch-up TV services do. Meanwhile, traditional online video sites, such as YouTube, continue to grow and new channels with potential for growth are emerging. For example, video games streaming site Twitch.tv was bought by Amazon for nearly 1 billion US dollars in 2014.

Paid search is reliable and continues to grow

With 44.5% of all internet advertising revenue, search (across both wired and mobile) is by far the largest part of the Dutch internet advertising market. This percentage is forecasted to grow to 47.2% by 2020. As in most Western markets, Google effectively controls the Dutch paid search business, with Bing and Yahoo each holding small market shares.

Search advertising is well-established and viewed by advertisers as reliable and transparent. The effectiveness of search advertising can be gauged very accurately from click-through rates (CTR). With the

Wired and mobile paid search revenue (€ millions)



Source: PwC, Ovum

growing concern around measurement accuracy of internet advertising, the reliability of search is a more important selling point than ever. This is one of the reasons why paid search will continue to be one of the faster-growing sectors of the internet advertising market.

The growth of mobile search is also opening up interesting new opportunities in the paid search market. Mobile devices provide search engines with more detailed metadata, allowing more contextually aware searches. Particularly the use of location data enables geo-targeted and tailored results. These are highly valuable features for certain advertisers. Together with the shift in consumer behaviour towards mobile devices, this will produce an exceptionally high growth in the mobile search market. With a CAGR of 22.9%, mobile search will be the second-fastest growing part of the Dutch internet advertising market.

Wired search advertising can benefit from the rich data that is produced by mobile searches. The search engine algorithms incorporate the metadata retrieved from mobiles and use it to enhance the targeting and the user experience across all devices. This, in turn, enhances the

value of the platform for advertisers. For instance, in 2015 Google started showing the busy and quiet times at restaurants, bars and other venues in their search results. These figures were obtained by aggregating location data gathered from Android device-users and the Google Maps app.

Will improved targeting increase CTR and therefore CPC?

In their 2015 study Search Advertising in the Netherlands, IAB Nederland, the Dutch sector organisation for digital marketing, found that the average cost-per-click (CPC) increased across all industries in 2014. The study found that spending on paid search is largely focused on the top three positions in search results. These positions produce a higher CTR than organic search results and are therefore very popular among advertisers. Lower search positions produce a lower CPC and represent a small portion of overall search advertising spending.

The bid-based system used by search engines creates large and growing differences in advertising costs between industries. In the finance sector CPC increased by 22% in 2015, while CPC for travel and retail searches also grew substantially, yet more modest, by 10% and 7% respectively. Finance-related keywords such as “insurance”, “loan” and “mortgage” were the most expensive. Securing a first position for finance-related keywords had an average CPC of 8.90 euros in the Netherlands.

Travel-related keywords, by contrast, had a CPC of 1.70 euros for securing a first position. Retail-related terms had an average CPC of less than 1 euro for the first position.

The differences are partly explained by CTRs, which are highest in the finance sector with 18.2% of viewable impressions resulting in a click through. Retail had the lowest CTR, 13.3%. Notably, CTRs increased across all sectors in 2015 by an average of 2.6 percentage points, reflecting the continuing improvement in the targeting of search advertising, which is in turn driving up CPC and total paid search revenue.

Social drives growth in display

Display advertising represents the second-largest segment of the Dutch internet advertising market. Advertisers value display advertising for its branding effects and its capacity to reach a wide audience. In 2015, display advertising generated a total of 517 million euros, which includes both wired display advertising (382 million euros) and mobile display advertising (135 million euros). This is set to grow to 681 million euros in 2020 (408 million euros for wired and 273 million euros for mobile). Although display advertising is growing fast compared to traditional advertising formats, it is in fact one of the slower-growing elements of the internet advertising market (at a CAGR of 1.3% for wired and 15.1% for mobile).

Social networks, especially Facebook, have become a key growth driver in the display advertising market. Facebook has over 10 million users in the Netherlands. Other social networks, notably Instagram and Twitter, have also built up large user bases but have not been able to monetise them as successfully as Facebook. As in many developed countries, user growth in the Netherlands has slowed down in recent years since Facebook is approaching a saturation point. However, Facebook is now monetising its user base much more efficiently. Two-thirds of Dutch Facebook users access their account every day, and Facebook has been increasingly successful in positioning itself as the hub through which users access content from across the web. Indeed, Facebook’s dominance in this area is now posing a challenge to publishers as ad spending is diverted away from their websites.

'Internet usage is continuing to increase gradually among older generations ensuring moderate room for growth.'

Ad blocking poses a growing threat to display advertising

There are a variety of reasons that can explain the relatively slow growth of display advertising. For instance, the supply of banner ads on webpages continues to increase exponentially, pushing down the price advertisers are willing to pay. Moreover, the proliferation of banner ads has resulted in much lower click-through rates, substantially reducing the direct response performance of display ads.

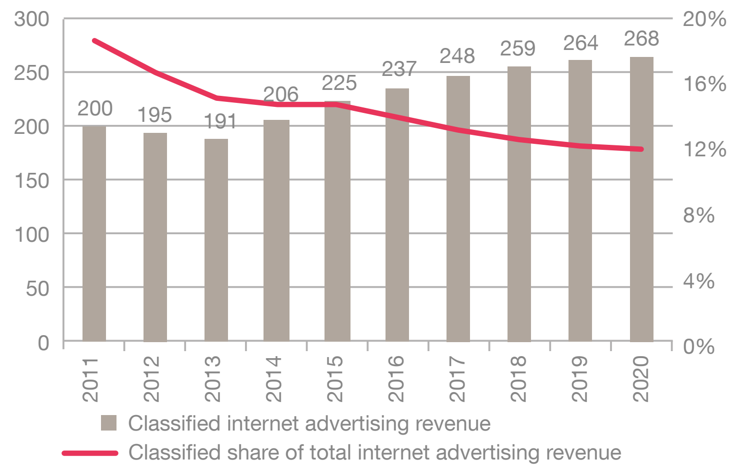
And of course the industry is confronted with the impact of ad blockers. Latest analyses suggest that by now circa 15% of the Dutch people make use of ad blockers. Publishers have responded in various ways, ranging from technical counter-actions, to accelerating usage of paywalls, and trying to be whitelisted. Ad blockers are here to stay, and the above-mentioned strategies will not be effective for most stakeholders. In the long run, publishers and advertisers will need to try to find sustainable strategies to deal with ad blockers which respect the customer's needs.

The share of classified internet advertising continues to decline

Classified internet advertising generated 225 million euros in revenue in 2015, and this is set to grow to 268 million euros by 2020. With a CAGR of 3.6%, it is one of the slowest-growing segments of the internet advertising market. As a result, classified internet advertising, which made up 18.7% of internet advertising spending in 2011, will constitute 12.1% of the market by 2020. Part of this relative decline can be attributed to the popularity of classified advertising with the mature and slow-growing portion of the economy, such as second-hand car sales.

The primary reason, however, is simply the increasing preference of advertisers for other forms of internet advertising, especially paid search. As advertisers become increasingly confident that they can reach consumers more efficiently via search advertising, as well as newer formats such as mobile and app-based ads, there is less reason to rely on classified internet advertising. Nonetheless, the general shift of advertising spending towards the internet will still enable classified advertising to maintain modest revenue growth in absolute terms. In addition, internet usage is continuing to increase gradually among older generations ensuring moderate room for growth in the foreseeable future.

Classified internet advertising revenue and share of total internet advertising revenue (€ millions)



Source: PwC, Ovum

Success factors of email marketing

Dutch Benchmark in collaboration with DDMA

Joris Heijltjes
July 2016

Throughout the year our Outlook Specials address key developments that are interesting for the Media & Entertainment industry. Are you wondering if you're getting the best out of your email campaigns? An answer can be given based on the research that we conducted for the annual DDMA Dutch Email Marketing benchmark. We analysed 173k campaigns containing 4.4 billion emails. Below you will find the summary, the full publication can be viewed online.

Even though email has a vital role in many customer journeys, marketers are raising questions about its relevance as they think it is becoming outdated. The Dutch Benchmark shows that the receivers of marketing emails still open them and click through to the content as much as ever and this shows no sign of significant decline. Of all the marketing emails that were sent in 2015, more than a third were opened by the receivers, almost the same as in 2014. Customers clicked on at least one link in 7% of all sent emails (7.3% in 2014).

The report also observed an important trend, which shows a shift to reading emails on mobile devices. In addition we found several success factors, the right timing or technique can make a huge difference for the results of a campaign.

From desktop to mobile

In 2015 the smartphone penetration rate in the Netherlands grew to 76% and already 68% of the time people use their smartphones to visit social media. A mobile device gives customers continuous access to their mailbox and allows them to open their email anytime

> *'Are you getting the best out of your email campaigns?'*

and anywhere. This provides companies with a great opportunity to reach their customers at a time that is most effective.
The benchmark elaborates on this and shows that in the second half of 2015, more than 50% of emails were opened on a mobile device on weekends. On workdays, this was 42%.
Another factor that appears to be of high importance is that organisations adjust their emails to mobile devices using a responsive design. This approach changes the appearance of the email dynamically, depending on the screen size, operating system etc. Of all emails clicked, the ratio between desktop and mobile shifts to 2% more mobile clicks when using a responsive design.

Industry specific mobile usage

There are large differences in mobile usage between industries. The e-commerce industry is by far the most mobile-minded with 49% of all clicks on mobile devices (smartphones and tablets).
This can be caused by the high adoption (89%) of responsive design in this industry, which is much higher than in other industries. Another observation is that the industries that have high mobile open rates are related to leisure activities, such as shopping and travelling, whereas the industries that have lower mobile open rates are more focused on serious topics, such as banking and government.

Best day and time

Many marketers are looking for the most effective moment to send their email campaign. Remarkably, most campaigns are sent between 8 am and 10 am while our analysis shows that these times have the lowest open and click rates. The best open rates are between 7 am and 8 am, indicating that organisations send their emails too late.
Which day of the week a campaign is sent out has less impact than the time of day a campaign is sent out, but the effect is still significant. Overall, Monday performs best with 0.9% higher open rates compared to average. With open rates that are 1% lower than average Sunday is the least effective day for sending out an email campaign. On Thursday the most emails are sent while it has one of the lower ratio's. So again, the negative relationship between ratios and volumes is somewhat present.

Dynamic content and personalised subject lines

Campaigns that use dynamic content customise the email to the recipient, for example by using a personalised subject which impacts open and clicks rates positively by 1.8% and 0.9%, respectively.
Other examples of dynamic content are using a larger font for older readers and using geographical information to localize the content.

Can you send out too many campaigns?

Just like a larger list size, the frequency with which campaigns are sent has a negative impact on both the open and click rates. The higher the number of campaigns, the lower the open and click rates. This indicates that customers get tired of the emails and will not open all of them. However, sending out more campaigns can still increase the absolute number of emails that are read and can increase the brand awareness. ■

Summary - When are recipients most likely to open email campaigns?

- Between *7AM* and *8AM*
- When the *campaign is targeted*
- On *Mondays*
- When the *campaign frequency is low*
- When the campaign is adjusted to mobile, using *responsive design*
- When *techniques* like dynamic content and personalised subject lines are used

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To read the full email marketing publication

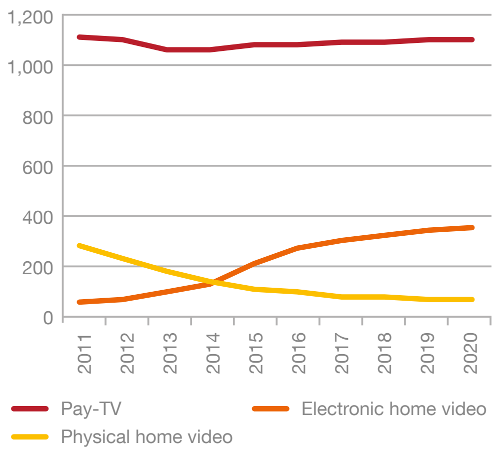
TV and video consumption

The TV and online video market in the Netherlands has experienced significant changes in the past year, which were caused by both consolidation among incumbents and the growth of new players. From a bird's eye view, the pay-TV market remains a mature market, with a high level of penetration. This translates to high levels of competition among these incumbent and new players, each benefiting from the other's churn. To consolidate and defend their market shares, operators are pursuing several strategies: upselling existing subscribers to premium services, enhancing the customer experience, M&A activities and producing exclusive content. Judging from the growth rate of new online video subscriptions, there is some indication that the willingness-to-pay among consumers is increasing.

M&A activity consolidated over 80% of pay-TV market among top two players

Since the market is not only saturated but also highly competitive, there has been a wave of mergers and acquisitions in recent years. The major players in the Netherlands are KPN and Liberty Global's Ziggo.

In February 2016, Liberty Global announced a merger of their Dutch operations with Vodafone, forming a 50-50 joint venture that will combine Ziggo's fibre broadband with Vodafone's mobile network. In August 2016 the European Commission approved the deal, requiring Vodafone to divest its consumer fixed line business. Vodafone is set to

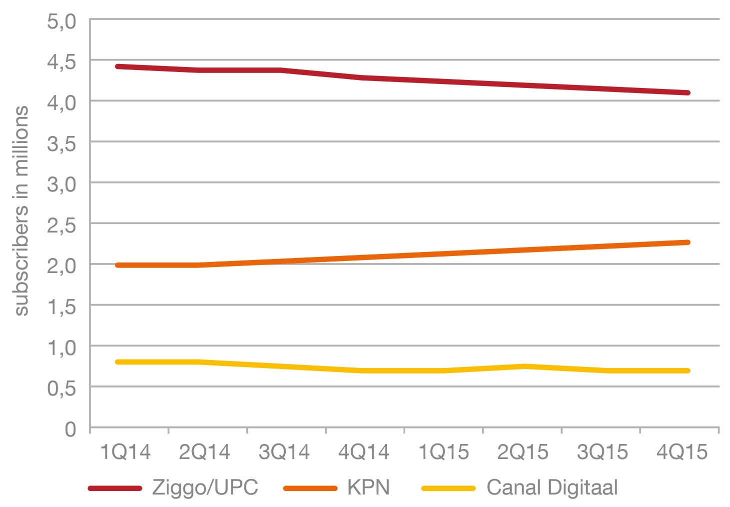


TV and video consumption market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Pay-TV	**1,114**	**1,102**	**1,061**	**1,065**	**1,080**	**1,085**	**1,091**	**1,097**	**1,102**	**1,105**	**0.5%**
Electronic home video	**56**	**68**	**95**	**127**	**205**	**267**	**305**	**326**	**338**	**350**	**11.3%**
OTT/streaming	22	29	53	84	158	218	255	275	286	297	13.4%
Through-TV- subscription	34	39	41	43	47	49	50	51	51	52	2.3%
Physical home video	**281**	**227**	**176**	**136**	**108**	**91**	**79**	**72**	**68**	**66**	**-9.6%**
Rentals	19	12	9	7	6	5	4	4	3	3	-14.0%
Sell-through	262	215	167	128	102	86	75	68	65	63	-9.4%
Total	**1,451**	**1,397**	**1,332**	**1,328**	**1,393**	**1,443**	**1,475**	**1,494**	**1,507**	**1,520**	
y-o-y growth		**-3.7%**	**-4.6%**	**-0.3%**	**5.0%**	**3.6%**	**2.2%**	**1.3%**	**0.8%**	**0.9%**	**1.8%**

Pay-TV excludes the revenues that are generated by through-TV-subscription. Source: PwC, Ovum

Leading multichannel TV operators (subscriber numbers by quarter)



Source: PwC, Ovum

make a payment of around 1 billion euros to Liberty Global in order to equalise its ownership, which is expected to be finalised by the end of 2016. The full impact of the new merger on the market is yet to be seen. Ziggo has experienced some churn since its merger with Liberty Global's UPC due to harmonisation issues.

KPN remains the second-largest TV operator and leading IPTV service, across all its sub-brands such as XS4ALL. Its IPTV platform is the only service that is still realising sustained growth in a saturated market and reached 1,86 million subscribers by the end of 2015, up from 1,6 million a year earlier. KPN has seen the number of subscribers to Digitenne (paid DTT) reduce to below 400,000 by the end of 2015, as subscribers switch to KPN's IPTV service.

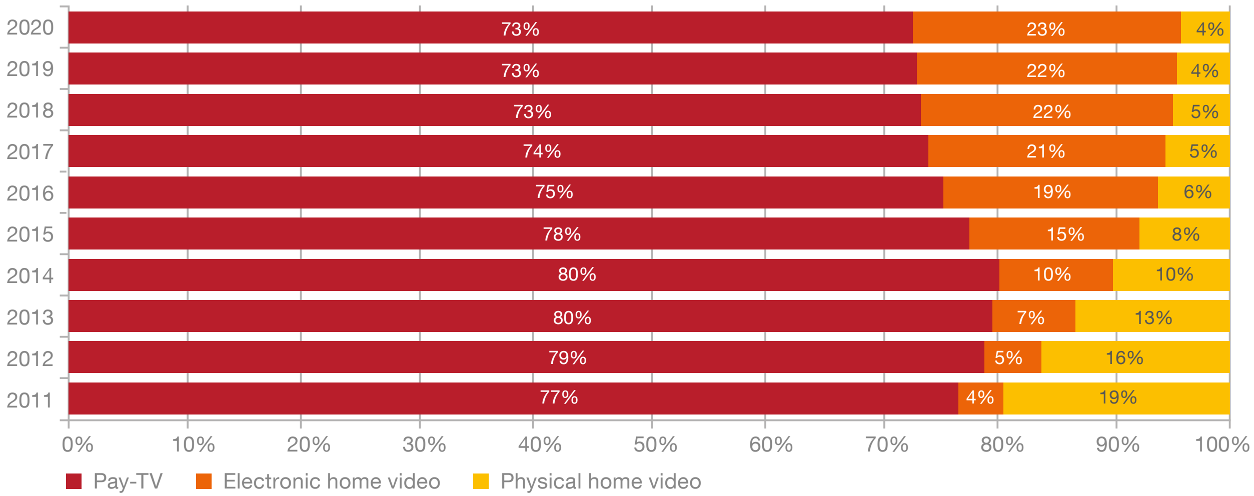
The two largest pay-TV operators Ziggo and KPN represent nearly 84% of total subscriptions by the end of 2015. Further competition comes from satellite operator Canal Digitaal, backed by the M7 Group. Canal Digitaal saw subscriptions decline by 1.6% to around 692,000 in 2015.

Pay-TV is a saturated market facing disruption from OTT

Despite the nearly countrywide take-up of pay-TV, Dutch TV connections have been in steady decline for some time now and are expected to continue decreasing by 0.6% per year. The growth in digital TV connections has been insufficient to offset the decline in analogue TV. In early 2016 close to 90% of all TV connections were already digital, which shows the conversion from analogue to digital is nearing completion. As the pay-TV market reaches its saturation point and the last analogue households are being upgraded, operators focus on upselling customers to premium packages including HD channels and on-demand content.

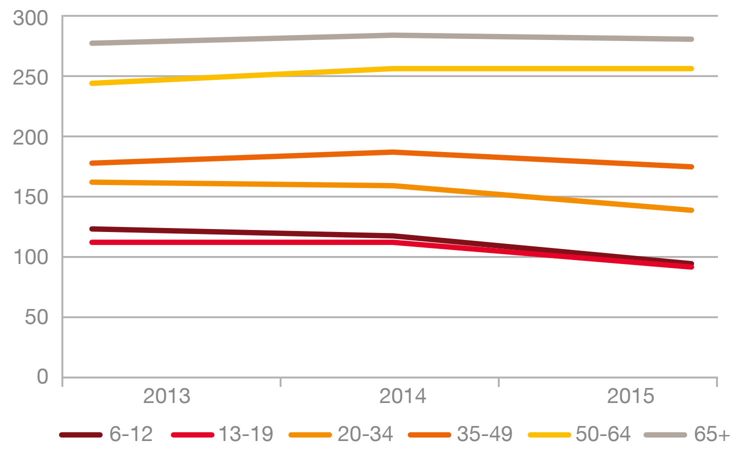
Linear TV viewing continues to decrease across all age groups and is, for young audiences, heading towards 50% or less of total viewing time. The transformative effect of OTT/streaming on video consumption continues, with soaring SVOD revenues in particular. The SVOD market space is dominated by the US giants Netflix and HBO, but also includes local players such as RTL's Videoland.

Proportion of revenues by segment



Source: PwC, Ovum

Daily viewing time by age group* (minutes per day)



*Linear TV and Through-TV-subscription, excluding OTT/streaming

Source: Screenforce (formerly SPOT)

Social networks like Facebook and Twitter are also increasingly integrating video into their timelines and we are starting to see collaboration with major broadcasters to add live-streaming content of linear TV channels, including live sports.

Looking forward, modest growth of 0.5% CAGR is projected for pay-TV revenues, whereas OTT / streaming is expected to grow at a healthy 13.4% CAGR heading towards 300 million euros in 2020.

Viewing behaviour among younger audiences is changing rapidly

Fixed broadband penetration in the Netherlands is still high. Given the growing ownership of smartphones and tablets, more people can now access alternative video services on devices other than a TV set, anywhere and anytime. According to Screenforce, the daily viewing time of all age groups, excluding OTT/streaming, dropped from 2014 to 2015, except for viewers in the age group 50-64.

In particular, the daily viewing time of youngsters in the age groups 6-12 and 13-19 is well below 100 minutes (excluding OTT/streaming). This is less than 40% of daily viewing time of people in the 50-plus age group. The daily linear viewing time of youngsters between the age of six and nineteen has been declining since 2013 at an accelerating pace. A similar trend is visible among the age groups 20-34 and 35-49.

In addition, younger viewers spend a significant share of their viewing time watching video content, either streamed, downloaded or bought, rather than linear TV. The most obvious example is of course Netflix, but there are several compelling competitors like Hulu, HBO Go and YouTube (which now has a premium subscription offering). Not only do these competitors have exclusive content at attractive price points catering to digital natives and their devices, they also experiment with new formats and broadcast styles. Some vloggers seem to introduce a new form of linear viewing, as they 'broadcast' daily video content online at a fixed time of the day, drawing young audiences.

