Presidenza Italiana
del Consiglio
dell'Unione Europea

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AUDIOVISUAL MARKET AND REGULATION

AN INDUSTRY AT A CROSSROADS

Session 1

New Business Models in a Changing Audiovisual Market OUTCOMES

Mario La Torre, Bruno Zambardino

Rome, 24 October 2014

MiBACT
Direzione Generale per il Cinema

Co-funded by the Creative Europe Programme of the European Union

The Conference Agenda

- DAY 1 – Oct 23
  - 10:00-13:00
    New Business Models in a Changing Audiovisual Market
  - 13:00-14:00
    Lunch Break
  - 14:00-16:30
    Public Support and Regulation Framework
  - 16:30-17:00
    Coffee Break
  - 17:00-18:00
    Focus: the Italian Viewpoint

- DAY 2 – Oct 24
  - 10:00-13:00
    Follow-Up and Debate

Session 1 Topics

Main trends of the Av market

New models:
production
distribution market

Access to finance

Demand-driven strategies and
new consumption models

Pros of digitisation

- new alternative production formats
- new and alternative release and marketing strategies
- larger consumption of audiovisual products

Cons of digitisation

- piracy
- decreasing in theatrical attendance
- competition among products
- competition among audiovisual contents platforms
- competition between traditional and new players

Conditions to meet

- Public and customers needs and attitude (demand side)

- Business and market sustainability (supply side)

Main trends of the audiovisual market
(Lange)

Audiovisual Worldwide market in the last 5 years:

- EU market share down from 20,7 to 15,4
- US market share up from 59 to 68,8
- Strong growth of 4 Leading US Internet Players
- Decline of physical home video market
- Consistent revenues from VoD market in the EU in particular digital subscription
- **Lack of trasparency**

Main trends of the audiovisual market (Paris)

- **Competitive gap**: **70%** entries di un film UE on country of origin vs. il **27%** dei film US
- **Saturation of screens**: **400** movies released in France in 1996, **600** in 2013; **35 %** of movies released on less than 10 copies in UK
- **Limitation of circulation of movies** in Europe **1500** movies per year (US + Europe)
- **Inequal availability of movies on territories**: **650** releases in UK, **200** in Sweden; **650** releases in Milano, **350** in Catania

Main trends of the audiovisual market (Dodd)

- 509 billion euros: contribution of the EU core copyright-intensive industries
- 7 million jobs annually generated in the Euro Market

Piracy: 6 billion films illegally downloaded last year

In north America Netflix's streaming service accounts for 34% of primetime Internet bandwidth usage
In UK and Ireland Netflix is the second-largest socurce of Internt traffic during peak evening hours

The demand side of the story

Key words

- Audience engagement
- Opportunities
  - Quallity of contents/Diversifications
  - Experimentations
- Complementarity
  - Cohesistence (Symbiotic relationship)
- Balancing between innovation and continuity (CE)
- Building communities
  - Mixing Media
  - IP valorisation

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Audiences engagement

Do you still know nothing"?(Gubbins)

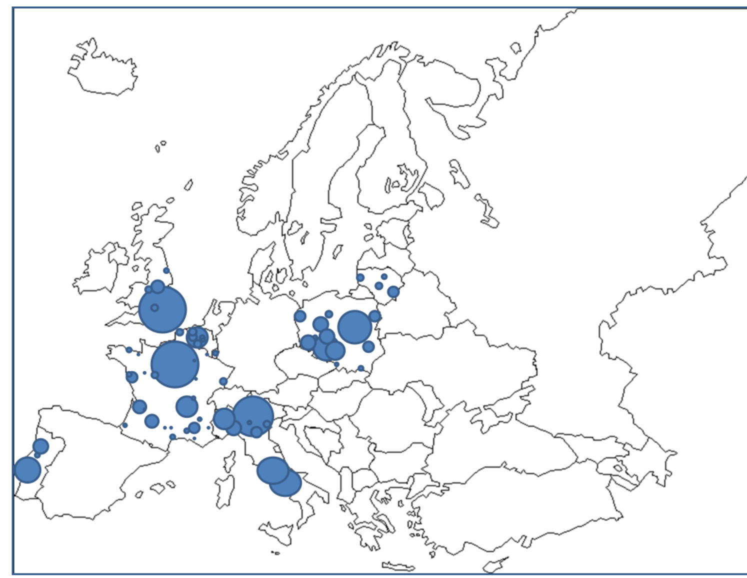
- Lack of transparency (metadata) concerning on demand AV services and platforms (Lange) vs. big data managed by global players
- Unlimited supply/illusion of choice (Gubbins)
- Focalisation on audience : demand driven strategies
- Creating "bridges" (connections) with young generations
- Bet on Quality and diversification (Chimenz)

