The Regulatory Authority for
Audiovisual and Digital Communication

THÉMA

Economic study on television production industry trajectory in France

Summary

April 2023

Summary

The audiovisual production sector stages a recovery in 2021

Following the reverberations of the health crisis in 2020, the sector showed every sign of a strong comeback in 2021. The number of French audiovisual production businesses increased from 5,154 companies in 2020 to 5,522 companies in 2021, representing a 7 % increase.

The second sign of a recovery is reflected in the number of people working in audiovisual production companies (124,289[1]) and the total payroll (€1.03 billion), which increased by a record-breaking 22 % and 19 % respectively between 2020 and 2021. By way of comparison, the sector employed 114,540 people in 2019 with a payroll of €967.7 million.

The key characteristics specific to this sector continued to apply in 2021

As in previous years, the Île-de-France region accounted for the majority (64 %) of companies in the sector in 2021 and the vast majority of jobs, with 79 % of employees on short fixed-term contracts and 77 % of employees on open-ended contracts and ordinary-law fixed-term contracts)[2].

In 2021, nearly 40 % of audiovisual production companies had been active for more than 10 years (compared to 25 % in 2000). These companies in existence for more than 10 years generated over 66 % of the sector's turnover in 2019 (compared to 60 % some 10 years earlier) testifying to the greater resilience of older businesses.

The production companies' business activity remains cyclical. Only 42 % of companies active in 2010 experienced continuous activity over the 2010-2021 period, while 7 % experienced a period of inactivity, 30 % ceased their activity and 21 % are now inactive[3]. The audiovisual production sector remains very heterogeneous, with a multitude of companies created during projects or for a very specific activity (72 % of companies in the sector have a total payroll of less than €100,000) 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 2021, the audiovisual production companies collectively employed 124,289 people: 85 % on short fixed-term contracts and 15 % as permanent staff (10 % on permanent contracts and 5 % on ordinary-law fixed-term contracts). The breakdown between non-permanent and permanent staff remained stable in 2021.

As in previous years, this breakdown differs significantly from the breakdown of total payroll by contract type. Therefore, in 2021, the 10 % of employees on permanent contracts accounted for 38 % of the payroll, while the 43 % of employees on short fixed-term contracts for artists[4] accounted for only 10 % of this payroll.

[1] Deduplicated headcount.
[2] Source for data on employment and business activity: Audiens (2021).
[3] A "cessation of activity" is a voluntary and temporary measure that prevents the company from having to be dissolved. 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.
[4] A distinction is made here between short fixed-term contracts for artists and non-artists, because short fixed-term contracts for artists are under-represented in the payroll.

According to the latest available data, the sector's annual turnover is stable and totalled €3.3 billion in 2019[5]. The 10 largest companies by revenue represented 15 % of overall revenue in 2019, a share which has remained stable since 2008.

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

The audiovisual production sector remains highly dependent on Tv-broadcasters, which accounted for €8.45 billion in revenue in 2021, up 4 % on 2020 and stable compared to 2019[6]. For example, free-to-air channels generated revenue of €5.7 billion in 2021 (up 7 % for all channels compared to 2020, and up 16 % for private free-to-air channels). The traditional groups still occupy a central position in this audiovisual landscape. In 2021, the three long-standing groups registered over 90 % of the revenue for free-to-air channels and 85 % of the total contribution of all TV-broadcaster to the production of audiovisual works declared under their obligations[7]. The Canal Plus Group represented 60 % of pay-TV revenue in 2021[8].

The investments from France's long-standing publishers of free-to-air channels (TF1, M6 and France Télévisions) in stock and flow programmes amounted to €3.5 billions in 2021 (vs. €3.3 billions in 2020).

In 2022, France Télévisions, TF1, and M6 groups accounted for 68.8 % of the television audience share, which was down on 2021 (-1.3 point)[9].

One of the knock-on effects of the health crisis was an increase in the viewing time per person, but that positive trend did not continue into 2021 and 2022. The average daily viewing time for individuals aged 4 years and above was 3 hours 24 minutes in 2022[10], which is down by 15 minutes compared to 2021 (3 hours 39 minutes). The viewing time in 2022 was also 6 minutes less that the pre-Covid level (3 hours 30 minutes in 2019), despite including out-of-home viewing in 2020[11].

Additionally, the strong growth in subscription video on demand (SVOD) has continued in France, with revenue of €1.5 billion in 2022 (up 12.8 % compared to 2021)[12] and 9.4 million average daily users in Q3 2022[13]. The number of users (all ages combined) is up by 11 % compared to the same period in 2021 (8.5 million users). However, the number of users aged between 15 and 24 has been falling steadily since 2020 (1.2 million in Q3 2022 on average compared to 2.5 million in Q1 2020).

SVOD services publishers have greatly increased their investments in audiovisual programmes in recent years and have become customers in their own right of the French audiovisual production companies. According to CNC estimates, SVOD publishers will have invested €341 million in original French creations (audiovisual) in 2022[14]. The rise in investments has changed the face of France's production sector, particularly for the drama

[5] Source for data on the revenue of audiovisual production companies: INSEE (2019).
[6] Arcom, financial statements from national free-to-air channels in 2021.
[7]Source: Arcom.
[8]Source: Arcom, financial statements from pay-TV channels in 2021 (pending publication).
[9]Source: Médiamétrie, Médiamat.
[10] Médiamétrie, Médiamat Annuel. Measurement carried out among individuals aged 4 and over with access to a TV.
[11] Since 30 March 2020, Médiamat (the benchmark measurement for TV viewing figures) has included all television programmes watched outside the home or on the move, regardless of the screen (television, computer, smartphone and tablet) and irrespective of the viewing method (linear or non-linear). This number is added to the viewing figures for people watching TV at home, which represents the initial scope of the measurement.
[12] CNC, Annual Review 2021.
[13] Médiamétrie, Global Video.
[14] Feature films without a theatrical release, series, shows, documentaries and animated programmes. Source: CNC, Video on Demand Prospective Study, January 2023.

series genre, which is widely financed by US publishers. In an effort to withstand the growing level of pressure from the competition, keep their audience share and thereby attract substantial advertising investments, TV broadcasters are maintaining their high levels of investment.