‘Content-based business models are being transformed to support the coexistence of global and local content offerings.’

Operators focus on premium services and enhanced customer experience

Operators are increasingly focusing on customer retention and upselling existing subscriptions to more premium services. The development of increasingly compelling products and services is key to maintaining their position.

High-end bundles not only add premium channels and HD content, but also provide a range of additional features and functionalities. For example, since households are increasingly watching on-demand content, pause-and-rewind features have also been introduced on select linear TV channels. In April 2015, Liberty Global rolled out its Horizon TV across the Ziggo network. This service allows subscribers to catch-up with TV programmes for up to seven days, view content on the move via the Horizon Go app, and gain access to the MyPrime on-demand service. Horizon is expected to set a premium-TV benchmark in the European pay-TV industry as a whole.

Operators are offering cross-device functionality to allow customers to watch content while on the move, or watch content on multiple screens because tablet and smartphone video usage is increasing (TV Everywhere). Growth can also be observed in 'second-screen' usage, where TV content is consumed on one screen while viewers simultaneously tweet about the content or discuss it on mobile devices. This phenomenon is also referred to as the ‘social TV’ experience, as social media augments the content experience before, during and after the broadcast.

Players are securing exclusive content to attract audiences to their offerings

Content-based business models across the world are being transformed to support the coexistence of global and local content offerings. Major players in the Netherlands are also producing their own exclusive local content to attract and lock-in audiences, such as RTL’s Videoland with the series ‘Zwarte Tulp’.

Not only are the more traditional broadcasters, such as RTL, looking for prime content and exclusive platforms, but the Dutch operators are

also adding prime content as part of their strategic play. Ziggo’s position was strengthened considerably in 2015 by obtaining the main soccer broadcast rights. In July, it secured three years of Spain’s La Liga, while in December it obtained the broadcast rights for the English Premier League for the 2018/19 season. The coverage will be split between Ziggo Sport and the premium Ziggo Sport Totaal. Ziggo Sport enjoyed a significant boost in viewers of Formula 1, with Max Verstappen winning the Grand Prix in Spain.

In November 2015, KPN announced that it would offer its IPTV customers exclusive content under the ‘KPN Presents’ banner. Similar to Videoland’s ‘Zwarte Tulp’, the content will include locally produced programmes such as ‘Brussels’. KPN has also signed a distribution deal with BBC Worldwide.

These are examples of the converging landscape where traditional players are shifting their focus and transforming themselves to keep up with the rapid and significant changes in the viewing habits of audiences. Although some are still in a more experimental phase, these trends are expected to continue in the coming years. In order to retain access to audiences despite changing viewing habits it is becoming a brutal battle to own the platforms they flock to.

'The content value chain is converging, with traditional lineair broadcasters building distribution platforms and operators offering exclusive content.'

Willingness to pay for on-demand media content is growing

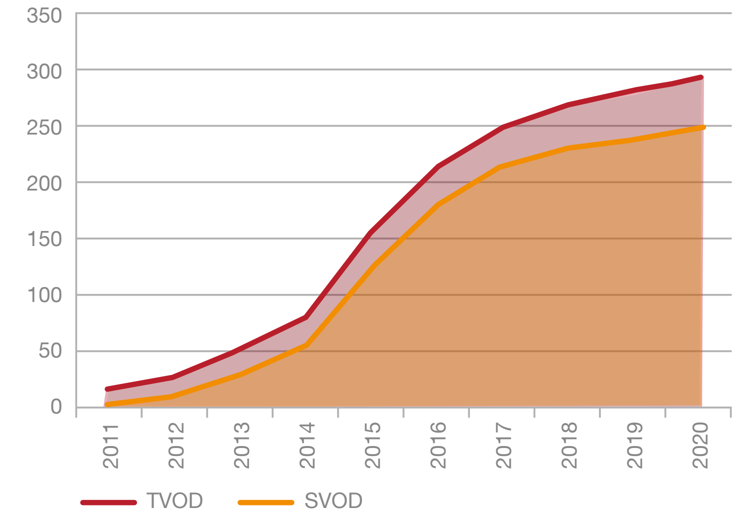
Early 2016, there were up to 121 on-demand services on the Dutch market, including twenty-three TVOD and SVOD services. Netflix has been growing at an impressive pace and analysts estimate that the Dutch subscriber base was somewhere between 1 and 1.6 million by the end of 2015. A partnership with KPN to host streaming services on the incumbent's platform helped fortify the position of Netflix. Moreover, the Netflix app was reportedly installed on more than 1.5 million Dutch smartphones by the end of 2015, comparable to the user base of public broadcaster NPO.

Competition from incumbent players includes RTL's Videoland service as well as its RTLXL app. Ziggo's Horizon Go app is among the top-5 video apps in the Netherlands. In October 2015 the three main Dutch broadcasting groups tested live streaming on their premium catch-up OTT service, NLZiet. T-Mobile recently announced its "Knippr" OTT service. In April 2015, KPN announced their own take on on-demand video called Play, which is aimed at both new and existing customers. The live TV service includes twenty-two linear TV channels and four HBO premium channels, and is especially meant to be used on mobile devices with a 'no-strings-attached' monthly subscription.

VOD revenues are expected to continue to grow at an accelerated pace. Subscription based services clearly are the preferred model for OTT services.

For operators flexibility is also important as bundles are becoming more complicated. Operators are now offering smaller, personalised packages (or "skinny bundles") with additional value-add features. The discussion about more flexible packages also stirred the Dutch market in the summer of 2016. Across countries, the role of bundles is expected to change rather than diminish.

OTT/Streaming revenue (€ millions)



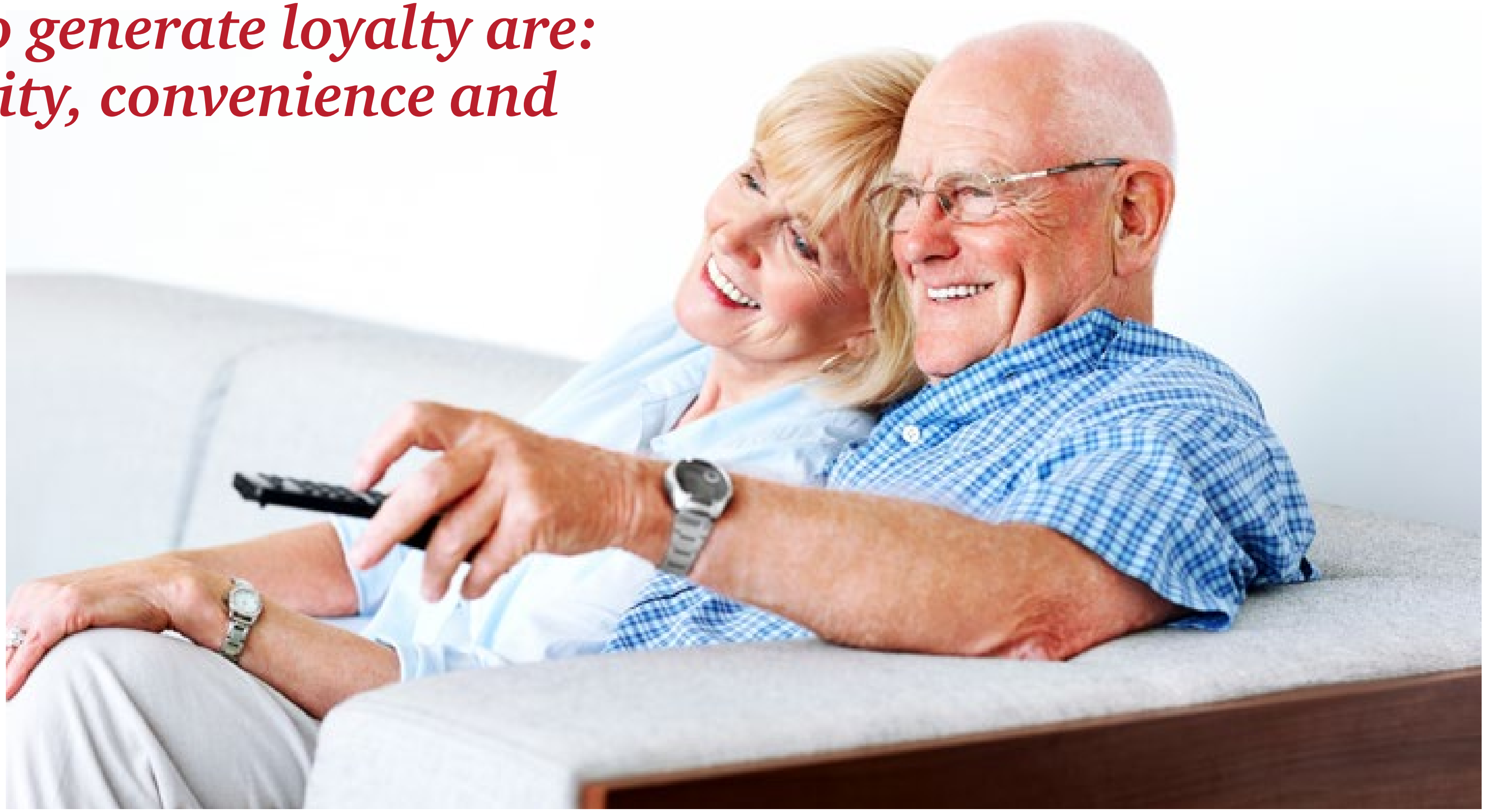
Source: PwC, Ovum

What will drive the viewer's loyalty?

Viewers enjoy an ever-increasing amount of relevant video content across a growing range of devices. Due to these wider options, daily viewing time is starting to scatter, especially among younger viewers. As a result, viewers are likely to become less interested in watching linear TV and subscribing to pay-TV. Operators have responded by both expanding the content offering via their set-top box as well as allowing subscribers to access their services on mobile devices. Similarly, broadcasters are expanding their content offering for smartphones and tablets. The question is: what generates the loyalty of viewers and what will drive them to any of these new and incumbent players?

From a viewer's perspective the key ingredients are: relevance, flexibility, convenience and affordability. A relevant player offers a sizeable library of high-quality video, including recent and exclusive content. Viewers expect flexibility in accessing this content on the

‘Key ingredients to generate loyalty are: relevance, flexibility, convenience and affordability.’



variety of screens they own and at a time of their choosing. In addition, viewers are attracted by a convenient experience: an intuitive design, easy navigation including recommendations, a simple payment model and of course faultless playback. Lastly, viewers weigh their options before spending money on video content and look for attractive pricing.

Both new and incumbent players are fiercely competing to get this mix of ingredients right. So which players are likely to win? Getting the mix right starts with knowing each viewer individually. Only based on the profiles and behaviour of viewers can market players build a relevant content offering, make recommendations to a viewer and win his or her loyalty.

This requires a significant investment in big data analytics on top of the already high investments in securing a relevant content library, supporting device flexibility and building a convenient experience. Combined with affordable pricing, this presents a major challenge to each of the players in the market. Scale and time-to-market will therefore be key. Hence it is likely that more partnerships will come to fruition, further changing the TV and video landscape.

Interview

Iris Boelhouwer en Boudewijn Beusmans

co-CEOs at Endemol Shine Netherlands

Storytelling as core business

Boudewijn Beusmans joined Endemol in 2005 and held several (senior) management positions in legal, business and commercial affairs before being appointed co-CEO of Endemol Shine Netherlands in 2016. He now focuses on commercial growth, innovation and diversity. Since joining Endemol in 1998 Iris Boelhouwer held several producer, editorial and creative (senior) management roles before she was appointed co-CEO together with Boudewijn. Her focus is on creation and format development for different genres and platforms.

In this disrupted market creativity and the ability to create quality content remain key. Beusmans: "Quality storytelling is of increasing importance in the current market. There are a lot more outlets for our content today. NPO, RTL and SBS have always been major clients, but parties such as KPN and Videoland have also become distribution platforms for our content."

"With the new drama series Brussels and Zwarte Tulp, KPN and Videoland show that they have substantial budgets available for new content with a considerable potential marketing reach." Boelhouwer: "On all available media platforms we reach an audience that has to be engaged and involved with good stories. Storytelling is the core business of Endemol Shine, and we are able to mould these stories into suitable content for the different platforms."

Tent-pole programming

Traditional TV networks are still primary clients for Endemol Shine, but they are under increasing pressure because of changing viewing habits. "There is a continuously growing content supply on other platforms and viewing behaviour has become more fragmented. The average daily viewing time of young people is dropping dramatically, which impacts TV stations financially", Boelhouwer explains. "However, this development makes tent-pole programming more important", Beusmans adds. "There will always be budget available for these hit programmes, such as big live entertainment and programmes people discuss while standing at the coffee machine at work."

Content creators and producers, such as Endemol Shine, have proven to possess the expert skills to make these programmes. Boelhouwer: "The Voice, Miljoenenjacht, Wie is de Mol and All You Need is Love still attract very large audiences. If you manage to make distinguishing content you will be able to successfully draw people to their traditional TV sets."

Communicating a brand message

More and more brands are going beyond the short (thirty seconds) television commercials in order to reach their audiences. Red Bull's content marketing is often used as an example of how to entertain people while communicating a brand message. Boelhouwer: "Brands are looking for new strategies to tell their stories on different platforms. Heineken and Nike, for instance, are exploring different ways to market their brands by investing a lot of money in longer film-like commercials or, in the case of Nike, even a branded content series on YouTube. But, I don't see these developments as a threat, because these brands will always need a partner such as Endemol Shine to create these stories for them. "

Boelhouwer emphasises that TV remains important for communicating commercial messages and has the advantage that it's a well-defined medium whereas the internet is infinite. "If TV wouldn't be effective, brands would not spend any money on it, but they do. For instance, for fashion company Steps we created a TV drama series on NET5 in which all female characters wear clothes that can be bought in Steps stores under the brand name TV-à-Porter. This has been a huge success for both Endemol Shine and Steps." Beusmans: "In the Dutch soap Goede Tijden, Slechte Tijden we do the same with fashion company WE. There is more and more interaction with viewers about commercial products. It's all about a deeper connection with consumers and making communities instead of hard-core advertising that says 'buy now!'."

Making content across all platforms

Endemol Shine positions itself as a partner that creates and produces content, but also makes a content distribution plan across different platforms. Boelhouwer: "We think along with our clients about what they aim to achieve and all possible outlets that go with it." Beusmans: "Today, the process of creating a content format already includes the wider commercial objectives of our clients and the cross-media distribution of that content on, for instance, linear TV, social media and multichannel networks. This is all incorporated in the format and is part of our core creative processes." In order to offer this broad range of services Endemol Shine attracted a wider range of commercial and creative talents. Boelhouwer: "Online marketing and social media are a whole different ball game, but in the end specialists in these fields are storytellers too."

Online distribution channels

Marketing budgets are shifting towards online, which creates the need for more distinguishing content. "More creativity and bigger budgets is a trend we see", says Boelhouwer.

Beusmans: “Using online platforms is also a strategic choice, because it functions as a business-to-consumer model with engaged viewers and targeted content. This is why Endemol Shine incorporates online knowledge and expertise into its core processes. Even though monetisation models of online activities are not yet fully formed, this will change in the future. Right now it’s all about marketing sponsored budgets and most consumers are still not paying for online content, but this is bound to change as business models will become more mature. A variety of earnings models will be tested in the coming years. Besides, the success of Netflix shows that consumers are willing to pay for good quality content.”

Accumulation of OTT subscriptions

Although consumers are willing to pay for content, the accumulation of OTT subscriptions resulting in high costs for consumers is an issue that will have to be resolved in the future. Beusmans does the math and comes to the conclusion that consumers have to spend about six hundred euros a year if they want access to content from more than one OTT provider on top of a Ziggo or KPN subscription, excluding on-demand content. “Most consumers are not willing to spend this kind of money on subscriptions, but would like access to parts of the content without subscribing to the complete OTT service. This is not possible in the current pricing models, but could be the way to go in the future.” “The same goes for the linear TV offering of Ziggo and KPN”, Boelhouwer adds. “In the future, consumers may be able to subscribe to Ziggo or KPN for only five or ten channels.”

Local content

The success of Netflix seems to indicate that American content is a dominating factor, but it appears that content production and distribution continue to be focused on local or localised content. Boelhouwer: “TV networks that want to distinguish themselves in a local market really need local content products. American hit series are now available on a wide range of OTT platforms, which is why TV networks need local drama series and daily soaps to keep attracting an audience. Interestingly, even Netflix recognises the importance of local content, as they recently launched, for instance, the French-language drama series Marseille. In the US we see a growing demand for non-American content, even subtitled content. The Netflix series Narcos was in Spanish but still very popular in the US.”

“Economies of size and scale are also crucial in this context”, says Beusmans. “Netflix needs a vast global audience to recover the investments that are necessary to make hit series such as House of Cards. But even for Netflix financing original programming is getting more difficult, which makes them include more and more non-scripted, cheaper, programmes in their content portfolio. For Dutch market parties investments comparable to those of Netflix are not feasible, but this does not mean local formats can’t be successful internationally.” Boelhouwer: “It’s part of Endemol Shine’s philosophy that an international hit cannot be created. Success starts locally and after that the ESN network is able to realise a fast rollout worldwide. Exploiting a format internationally is our bread and butter.”

‘Media companies want to be active across more parts of the value chain.’

Market parties join forces

In the past years, mergers and acquisition activities changed the media landscape. For example, Dutch production company EyeWorks was sold to Warner Brothers, Endemol merged with Shine (owned by21st Century Fox), British All3Media was bought by Discovery and Liberty Global, and ITV bought Talpa Media. “This wave of consolidation in the industry is not finished yet and investments will get bigger and bigger”, says Boelhouwer. “This is because companies in the media sector want to be active across more parts of the value chain, from content creation to the consumer.”

Beusmans: “I don’t think the consolidation in the market will seriously affect content creators, as creativity flourishes best in an independent atmosphere. Creativity and data are the sweet spots in the world of media. In today’s market, one cannot exist without the other. The way Netflix makes use of data on its tech platform shows you can analyse and predict viewing behaviour and customise the content you offer. At the same time, I don’t think data could have predicted the success of Big Brother, The Voice or the renewed interest in American superhero characters. What matters in the end is the ability to draw the attention of the viewers by capturing their imagination, because only then content will become a topic of conversation at the coffee machine and on social media.”

TV advertising

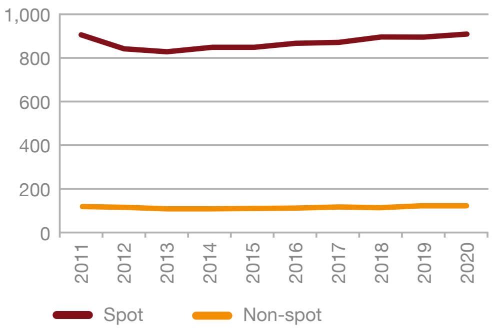
Dutch TV advertising revenues have returned to growth, underpinned by consistent economic improvement and raised business confidence, and this is set to continue at a 1.5% CAGR. With viewing habits changing, compelling live events have come to increased prominence, which has led to rising prices for key sports rights. Ultimately, part of the TV advertising will migrate to internet advertising. At this stage, we do not expect the tipping point in the Netherlands to occur in the next three to five years.

The Dutch TV advertising market suffered several years of decline following the impact of the global financial crisis. With business confidence taking time to return, total advertising revenues returned to growth of 3.3% in 2014. They did, however, remain below pre-crash levels. Expansion is set to be more consistent with a settled economy, and TV advertising revenues will grow at a 1.5% CAGR to reach 1.0–1.1 billion euros in 2020, compared with 965 million euros in 2015.

The vast majority of TV advertising revenues are attributable to free-to-air terrestrial channels. These channels will remain dominant, despite a small shift towards online TV advertising and modest growth in pay TV channel advertising. The pay TV sector continues to focus primarily on subscription fees and lucrative multi-play telecoms bundles, alongside pushing premium products such as HD channels and on-demand services.

Daily viewing declines due to wealth of alternatives

According to Screenforce, the daily viewing time of all age groups, excluding OTT/streaming, dropped from 2014 to 2015, except for viewers aged 50-64. Declining viewing time and availability of alternatives forces TV-channels to aggressively compete and bring appealing content.



Television advertising market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2016-20**
Spot	899	846	832	850	854	870	878	894	900	915	1.4%
Non-spot	118	116	101	114	111	114	116	119	121	125	2.4%
Total	**1,017**	**962**	**933**	**964**	**965**	**984**	**994**	**1,013**	**1,021**	**1,040**	
y-o-y growth		**-5.4%**	**-3.0%**	**3.3%**	**0.1%**	**2.0%**	**1.0%**	**1.9%**	**0.8%**	**1.9%**	**1.5%**

Source: PwC, Ovum, Screenforce (formerly SPOT)

‘With viewing habits changing there is an increasing emphasis on popular live content.’

NPO’s decline from 33.2% in 2014 to 30.6% in 2015 was caused by the fact that even years typically generate high viewing shares due to the Olympics and football championships. A second driver is the fact that NPO lost the Champions League rights to SBS in 2015. This helped SBS to boost its market share to 14.5%, the highest share in four years. BrandDeli used to be responsible for broadcasting channels such as MTV, Comedy Central, Nickelodeon and Discovery in the Netherlands. In recent years, BrandDeli has added FOX, including FOX Eredivisie, and Eurosport to its portfolio. This has enabled BrandDeli to reduce its exposure to headwind in channels geared to music, comedy and children.

