Arcom
Le régulateur de la communication audiovisuelle et numérique

THÉMA

Economic study on television production industry trajectory in France

Summary

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The TV production company industry experienced a marked slowdown in 2020

For the first time in twenty years, the year 2020 saw a near-zero rate of growth in the number of companies[1]. The industry numbered just three more French TV production companies than in 2019, for a total of 4,988 companies in 2020. This is the lowest growth rate recorded since 2000, with the rate averaging 7 % over the 2000 - 2019 period.

This exceptional situation is explained by the particularly high number of companies closing in 2020, while the number of business creations remained stable compared to 2019. These closures probably result partly from the measures put in place to combat the Covid-19 epidemic.

The second collateral effect of the health crisis on the industry concerns the number of staff working in TV production companies (101,632 people[2]) and the total payroll (844 million euros), which decreased by 11 % and 10 % respectively between 2019 and 2020, a decline not seen in 20 years. People employed on "*CDD d'Usage*" short fixed-term contracts (also known as CDDU or "intermittent" contracts) are among the most affected workforce (in particular people employed on "*CDD d'usage artiste*" contracts - artists' short fixed-term contracts)[3].

The key characteristics specific to this industry continued to apply in 2020

As in previous years, the Île-de-France region accounted for the majority (67 %) of companies in the industry in 2020 and the vast majority of jobs – 82 % of staff on *CDD d'usage* short fixed-term contracts and 78 % of permanent staff (*CDI* and *CDD de droit commun* - open-ended contracts and common-law fixed-term contracts).

In 2020, nearly 40 % of TV production companies had been active for more than ten years (compared to 25 % in 2000). These companies in existence for more than 10 years generated nearly 65 % of the industry's turnover in 2018 (compared to 55 % ten years earlier) testifying to the greater resilience of older businesses. The number of companies less than 3 years old, which has remained stable since 2010, has tended to decrease since 2000.

The production companies' business activity remains cyclical. Only 44 % of companies active in 2010 experienced continuous activity over the 2010-2020 period, while 6 % experienced a period of inactivity, 30 % ceased their activity and 21 % are now inactive[4]. The TV production industry remains very heterogeneous, with a multitude of companies created during projects or for a very specific activity (74 % of companies in the industry have a total payroll of less than 100,000 euros) and which in many cases have ceased their activities once these projects were completed.

The workforce continues to be mainly made up of people employed on short fixed-term contracts. In 2020, the TV production companies collectively employed 101,632 people: 82 % on short fixed-term contracts and 18 % as permanent staff (12 % on permanent contracts and 6 % on common-law fixed-term contracts). The breakdown between non-permanent and permanent staff remained stable in 2020.

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[1] Only up-to-date data available: Audiens data relating to 2020, INSEE data relating to 2018, TVFI and CNC data relating to 2020.
[2] Duplicate workforce.
[3] The "intermittents" are grouped into two categories: Artist CDDU and non-artist CDDU contracts (e.g. technician).
[4] A 'cessation of activity' is a voluntary and temporary measure. It makes it possible not to dissolve the company. The company suspends its activities, but retains its company registration and continues to operate at a social and tax-related level. Inactive companies are companies that have had no activity during the year in question, without however having the status of companies covered by a cessation of activity.

As in previous years, this breakdown differs significantly from the breakdown of total payroll by contract type. Thus, in 2020, the 12 % of employees on permanent contracts accounted for 42 % of the payroll, while the 40 % of employees on short fixed-term contracts for artists accounted for only 10 % of this payroll[5].

According to the latest available data, the industry's annual turnover is stable and totalled 3.1 billion euros in 2018. The 10 largest companies by revenue represented 13.5 % of overall revenue in 2018, a share which has remained stable since 2008. Arcom does not have sufficiently conclusive and robust evidence to establish forecasts for the following years.

Demand for TV programmes: the producers remain highly dependent on television broadcasters despite the increase in orders from subscription video-on-demand services

The TV production industry remains highly dependent on TV broadcasters, which accounted for 8.52 billion euros in turnover in 2019. The traditional groups still occupy a central position in this media landscape. TF1, France Télévisions and M6 groups together accounted for 70.3 % of the linear television audience share in 2020, 92 % of the advertising revenue from the free TV broadcasters in 2019 and 83 % of the total contribution of all TV broadcasters to the production of TV works declared under their obligations. The Canal Plus group represented 60 % of pay-tv revenue in 2019.