The influence of French programmes abroad in 2021 is especially based on the increase in pre-sales and foreign contributions to collaborative production

The pandemic continued to put the brakes on the circulation of French programmes after physical business markets were cancelled. At the same time, content usage underwent strong growth over the period, which enabled French audiovisual exports to shine in the global market.

According to the CNC, foreign sales of French programmes were down slightly in 2021: revenue from French programme exports reached €186.1 million compared to €197 million in 2020[15]. However, as a tell-tale sign of the increasingly globalised marketplace, pre-sales and foreign contributions in the collaborative production of French programmes are rising sharply, amounting to €101.5 million (up 30.5 % vs 2020) and €88.4 million (up 10.2 % vs 2020) respectively. When considering all types of exports, this represents a new historic French record with €376 million in 2021, which is 6 % more than in 2020.

When it comes to the different genres, animated programmes continue to top the export list, although sales in 2021 are down by 18.5 % on 2020 at €60.8 million. Drama came next on the list on the back of a surge in exports (sales amounted to €57.3 million, i.e. up 21.8 % on 2020). Export sales of French documentaries fell by 20.1 % to reach €36.8 million. This fall can be attributed to late deliveries in the wake of the health crisis.

The trend in production costs for French audiovisual drama

Higher costs especially affecting the most ambitious drama programmes

Since the end of the 2010s, the average hourly cost of producing a drama series (excluding daytime drama series) has been spiralling upwards as a result of a rise in the hourly volume of ambitious or "*premium*" audiovisual drama series (with an average hourly cost of €1.2 million). Excluding daytime series, ambitious drama programmes represented the majority of financially supported French audiovisual production in 2021 (56.9 % of subsidised hours compared to 47 % at the beginning of the decade).

Hourly filming costs have climbed most sharply in recent years, fuelled by the rise in transport costs, expense payments and production management costs, as well as set and costume costs.

Driven by the most ambitious dramas, spending on remuneration has also been trending upwards since the late 2010s. Two cost items are especially affected by this trend, namely personnel costs and consequently social security costs, whose hourly costs peaked in 2021. The most experienced technical profiles are those with the highest increases.

Overall, the hourly cost of technical expenditure (technical resources, laboratories, etc.) increased slightly over the last decade due to changes and developments in the techniques and technologies used by the sector. This trend is mainly powered by drama series, which feature the highest hourly costs and stand out with their use of special effects and their ambition of seeking to capture an international audience.

[15] TVFI/CNC, Exports of French audiovisual programmes in 2021.

Inflated costs with a variety of causes

In addition to grappling with the aftermath of the Covid-19 epidemic, the audiovisual industry has been suffering from the cyclical rise in costs since 2021, just like all companies in the general economy.

A number of structural changes can also explain this rise in cost.

In particular, these last years, the audiovisual sector faced a strong demand for drama programmes, especially for *premium* series due to:

- the growing number of on-demand audiovisual media services in the French market related to the fast evolution of uses,
- the evolution in the French regulatory framework, following the amendment of the European "Audiovisual Media Services" Directive in 2018, to impose financial obligations on foreign on-demand services publishers.

This evolution creates an excessive competition to purchase drama programmes and an imbalance of supply and demand on this market.

As a result, the prices of the most attractive drama programmes are under pressure, given the buying power of certain on-demand services publishers. Competition between them and TV broadcasters to purchase drama programmes is particularly strong for French series. TV broadcasters may therefore find it difficult to purchase the rights of these *premium* series.

In that respect, the volume of audiovisual drama programmes commissioned by TV broadcasters has also risen sharply, whether daytime series or ambitious dramas backed by larger budgets.

Such burgeoning demand is accompanied by a trend to focus projects on the higher end of the market, which was already kick-started by French broadcasters and is being reinforced by the ambitions of productions funded by foreign on-demand services, all of which is leading to higher estimates.

The rising number of orders has a direct impact on production team availability. This "bottleneck" in manpower against the backdrop of an increasingly competitive market is contributing to inflated costs, since large budgets can help lure away talent with the prospect of higher salaries. The most sought-after profiles are scriptwriters, technical supervisors, highly skilled technicians and production administrators.

Similarly, spending on technical resources and especially film studio rental costs are suffering from an imbalance between supply and demand. Rising production volume is causing studio availability issues, which could affect the ability to reserve time in the studio.

Strategies developed by publishers and producers to address rising production costs

In an effort to tackle soaring costs while leading ambitious projects, TV broadcasters and on-demand services publishers are developing collaborative production arrangements. However, such agreements shift the balance when it comes to the distribution of rights and wealth according to the each party's contributions.

International co-production arrangements between audiovisual groups are also gaining traction as they attempt to cope with the rising costs of *premium* series.

In addition to ambitious drama series, pursuing the large-scale production of daytime drama programmes and inexpensive digital-only series could secure a higher return for channels investing in drama series.

Finally, some producers are choosing to sell their company to a production group in response to the inevitable transformation of the sector caused by rising production costs.