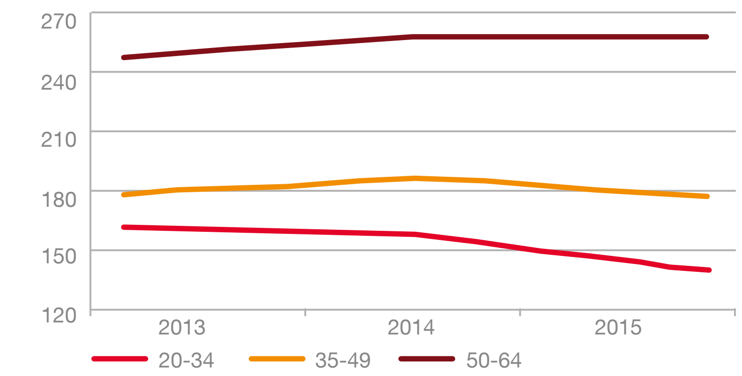
RTL has been successful in defending its number two market position reaching 25.0% in 2015. RTL reported Dutch revenues of 109 million euros in the first quarter of 2016, up 11.2% year-on-year, outperforming the Dutch advertising market as a whole.

Regardless of high competition among the largest three groups in the Netherlands, approximately 30% of viewing shares is still generated by other channels, such as special interest channels. The existence of these thematic channels provides opportunities for advertisers in terms of niche targeting and localised campaigns, although the highest budgets will continue to be allocated to the largest audiences.

The impact of OTT – time-shifted viewing and the importance of live sports rights

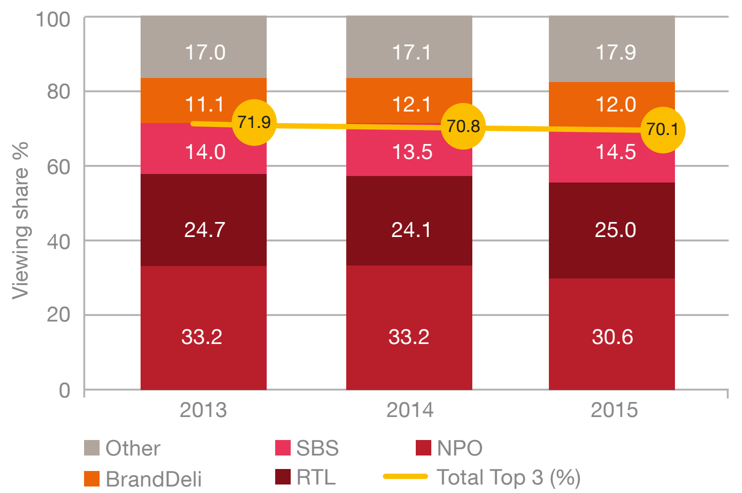
With viewing habits changing and increasing numbers of households watching content on demand at a later date, or via DVR and skipping the adverts, there is an increasing emphasis on popular live content, particularly key sporting events. This has led to rising prices for key rights. Liberty Global’s Ziggo has secured deals for the popular Spanish La Liga and English Premier League football, while Fox Sports secured a one billion agreement euro for Dutch Eredivisie football in 2012 in a 12-year deal. NPO would have received a larger boost in ratings from its coverage of the 2016 European Football Championships, but the Dutch national team failed to qualify for the event. However, the public broadcaster received a boost from broadcasting the 2016 summer Olympic Games.

Daily viewing time by age group (minutes)



Source: Screenforce (formerly SPOT)

All day viewing share 6+



BrandDeli includes Fox and Eurosports in the period 2013-2015 to improve comparibility.

Source: SKO

Changing viewing habits will continue to have an impact on advertising as the TV industry evolves. The success of Netflix and other SVOD services has not only boosted time-shifted viewing, but also consumption patterns, with households wanting to consume multiple episodes consecutively. There has also been an impact in terms of scheduling, with Netflix choosing to launch its original content across all territories simultaneously.

NPO retains its lead, but the role of public broadcasters is changing

TV viewing is dominated by public broadcasters, administered by the NPO, and commercial broadcasters RTL and SBS. As the TV landscape evolves and viewing trends change, there is increased debate over the role and capabilities of the NPO. The topic of public-broadcaster funding remains one of significant political scrutiny and future changes in the arena may be expected to have a huge impact on the TV advertising market.

TV advertising – longer term potential

In the next five years, the television advertising market will remain stable with an expected CAGR of 1.5%, provided there are no changes to the position of the NPO driven by changing legislation. It is interesting to note that this continued growth will be caused partly by the increase in marketing resources spent on television by digital companies. Another factor that will drive this growth is the effectiveness of TV advertising compared to other media types.

Looking further ahead, the trend in non-linear TV viewing and the increased possibility of targeted online advertising will have a significant impact on the TV advertising market. There will always be a solid base of advertisements surrounding live events, however the total market will decrease. It is still uncertain when this tipping point will be reached. ■

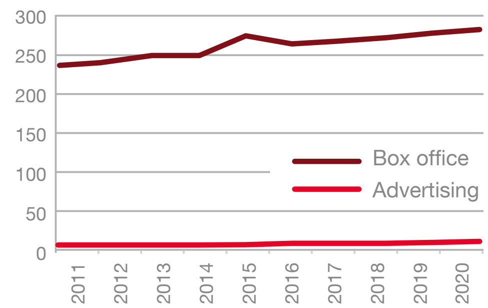
Cinema

The year 2015 was the most successful year in the history of Dutch cinema. A strong film slate and the opening of new cinemas boosted admissions to 33 million, a 6.5% increase compared to 2014. The number of admissions is expected to decrease in 2016 due to a less strong film slate, but is still expected to be significantly above the 2011-2014 levels as the number of seats continues to increase with the opening of new cinemas. In order to continue to attract cinema audiences in the long run, it will be key for the industry to keep investing in state-of-the-art technologies and the design and infrastructure of cinemas, while special attention should also be given to attracting young audiences in the age group of 15 to 25 years.

Total cinema revenue in the Netherlands increased by 10.2% to 282 million euros in 2015. Cinema admissions hit the record level of 33 million, up from 30.8 million in 2014, the highest number of visitors since decades. The strong growth in 2015 was partly driven by a strong film slate. *Spectre*, the latest James Bond film, was the clear top performer – just as Skyfall was in 2012 – but beyond that break-out hit, the top ten films of the year significantly outperformed the top titles of 2014. All of the top ten films of 2015 would have grossed a sufficient amount to make third or higher on the top list of 2014.

The increase in the number of admissions in 2015 was also boosted by the opening of several new state-of-the-art cinemas, for instance in Hilversum (Vue), Utrecht (Cinemec), Eindhoven (Vue), Hoorn (Vue) and Maastricht (Pathé).

In addition to rising cinema admissions, the higher revenues in 2015 were also positively impacted by an increase in average ticket prices (+3%). This price increase is driven by the implementation of new technologies (e.g. 3D, Dolby Cinema, 4k projections) for which premium ticket prices can be charged.



Cinema market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Box office	240	245	250	250	276	267	271	275	279	283	0.6%
Advertising	5	5	6	6	6	6	7	7	7	8	5.7%
Total	**245**	**250**	**255**	**256**	**282**	**273**	**278**	**282**	**287**	**291**	
y-o-y growth		**2.0%**	**2.0%**	**0.3%**	**10.2%**	**-3.0%**	**1.6%**	**1.6%**	**1.6%**	**1.6%**	**0.7%**

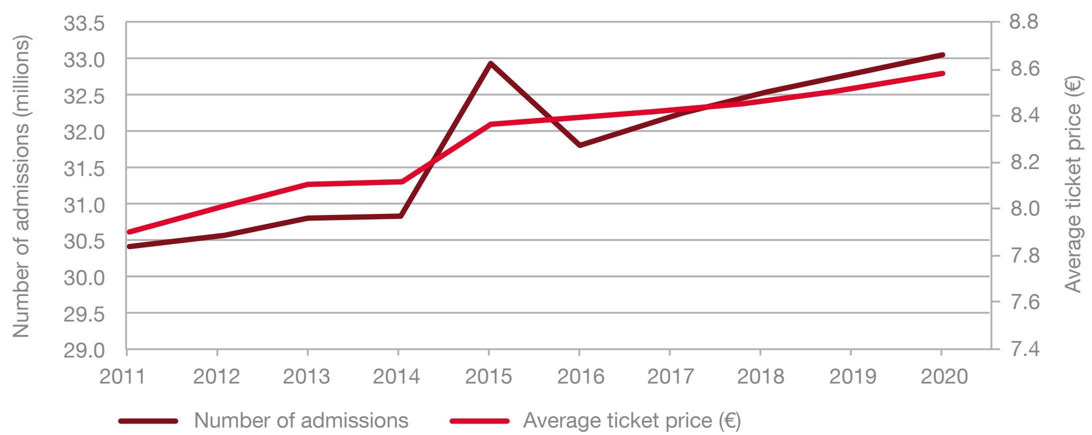
Source: PwC, Ovum, NVPI, NVB (Nederlandse Vereniging van Bioscoopexploitanten), International Video Federation

In any year the performance of a cinema is dependent on many factors. First of all the available film slate, competing leisure activities and simply the weather. The latter is of course rather unpredictable in the Netherlands. But that said, this year's revenue is not expected to match the 2015 performance as the film slate is generally considered to be less strong. The 2016 revenue is, however, still expected to be significantly above the 2011-2014 average due to the increased number of seats, the further opening of new cinemas in 2016 (e.g. Alkmaar, Dordrecht, Zwolle), and the continuing appeal of the new cinemas that opened in previous years. The newly opened cinema in Alkmaar was awarded as "Best New Cinema in the World" by the International Cinema Technology Association (ICTA).

A gradual but stable growth is forecast for the 2016-2020 period

Over the entire forecast period total cinema revenue will rise marginally from a high base to 291 million euros in 2020, a CAGR of 0.7%. This growth will be fully driven by slightly more admissions (as more new, modern, cinemas are expected to open in the coming years) and a gradual increase in ticket prices.

Admissions and prices over time



Source: PwC, Ovum, NVPI, NVB (Nederlandse Vereniging van Bioscoopexploitanten), International Video Federation

A prerequisite for this forecast is that the cinema industry continues to invest in state-of-the-art technologies and the design and infrastructure of their cinemas. This is necessary in order to remain successful and to differentiate cinema from other forms of entertainment, including VOD. In addition, the cinema industry will need to find new ways to reach audiences and differentiate its product offering. Examples of the latter include the screening of operas and musicals, secret cinema type of events and the live streaming of sports events and gaming contests. In the world of e-sports, the League of Legends World Championship event attracted 12,000 spectators at the Los Angeles Staples Center in 2014, while the event had 32 million viewers online. Kinepolis (Belgium) screened a live broadcast of this event in one of its cinemas, offering fans a shared experience.

To further maximise revenues, more tailored and focussed (niche) marketing strategies in combination with data analytical tools will become increasingly important. These can be used to identify upsell opportunities, increase concession spend, optimise capacity during lower periods of demand and maximise sales during the final days of a run.

Another challenge the cinema sector needs to face is the decreasing popularity of cinemas among the 15-25 age category. Although total spend on filmed entertainment is stable, there are signs that cinema attendance by young audiences is decreasing as they are attracted by alternative forms of entertainment. However, keeping consumers in the 15-25 age group interested in cinema is key as they represent the future generation of cinemagoers.

Increased foreign investment in Dutch cinema chains

The Dutch cinema industry is undergoing further consolidation. Recently two major European cinema companies entered the market. Kinopolis (Belgium) acquired Wolff in 2014 and Utopolis in 2015, while Vue Entertainment (UK) acquired JT in 2015. But Pathé (French-owned) is still the clear market leader with a market share of around 40%, which was boosted by the acquisition of Cinemec in 2014.

Top ten films by revenue, 2015

Rank	Title	Country	Revenue (millions)	Admissions (millions)	Average ticket price
1	Spectre	UK/US	€ 19.2	2.04	€ 9.4
2	Minions	US	€ 13.1	1.61	€ 8.2
3	Jurassic World	US	€ 10.0	1.01	€ 9.9
4	Star Wars: The Force Awakens	US	€ 9.1	0.86	€ 10.5
5	Fast & Furious 7	US	€ 8.4	0.96	€ 8.8
6	Gooische Vrouwen 2	The Netherlands	€ 6.8	0.82	€ 8.3
7	The Hunger Games Mockingjay - Part 2	US	€ 6.7	0.69	€ 9.7
8	Fifty Shades Of Grey	US	€ 6.4	0.75	€ 8.6
9	Michiel de Ruyter	The Netherlands	€ 6.0	0.69	€ 8.6
10	Inside Out	US	€ 5.3	0.66	€ 8.0

Source: NVB (Nederlandse Vereniging van Bioscoopexploitanten)

Dutch films consistently generate a fair share of overall box office revenue

The downside of Western Europe's box office success in 2015 was that a reliance on a strong Hollywood film slate left little room for local films to perform well. However, this was not the case in the Netherlands, given that the Dutch Film Distributors' Association announced a 10.3% year-on-year increase in turnover from ticket sales for local films in 2015, maintaining a fairly consistent 19% share of overall box office revenue. The Dutch comedy Gooische Vrouwen 2, which was the top-grossing film of 2014, continued to bring in sufficient revenue in 2015 to reach sixth position in terms of revenue and admissions. Biopic Michiel de Ruyter came in eighth for admissions and ninth for revenue. Ja, Ik Wil! and Bon Bini Holland also made the top 20 films by admissions. However, European films are generally struggling to travel across national borders, with the Netherlands being no exception.

The Netherlands, however, does have outward-looking film policies, ranging from a recently established cashback incentive for foreign filmmakers, to film treaties with other countries, such as Russia and Germany. Furthermore, in October 2015, China and the Netherlands signed a co-production treaty which exempts eligible films from China's quota on foreign films. This will secure a better showing for Dutch films at the Chinese box office, which was worth 5.7 billion euros in 2015.

Video on demand driving compressed film windows

Leading global subscription video on demand (SVOD) provider Netflix has been active in the Netherlands since September 2013. Netflix's launch in many countries has sparked fears that box office revenue will be negatively affected. However, when looked at from a global perspective, it seems that box office and subscription video on demand (SVOD) services can rise in tandem. Last year was instructive – global box office records were broken while at the same time Netflix launched its subscription service internationally. In the Netherlands, SVOD revenue rose by 120.1% in 2015, but box office still rose by 10.3%. The rise of streaming services, such as offered by Netflix, seems to drive compressed film windows (the run-time of films in cinemas). As a result cinemas have a shorter time frame to exploit the film.

Advertising remains a minor part of revenue

Cinema advertising revenue, though on the rise, has never been a major contributor to cinema revenue in the Netherlands. It will grow by a 5.7% CAGR to 8 million euros in 2020, accounting for 3% of the total. Clear scope exists for further improvement – the Western European average was 8% of total cinema revenue in 2015 – with cinemagoers frequently representing an appealing demographic, as well as being a captive audience.

Although not yet visible in Dutch cinema advertising, there is an international trend of an increased focus on lobby engagement and advertising, with cinemas investing in interactive lobby design. Examples are 3D advertisements (a large Spiderman above the concession counter, for example) and the set-up of screens showing trailers of new movies in a multi-screen, panoramic way.

Interview

Ron Sterk - Managing Director at Vue

Providing a more enhanced cinematic experience

Vue International was founded in the United Kingdom in 2003 and expanded to become the largest cinema company outside the United States. From 2012 onwards Vue International acquired several cinema chains and is now active in ten European countries. After Vue acquired the Dutch JT Bioscopen in 2015 it operates twenty-one cinemas in twenty cities in the Netherlands.

JT's managing director Ron Sterk and his team became part of Vue after the acquisition. Ron Sterk's professional career in the cinema business spans over twenty-five years in which he occupied many different positions before he became managing director of JT Cinemas in 2014.

In order to make the Vue brand more visible and to radiate uniformity, all Vue cinemas have recently been rebranded and refurbished. Ron Sterk: "A solid and visible brand is crucial in the current market, as it represents our market identity. A good brand makes us stronger as a company and creates possibilities to further exploit our brand. For many years Pathé had been the only international cinema chain in the Netherlands, but with Vue International and the Belgian Kinepolis Group entering the Dutch cinema scene there are now three major international players. Cinema attendance is slightly lower in the Netherlands than it is in other European countries and with 50 film screens per million inhabitants compared to, for instance, 67 in the UK, there is still room for growth."

The cinema of the future

Over the past decade the investments made in building bigger and better cinemas significantly contributed to attracting a larger cinema audience in the Netherlands and this trend will continue in the coming years. Sterk: "If we look at this in a historical perspective: the big multiplex cinemas in the Netherlands were built in the nineties and zeros and resulted in a growing cinema market after years of decline. These big modern cinemas with wall to wall screens and stadium seating are more cost efficient and changed the fragmented Dutch cinema market that was characterised by small family businesses."

The investments in economies of scale gave a boost to the market in the past decades, but the focus has shifted to cinema as an experience. Sterk: "A big screen, good sound and comfortable seats are no longer enough. Filmgoers want a more enhanced cinematic experience through innovations such as 3D immersive sound and premium large format." These technological developments together with more quality cinemas and more seats are driving further growth. Sterk: "In 2015 there were 33 million moviegoers in the Netherlands and if current growth rates continue cinema attendance will reach 40 million in the future. But older and smaller cinemas are losing ground as they heavily depend on big blockbusters and can't offer the high quality movie experience that attracts a different type of audience."

At the same time there is a growing interest in smaller and stylish boutique cinemas. Sterk: "These high quality boutique cinemas strike a nostalgic cord among a niche audience and offer a premium customer experience. Boutique cinemas mostly screen art-house films and focus on an audience in the 35-plus age group who have some money to spend."

Young audience

There are some signs that cinema attendance rates of younger audiences are slightly declining worldwide. Sterk: "I think premium large format and an enhanced cinematic experience are the answer to this. As cinema exhibitors we have to make sure that the cinema experience can compete with, for instance, music festivals which offer an overall experience for young people. But, on the other hand, cinema has the advantage of being a cheaper and more accessible pastime."

Special events at Vue theatres

To attract younger and niche audiences some Vue theatres organise special events. For example, a selection of Vue theatres screened gamers competitions with international top players. Other examples of alternative content at Vue theatres are the screening of 'college league', in which university teams compete against each other, and the screening of famous operas with a top cast. Sterk: "At Vue these types of alternative use of our cinemas is currently still experimental and it helps us learn more about how to reach other audiences and to stimulate customer loyalty."

Customer data are increasingly important. Collecting and analysing customer data facilitates more effective and targeted marketing and movie programming. Sterk: "When you know your customers and their viewing habits it's easier to come up with, for instance, special offers or recommendations for films. Collecting data is easier for a major market party such as Vue, since we have professional CRM and CVM systems in place. We have our Vue Movie Pass and the Vue App

> ‘Distributors are focusing on their role as marketer, negotiator and deal maker.’

and are planning to further expand our loyalty programmes in the future.”

What are the latest and greatest technical features in the cinema?

“The digital age completely changed the film industry”, says Sterk. “Innovations such as Dolby Atmos would never have been possible without digital technology, because there was simply insufficient space for all the required data on a physical film reel.

Today, filmmakers are increasingly making use of digital technology when telling their stories. In the blockbuster The Revenant there is a scene in which the sound of footsteps in the snow can be heard from the side. The sound features are so enhanced that it caused many people in the audience to look over their shoulders – convinced for a second that someone was approaching from the side of the cinema.”

After the introduction of surround audio format Dolby Atmos and innovations such as Dolby Cinema, replacing lamp-based film projectors with new laser projectors is the next step. Sterk: “Projecting a film in 3D requires stronger light intensity which is what laser projection can offer. Laser offers better picture quality than Xenon arc lamps and is a lot more cost-efficient.”

“The digital projectors we have now were all installed in the period 2010 – 2011 and will last until 2021”, Sterk continues. “These were partially funded through the virtual print fee (VPF ed.) structure which will finish in a few years. This income stream will run dry and cinema exhibitors will need to fund the full investment in the replacement technology. Looking at the future, most innovations will be in film screens, which will further support the new film projection techniques, as well as advancements in LED technology which is fast becoming cheaper.”

The role of film distributors

The traditional role of film distributors changed as the print distribution of films ended. Today, film distributors are focusing on their role as marketer, negotiator and deal maker. Sterk: “The role of negotiator will become weaker, since there will be more and more centralised agreements as market players consolidate and more global players emerge. But I don’t believe the role of film distributors will be obsolete in the future, because bringing a film to the market is a true profession that requires skills.”

The activities of distributors include the marketing of products in films. In order to finance Dutch films product placement is often inevitable. Sterk: “Films such as Verliefd op Ibiza and Gooische Vrouwen have a cast and a storyline that appeal to a carefully selected audience and the promoted products in the film are selected to appeal to that target audience. The role of distributors comes close to that of producer, as distributors are often in charge of ad campaigns to make sure consumers buy the products that are marketed in the film.”

Does Netflix pose a threat to cinema?

“Netflix is not, and will never really be, an alternative for the real cinema experience”, says Sterk. “But Netflix disrupted the whole business model of the film industry by making the DVD market and, to a large extent, the market for legal downloads obsolete. The relative dependency on earnings from cinema exploitation has increased due to the shrinking physical home entertainment window. Earnings from VOD windows have not been sufficient to compensate the decline in DVD sales.”

As a result there has been downward pressure on the level of minimum guarantees paid by distributors to producers, because the windows after the cinema release bring in less money. Sterk: “In the business we all have misjudged the speed with which the video and DVD market disappeared. For many years this window was the corner stone of the business model. Yet, new business models are emerging and will emerge in the future.”

