

NEW APPROACHES FOR GREATER DIVERSITY OF CINEMA IN EUROPE?

SHORT SUMMARY

ANALYSES OF EXPERIMENTS LAUNCHED IN THE CONTEXT OF THE PREPARATORY ACTION¹

"CIRCULATION OF EUROPEAN FILMS IN THE DIGITAL ERA"

(EUROPEAN PARLIAMENT & EUROPEAN COMMISSION)

THOMAS PARIS

RESEARCHER AT CNRS (GREG HEC) AND AFFILIATE PROFESSOR AT HEC PARIS

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¹ PREPARATORY ACTION PARTICIPANTS:

EDAD, grouping coordinated by Curzon Film World.

SPEED BUNCH, grouping coordinated by Wild Bunch.

TIDE, grouping coordinated by L'ARP, Société des Auteurs-Réalisateurs-Producteurs.



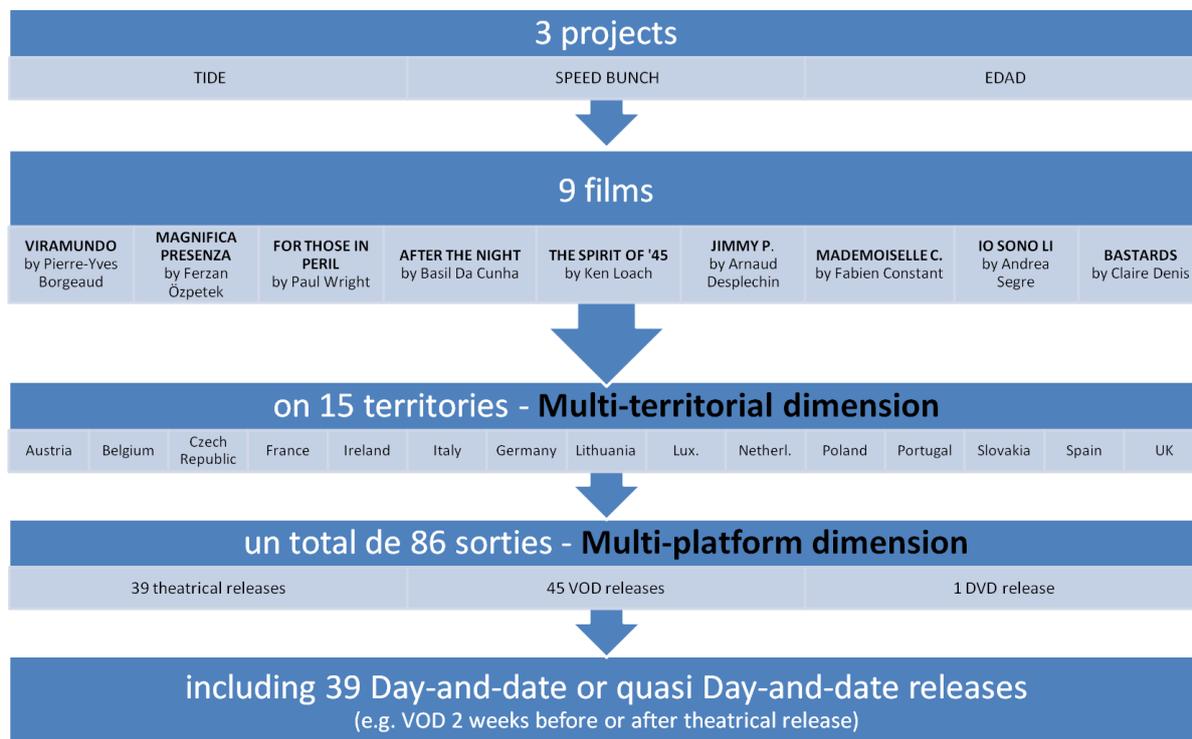
Digital technology, the new forms of distribution and consumption of works, piracy, increasing saturation of screens, the arrival of new economic players - these are some of the elements that are transforming the cinema landscape. The European Parliament has launched a programme of experiments to transform these threats into opportunities, with a view to improving the circulation of films in Europe. These experiments, conducted by several players in the European film industry, gave rise to several film releases using innovative sequences of distribution windows, and with a multi-territorial approach. While the number of spontaneous experiments has increased over recent years, particularly in the United States and the United Kingdom, and concerning simultaneous theatrical and VOD releases (Day-and-Date), VOD previews (ultra-VOD) or exclusive VOD releases (Direct-to-VOD), the experiments launched by the European Parliament also strove to include a multi-territorial dimension so as to encourage the simultaneous release of films in several European countries.

TABLEAU 1 : PROJECTS INCLUDED IN THE EXPERIMENT

Projects	Companies and organizations
EDAD	Curzon Film World (d), Cinemien (d), Golem (d), Associacao Il Sorpasso (d), Artcam (d), Adriana Chiesa(is), Wild Bunch (is)
Speed Bunch	Wild Bunch Group : Wild Bunch (is), Elle Driver (is), Wild Bunch Distribution (d), Wild Side Video (ag ; d), BIM Distribuzione (d), Wild Bunch Germany (d), Vertigo (d), FilmoTV (dd)
TIDE	L'ARP (po), Fandango (is), Portobello (is), Goldcrest (is), Protagonist (is), Urban Distribution International (is), Wide (is), Europa Distribution (po), Under the Milky Way (ag.), IPEDA (po), associated partner: The Film Agency (ma)

ag: VOD aggregator, d: distributor, dd: digital distributor,
is: international sales, ma: marketing agency, po: professional organization

FIGURE 1: THE EXPERIMENT IN PRACTICE



These experiments could not be expected to provide wide-ranging and definitive conclusions. This was impossible on account of the essentially unique nature of each release, the limited scope of the experiments, with limited release schedules, and the very novel nature of this type of release for the audience. Nevertheless it has been possible to highlight some results on 3 levels: the availability of films, the economics of the films, and the overall economics of the system.