Audiences engagement

- Building communities also by mixing media (es: football championship)
- Adoption of new strategies to create value and reach audience
- Succesfully histories: interests based community (opera, sci-fi, doc)
- Key question: how much are we ready to pay for and extra value ?

Release windows and impact of the experiments (Paris)

- **Increased availability of movies**
  - Coverage up to + 100% in Europe, up to + 40% in one territory
- **Increased global audience**
  - Digital transactions : 20% of extra audience (mean), up to 180%
- **No cannibalization observed**
  - 4 to 8% of digital transactions in areas of release of a movie



PUSH AND ENCOURAGE

NEW AND WIDER EXPERIMENTATIONS

New models of production, distribution, and consumption

- "Every day brings us new business models" (YT announced a new subscription model)
- New ways of collaboration among distribution platforms and advertising sector to test innovative strategies (Ferreras)
- **User-centred approach**: Amazon e-commerce platform becoming a proactive player in production and distribution (studios) in order to deal with users demand, providing the maximun freedom of choice with increasingly competitive pricing strategies (Shneider)
- Development of the new on demand services is not to be considered in contrast with traditional broadcasting systems (Wheeldon)
- Those systems boosted by the new consumption models are testing non linear stand-alone supply (CBS, HBO in Usa, Infinity Sky On line in Italy).

Distribution models

- **Decreasing in theatrical attendance**
  - Digitisation can be seen as a way to balance the limited circulation of european films (**Paris**)

  [go for territorial release strategies?: remember Milano 650 films and Catania 350 films]

  - Digitisation can foster joint release strategies (**Paris**)

  [suitable for all products? Do we first need a change in production models?]

Production models I

- **Emerging cross-media products** and new opportunities for filmakers and local producers (**Chimenz**)
- *[producers need to structure the budget in accordance to the specific release strategies]*

Production models II

- **Competition among products**
  - Not only films and tv products but also video-games (**Gubbins**)
- **Competition among different platforms**
  - Not only among audiovisual platforms but we need to consider indirect costs (**Gubbins**)

[do we need more cross-market analysis to assess commercial potential?]

Access to private finance

- Promote **guarantee funds** at national and EU level (**Recalde**)
  [need to consider financial intermediaries constraints]

- Promote **alternative funding** as crowdfunding (**Gubbins**)
  [need to be aware that it cannot work the same way for all products]

- - Improve **pricing** models (**Dodd**)

- - Build **statistics** considering financial data (**Higgins**)

Market model I

- **Competition between traditional and new players**
  – Complementary relationship (**Schneider**)
  [need to monitor the evolution of this relationship]

  – Level playing field (**Lange**)
  [role of policy makers and regulators]

Market model II

- **Competition among platforms**
  - Need to work on a four level action:
    - Branding
    - Convenience
    - Price
    - Collateral services

*[YouTube, Amazon and BSkyB confirmed their strategies are focusing on these key issues (**Ferreras, Schneider & Wheeldon**)]*

Market Model III

- **Business Sustainability:**
  - May we experience **shadow pricing models** and unfair exploitation of author rights?
  - May we experience **strong price competition** among OTT players which will lead to mergers and high market concentration?
  - May we experience OTT facing the same **advertising crisis** broadcatser have already experienced?
  - Which **role for governments** and EU to face these risks?

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THANK YOU FOR YOUR ATTENTION !

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