The need for great content

Of course, cinema attendance is not only driven by location, technology and overall experience. In the end, filmgoers want to see great movies. To compensate for the loss in revenues due to the disappearance of the DVD market the major studios are heavily focused on entering new markets in search of new audiences, such as in China, India and Latin America. Sterk: “We see that major studios are increasingly producing films with a broader diversity of characters that appeal to viewers in these new markets. For the large studio films the globalisation of filmmaking is a fact. Yet, this might be a risk if this will result in films becoming less appealing to the European or Dutch market.” ■

Radio

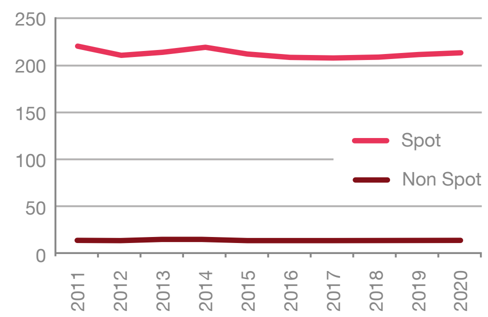
The year 2015 was a challenging one for the Dutch radio industry because of declining revenues. However, in the medium term, the market is expected to stabilise as radio remains a popular audio entertainment medium with a strong listener base and a large cumulative audience (i.e. reach). But a higher smartphone usage and new technologies, such as interactive dashboard technology in cars, will have an impact on how and when people consume audio entertainment. Therefore, stakeholders in the radio industry will need to closely monitor listening trends in order to understand what is the best way to reach listeners and how to stay competitive.

Radio advertising market will stabilise

2015 was a difficult year for the Dutch radio industry. Total advertising revenue dropped by 3.4% to 225 million euros in 2015, as advertisers are shifting parts of their budgets to other media. As with other traditional media, broadcasters are experiencing growing competition from the internet, as online advertising expanded by 8.3% in 2015.

However, in the longer run, the radio advertising market is expected to stabilise as a result of economic growth and the fact that radio remains a popular medium for advertisers. The number of advertisers increased from 1,782 in 2014 to 1,939 in 2015, of which retail, transport and the financial services sectors are spending the most on radio advertising.

Programmatic trading could also boost radio advertising in the future. Today, most radio advertising is sold the traditional way, which means via direct sales. This may change. In the US, some radio stations have already started to sell radio spots automatically. Automated trading creates the possibility for advertisers to monitor their advertising



Radio advertising market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Spot	221	209	214	219	213	208	206	208	210	212	
y-o-y growth		-5.4%	2.4%	2.3%	-3.0%	-2.0%	-1.0%	1.0%	1.0%	1.0%	0.0%
Non-Spot	12	12	13	14	13	13	13	13	13	13	
y-o-y growth		0.0%	8.3%	7.7%	-10.7%	2.0%	1.0%	1.0%	1.0%	1.0%	8.3%
Total advertising	**233**	**221**	**227**	**233**	**225**	**221**	**219**	**221**	**223**	**226**	
y-o-y growth		**-5.2%**	**2.7%**	**2.6%**	**-3.4%**	**-1.8%**	**-0.9%**	**1.0%**	**1.0%**	**1.0%**	**0.1%**

Source: PwC, Ovum, Radio Advies Bureau (RAB) minute-by-minute and adjust their campaigns accordingly. Audience information is shared between sellers and buyers and greater transparency gives brands better tools to target the right audience.

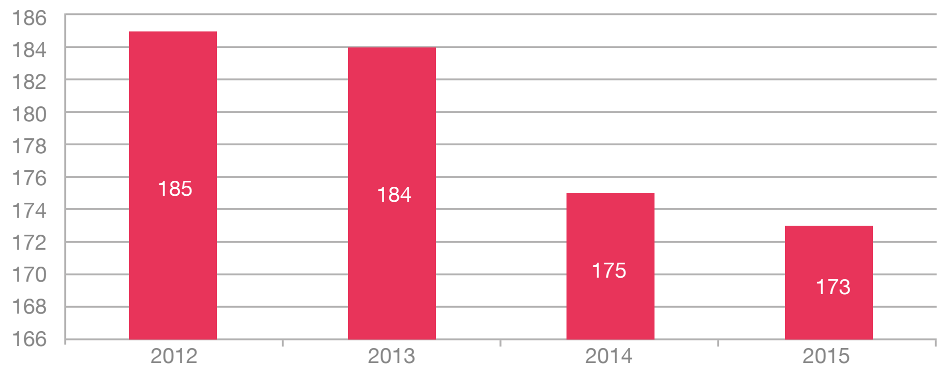
We predict that total radio advertising will grow at a CAGR of 0.1% to 2020. This is a weaker growth forecast compared to other European radio markets of equal size. Sweden and Austria, for example, are projected to grow at 2.1% and 2.4%, respectively, due to different market dynamics (i.e. smaller internet advertising markets).

A slow decline in reach

In-home radio listening makes up the biggest portion of average daily radio listening minutes. According to research done by the NLO, 57% of radio listening time is consumed at home, 24% at work and 18% while travelling. These percentages are relatively stable over the years.

Total reach in the Netherlands has slightly declined in recent years. In 2015, radio had a weekly reach of 89.4% and people listened an average of two hours and fifty-three minutes per day. This is two minutes less than the year before, and twelve minutes down from 2012. The fact that the average radio listening time declines a couple of minutes from one year to another is unlikely to have an immediate impact on the decisions of advertisers on whether or not to buy a radio slot. But it is important to keep track of this trend, because if it continues in the longer term declining reach will eventually impact the willingness of advertisers to pay for radio campaigns.

Average daily radio listening minutes



Source: Mediamonitor, NLO/Intomart GfK

Despite indications of a downward trend in reach, live radio still has a clear lead as the dominant audio format. According to the NLO Audio Distributie Onderzoek (September 2015), radio accounts for 82% of total daily audio consumption, down from 84% in 2013. Own music (CDs, downloads etc.) accounts for 10% and music streaming services make up 7% of total daily audio consumption. The latter increased from 3% in 2013 to 7% in 2015 indicating that the growth of streaming also impacts own music.

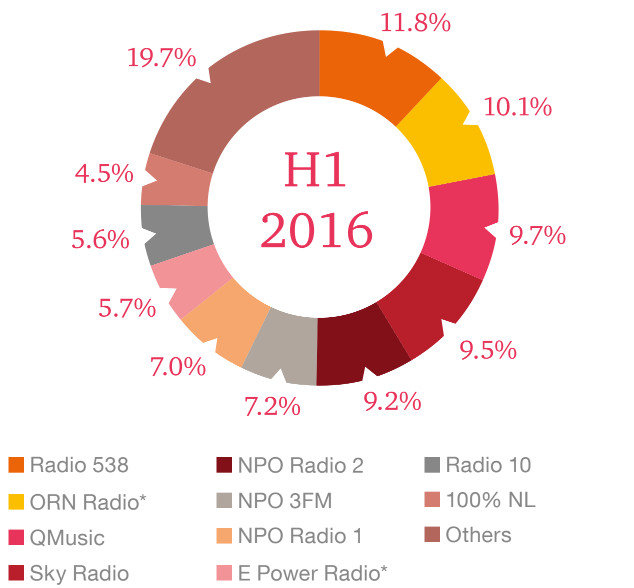
The fact that radio is relatively stable despite the rise of online music streaming services is good news for the Dutch radio sector. Recent research by Beautiful Lives also indicated that online music streaming services are not a full substitute for radio.

Nevertheless, broadcasters need to prepare for greater competition in the audio entertainment space, as the online music streaming services do give people a greater choice. The percentage of the Dutch population using one or more music streaming services has risen from 9% in 2011 to 35% in 2015. The majority (seven out of ten) are non-subscribers, enjoying free music that is interrupted by commercial breaks. Spotify is the most popular music streaming service platform, followed by Google Play Music and Deezer.

Threat of new dashboard technologies

Competition in the in-car audio segment is already intensifying. Listening to the radio in cars remains popular, but new developments regarding in-car listening will further increase the competition. In 2015, forty leading car manufacturers agreed to allow tech giants Apple and Google access to their proprietary interactive dashboards. Apple's Car Play and Google's Android Auto will either come as a standard or

Top ten stations by market share



*Stations comprising a combination of several regional channels

Source: NLO/GfK (January - June 2016)

optional feature for new models. Already more than a hundred new car models of various makes are now compatible with these systems.

New dashboard technologies represent a bigger threat to broadcasters than today's interactive dashboards, due to the effectiveness of their voice recognition systems. This allows drivers to navigate their apps while driving. Drivers can easily get directions, make calls, send and receive messages, and listen to their own music. Today, only 8% of all own music and 2% of streamed music is consumed via car radio. But the ease of navigating through personal music collections and engaging with others on smartphones while driving, will prompt changes in how drivers interact and consume information, media and entertainment in their cars.

Consolidation in the Dutch radio market

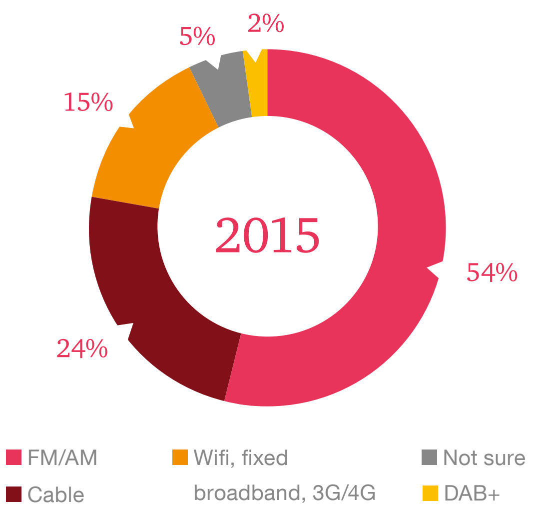
Public broadcasting has a strong presence in the radio market in the Netherlands. The public broadcaster Nederlandse Publieke Omroep (NPO) operates five national radio stations. There are also 13 publicly funded regional stations (ORN) and around 300 local radio stations that are largely subsidised by community tax. The rest of the market is primarily made up of nine commercial radio stations operating on FM.

The largest commercial broadcasters are Telegraaf Media Group (Sky Radio, Radio Veronica and Classic FM), Talpa Media (Radio 538 and Slam!FM) and Persgroep (Q-Music), with a combined listening market share of 39.2% in 1H16. Radio 538, QMusic and Sky Radio are the most listened-to commercial stations, broadcasting primarily

'Changing legal restrictions will provide more opportunities for collaboration.'

pop music. In December 2015, the Dutch government announced that the legal restriction will change from a maximum of two to four FM frequencies per company. This will provide more opportunities for collaboration in the industry. The first example of this is the strategic cooperation between TMG and Talpa that was announced in January 2016. As part of this cooperation both parties will merge their radio activities into a new company.

Radio listening by distribution channel



Source: NLO Audio Distributie Onderzoek (September 2015)

This cooperation enables TMG and Talpa to combine forces in the development of interactive, digital and cross-media formats. To enable this, Talpa announced the acquisition of RadioCorp (whose stations include 100%NL and Radio 10) and subsequent divestment of 100%NL and SLAM! to Karl Habsburg (one of the original investors in RadioCorp). These changes are subject to approval from anti-trust authorities. It is unclear what this will mean for One Media Sales, the sales organisation that currently represents 100%NL, Radio 538, Slam! and Radio 10.

FM/AM still the most used distribution channel

The most common way to listen to the radio remains through traditional FM/AM receivers or via cable. The share of people listening to radio via internet is expected to increase over the next five years. A recent study by Radio Advies Bureau on digital radio consumption states that most part of the digital radio offering today is consumed via television sets (such as set-top boxes) or computers. However, tuning into a radio station using smartphones and tablets has risen sharply over the past four years and this trend will continue, with easy-to-use radio apps offering a seamless radio listening experience. In 2015, 23% of the Dutch population have used their phone to listen to the radio, compared to 13% in 2009, whereas the use of tablets to listen to the radio increased from 1% in 2011 to 10% in 2015. These trends have an impact on how and when consumers listen to the radio.

DAB+ remains a small player

The infrastructure for digital radio in the Netherlands is well established with a population coverage of 95%. However, Dutch consumers have been slow to convert to DAB+, despite an extensive national advertising campaign. Although some consumers might be unsure whether they are in fact using a DAB+ receiver, recent surveys indicate that total DAB+ uptake is far from sufficient to justify any FM/AM radio switch-off. As of January 2016, only 3% of Dutch households used DAB+. In September 2015 it was announced that the current licences will be extended to 2022, but new frequency capacity for additional digital terrestrial radio (DAB +) will likely be auctioned at the end of 2017. The extra capacity will allow up to 18 new stations to broadcast digitally nationwide.

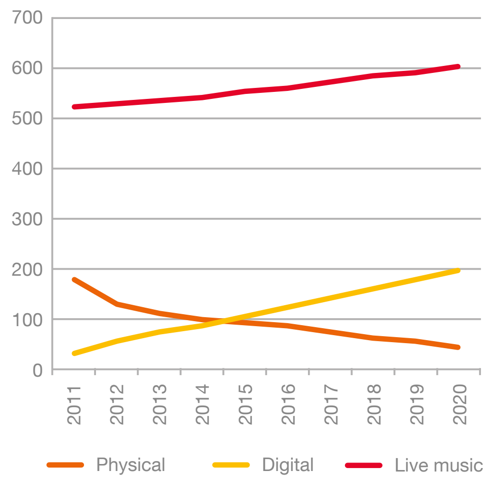
Music

In 2015, the Netherlands enjoyed the strongest growth in recorded music revenue in more than 15 years as revenue increased by 7.9%. This strong growth was driven by continued popularity of paid-for streaming services which is transforming the sector, while vinyl is also experiencing a revival. The latter, however, did not make up for the continued decline in physical recorded music. But it is live music revenue, buoyed by a vibrant festival market, that continues to account for the bulk of music revenue.

The music market in the Netherlands was worth a total of 755 million euros in 2015, and spending is forecast to rise at a CAGR of 2.4% through to 2020. The recorded music sector will grow at a rate of 3.9% (CAGR) as Dutch consumers turn in greater numbers to paid-for digital music streaming services. In addition, live music is expected to grow by 1.8%, which mainly results from increases in visitors.

Digital leads recorded music for first time

Digital recorded music revenues in the Netherlands exceeded those of their physical counterpart for the first time in 2015. The share of digital in total recorded music revenue will rise to 80% in 2020.

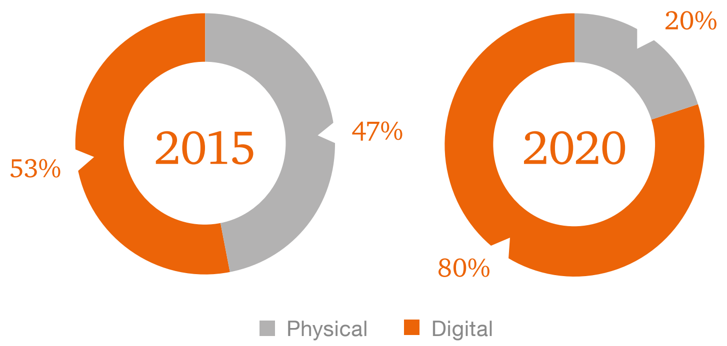


Music market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Recorded music	**215**	**190**	**192**	**189**	**204**	**215**	**223**	**232**	**240**	**247**	
y-o-y growth		**-11.5%**	**1.1%**	**-1.5%**	**7.9%**	**5.2%**	**4.1%**	**4.0%**	**3.4%**	**2.7%**	**3.9%**
Physical	180	133	113	103	97	87	77	68	59	50	
y-o-y growth		-26.5%	-15.1%	-8.7%	-6.0%	-9.4%	-11.8%	-12.3%	-13.6%	-14.4%	-12.3%
Digital	34	57	80	86	108	127	146	165	182	197	
y-o-y growth		66.7%	38.3%	8.7%	24.5%	18.2%	15.0%	12.5%	10.4%	8.2%	12.8%
Live music	**522**	**529**	**535**	**541**	**551**	**561**	**572**	**582**	**592**	**603**	
y-o-y growth		**1.3%**	**1.1%**	**1.2%**	**1.8%**	**1.9%**	**1.9%**	**1.7%**	**1.8%**	**1.8%**	**1.8%**
Total	**737**	**719**	**727**	**731**	**755**	**776**	**795**	**814**	**833**	**850**	
y-o-y growth		**-2.4%**	**1.1%**	**0.5%**	**3.4%**	**2.8%**	**2.5%**	**2.3%**	**2.3%**	**2.1%**	**2.4%**

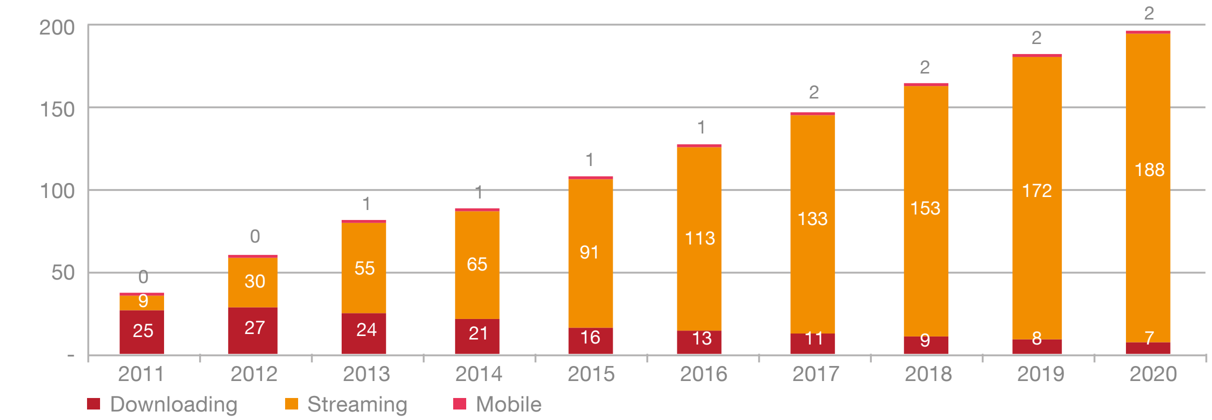
Source: PwC, Ovum, NVPI

Recorded music split



Source: PwC, Ovum

Composition Digital music revenue (€ millions)



Source: PwC, Ovum, NVPI

Audiences prefer access over ownership

In 2012, the Dutch market reached a peak in music download revenues, whereas in 2015 these revenues amounted to just 16 million euros, down 16.8% year-on-year. They are expected to further decline at a CAGR of 16.0% through to 2020.

As in other developed markets, there is a shift away from the ownership of music via physical formats or digital downloads. The Netherlands is decisively moving towards music access through subscription. Clearly, the access model is the best opportunity for the music industry to return to consumer spending levels that have not been reached in more than fifteen years. Trade association NVPI noted that last year's spike in recorded music was the largest in the market for a quarter of a century.

Streaming revenues in the Dutch market totalled 91 million euros in 2015, up 40.1% on the previous year. In terms of listening time the average Dutch consumer now listens to streaming services for nine minutes a day, up from five minutes in 2013. Encouragingly for the industry, usage is highest among young people, who listen an average of up to half an hour a day. The segment is forecast to grow at a CAGR of 15.7% through 2020 and accounts for 96% of total digital recorded music revenues in that year, up from 84% in 2015.

Recorded music market in the Netherlands outperforms nearby markets

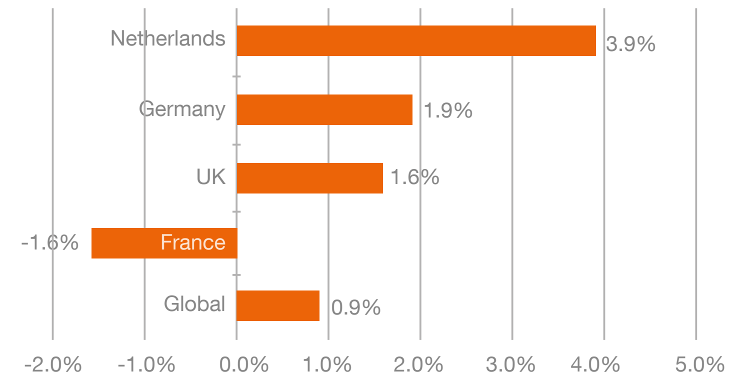
The forecast CAGR for recorded music in the Netherlands outperforms many nearby markets. This is partly due to the relatively small size of its physical market, which means it is not dragging down sector growth. The success of paid-for streaming services, boosted by ubiquitous broadband and high market awareness, also substantially contributes to market growth. By comparison, 69% of the German market was still a physical market in 2015, despite the fact that the German streaming sector also shows considerable growth.

Spotify is the leading provider for streaming while Apple Music builds brand awareness

Around one-third of Dutch consumers were using streaming services last year, according to a survey conducted by Motivaction in September 2015. Spotify was the leading provider with approximately 5 million subscriptions. However, competition is increasing, since the Apple Music service that was launched in June 2015 quickly built a strong profile. According to Motivaction there was a 62.5% consumer awareness of the Apple Music brand one month after its launch in July (awareness for Spotify was close to 88%). Meanwhile, Amazon is

‘It is becoming increasingly difficult for smaller providers to compete with companies such as Apple and Spotify.’

Recorded music CAGR 2016-2020



Source: PwC, Ovum

believed to be preparing to enter the music streaming market, which will give a further boost to competition.

The Motivaction survey founds that Spotify was performing best among the various streaming services in terms of converting users into paid customers. Close to 40% of the company’s Dutch audience had signed up to the paid subscription service, while rivals Deezer and Napster both had just 26% of their user bases paying monthly subscription fees. It should be noted that many people stream music via Spotify premium as part of an all-in-one package deal of their telecom provider. About 55% of the two million paid subscribers has actively subscribed to Spotify whereas the remaining group streams through a provider. All streaming subscription services face the difficulty of incomplete music libraries due to exclusive deals or copyright disputes. The year 2015 saw a number of high profile cases of artists withdrawing their music from or refusing to place their music on Spotify, including Taylor Swift, Adele and Kanye West.

Smaller streaming providers are entering the market

While smaller streaming services are unlikely to have a major immediate impact on the market, they may well be able to carve out viable niches. Examples are HitsNL and Beatport. HitsNL was launched in November and offers access to Dutch-language recordings only. US-based Beatport announced the launch of a local version of its service in the Netherlands. The latter company regards the Netherlands, Amsterdam in particular, as a “massively influential” EDM market. This is why the Netherlands was the only market out of 220 where Beatport operates with a customised offering. However, Beatport ran into financial difficulties in 2016. In May, after an abortive attempt by US-based owners SFX to sell the business, the decision was taken to discontinue the Beatport streaming app and focus on the core download store business. This illustrates that despite the rapid growth of the streaming market, it is becoming increasingly difficult for smaller providers to compete with companies such as Apple and Spotify.

