

## Cultural content in the online environment – Q&A

### - Where do figures come from?

Figures come from 3 sources:

- Publicly available data from players
- 4 studies specifically performed in France (Google study in February 2015 and Facebook usage in February-March 2015) and Italy (Google study in July 2015 and Facebook usage in August 2015)
- Usage studies have been run with Nielsen/Médiamétrie and Sépage (search engines, passive study based on semantic machine learning) and with Ipsos (social networks, declarative study)
- Other publicly available data related to usage and markets (including population, households, share of connected population, advertising market data,...)

### - What is included in Cultural content?

Cultural content is considered in a broad sense, covering:

- Press
- Music
- Radio
- Books
- Live art performances (including music)
- TV
- Cinema
- Video Games
- Visual Arts (incl. architecture)
- Advertising
- Internet Videos

### - What does "usage" mean? Is direct impact related to access to cultural content?

Usage covers different types of activities related to cultural content such as access, e-commerce, showcasing and discussing on social media, and describing and providing information around cultural content.

Those terms are used in a broad sense, meaning that the usages on the considered site may require up to 1 click to access streaming, downloading, buying, discussing,... cultural content (i.e. potentially through another site)

In this context, cultural content covers all types of contents related to cultural creation.

Direct impact goes beyond access only: direct impact covers the generation of revenue through direct monetization (such as through advertising enabled by cultural content-generated inventory, or sponsored links directing to sites monetizing cultural content, sale of cultural content,....) or direct commerce of cultural content

#### **- What is direct impact? Indirect impact?...**

Technical intermediaries create value thanks to cultural content in three ways:

- Direct impact covers the generation of revenue through direct monetization (such as through advertising enabled by cultural content-generated inventory, or sponsored links directing to sites monetizing cultural content, sale of cultural content,....) or direct commerce of cultural content. *Analogy: if a general retailer stops selling cultural goods, the direct impact would be the revenue lost instantly due the shut down of this part of its operations*
- Indirect impact covers the additional revenue that would disappear if there was no cultural content available to the service, due to impact on service stickiness, usage intensity and usage repetition,... *Analogy: if a general retailer stops selling cultural goods, its customers may shop less frequently, and not go through the whole store in search of cultural goods, thus leading in the medium term to an additional decrease in revenue*
- Implicit or collateral impact (qualitative) ): in a fast-moving, technically complex, oligopolistic and usage-driven competition, market leaders derive increased future revenue generation capabilities, consumers knowledge and market valuation from those same usages that are significantly driven by cultural content

#### **- How do you calculate direct impact? Indirect impact?**

Revenue generated from the direct monetization and direct commerce of cultural content or related advertising inventory is considered as direct impact.

Indirect impact is the amount of additional revenues likely to disappear if the cultural content related to disappears. In most cases, the combined Indirect and direct impacts have been estimated by considering that all users may behave like current light users.

For each typology of players, specific analysis has been made in order to assess the direct / indirect role of cultural content in revenue generation.

#### **- Are those figures reliable?**

Final figures derive from publicly available figures, specific studies on usage, Roland Berger estimates and Roland Berger analysis. As such they represent Roland Berger estimate of direct / indirect impact of cultural content on technical intermediaries' revenue generation.

#### **- Where do the usage figures come from?**

Figures come from:

- 4 studies specifically performed in France (Google study in February 2015 and Facebook usage in February-March 2015) and Italy (Google study in July 2015 and Facebook usage in August 2015)
- Publicly available figures

**- Does it mean intermediaries should pay this amount to content creators?**

No. Calculation takes into account revenue generated directly or indirectly thanks to cultural content. With such definition, royalties or other consumption-based compensation may not be required.

Our conclusion is limited to the observation that significant revenues are generated by online intermediaries thanks to the use of cultural content on their platforms. In a market where access to cultural content is shifting from pure digital content distributors (i.e. DSP/OTT services) to online intermediaries, determination of relevant usages and rights subject to remuneration schemes is up to legislators.