Linear broadcasters have also been significantly affected by the pandemic. Under the effect of lockdown measures, individual viewing time (IVT) increased in 2020, for the first time since 2012. The French spent an average of 3 hours 54 minutes in front of the television, 24 minutes more than the previous year. The IVT record observed in 2020 was mainly driven by the television consumption of the over 50s (5 hours 46 minutes per day on average over the year). At the same time, the television advertising market saw a decline in net income in 2020 (-11.6 %[6]) compared to 2019, due to economic activity being at a standstill, particularly during the months of the first lockdown. To cope with this and to avoid their results deteriorating too much, the TV broadcasters reduced their schedule costs and controlled their spending on programmes.

Additionally, the strong growth in subscription video on demand (SVOD) has continued in France, with revenue of 1.3 billion euros in 2020 (up 50 % compared to 2019) and 8.7 million average daily users in the first half of 2021 (also up 50 % from 2019). The lockdown measures applied in connection with the pandemic, combined with expanded product offerings, have significantly accelerated the take-up of SVOD services, particularly among those categories of the population initially less inclined to adopt these services. As an example, in the first half of 2021, the proportion of over 50s is up five points compared to the first half of 2020.

SVOD services providers have greatly increased their investments in TV programmes in recent years and have become customers in their own right of the French TV production companies. In 2021, SVOD services broadcasters are believed to have invested 245 million euros in new French productions[7]. Investments by American SVOD services providers in French TV production are growing and will continue to grow under the effect of the provisions of decree no. 2021-793 of June 22, 2021 relating to on-demand TV media services.

[5] *A distinction is made here between short fixed-term contracts for artists and non-artists, because only short fixed-term contracts for artists are under-represented in the payroll.*
[6] *IREP press release, The advertising market in 2020.*
[7] *CNC, Observatoire de la Vidéo à la Demande, December 2021.*

French programmes maintained their performance abroad in 2020

According to the CNC, foreign sales of French programmes were up slightly in 2020: revenue from the exportation of French programmes reached 197 million euros, compared to 196 million euros in 2019[8].

Animation remains the leading genre exported, with sales reaching a level of 75 million euros in 2020. Drama confirms its position as the second most exported genre, at 46 million euros. Export sales of French documentaries account for 46 million euros. The lockdowns introduced in many parts of the world may have slowed the circulation of French programmes (cancellation of business markets, etc.). At the same time, content consumption increased sharply over the period, creating opportunities for French programme rights holders through the buyback of rights to programmes already sold. In this context, the strengths of French TV production enabled French programmes to continue circulating widely internationally.

Concentration in the TV production industry in France: a response to market developments

The late 2000s and the early 2010s saw the emergence of a trend towards concentration, which changed the structure of the TV production industry. This trend has accelerated in a context of an increasing availability of TV services and increased competition between traditional television broadcasters and SVOD providers, some of whom are foreign.

The production of game-shows, entertainment programs and magazines was the first to experience this development, followed by the drama production industry.

Among the various forms of consolidation observed in the production industry, the acquisition of existing companies remains the rule, but new forms of concentration have also appeared, such as integration between the broadcasters/producers or the producers/distributors of TV programmes. Recently, a number of financial players have become involved in the capitalisation of TV production.

One of the key motivations for a group to engage in concentration is to limit competitive pressure by increasing its bargaining power with broadcasters and ultimately its market share and turnover. Groups also seek to build new business models by diversifying the profiles of the production companies they buy. Moreover, the *intuitu personae* nature of the producer of the acquired company is a decisive factor. More and more managers are looking to create groups with an international scope, after consolidating themselves in the French market.

For a producer, becoming part of a group provides financial security and reduces the complexity associated with legal and financial arrangements. Additionally, the major international SVOD service providers may be more inclined to sign contracts with large companies that can reassure them through their financial stability or the volume of orders they already handle.

At the same time however, concentration does not impede the creation of new production companies.

Nevertheless, these trends, as well as the involvement of stakeholders from the world of finance, are a source of concern among certain parties, who fear that the groups may be encouraged to produce consensual content to maximize their profits or reduce the risks.

[8] *TVFI/CNC, The exportation of French TV programmes in 2020.*