Collecting society struggles with online music

Last year, collecting society for composers and music publishers Buma/Stemra came under attack from the Professional Association of Multi-Media Composers (BCMM) and the Association of Music Authors (VCTN). Both organisations claimed that Buma/Stemra was underpaying composers for online works. BCMM and VCTN said that

‘The growing social trend towards consumers looking for ‘shared experiences’ is boosting the live music market.’

Buma/Stemra collected around nine million euros in 2014, only a fraction of which was actually paid out. They also said that many copyright owners are only paid when they approach Buma/Stemra and ask for their online fees.
The collecting society conceded that it was having difficulties organising such payments but said it was developing a database which aims to simplify the process and enable it to better calculate author fees.

The fact that the European Commission is considering plans to impose a tax on music streaming services, together with video equivalents such as Netflix, is another example that shows the shift towards music streaming causes practical difficulties. These plans of the EC are part of a wider process as the Commission aims to standardise copyright regulation at a European level, which may take many years.

Independent retail bolstered by vinyl sales

The Dutch retail sector has been hit by the decline in physical formats. Retailer Fresh Entertainment Nederland had to close its chain of 36 Free Record Shop outlet stores in 2014 after repeated failed attempts to save them. However, in November 2015 Free Record Shop did make a minor reappearance as a channel on the website of Dutch multimedia retail group Boekenvoordeel selling music CDs.

There was also some good news for independent stores as vinyl music sales rose 2.3% in 2015 to 64.7 million units, with vinyl constituting 14% of the total physical music market last year. The format has benefitted from the local version of Record Store Day, which is a yearly music event that takes place in more than 2000 independent record stores in North America, Europe, Australia and Japan. In the Netherlands this mid-April event saw the release of 450 new albums.

A lively live music scene

Dutch live music revenue is forecast to increase at a CAGR of 1.8% to 2020. This increase is mainly driven by a growing number of visitors and, to a lesser extent, by higher prices. The live music market is boosted by the growing social trend towards consumers looking for ‘shared experiences’. In addition, the live music market is benefitting from an increasing ‘supply’ of live performances since live music as a

Most popular paid music festivals (visitors in thousands)	2014	2015
Amsterdam Dance Event	350	365
Zwarte Cross	185	197
Pinkpop	194	175
Lowlands	165	144
Defqon 1 Festival	95	n.a.
Kwaku	90	100
Solar Weekend	72	83
Concert at SEA	70	80
North Sea Jazz	70	70
Festival oude muziek Utrecht	64	65
Mysteryland	60	60
Awakenings	60	n.a.

Source: Respons.nl

source of income has become more important for artists, due to the worldwide decrease in recorded music sales. Concert promoter Mojo Live Nation is the market leader in the Netherlands and organises both concerts and music festivals.
Music festivals are an increasingly important component of the Dutch live music industry. In 2015, more than 23 million people visited a Dutch festival. According to the Festival Monitor, the total number of festivals (incl. non-music such as movie festivals) grew by 4.5% in 2015. Another survey (i.e. Festival Atlas) counted 924 music festivals in the Netherlands in 2015. Yet, the growth in the number of festivals is expected to slow down as some (smaller) festivals are loss-making or fail to live up to the expectations of the public. The line-up is only one component of a festival’s success as it is the total experience that drives the long term success of a festival. As a result, especially festivals with a strong and established brand name will thrive in the coming years.

Although most music festivals are organised in the Dutch provinces North Holland, South Holland and North Brabant, festivals are increasingly spread out over the country. For instance, the number

of festivals in Amsterdam has not increased further over the past few years, due to a so-called ‘festival ceiling’. This trend is likely to continue in the coming years as Amsterdam wants to reduce the number of festivals in the city as a result of the perceived negative impact these festivals have on the liveability of the city.

The Ziggo Dome gave a further boost to the Dutch live music market

The Dutch live music market was boosted by the opening of the Amsterdam music venue Ziggo Dome in 2012. The Ziggo Dome (17,000 seats) filled a hole in the market as it is bigger than Heineken Music Hall and has a smaller capacity than (football) stadiums. Prior to the opening of the Ziggo Dome, the only alternatives were convention centres such as Ahoy in Rotterdam, but these have acoustics that are less advanced. In the first half of 2015, the Ziggo Dome was one of the five most visited music venues in the world.

The success of TicketSwap has made the ticket market more liquid

The market for secondhand (festival) tickets has become more transparent and liquid driven by the success of TicketSwap, which was launched in 2012. TicketSwap is an online platform through which customers can sell and purchase e-tickets in a safe manner and at a fair price (up to 120% of the original value). Currently, TicketSwap has more than 800,000 registered users in the Netherlands. To ensure the safety of the tickets, the company offers Secure Ticket Swap, which means barcodes of resold tickets are changed into new codes to prevent the possibility of selling tickets twice. This has made the secondhand ticket market more liquid. In addition, it is also impacting the primary market as it gives a consumer more security that tickets can be resold. But, on the other hand, some consumers postpone the purchase of tickets as it is now easier to buy tickets secondhand.

A place for EDM business

The Netherlands hosts some 170 dance music events each year, attracting audiences totalling around 2.7 million. The festivals are significant to the economy as each festival-goer spends an estimated 140 euros per day, including tickets, food, drinks and other expenses, according to research by the Dutch bank ING.

The Netherlands is a major exporter of EDM by means of an influential group of globally renowned DJs, including Afrojack, Armin van Buuren, Martin Garrix and Tiësto. The latter ranks fourth in Forbes’ highest paid DJ ranking for 2015, while Martin Garrix and Afrojack also occupied high positions in this ranking.

Unsurprisingly, the country is home to some of the most popular electronic music festivals, such as Awakenings and Mysteryland. Both festivals were first held in the 1990s and have since then become international players with festivals held in Belgium, the UK, the US and Chile. The first Mysteryland festival took place in 1993 and developed from a one-day event into a two-day event for the first time in 2015.

Every year, the Netherlands hosts the largest club festival and business conference for electronic music in the world, the Amsterdam Dance Event (ADE) which is supported by collecting society group Buma/Stemra. The 2016 edition of ADE will feature 450 events with 2,000 artists across 115 venues. ■

Video games

The video games market shows strong overall growth in the forecast period, aided by very high broadband penetration and connectivity in the Netherlands. Key drivers are digital game sales, microtransactions and downloadable content in the traditional PC and console markets. Virtual reality is still in its early stages, and while we have high expectations of its potential, it will take time to mature before it can make a meaningful impact.

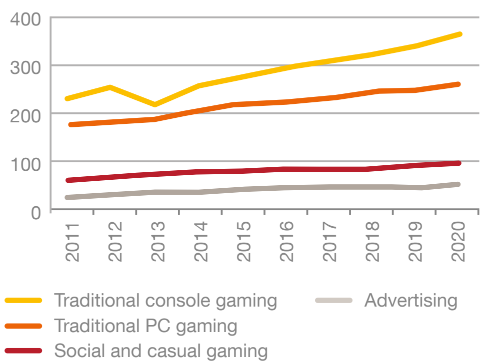
Digital drives growth in vibrant market

Total video games revenue is forecast to grow from 606 million euros in 2015 to 769 million euros in 2020, a CAGR of 4.9%.

While sales of physical games for console and PC will continue to fall, it is growth in digital games, and particularly online and microtransaction revenue, which will boost the traditional gaming market. Social and casual gaming revenue will continue to grow due to the abundance of app-based games, but will not increase its foothold compared to traditional gaming.
On average, according to Media:Tijd, teens spend the most time gaming: about 45 minutes per day in the 13 to 19 age bracket. However, this drops quickly to approximately 15 to 20 minutes per day as people get older, probably due to career and family demands. Pensioners still spend approximately 11 minutes per day on gaming; video gaming has truly become a hobby for people of all ages.

Strong performance of consoles continues to surprise, but change is afoot

The most recently released consoles (PS4 in 2013 and Xbox One in 2014) are now in the middle of their lifespan and performing much better than one would expect given the explosive growth of general-purpose gaming devices (such as smartphones, smart TVs and tablets). Within the console market, we see an ongoing shift from physical

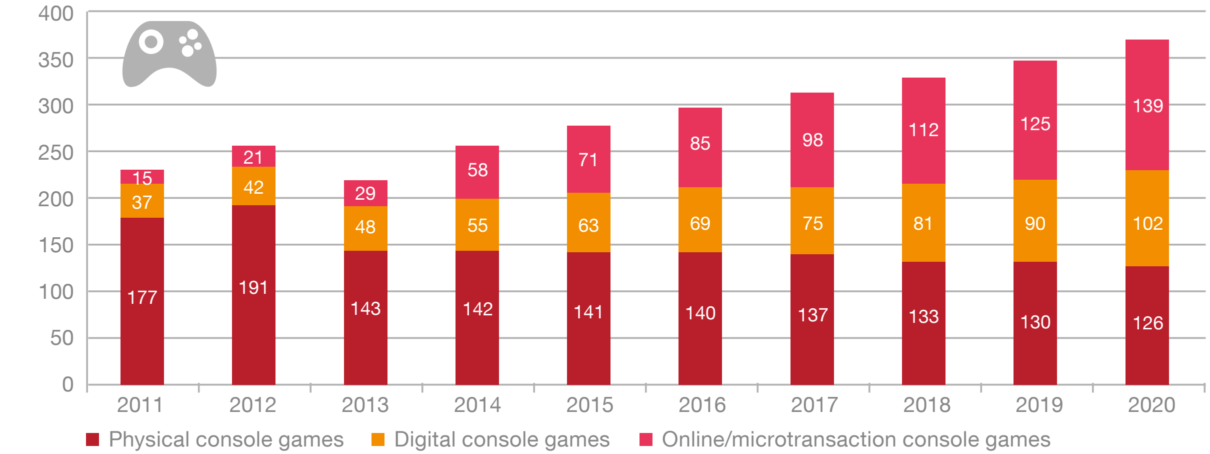


Video games market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Traditional console gaming	229	254	219	255	275	294	310	326	344	367	5.9%
Traditional PC gaming	173	179	190	205	215	225	234	242	251	259	3.8%
Social and casual gaming (mobile and browser based)	57	63	69	73	77	80	83	85	89	93	3.9%
Advertising	23	29	32	35	38	41	43	45	47	50	5.3%
Total	**481**	**525**	**510**	**568**	**606**	**640**	**669**	**698**	**731**	**769**	
y-o-y growth		**9.1%**	**-2.8%**	**11.3%**	**6.6%**	**5.7%**	**4.5%**	**4.3%**	**4.8%**	**5.1%**	**4.9%**

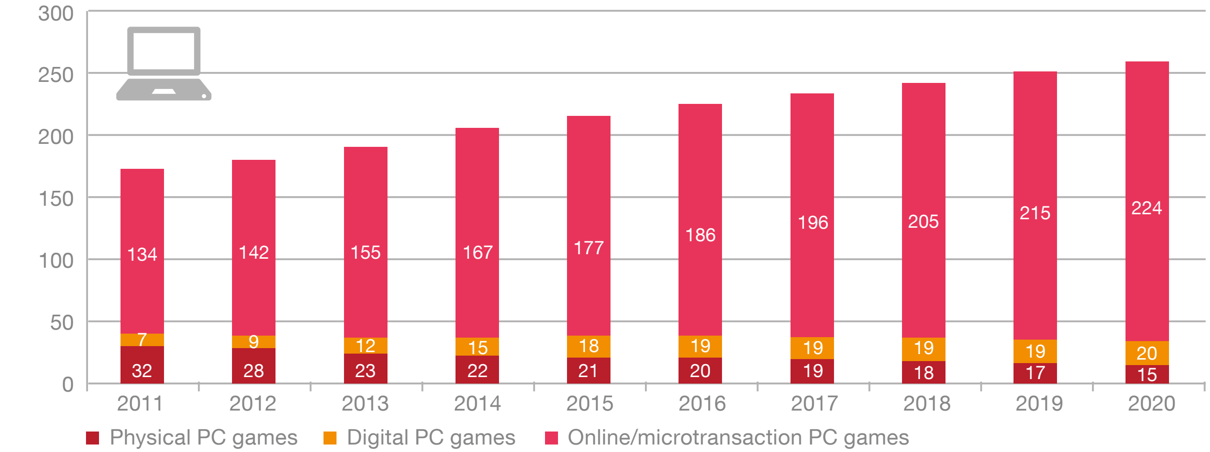
Source: PwC, Ovum

Composition traditional console gaming revenue (€ millions)



Source: PwC, Ovum

Composition traditional PC gaming revenue (€ millions)



Source: PwC, Ovum

distribution to digital distribution. An even more impressive growth is apparent in online and microtransactions, which will grow at a CAGR of 14.3% between 2016 and 2020.

This follows the pattern seen for some years as new consoles become connected to the internet by default and gamers get used to the ease of obtaining games digitally. The success of subscription services from Sony (PlayStation Plus) and Microsoft (Xbox Live Gold) is also boosting the online segment.

The Netherlands is leading the world in this process, with online and microtransaction revenues expected to amount to 38% of total consoles gaming revenue by 2020. In comparison, the United States and the United Kingdom are expected to reach 13%.

Interestingly, it has been confirmed that both Sony and Microsoft will revise their console specs 'mid-generation' to prepare for both 4K gaming and virtual reality (VR) – this has rarely worked in the past and could break one of the unique selling points of game consoles, i.e. when you buy one, you're guaranteed it will be future-proof for three or four years.

Downloadable content and subscriptions remain the growth engine for the traditionally strong PC platform

PC gaming as a whole continues to perform well, also driven mainly by online and microtransactions – growing to 224 million euros by 2020 (a CAGR of 4.9%), whereas physical game revenues continue to decline from an already low base.

Key contributors to the growth of online and microtransactions are the ongoing success of multiplayer online battle arena (MOBA) titles like *Dota 2* and *League of Legends*, multiplayer first person shooters (FPS) such as *Team Fortress 2* and *Counter Strike: Global Offensive*, real time strategy (RTS) games such as *StarCraft 2*, and continued revenue from massively multiplayer online role-playing games (MMORPGs) like *World of Warcraft* and *Guild Wars*.

The PC market has a traditionally strong and loyal following, sometimes jokingly referred to as the "PC master race", and this will continue. This

is largely driven by the superiority of keyboard and mouse input for some types of games - particularly the aforementioned competitive RTS and FPS games, decreasing hardware prices, and the versatility and upgradeability of the platform itself (as opposed to consoles and mobile devices).

Social and casual games are a growing but difficult market

Social and casual games revenue is forecast to rise at a CAGR of 3.9% in the Netherlands over the forecast period, reaching 93 million euros by 2020. The casual games market is something traditional or 'hardcore' gamers might scoff at, but from a business perspective, the global potential and the 'stay-at-home mum' segment looks very attractive to developers and publishers alike.

Additionally, the first people that grew up gaming but no longer have the time (due to career or family pressures) that a traditional game typically demands, represent an interesting demographic as they shift towards games that can be played on and off in short intervals.

However, unlike traditional game development, it has proven hard to consistently get casual and social right. Zynga (*Farmville*), King (*Candy Crush*), and Rovio (*Angry Birds*) are all developers who have had big-selling games, only to find themselves having a difficult time to follow up with a new and as successful franchise. Playtime is over in a highly competitive industry.

Video game advertising requires a targeted approach and is hard to get right

Although in-game advertising revenue was just 38 million euros in 2015, this is arguably an under tapped area for advertisers wishing to target a captive audience in a desirable demographic. Advertising drives some of the revenue models of the free-to-play (F2P) games, where it is applied successfully.

However, in-game advertising is hard to get right. Successful cases are hard to find, but seem to be those in which ads are non-intrusive to the actual gaming experience or mimic real world advertising:

1. Advertising in sports games, where advertisements are included on the boarding next to the field.
2. Racing games with branded cars and billboards.
3. Advertising on the Xbox Live dashboard.

Very few markets develop significant gaming related advertising-based revenues. This depends on a combination of the size of population, the sophistication of both the advertising and gaming ecosystems, and a low tolerance for ads that interfere with the gameplay experience amongst gamers.

The growth in this market is largely driven by advertising possibilities offered on streaming services such as Twitch.tv and YouTube Gaming.

Virtual reality is a game changer that is here to stay, but requires time to deliver on the hype

In gaming, of course, VR has dominated headlines for the past 18 months, and we're finally seeing consumer hardware reach the market in the shape of the Oculus Rift and HTC Vive. These will initially be the preserve of hardcore enthusiast gamers given their price, but we are excited to see what VR will bring to the table, such as better immersion, the potential to transform video gaming into a physically active hobby and the additional axes of control offered by using your head and body.

Initially, it is mobile VR – evolving from headsets like Samsung's Gear VR – that will bring VR to the masses, especially now that Google is pushing its Daydream VR platform.

It will take several years before there is enough compelling content (beyond today's ubiquitous demos), cheap and mature hardware that is easy to use, and social acceptance to make this a mainstream market. Nevertheless, we believe that the quality of the unique experience on VR devices (for games, interactive entertainment and video) will draw more consumers to try them, setting the stage for a real sales drive in 2019 and 2020.

The recent surge in popularity of Pokémon Go and the launch of the dino app from Albert Heijn show that augmented reality also has a role to play. However, we believe that this is not comparable to the potential of VR.

E-sports gains legitimacy, but lacks critical mass in the Netherlands

E-sports continues to gain legitimacy, whether by securing broadcast slots on 'proper' sports channels like ESPN and Fox, introducing doping rules and better regulation, or grabbing headlines with ever increasing prize pots. Total prize pools for the larger tournaments regularly exceed one million euros.

The Netherlands has one of the world's former top ten e-sports players: Manuel "Grubby" Schenkhuizen, Dutch *Warcraft III* and *StarCraft 2* player, subject of documentary *Beyond the Game*. Other Dutch gamers of note include Weh Sing "SingSing" Yuen, a *Defense of the Ancients 2* player, and *Hearthstone* specialist Thijs "ThijsNL" Molendijk. The Netherlands hosts major professional e-sports arena events, such as Battlecon and the League of Legends EU Spring Finals that were held at Ahoy Rotterdam earlier this year, as well as smaller-scale events such as the Dutch StarCraft League (DSCL) Crafting the Stars tournaments and privately hosted gatherings.

At present, streaming sites are synonymous with e-sports viewing, and have been a strong contributor to the discipline's rapid ascent. Twitch (which Amazon bought for 970 million dollars in 2014) leads the pack, with YouTube Gaming (which was launched as a dedicated service in August 2015) and privately owned Azubu also featuring prominently. But mainstream broadcasters are catching on, with ESPN showing tournaments in the US, and GINX e-sports TV launching in the UK in June 2016.

E-sports in the Netherlands will not reach the level of popularity that it enjoys in the rest of the world, such as in Asia, where prominent e-sports participants have a celebrity status and e-sports matches are broadcast live on TV to a similar viewership a key football match would have in the Netherlands. Greater critical mass and social acceptance for e-sports in the Netherlands currently inhibits the potential for additional large-scale events, but we believe that smaller- scale events, targeted to a specific game or community, will continue to win in popularity in the near future.

Continued success for social and casual game developers remains elusive

While Guerrilla Games (formally Lost Boys) has stood the test of time as a traditional AAA game developer, few other Dutch developers can compete with global publishers when titles cost in excess of 100 million euros to develop.

The rise of social and casual games has however created new opportunities. Vlambeer has had a series of successful, and much copied, games (*Luftrausers, Ridiculous Fishing*), as has Ronimo Games (*Swords & Soldiers, Awesomenauts*). Both firms are part of Dutch Game Garden, a government-based incubator created in 2006. Other developers, like Luck Kat Studios or GameHouse (formerly Zylom), also continue to target casual gamers.

‘The recent popularity of Pokémon Go shows that augmented reality has a role to play, but VR has a lot more to offer.’

The natural order of the video game market seems to be boom and bust cycles, and unfortunately at the moment – certainly from a developer perspective – it is more of a bust. Several large high-profile studios have already closed this year – Evolution Studios and Lionhead Studios – while Disney has once again quit the game development business. The Netherlands isn’t immune: Two Tribes published its last game in September, stating the industry has moved on, while Vanguard Entertainment has evolved into an AR/VR firm. This volatility is highlighted in Dutch Game Garden’s own 2016 industry survey. Even though Dutch game firm numbers have increased from 320 in 2011 to 445 in 2015, a third of those original 2011 firms no longer exist.

A key challenge for these types of games is finding the right balance between business models. Options include the aforementioned in-game advertising, one-off or recurring development fees, a percentage of game sales, freemium (gated features), subscriptions, microtransactions or – as is often the case - a combination of these. Especially the microtransactions business model is difficult to get right. There is a fundamental difference between games where microtransactions are cosmetic in nature, versus gameplay influencing. Examples include:

1. Cosmetic: *Team fortress 2* apparel, *World of Warcraft* character name, faction allegiance, and appearance, or the randomly dropped crates with weapon skins in *CS:GO* crates.
2. Gameplay influencing: the 'wait until your building or unit is complete or pay to have it completed immediately' or variants thereof, which can be found in games such as *Clash of Clans*, or the purchase of in-game advantage (pay-to-win or p2w), such as buying extra lives, moves, and powerups in *Candy Crush*, and to some extent the purchase of cards in *Hearthstone*.

In the second category, game design arguably often suffers from the need to find ways for consumers to pay. This results in artificial restrictions being placed on the consumer, and often uses enduring triggers and rewards that make effective use of the human sensitivity to addiction. Developers will continue to be very careful here, as the very ease of access to games, which get so many people playing, also means that a new game is only a click away if your current download becomes boring, too hard or tries to get you to spend money.