The availability of films

The films in the experiment had limited theatrical scheduling, meaning that they were accessible only to a certain proportion of the population in the territories considered, ranging from 17% to 35%.

TABLE 2: AVAILABILITY OF VIRAMUNDO IN ITS TERRITORIES OF EXHIBITION¹

Territory	Number of towns	Coverage
Poland	13	41%
Portugal	3	39%
Lithuania	4	34%
Italy	8	32%
France	31	24%
United Kingdom	7	17%
Netherlands	6	27 %
Belgium	7	29 %
Luxemburg	1	22 %

The simultaneous or quasi-simultaneous release of films on VOD broadens the potential audience for films and makes their accessibility more homogeneous across each territory. In other cases, VOD distribution allows a film to be made available in countries where it has no access to theatrical release. Thus *The Spirit of '45* was offered on VOD in Germany without being exhibited in cinemas there. According to the film concerned, several tens of millions of potential additional viewers could have access to a film at the moment of its release, corresponding to increases in potential audience that could rise to as much as 175% in a given territory, and which represent 40 to 55% across all territories of exploitation for the cases studied.

The economics of films

The positive effect of linked releases on the economics of the films results from several factors, among which the most significant are additional revenues and savings due to synergies between theatrical and VOD releases.

Making a film available on VOD did not lead to a large number of transactions (sale or rental). In a given territory they amounted to a few hundred and represented on average 40% of theatrical admissions in the territory considered. But this number varied from one film and territory to another: it could be purely marginal (3 % additional audience for *Viramundo* in Poland, 4 % for

¹ Comparison between countries is to be treated with caution insofar as the definition of urban zones may vary from one territory to another.

The Spirit of '45 in Belgium), or on the contrary represent a substantial increase in the audience for a film (181 % additional audience for *For those in peril* in Italy).

The influence of the time-lag between theatrical and VOD releases is noteworthy: the ratio between the number of VOD transactions and the number of theatrical admissions was highest when the releases were simultaneous.

At this stage the experiments have not made it possible to note any synergies due to multi-territorial releases: promotion in one country had no impact on other territories.

The economics of the system

One of the main objections to day-and-date experiments is that they threaten the existence of cinemas and thereby endanger the economics of the film industry as a whole

The question of cannibalization is not easy to analyze, mainly because it is difficult to assess how many people would have seen a film in the theatre if it had not been released on VOD. The experimental data can give some indications but their scope is limited, on one hand by the small numbers of sales figures, and on the other by the heterogeneity of the territories involved.

Nevertheless it can be observed in some cases that VOD transactions² are quite widely scattered, with a significant proportion in areas where the film was not available in cinemas: this proportion varies from 50% to 78% in the three cases analyzed: *Viramundo* in Italy, *The Spirit of '45* in Italy and Spain.

Excluding the major conurbations, where the notion of the availability of a film, visible in a very small number of cinemas, is difficult to apprehend, VOD transaction are distributed across territories as a whole and mainly in areas where the film was not released in theatres.

TABLE 3: DISTRIBUTION OF VOD TRANSACTIONS DURING THE PERIOD OF THEATRICAL EXHIBITION OF A FILM

Film	Territory	VOD transactions in cities ³	VOD transactions in the other zones of exhibition of the films ⁴	VOD transactions outside the zones of exhibition of the films ⁵
<i>Viramundo</i>	Italy	22 %	6 %	72 %
<i>The Spirit of '45</i>	Italy	42 %	8 %	50 %
<i>The Spirit of '45</i>	Spain	46 %	4 %	50 %

² Analysis based on transactions using iTunes, the only platform for which we have had access to postcodes of VOD consumers.

³ Proportion of VOD transactions in metropolitan areas (urban areas of Barcelona and Madrid, Milan and Rome).

⁴ Proportion of VOD transactions in territories where the film is exhibited in cinemas (outside metropolitan areas).

⁵ Proportion of VOD transactions in territories where the film is not available in cinemas (outside metropolitan areas).

Conclusion

The experiments performed reveal some interesting results:

- the boost that innovative release formats such as day-and-date or Direct-to-VOD can give to a certain number of films that thereby benefit from increased exposure at least cost in a saturated market;
- greater accessibility, for the cinema audience, to certain films;
- the advantages of these innovative release formats for the economic situation of the films on three levels: extra revenue generated by VOD, savings on print costs, and possible synergies in promotion costs;
- concerning the economics of the system as a whole, the experiments seem to indicate no major risk: VOD consumption mainly concerns the zones where the film is not visible, or only to a limited degree, in theatres.

In a context that is changing rapidly on account of the development of digital technologies and the arrival of new offerings, these experiments have enabled the players involved to prepare for still faster changes.

In order to continue to question the modes of distribution of films in the digital era, several possible approaches emerge:

- multiple distribution schemes could be tested, varying the duration of release windows: the aim is to study more precisely the relationship between theatrical release and digital distribution, and to understand what types of use, audiences and films these different modes best correspond to;
- synergies between traditional marketing, better suited to cinemas, and the new forms of marketing, which have greater impact on audiences used to digital consumption, could be tested in more depth: the aim here is to continue to develop the marketing of films to adapt to the new context;
- the multi-territorial dimension can be extended. The disappointing results so far must be seen in a context in which the simultaneous availability of films is not a reality for film-viewers in Europe, and in which the role of trans-frontier viral publicity still remains limited. It can be argued that an increase in multi-territorial releases would make film audiences more sensitive to this type of situation, and that synergies due to distribution in several territories would be increased.