The problem for social and casual game developers is that making a game to sound design principles, a low or free price point, easy-to-learn basics and continual short-term goals, is no guarantee of gaining a critical mass of players. While supply so overwhelmingly outweighs demand, just having a good product, big marketing budget and relentless optimisation testing is not enough and – not discounting the effort and quality of Dutch game developers – getting noticed initially requires a substantial amount of luck. There is no magic formula for success and this uncertain market for developers seems unlikely to end. On the contrary, as competition intensifies, developing games becomes easier (by the introduction of engines such as Unity), and more consumers get smart, game-capable devices, the highs and lows are likely to worsen. ■

Newspapers

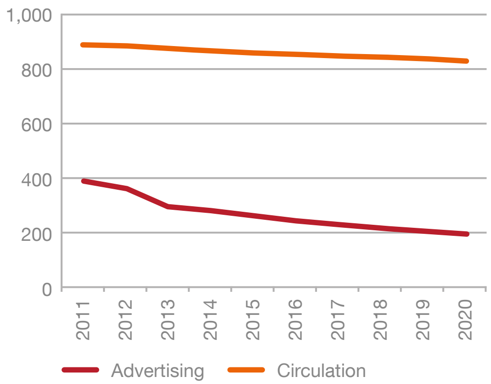
The newspaper business in the Netherlands is continuing to shrink, as the popularity of its core printed products remains flat or waning and advertising revenues keep declining. Monetisation of digital offerings remains challenging for most titles. But in the medium term the rate of decline is lower than in the past five years, at around -1.9% per year over the next five years. Meanwhile, publishers are exploring new digital business possibilities to turn the tide. Circulation declines have stabilised at a rate lower than we had foreseen. Through cost effectiveness and consolidation there is still money to be made in the newspaper print business.

When will we be reading newspapers without advertising?

The decline in the newspaper business in the past years was mainly driven by the freesheet segment after closure of three out of four national freesheets, such as Sp!ts, precipitated by the impact of the economic crisis on ad spend. The remaining newspapers show a fairly stable performance, yet revenues are declining. This decline is mainly caused by an increased pressure on print advertising revenues, now showing almost double-digit declines. Although the economy is strengthening, this will not have the desired effect on newspaper ad sales.

An important tipping point may be approaching where the organisational costs of a newspaper advertising sales force may outweigh the benefits. This may ultimately result in a number of ad-free (printed) newspapers and publishers returning their full focus on their core product - content.

In addition to declining advertising revenues, the disconnection of consumers from traditional media overall is a continuing process, even though circulation revenue held steady during 2015.



Newspaper publishing market (€ millions)

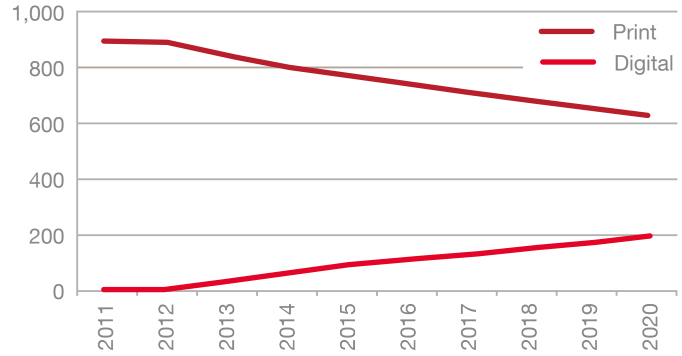
Netherlands	Historical data					Forecast data					CAGR %
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2016-20**
Advertising	**385**	**359**	**293**	**275**	**255**	**242**	**227**	**214**	**201**	**190**	**-5.7%**
Print	354	325	262	240	218	199	180	164	148	134	-9.3%
Digital	31	34	31	35	37	43	47	50	53	56	8.6%
Circulation	**900**	**898**	**883**	**875**	**865**	**857**	**850**	**844**	**838**	**829**	**-0.8%**
Print	895	893	845	803	770	742	715	686	658	628	-4.0%
Digital	5	5	38	72	95	115	135	158	180	201	16.2%
Total	**1,285**	**1,257**	**1,176**	**1,150**	**1,120**	**1,099**	**1,077**	**1,058**	**1,039**	**1,019**	
y-o-y growth		**-2.2%**	**-6.4%**	**-2.2%**	**-2.6%**	**-1.9%**	**-2.0%**	**-1.8%**	**-1.8%**	**-1.9%**	**-1.9%**

Source: PwC, Ovum, NDP Nieuwsmedia, Nederlandse Uitgeversverbond (NUV)

Newspaper advertising revenue (€ millions)

Source: PwC, Ovum

Newspaper circulation revenue (€ millions)

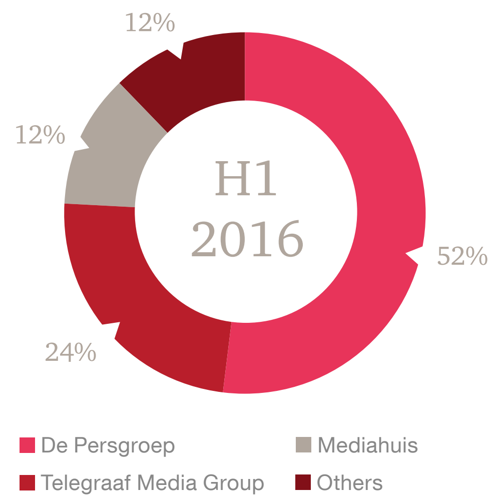


Source: PwC, Ovum

Readership has now fallen to less than half of the adult population in the Netherlands. A recent study of Media:Tijd shows that average time spent on reading newspapers fell from nineteen minutes to seventeen minutes per day in two years. This is particularly driven by a reduction of five minutes per day in the age segment 50 to 64 years, which traditionally represents an important consumer group. As this is also an important target audience for the coming decades, newspaper publishers should try to find a way to put a halt to the decline in this group.

To turn the tide, publishers focus on the digitalisation of their business model, but with mixed success. The growth of new digital revenue streams is still not expected to offset print declines. Publishers are continuing to move towards platforms and brands instead of just presenting their content through their traditional (printed) channel. Future success will depend on how newspaper publishers will be able to position themselves in this crowded playing field. In the next five years, the industry is forecast to lose another 100 million euros in total newspaper revenue, which is 9% of the current total.

Paid print circulation market



Source: PwC, Ovum, HOI, NOM

Publishers are adjusting to a consolidating market

In order to protect profitability Dutch publishers seek to cut costs, both in their own organisations and by continuing to exploit efficiencies from mergers and acquisitions. The Dutch newspaper market is in the grip of pronounced consolidation, driven largely by Belgian media owners that are growing in scale to become pan-northern European operators. As a result, the number of independent publishers has fallen from twenty-five in 1980 to eight in 2015.

The Belgian publisher De Persgroep has been an active driver since it entered the Dutch publishing market seven years ago. Through the acquisition of the British Mecom Group in 2015 De Persgroep acquired Wegener's seven regional and 130 weekly local freesheets, plus a foothold in Denmark. Also in 2015, Mediahuis, itself already the product of a Belgian joint venture, acquired NRC Media.

In the next five years, this latest round of consolidation will be implemented, as the new proprietors will integrate their properties, reorganise newsrooms and build for the future. Together, De Persgroep, Mediahuis and Telegraaf Media Groep now control 88% of Dutch paid print circulation. But the process of business concentration may not be finished yet, since De Persgroep has indicated its interest in acquiring FD Mediagroep.

Further consolidation would be in line with the pattern seen elsewhere in Europe. It will allow Dutch proprietors to implement common working practices across similar newspaper titles, cut overlapping costs, benefit from shared investments in online platforms and extend a brand profile in a wider region. However, these moves may come at the expense of diversity, which is what makes news media so valuable.

Hybrid subscription partly offsets shrinkage but other new digital schemes are not yet convincing

Circulation numbers for the first quarter of 2016 show that the declines in print circulation at Trouw and Volkskrant have come to a (temporary) standstill. These newspapers seem to be successful in stabilising their circulation through innovation and by using targeted campaigns to attract

‘To remain relevant publishers will have to put their brands in a central position and offer their in-depth content via multiple platforms.’

new subscribers. Other newspapers continue to show declines in paid print circulation.

While print circulation revenue will continue to decline, the industry partly offsets the decline by levying hybrid subscriptions that include both print and online access. This trend is typical for the Netherlands as the market heavily relies on subscriptions.

De Persgroep claimed “substantial growth” for Volkskrant and Trouw last year thanks to this hybrid model; Mediahuis reports “strong digital sales” thanks to NRC’s new system. Industry-wide, this kind of digital newspaper circulation revenue is forecast to grow by 21.1% in 2016 and at a CAGR of 16.2% in the next five years. In hybrid charging, the ongoing relationship of publishers and their readership across platforms gives them a sound and familiar base from which to migrate customers between different channels.

While that looks like “business as usual” in subscription model terms, other new digital charging schemes emerge as publishers have implemented online 'paywalls' or meter systems. Although Blendle claims to have amassed 650,000 customers making micropayments for individual articles, the success of this type of digital payment schemes under Dutch newspaper consumers is still limited. Next step may be to move from micropayments to a subscription model in order to lower the threshold for paying for content. This is also illustrated by De Persgroep’s launch of Topics which allows subscribers of a newspaper to have access to all digital content of De Persgroep.

The emergence of both hybrid charging and digital-only products can work out well for publishers as they can minimise the impact of print circulation declines, but the real turning point has to come from something else. We also note that interpretation of print and digital circulation revenues should be done with due care. The gradual migration from print only to hybrid subscriptions forces publishers to make partly discretionary decisions on how to allocate revenues.

We recommend using the overall subscription revenues as a benchmark to interpret detailed developments.

Innovation holds the key to the future

While digital payments will help mitigate circulation revenue declines, the falling advertising spend for core print products is more pronounced, decreasing at a CAGR of -9.3%. Although ad sales are a declining part of the income of Dutch newspapers, it is a part which will quickly reach the bottom-line if no action is taken. For consumers, headline news is no longer something they are willing to pay for. Real-time news is available on many platforms, often free of charge. This means that publishers offer headline news to generate traffic and build brand awareness. In general, newspapers have always been strong brands.

To remain relevant in today’s media landscape, publishers will have to focus on their brands, putting these brands at the centre and accumulating various complimentary brands and platforms around them. To attract their target audience publishers will have to offer their in-depth content via multiple platforms.

The main publishers in the Dutch market all take on a different strategy. De Persgroep has traditionally strong brands and focusses on cost synergies. Furthermore, it recently revitalised its key newspapers. FD Mediagroep is market-oriented and operates on a multiplatform. It has a key (niche) target audience and has been fairly successful in its strategy of offering various complementary platforms around the central audience. We believe that TMG is positioned between these two strategies. De Telegraaf is a well-known brand and basically represents multiple sub-brands which might prosper when given their own stage. If TMG moves from one brand to several, each with their own platform, this will enable TMG to compete with multiple competitors across various platforms. The announcements of a strategic cooperation with Talpa, the introduction of an Apple TV App and two OTT-channels indicate that TMG is actively looking for opportunities to provide their content on multiple platforms. ■

Hans Schoolenberg - Consultant media sector

Focus on in-depth quality journalism

Consultant Hans Schoolenberg advises clients in the media sector on (international) strategy, development issues and concept development. In recent years most of his clients operate on the production side of the media industry. The clients of Schoolenberg include printing businesses, newspaper publishers, but also gaming companies.

The paid newspaper market is in a serious squeeze. High operating costs, declining subscription numbers, falling ad revenues and more free content, both in print and online, have a major impact. Hans Schoolenberg discusses a wide range of topics with regard to the present and future of newspaper publishing and advertising in the Netherlands.

Cutting Back on Costs

"We haven't reached the bottom yet", says Hans Schoolenberg. "In order to cut back on costs newspapers try to rationalise their production processes and switch to smaller formats and lower circulation numbers. Another cost-saving solution could be to reduce the publication frequency of newspapers. Readers don't need a printed newspaper in their mailbox every day as they can read headline news online twenty-four-seven. Today, all newspapers contain old news and I think newspaper publishers should focus on in-depth quality journalism that provides background information."

News Aggregator

"For me, the Guardian Weekly (first published in 1919, ed.) is a perfect example of a weekly newspaper that clusters in-depth content from several quality newspapers. The online initiatives in the Netherlands, such as Blendle and Paper, also function as news aggregator, but I still consider the technology they use as intermediary. The perfect content supplier is an aggregator who uses reader profiles to decide on the content they offer."

Evening Papers

Because headline news is all over the internet Schoolenberg argues that publishing an evening paper makes more sense. "Except for NRC Handelsblad Dutch newspapers are all morning papers, which is the heritage from a 50s lifestyle without internet. Although older people still read their paper in the morning, younger readers may be more interested to come home in the evening and read the information that is behind the headlines they've read on the internet during the day. Besides, making an evening paper is cheaper as employees don't have to work in shifts."

Rising Paper Prices

In the very near future, rising paper prices will have to be considered in the decision whether or not to publish (news)articles in print. Schoolenberg: "Increasing prosperity in the developing world results in a growing demand for paper and, as a consequence of this, higher prices. Looking at rising paper prices, it will be too expensive to publish articles in print about everyday things of life or news facts people can also read online. Maybe paper should be reserved for high quality in-depth content."

Inflexible

"Dutch newspaper publishers are too focused on what newspapers have always looked like", says Schoolenberg. "Newspaper publishers should focus on their role as content factories that want to sell content, either online or in print. Very often online newspaper content is complementary to the printed edition, while online presence is essential. Inflexibility with regard to printed newspapers is also striking. For instance, it's not possible to subscribe to the literary and cultural supplement of NRC Handelsblad instead of the whole newspaper. Such tailor-made solutions are technically possible, but publishers just don't see the point."

Mass Customised Newspapers

Digital printing makes it possible to publish mass customised newspapers, as news content and variable content can be printed separately. Schoolenberg: "It's possible to print news geared towards specific groups of readers in specific geographical locations, including tailored ads of, for instance, retail stores in that area. This is a way for newspapers to remain cost-effective. Yet, established Dutch newspaper publishers don't seem to realise the importance of these possibilities and their primary focus on centralisation and efficiency are major obstacles. In addition, most Dutch newspaper publishers have their own printing press which makes them less flexible."

Regional Newspapers

In the Netherlands the two major publishers together publish the majority of all national and regional newspapers. "This is the reason why there is no fierce competition for local news content in the Netherlands", says Schoolenberg. "But why would De Volkskrant or De Telegraaf not publish more local news? The answer is simple. It's because these national and regional newspapers don't want to poach on each other's territory. Still, in my opinion diversification of newspapers is key in today's market."

Centre and Periphery

Schoolenberg does not believe in large publishers that publish both national and regional newspapers. "Of course, economies of scale create the possibility to make a newspaper conglomerate more efficient and cut costs, but national and regional newspapers require a different focus. National papers are about scale and a broad content offering, whereas regional papers are about regional identity and community. Regional papers are part of the periphery and are managed from the centre while they should be managed from the periphery. Business solutions by technocrats always dilute the unique identity of newspapers."

Elderly Readership

In the Netherlands the decline in printed regional newspaper subscriptions is apparent. Schoolenberg: "Regional papers have an elderly readership and are seeing their subscription numbers dying off with their readers. In addition, distribution costs of local newspapers are relatively high, because older readers of regional newspapers mostly live in rural areas and villages. This is an issue that also affects the national newspaper NRC Handelsblad."

Advertising

Traditionally, subscriptions and advertising have always been the two main sources of revenue for Dutch newspapers. According to Schoolenberg problems started when advertising salesmen became the new CEOs of newspaper publishing companies. "Instead of focusing on quality editorial content the CEOs focused on advertising and set up inexpensive editorial offices. When advertising revenue started to drop ten or fifteen years ago, they evidently did not have the skills to keep their newspapers profitable."

'Business solutions by technocrats always dilute the unique identity of newspapers.'

Sponsored Magazines

Falling advertising revenues are an ongoing trend. Advertisers such as insurance companies or real estate agents now prefer to publish quality sponsored magazines for their target audience instead of putting a full-page ad in a newspaper. Schoolenberg: "Newspaper publishers failed to break into the new growth market of sponsored magazines. The ad revenue that is moving towards sponsored magazines will never flow back to the newspaper business again."

Ad-free Newspaper

Today, advertising still generates revenue for newspapers, but ads do not bring in enough money to keep their advertising departments up and running. Apart from the possibilities of tailored advertising on a local level, there is also the opposite development towards ad-free newspapers. Schoolenberg: "There are several ad-free newspapers in Europe, for instance in Spain and France. A lot of newspapers would be better off without ads, because then they can get rid of their uneconomical ad sales department."

However, the Netherlands is not ready for ad-free newspapers, according to Schoolenberg. "Dutch newspaper publishers could always rely on substantial subscription fees, whereas newspapers in most other European countries are mainly sold at newsstands. Non-subscription sales means that a newspaper is more market- and reader-oriented, while Dutch newspapers always had a free hand after subscription fees had been paid."

Developing World

Schoolenberg evidently perceives a lack of entrepreneurship and willingness to change in the Dutch newspaper publishing industry. "The train stopped running while the landscape keeps passing by and a new mindset is what we need. It's interesting to see that in the developing world media is not hampered by old structures and fixed corporate cultures. In Asian and African countries you see a lot of private initiatives that, for instance, combine short videos of news facts and written content, both online and in print. Sometimes people who witness current events can upload their videos on these news platforms. Such new initiatives are totally lacking in the Netherlands."

Capitalise on Content

"The corporate culture within the newspaper publishing businesses impedes innovation", says Schoolenberg. "In my view, the outsourcing of overhead and a focus on becoming a content factory is the way to go, as it increases decisiveness and flexibility. Newspaper publishers have to capitalise on content wherever it's published, but they also need to have the right efficiency goals. All possible options should be discussed and considered, although there is no guarantee for success. Modernising the newspaper industry will merely postpone the inevitable end of the newspaper business as we know it. None of the printing presses that are in use today will be replaced in the future."

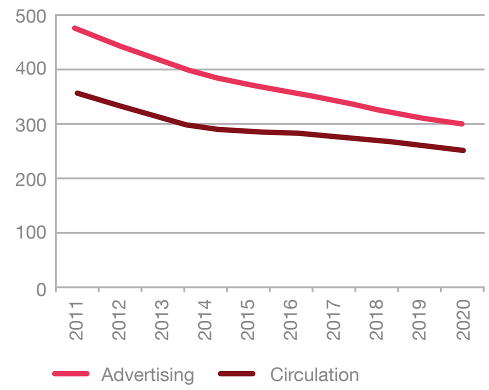
Magazines

In 2015, Dutch consumer magazine revenue fell -3.6%, despite the efforts made by a number of publishers to increase revenues by looking to reach young consumers across a number of platforms. Revenues will continue to fall as consumers, particularly the young, move away from printed magazines to free digital content. Low digital advertising rates, ad blocking and limited willingness to pay for digital content lead to difficulties in monetising digital content. Revenues will continue to fall over the next five years at a CAGR of -3.3% as growth in digital revenues are insufficient to compensate for the decline in print revenues.

The major consumer magazine publishers in the Netherlands include Sanoma Media, Bindinc, Veronica Publishing, Weekbladpers Tijdschriften and Telegraaf Media Netherlands. As a result of the continued decline in the entire market, publishers are reshuffling portfolios (such as New Skool Media and Sanoma) and are actively engaged in reorganisations (e.g. WPG Uitgeverijen). In recent years, many titles have ceased to exist or switched to a digital-only version, as *FHM* did in the Netherlands. Many of these magazines were on the market for decades, and it is to be expected that there will be more casualties over the forecast period.

Publishers focus on omnichannel proposition, not just digital

Consumers have proved to be reluctant to spend money on digital magazines, and digital ad space costs a lot less than its print equivalent. Circulation revenues for digital content are currently at a minimal level of 11 million euros, as content is distributed at a low



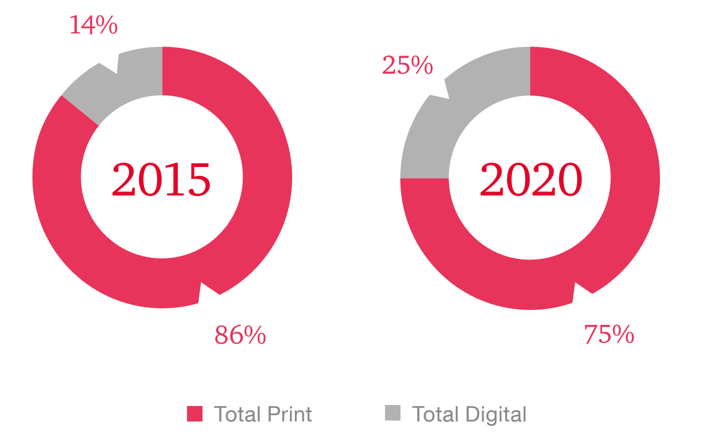
Consumer magazines market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Advertising	**475**	**443**	**412**	**391**	**372**	**356**	**341**	**327**	**315**	**304**	**-4.0%**
Print	430	382	350	319	295	273	251	231	213	195	-7.9%
Digital	45	61	62	72	78	83	90	96	103	109	7.1%
Circulation	**356**	**333**	**309**	**293**	**286**	**282**	**277**	**270**	**261**	**253**	**-2.4%**
Print	355	329	302	284	275	268	260	249	237	225	-4.0%
Digital	1	4	7	9	11	15	18	21	25	29	20.0%
Total	**831**	**776**	**721**	**683**	**659**	**638**	**618**	**597**	**577**	**557**	
y-o-y growth		-6.6%	-7.1%	-5.2%	-3.6%	-3.2%	-3.1%	-3.4%	-3.5%	-3.3%	-3.3%

Source: PwC, Ovum

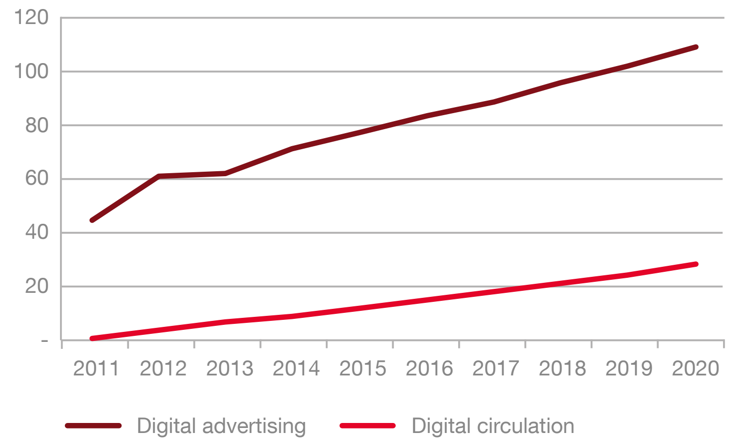
‘Omnichannel propositions, targeting millennials and strategic partnerships are the three key strategies.’

Consumer magazine revenue split



Source: PwC, Ovum

Digital revenue (€ in millions)



Source: PwC, Ovum

price or free of charge. The increase in digital circulation revenues at a CAGR (2016-2020) of 20% is not enough to offset the -4% decline of CAGR in print circulation revenues. Advertising revenues are following the same trend as circulation revenues, but with an even steeper decrease in print advertising revenues at a CAGR of -7.9% and a slower increase of digital advertising revenues at a CAGR of 7.1%.

These developments show that it’s difficult for publishers to adapt to the developments of digitalisation and, more importantly, to define digital strategies and business models that work. Magazine publishers are adopting three key strategies: building omnichannel propositions by putting the magazine brand at the centre; targeting millennials; and engaging in strategic partnerships with regard to combined data capabilities (e.g. Sanoma/SBS and GroupM).

Diversifying content and putting the brand in a central position are important for growth

Multiple studies show that consumers are spending more time on mobile devices (Media:Tijd 2015). To be more precise, time spent on mobile devices represents more than 25% of total media consumption time. In the mobile and online landscape, which is crowded and infinite, magazine publishers have to compete with a wide variety of media. This means magazine publishers are no longer competing solely with other magazine publishers but also with other parties providing online content, such as bloggers and vloggers.

Initiatives are constantly being launched in order to target the young and other consumers, often by putting brands at the centre. *Vogue Netherlands*, for example, is expanding its output to reach consumers across a number of platforms, such as Instagram, Twitter and Facebook. The magazine has a threefold monetisation strategy with display advertising, native advertising and sponsored events like Vogue Fashion’s Night Out. Sanoma has combined multiple platforms around *VT Wonen* – linking up the magazine with a television show as well as live events and even an e-commerce platform. Popular science magazine *KIJK* – also a Sanoma title – already has a video-on-demand platform which offers SBS Broadcasting content. This way Sanoma is anticipating the trend of increased video based media consumption.

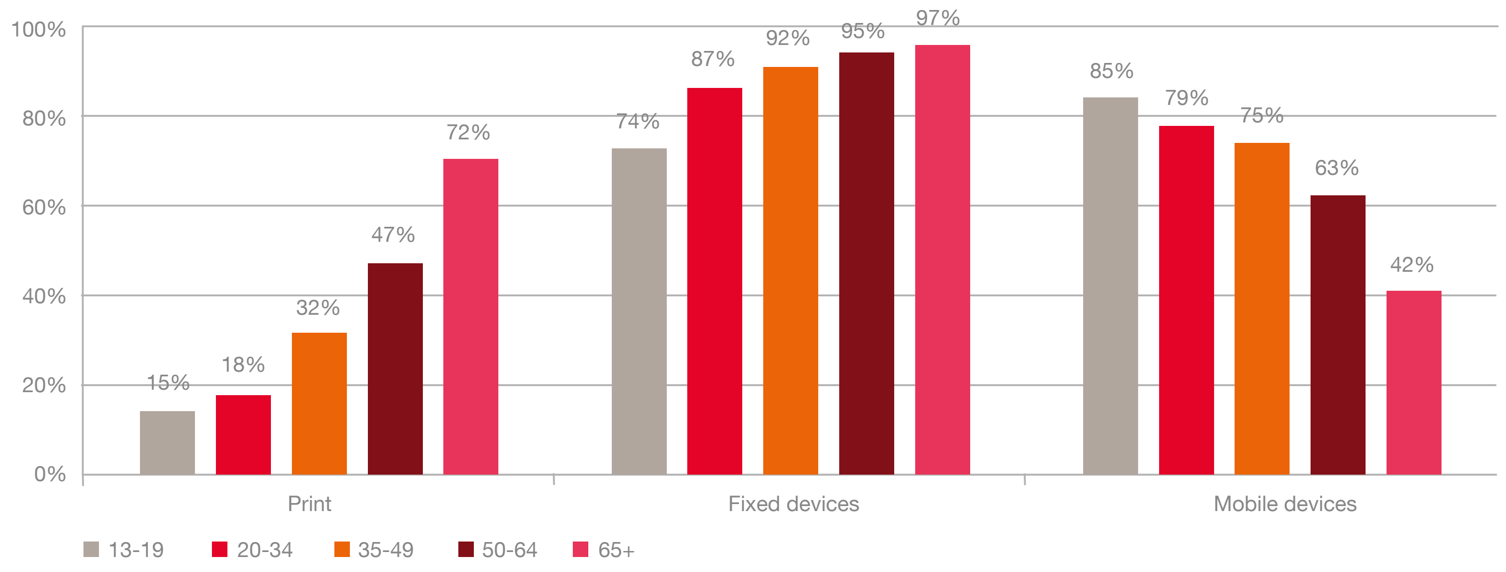
Publishers are in the middle of a transition from publisher to a broader media brand of which the brand itself is the most important in conjunction with diversified content in all its forms.

Efforts to target 'millennials'

Placing the brand of a magazine at centre stage is necessary for publishers to develop profitable business models. Media consumption behaviour is very different between various demographics. The challenge for publishers is to retain existing audiences and to find a connection with younger audiences. Our own study in 2015 as well as the one by Media:Tijd both show that consumers in the age group of 35 years and below are spending less than 20% of their media consumption on print, compared to over 70% in the 65+ demographic. It is expected that the use of print media by younger audiences will continue to decline in the coming years. Millennials are frequently on multiple platforms which they access primarily through their mobiles devices. They don't necessarily go to websites of publishers for content, let alone have a subscription to a printed magazine; millennials access content via social networks or chat apps, which explains the experiment of *Vogue Netherlands*.

VICE is a market party that focuses on millennials and has effectively made the switch from magazine to omnichannel brand that is now only digitally available. According to VICE, effectively reaching the millennial audience can be realised in a number of ways, including immersive journalism with first person experiences and the use of video content. An important way to monetise this group of customers is to reach them on large and important social media platforms, such as Facebook, YouTube and Instagram.

Use of media carriers in % of participants, per day by age



Source: Media:Tijd 2015

‘Readers have very specific preferences for the category of magazines they read.’

Hearst Magazine title *Cosmopolitan* used the popular Dutch beauty blogger Negin Mirsalehi, a blogger with an Instagram reach of over 3.1 million followers, to draw readers to its February 2016 issue. This is part of a strategy to draw in millennials by collaborating with bloggers, vloggers and other internet personalities that are popular among this generation. These kinds of initiatives won’t have an immediate effect on digital revenues, but will help to drive the growth in digital circulation and digital advertising.

Publishers will need to increase these kinds of initiatives, particularly the ones aimed at reaching the millennial generation. This generation has proved to be the trickiest demographic group since they are most comfortable with digital content and are used to accessing it for free. This content often overlaps with magazine content, as demonstrated by *Cosmopolitan*’s efforts to engage millennials.

Again, for magazine publishers to be able to compete in the current market, they need to expand their content creation activities and become omnichannel brands – offering websites, communities, video and over-the-top (OTT) channels rather than dedicated magazines. Content supported by a strong brand will be vital to success; not just quality content, but content that connects with a target audience that is willing to share it in their community and will search for more.

Strategic partnerships

In the end it is all about access to specific target groups. Readers have very specific preferences for the category of magazines they read, and within that category they often have a strong preference for a brand. More detailed measurement of customer behaviour, also enabled by digitalisation, is creating opportunities for multiple stakeholders. In 2016, Sanoma announced an agreement with GroupM focusing on data. This is a recent example of such an opportunity. We expect to see more strategic partnerships in the near future.

Magazine brands are acting as aggregators of information which can be of interest to their audience, e.g. by including branded content or by referring to other articles, videos et cetera. By working together, magazine brands can support third parties to reach specific audiences.

Technology-driven partners whose strategy is to act as an aggregator come and go. In addition to Blendle, we have seen the launches of Myjour (terminated March 2016), Bliyoo and, recently, Maggy. These aggregators are experimenting with different business models from micropayment to subscription-based payment models. For the long term, they need to focus on engaging with both customers and publishers; economies of scale will be required at both ends of the market.

These developments forced traditional magazine publishers to start an ongoing transformation process. This transformation is about shifting the core focus from the traditional printed magazine product to a continuous multi-platform strategy built around single brands and supported by appealing content. This requires different organisational structures and an empowering talent pool with non-traditional skills.

Ad blocking continues to trouble publishers

As magazines are struggling to increase digital circulation revenues, earnings models for digital content are currently dependent on digital advertising. However, this revenue stream is under pressure due to the use of ad blockers, which has rapidly been increasing over the past years. Yet, the impact of ad blockers on advertising revenue should be put in a broader perspective as it not only applies to digital magazine publishing.

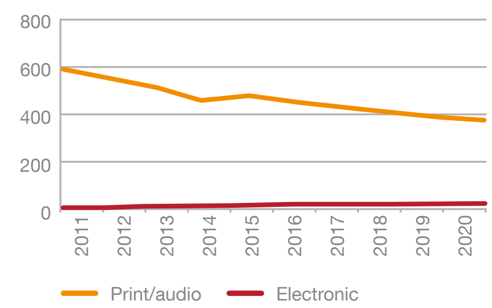
As a first reaction to ad blockers publishers are using different strategies in order to maintain advertising revenues. However, most of these strategies only seem effective in the short run. ■

Consumer books

The print format will retain its dominance in the consumer books market, even if revenues are set to decline. E-books, by contrast, are yet to make the impact as might previously have been expected, affected as they are by price falls and changing business models.

In the years up to 2015, sales of consumer printed books in the Netherlands fell consistently. In addition to facing competition from digital publications, printed books have been threatened by a wealth of other media content, notably digital video, as the movement from a text-based to a visually-based content culture continues. A brief return to growth in 2015 following the economic upturn in the Netherlands the year before led to more favourable trading conditions for physical bookstores. This economic upturn impacted gift-giving behaviour in the holiday seasons in 2015 and demonstrated that book sales in the Netherlands were hit by the crisis between 2008 and 2014. Research by Stichting Marktonderzoek Boekenvak in 2016 showed that Dutch consumers mentioned the effects of the economic upturn as an important reason for buying more books in 2015 compared with the crisis period that started in 2008. This meant that the number of bookstores going bankrupt in 2015 stagnated compared with the previous year, when a number of bookstore chains filed for bankruptcy, e.g. Polare. However, the movement towards other types of visual media will continue to impact the sales of physical books over the coming years. As a result, sales of physical consumer books are expected to decline with a CAGR of -4.8% over the forecast period to reach a value of 375 million euros in 2020.

This is not to say that printed books will no longer be relevant in the future. On the contrary, printed books will still account for around 94% of revenues in the Dutch consumer books market in 2020. Notably, many consumers continue to prefer the reading experience offered by print editions to their digital alternatives.



Consumer book publishing market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Print/audio	594	549	518	457	480	454	432	412	393	375	-4.8%
Electronic	8	12	19	19	19	21	23	24	25	25	5.7%
Total	**602**	**561**	**537**	**476**	**499**	**476**	**455**	**435**	**417**	**400**	
y-o-y growth		**-6.7%**	**-4.3%**	**-11.4%**	**4.8%**	**-4.7%**	**-4.4%**	**-4.3%**	**-4.2%**	**-4.1%**	**-4.3%**

Source: PwC, Ovum, Koninklijke Vereniging van het Boekenvak

The dominance of printed books extends to the online retail market, as the majority of books sold online in the Netherlands are print editions. Leading booksellers continue to focus on their online retail channels and Amazon launched a Netherlands-dedicated store in November 2014. However, Amazon's influence on the Dutch bookselling market is much less pronounced than in other countries, such as the UK and US, due to the ongoing dominance of home-grown store bol.com, which enjoys the largest market share of online book sales.

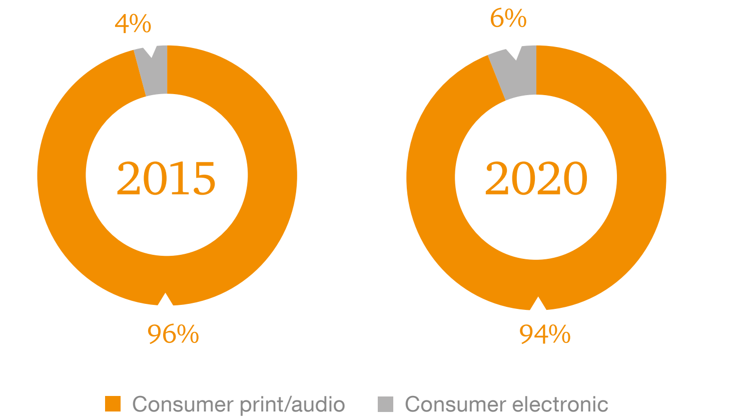
Understanding the preferences of young readers is the key to a successful future

While printed books will continue to dominate the printed consumer book market, the needs and preferences of the younger demographic have changed and require a different approach of book publishers to reach them. The demographic younger than 35 consists of people who grew up with technology and have a strong affinity with audio-visual media. Their ease with technology means that it permeates every aspect of their lives. They therefore represent an interesting group for media companies, including book publishers. Research performed by Media:Tijd shows that, of the full reading population in the Netherlands in 2015, 57% are in the 50+ age category, while CBS figures show that this age category accounts for 34% of the population of the Netherlands. On the other hand, of the younger demographic, only 19% below the age of 34 spends time reading. This shows that reaching the younger demographic is essential for the long term viability of this industry.

The younger demographic is clearly less interested in written media than other demographics and the importance of audio-visual media is increasing. It is therefore important for publishers to focus on increasing their stronghold in this area, for example by negotiating stronger book-to-movie adaptation deals. A successful book-to-movie adaptation can further increase the sales of that specific writer or book series.

Research also showed that older generations are moving from traditional to digital media at a high pace, with their digital consumption set to almost double from 2014 to 2019.

Print/audio versus electronic books revenue



Source: PwC, Ovum

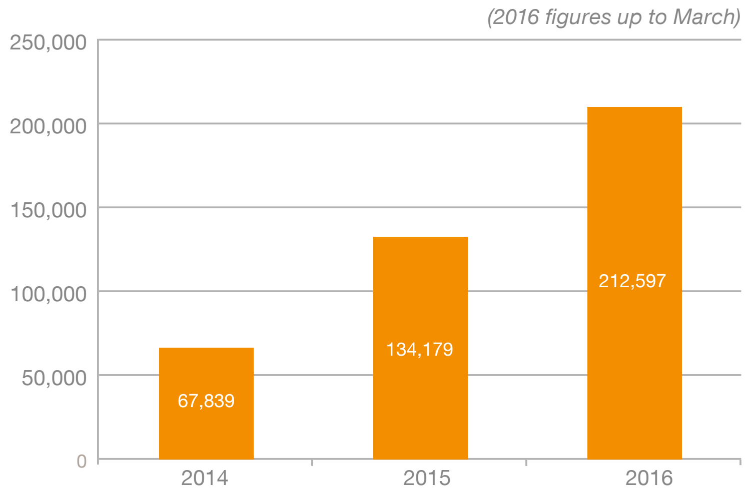
Although digital distribution is, theoretically, a more profitable area for book publishers as there are less production costs, price erosion threatens their bottom lines. This, coupled with the threat of piracy, and even the legitimate re-selling of 'used' e-books in the Netherlands, means that e-book sales in the Netherlands are becoming much less lucrative than publishers may have envisaged. Publishers therefore need to look at how they can monetise their digital books through increasingly popular alternative models, such as paid subscription services and lending libraries.

E-book library lending on the increase, how far can it go?

In the search of profitable business models for the consumer books market, library lending services for e-books have been invigorated. Libraries have been able to fill the gap for a central database with e-books, due to the lack of collaboration between Dutch publishers, which is a missed opportunity for publishers. While many cost-conscious consumers turn to piracy in order to access digital books for free, a growing number of consumers are now turning to libraries to access e-books. Piracy remains a concern for this market.

‘Accessing e-books through library lending platforms is becoming the dominant means of e-book consumption.’

Average number of monthly e-books borrowed through bibliotheek.nl



Source: Koninklijke Bibliotheek

However, libraries can be a solution to mitigate the risk of piracy. The library itself is obviously not a new concept, but the supply of e-books via a lending service is. As a result, e-books loaned through the National Library of the Netherlands’ digital platform, bibliotheek.nl, have grown substantially since they were introduced in 2014.

Furthermore, according to CB figures, the number of loans through bibliotheek.nl actually surpassed e-book sales in the Dutch-language area for the first time in the first quarter of 2016. Accessing e-books through library lending platforms is not only a growing consumer trend in the Netherlands, it is becoming the dominant means of e-book consumption. This is by no means a disaster for publishers as the National Library of the Netherlands pays publishers each time a book is borrowed, making it a platform for digital book monetisation.

Digital library membership comes at an annual cost of 42 euros and members can borrow up to 10 e-books every three weeks from a growing library of around 11,000 titles. Borrowed books can be read on a variety of devices, including PCs, smartphones, tablets, and e-readers. Reading through the platform’s app on smartphones and tablets is by far the most popular method, being used in the case of 63% of books borrowed in March 2016.

E-book subscription services are an opportunity for a stable business model

The fate of ‘all-you-can-read’ e-book subscription services is a global concern. The past couple of years have not only seen launches from major players such as Amazon, but also the closing down of prominent start-up Oyster and Scribd dropping full ‘unlimited’ access from its offering. This has led many to question the ongoing viability of unlimited e-book subscription services. Indeed, the cost of paying publishers the wholesale price each time a subscriber reads one of their books, as was the case with Oyster and Scribd, has proved unsustainable.

But such failures merely point to flaws in existing e-book subscription business models, not necessarily to a lack of consumer interest. However, publishers hoping to capitalise on this consumer enthusiasm need to consider entering into more sustainable revenue agreements with subscription platforms.

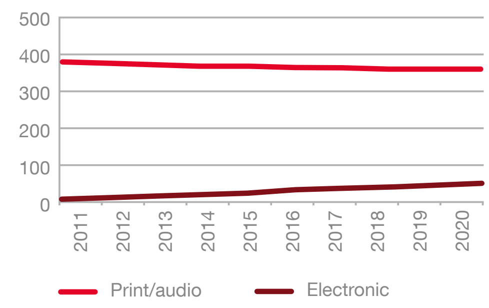
In spite of these ongoing challenges, Mofibo entered the Dutch market with an unlimited e-book subscription offering in March 2016, having already been available in Denmark (where it is a profitable business) and Sweden. The service, which will compete with existing Dutch subscription services Elly’s Choice and Bliyoo and costs 12.99 euros per month, enables users to access e-books and audiobooks on their smartphones and tablets through an app. Mofibo stands out from other suppliers since it offers both Dutch and English language e-books and English audiobooks. While Mofibo pays publishers on a ‘per chunk’ basis, according to how far its subscribers get through reading a book, it also offers publishers access to subscriber reading data for their titles. This makes the platform an opportunity for publishers to monetise their digital titles while performing their ongoing digital strategy.

Educational books

The Dutch educational book publishing market is primarily driven by the number of students and the government subsidy granted per student for study materials. The number of students is decreasing slightly as a result of demographics, while subsidies are expected to increase with inflation. As a result, the total size of the market will grow marginally from 391 million euros in 2015 to 406 million euros in 2020. Although slightly decreasing, print will still dominate the Dutch educational book market in the coming years as methods are purchased for multiple years and the educational sector tends to be slightly conservative and favours traditional teaching methods. Consequently, the market is gradually moving towards a blended model, with printed text books being supported by digital work books and online platforms that enhance personalised learning.

Digital shift grows, but print will still dominate

There are approximately 40 educational publishers in the Dutch market, with the three largest – Noordhoff, Malmberg and ThiemeMeulenhoff – accounting for around 90% of the market. The Dutch educational book publishing market is driven mainly by the number of students and the amount per student. The number of students is forecast to decrease by a CAGR of 1.1% between FY16 and FY19 as a result of demographical developments. This is offset by an expected increase of the subsidy per student of 1-2% y-o-y as subsidies are projected to increase broadly in line with mid-term inflation. As a result, the market is expected to grow marginally over the forecast period to reach 406 million euros in 2020. Printed books remain the dominant market compared to digital. Digital educational books will rise at a CAGR of 15.2%, while printed educational books will show a marginal decline over the forecast period. We note however that, as many educational methods are offered as part of an all-in-one package deal, the split between print and digital is becoming increasingly difficult to distinguish.



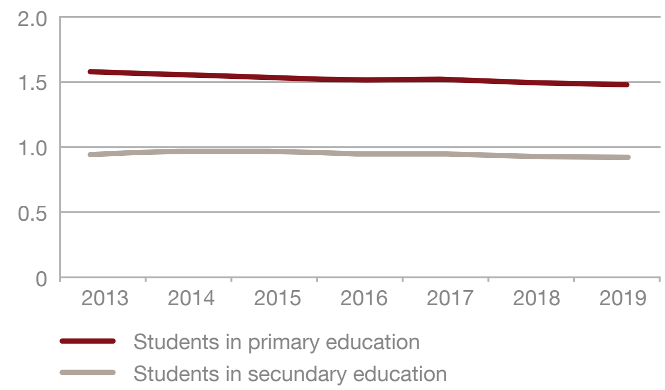
Educational book publishing market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2016-20**
Print/audio	381	378	374	370	367	365	363	361	359	357	-0.5%
Electronic	5	8	13	19	24	29	34	39	44	48	15.2%
Total	**386**	**386**	**387**	**389**	**391**	**394**	**397**	**400**	**403**	**406**	
y-o-y growth		**0.2%**	**0.0%**	**0.5%**	**0.6%**	**0.9%**	**0.7%**	**0.7%**	**0.7%**	**0.7%**	**0.7%**

Source: PwC, Ovum, NDP Nieuwsmedia, Nederlandse Uitgeversverbond (NUV)

> *‘E-books are the least-used digital learning resource in primary, secondary and vocational schools.’*

Students in primary and secundary education (# in millions)



Source: Rijksbegroting 2015

Preferred speed of conversion differs per stakeholder

The shift from print to digital is influenced by different stakeholders, whose preference regarding the speed of the conversion differ. In general, parents and publishers favour fast adoption of digital methods, whereas teachers and educational institutions tend to be more conservative and favour the continued use of printed materials. Taking this into account, there are a number of reasons why printed books will continue to be resilient in the face of digital competition. Printed books are not only easily shared among students, they are also highly durable and continue to be seen as a valuable and trusted resource. In addition, teachers are used to working with printed books, while the educational benefits of digital learning methods still have to be proven in practise. Finally, educational methods are purchased for a multi-year period, so that schools are committed until books have to be replaced again.

Another factor that contributes to the continuing dominance of print educational books is the disparity between VAT rates applied to physical and digital learning resources. While physical textbooks enjoy a rate of 6%, their digital equivalents are subject to the higher rate of 21%. Many educators are therefore faced with the dilemma of wishing to digitise their operations, but being unable to do so due to the increased costs involved. However, the VAT rates may be synchronised in the near future as the European Commission has been assessing the different VAT rates and is due to amend these in 2016.

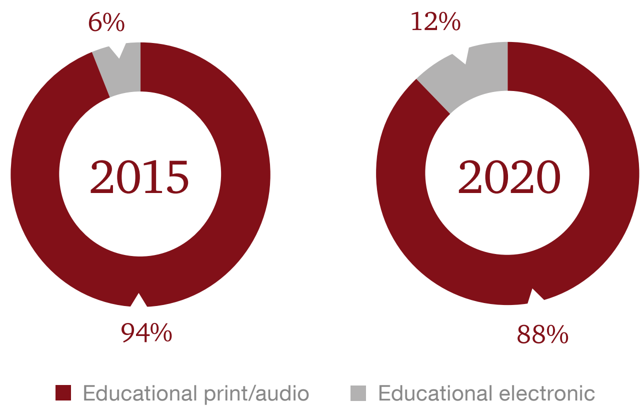
Classroom digitalisation will come through interactive offerings

There is no doubt that the Dutch education sector intends to move towards an increased use of digital resources. A 2016 report from SLO (Leermiddelenmonitor 2016), the national institute for curriculum development in the Netherlands, found that just over 30% of learning resources used in primary schools and secondary schools were digital.

But, while increasing the digitalisation of schools is high on the agenda in the Netherlands, it appears that e-books will account only for a small percentage. According to a 2015 report from Kennisnet, the public organisation for Education & ICT in the Netherlands, e-books are the least-used digital learning resource in primary, secondary and vocational schools. Other digital learning resources, such as interactive practice materials, video and digital text files are deployed much more readily in Dutch schools. A combination of digital and print resources, such as textbooks, continues to be seen as a robust approach to teaching by a number of educators. This further reduces the likelihood that digital educational books will significantly replace physical editions over the next few years.

With educators less likely to use e-books during teaching, educational publishers are therefore targeting schools with digital platform offerings, which provide a variety of functions beyond the basic digitisation of textbooks. Examples are Magister (market leader in secondary education) and Parnassys (market leader in primary education), which offer not only administrative processing of student data, but also support the educational process with features such as digital learning and a virtual learning environment. Publishers’ digital offerings are appealing more to educators who are looking for a broader digitalisation of their learning environments and teaching methods by inserting interactive elements, multimedia content and tracking and assessment capabilities into such products.

Print/audio versus electronic books revenue



Source: PwC, Ovum

As a result, the educational book market in the Netherlands is moving towards a blended phase, with the use of printed text books being combined with digital platforms, e-work books and e-learnings to facilitate personalised learning. Printed books will therefore continue to dominate the market. Print educational books will account for 88% of revenues in 2020, compared with 93% in 2016 and 99% in 2011. This is also the main reason why traditional educational publishers, in spite of competition from other online resources accessible through the likes of Google, will continue to account for the majority of digital resources used by teachers in primary and secondary education in the Netherlands.

Informal digital learning becomes more popular

Digitisation is also leading to an increase of informal digital learning methods. Examples include De Khan Academy, Massive Online Open Courses and Squla. Squla went live in 2010 and is an app that allows students to practise primary school topics at home. It contains quizzes, games and instructional videos for children in primary schools. As a result of collaboration with Cito, Squla also contains a number of quizzes based on Cito practice questions. The platform is operated in a subscription model of approximately eight euros per child per month and is offered freely to schools to enhance lessons with fun and educational online quizzes and games.

E-book platforms must account for multi-device lifestyles

The contemporary proliferation of mainly mobile computing devices and technology means that today's students – from primary through to higher education – are likely to be digitally proficient. Indeed, according to a February 2015 report from Mediawijzer.net, the tablet is the second most-used device (television comes first) by Dutch children aged one to eight. The same can be said for older children in the Netherlands as, according to Kennisnet figures, mobile phones are the most-used device on a daily basis by Dutch children aged 10 to 18, followed by televisions, laptops and tablets.

As these digitally-based students make their way through the Dutch educational system and more connected devices enter into classrooms, educational publishers need to ensure that their offerings are compatible across a range of computing devices. This will also be important at higher education level, where e-textbook uptake will increase as students have more freedom when it comes to accessing learning materials.

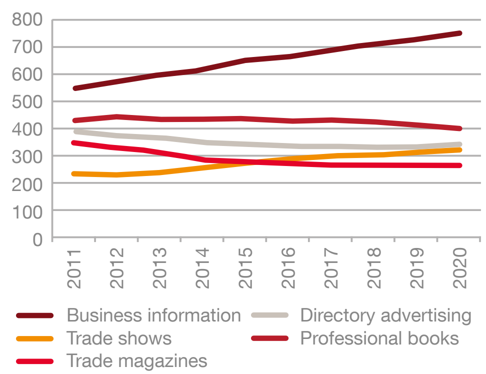
Business-to-business publishing

Wider macroeconomic business sentiment is more muted in 2016 and the Dutch B2B publishing market can anticipate a 1.0% CAGR over the next five years, boosted by big data, the drive to provide business information and the enduring appeal of trade shows. The B2B market is characterised by rapid changes in technology, business models, and market needs. This has a direct impact on the market position of companies active in this field.

The Netherlands has fallen in and out of recession in recent years and this has hindered growth in certain sub-segments of the B2B market, even as overall figures have stabilised. The total B2B revenue of 2.0 billion euros in 2015 is forecast to rise at a CAGR of 1.0% over the forecast period to 2.1 billion euros in 2020.

B2B revenue is dependent on business expenditure, which closely correlates with economic output. Real GDP in the Netherlands is forecast to increase at a higher CAGR of 1.9% over the same period. B2B revenue is also dependent on (accelerated) changes of business models, which can be a threat to current market leaders in the B2B sector. Outdated product offerings and technologies are being replaced, data protection legislation is changing and new competitors are entering the market.

The business information and trade show segments will be the two B2B segments to show significant growth. Recent moves by publishers to get involved in trade shows, such as TMG's May 2016 purchase of the biannual Amsterdam Fashion Week event, show their desire to become involved in this growth segment. While total directory advertising will rise by a marginal 0.2% on average per year over the next five years, total professional books and total trade magazine revenues will contract by -1.8% and -1.3% respectively as digital revenue fails to make up for the print revenue losses.



B2B market (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Business information	549	571	590	613	645	667	689	710	730	750	3.1%
Directory advertising	386	375	362	349	340	334	332	334	338	344	0.2%
Trade shows	234	235	244	255	270	286	295	302	309	317	3.2%
Professional books	431	448	440	439	436	433	427	420	411	399	-1.8%
Trade magazines	339	325	310	290	281	273	267	263	263	263	-1.3%
Total	**1,938**	**1,954**	**1,946**	**1,946**	**1,972**	**1,993**	**2,011**	**2,029**	**2,052**	**2,073**	
y-o-y growth		**0.8%**	**-0.4%**	**0.0%**	**1.4%**	**1.0%**	**0.9%**	**0.9%**	**1.1%**	**1.0%**	**1.0%**

Source: PwC, Ovum

Business information revenue (€ millions)											
Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Financial	177	183	189	195	206	213	221	228	236	243	3.4%
Marketing	172	181	187	198	208	215	221	227	232	237	2.6%
Industry	201	207	215	220	232	239	247	255	262	270	3.1%
Total	**549**	**571**	**590**	**613**	**645**	**667**	**689**	**710**	**730**	**750**	
y-o-y growth		**4.0%**	**3.4%**	**3.9%**	**5.2%**	**3.4%**	**3.2%**	**3.0%**	**2.9%**	**2.7%**	**3.1%**

Source: PwC, Ovum

Total business information revenue is the largest segment, accounting for 33% of the overall B2B market, as is the case in most developed B2B markets. This will increase to 36% over the next five years. Nielsen, the global information and measurement provider, is by far the largest player in the sector. Other operators such as Respondenten.nl and GDCC Global Data Collection Company also offer market research services.

Big data drive underpins business information growth

The drive for big data continues to underpin business information sales growth in the Netherlands, similar to what we see in a number of other developed markets. As the use of e-commerce, social media and smartphones increases, so will the volume of data collected by companies. There is an increasing need for more, real-time and predictive data to underpin decisions. While companies will hire expertise to harness this data, many will acquire outsourced services and this will contribute to business information revenue.
The January 2016 merger of comScore and Rentrak provides hints as to the kind of data services increasingly required by media companies. The merger has created a huge cross-platform measurement company able to unify data across desktop, mobile phones, tablets, TV and cinema screens with demographic data to quantify consumer behaviour. This will not be an instant panacea – the sheer volume of data available makes it increasingly difficult to draw scalable conclusions, but the rewards for those companies that can do so are immense.

Industry organisations and academic institutes are collaborating in the fast-developing field of big data as part of the Big Data Alliance. The project sees all of the Dutch academic universities and (governmental) institutes joining forces with the likes of industry partners KLM (the Dutch national airline) and ANWB (the Dutch motoring and travel organisation and largest non-profit association in the country).
The alliance is intended for parties in academia and the commercial sector to benefit more from each other to further their applications of big data and business analytics.

Another partner of the Big Data Alliance is Amsterdam Smart City, an innovation hub whose purpose is to facilitate the sharing of ideas to improve the Amsterdam metropolitan area. The organisation's 100 partners are involved in more than 70 projects throughout the city, one of which is an open-source data initiative allowing people and organisations to access and contribute to public data in order to develop apps and other digital services.
The increasing literacy in big data innovation will help to drive the business information segment.

Focus on apps and recurring revenues

At the same time, companies will continue to demand insight into a number of areas to gain a competitive advantage. As consumer interaction with businesses becomes increasingly complex, through the rising use of smartphones and social media in addition to more traditional face-to-face transactions, companies will seek to understand and exploit emerging trends to stay ahead of their competitors. One of the best ways to achieve this is through creating engaging apps that encourage interactivity with consumers due to their utility. The continuing need to have the latest data also enables B2B companies to secure a payment model based on recurring revenues: a valuable asset in a still uncertain market.

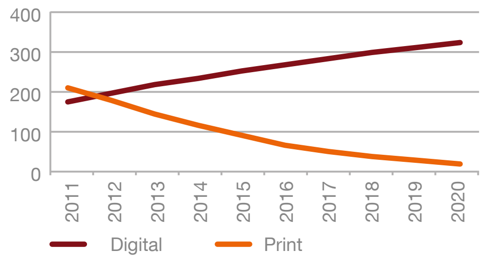
This will lead to businesses using big data but also buying information from other businesses. In June 2016, Sanoma Corporation, one of the largest media groups in Finland, announced a data partnership with GroupM. Sanoma's aim is to share qualitative data with advertisers and agencies on an independent platform, and the collaboration enables

GroupM and its agencies to use its online spending as relevantly and efficiently as possible for its customers.
Not only will the demand for B2C insights drive marketing business information, but there is an increasing recognition that B2B buying behaviours are distinct from B2C patterns. For example, consumers tend to focus first on brand, whereas businesses shortlist suppliers and often assess the creditworthiness or governance of the companies selling products and services. Insight into both B2B and B2C marketing will contribute to marketing business information revenue.

Directories least affected by print's structural decline

As is the case in other developed economies, B2B segments that are dependent on print revenues are showing negative growth in the Netherlands. This trend is most pronounced in the professional books market. While the rising use of e-books will not be enough to offset losses from printed professional books, a CAGR of 7.6% for this digital format will nonetheless be supported by relatively high penetration rates of tablets in the country.

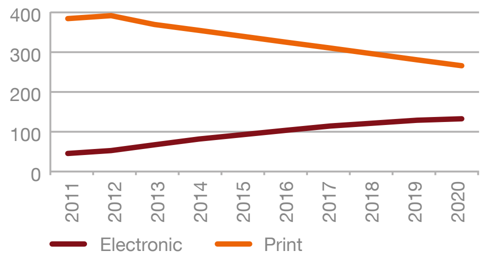
Directory advertising revenue will be the least affected by the print-to-digital transition as print represents only approximately 25% of total revenues. While print directories will contract by a CAGR of -27.5% over the next five years, strong growth of 5.4% in the digital directories space will produce an overall CAGR of 0.2%. This comes as companies such as DTG (previously primarily publisher of the Dutch telephone directory and yellow pages) continue to re-establish themselves as digital businesses. They offer small and medium-sized enterprises location-based advertising for consumers using their smartphones on the move, as well as end-to-end online services such as website construction and search engine optimisation (SEO).



Directory advertising revenue (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Digital	172	193	216	233	250	267	283	298	313	326	5.4%
Print	214	182	147	116	90	67	49	36	26	18	-27.5%
Total	**386**	**375**	**362**	**349**	**340**	**334**	**332**	**334**	**338**	**344**	
y-o-y growth		**-3.0%**	**-3.3%**	**-3.8%**	**-2.4%**	**-1.9%**	**-0.5%**	**0.6%**	**1.3%**	**1.6%**	**0.2%**

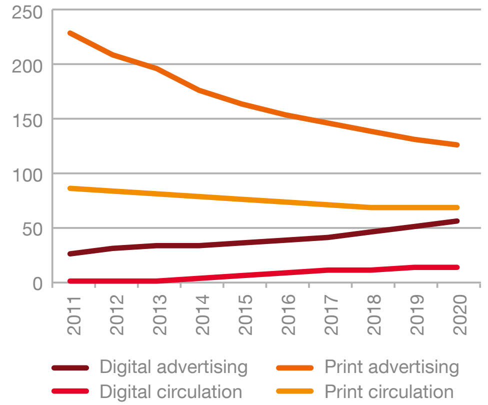
Source: PwC, Ovum



Professional books revenue (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Electronic	43	54	67	81	94	105	116	125	131	135	7.6%
Print	388	394	373	358	343	327	311	296	280	264	-5.1%
Total	**431**	**448**	**440**	**439**	**436**	**433**	**427**	**420**	**411**	**399**	
y-o-y growth		**3.9%**	**-1.8%**	**-0.2%**	**-0.7%**	**-0.8%**	**-1.2%**	**-1.7%**	**-2.2%**	**-3.0%**	**-1.8%**

Source: PwC, Ovum



Trade magazines revenue (€ millions)

Netherlands	Historical data					Forecast data					CAGR %
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20
Advertising	**253**	**241**	**228**	**209**	**200**	**193**	**188**	**183**	**182**	**182**	**-1.9%**
Digital	25	31	33	34	36	39	42	45	50	55	8.8%
Print	228	210	195	175	164	154	146	139	132	127	-5.1%
Circulation	**85**	**84**	**82**	**81**	**80**	**80**	**80**	**79**	**81**	**82**	**0.3%**
Digital	0	1	2	3	5	8	10	11	12	14	22.1%
Print	85	83	80	78	75	72	70	69	68	68	-2.0%
Total	**339**	**325**	**310**	**290**	**281**	**273**	**267**	**263**	**263**	**263**	
y-o-y growth		**-3.9%**	**-4.7%**	**-6.6%**	**-3.1%**	**-2.6%**	**-2.2%**	**-1.7%**	**-0.1%**	**0.3%**	**-1.3%**

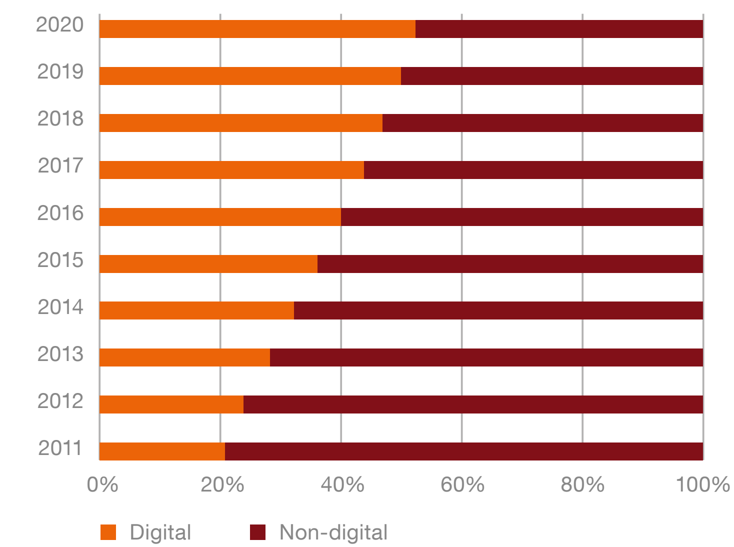
Source: PwC, Ovum

Publishing shift benefits business information

Further contributing to the decline in print, while also boosting the business information segment, is the strategic shift of larger companies away from magazine publishing to more business-critical products. In August 2015, Reed Business, the Dutch subsidiary of RELX Group, formerly Reed Elsevier, offloaded a portfolio of healthcare-focused products including books and magazines to Springer Media as part of a stated intention to move "from digital content to decision-making tools". The transaction followed a similar deal in December 2014 that saw Reed Business sell a bundle of B2B magazines to B+B Vakmedianet. While both deals ensured that these print products will continue to be published, the move is indicative of a sector that is transitioning away from print in favour of digital content and, crucially, products that can be classed as business information. This shift, coupled with a decline in both print advertising and circulation, will mean the Dutch trade magazine segment will shrink by a CAGR of -1.3% over the forecast period.

We expect that the decline in printed trade magazine circulation will continue. Many mid-size titles face a double-digit annual decline in their print circulation. The overall reduction is partly offset by launches of new smaller titles. In 2015, the Netherlands Trade Union Confederation ("FNV") combined its scattered magazine landscape

B2B revenue (€ millions)



Source: PwC, Ovum

'Despite the digitisation trend, there is no replacement for face-to-face meetings and networking.'

by introducing one main magazine with multiple editions. With a circulation of 750k, this new quarterly magazine is considered the largest trade magazine.

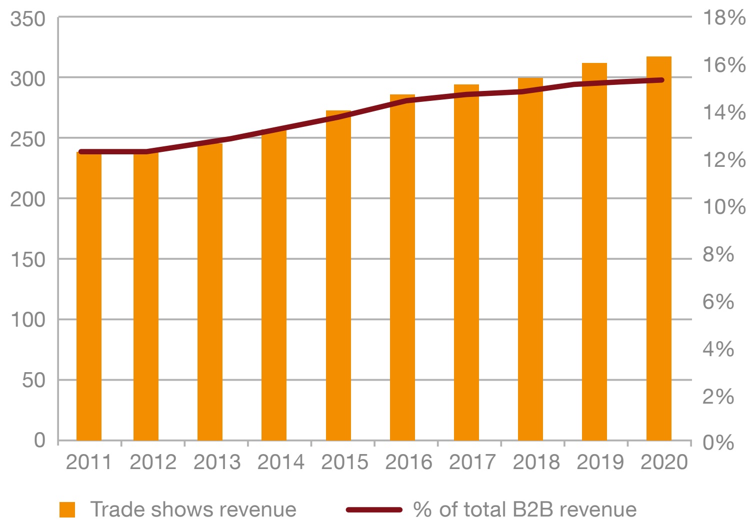
The circulation of digital paid trade magazines is still small in the Netherlands. The number of titles is too low to draw any firm conclusions, yet it appears that also in trade magazines it remains challenging to offset declining print revenues by digital subscription revenues. The circulation of free digital magazines supported by websites and newsletters is significantly higher, illustrating that advertising including branded content will remain the primary revenue driver for many titles.

However, it is worth noting that even in this digitally advanced country, which at 96% has the highest broadband penetration rate in Europe, non-digital revenue will still represent 47% of all turnover in the combined trade directories, trade magazines and professional books segments in 2020.

Trade shows continue to outperform

Growth in the trade show segment will outpace every other B2B segment for the foreseeable future. Despite the digitisation trend, there is no replacement for face-to-face meetings and networking – indeed, trade show exhibitors can even use real-time data such as sales order management software to measure performance. All countries recognise the benefit of investing in trade show space to boost their economies, which is helping to drive growth in the sub-sector. Furthermore, Amsterdam's capacity to act as a regional hub due to its position and transport links makes it the home of leading trade shows for many industries – including Intertraffic for traffic and transport and the International Broadcasting Convention.

Trade shows (€ millions)



Source: PwC, Ovum

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Note: because we rounded off amounts and percentages throughout this Outlook, tables may not sum to 100%.