

Digitalization and the movie industry in Europe

Threats and opportunities

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Digitalization

Good...

- limits piracy
- provides better access to a broader supply

...or evil ?

- jeopardizes theatres
- endangers the movie economy





"For a false conception of the possibilities of this new technical discovery may not only interfere with the growth and development of theater art, but could still destroy all its present formal learning."

Eisenstein, Pudovkin, Alexandrov, 1928



"Prohibit the sale or lease to all television networks of cinema films produced for commercial exploitation film."

Call of European exhibitors unions, 1950

"VCR is to the American film producer and the American public what the Boston strangler is to the woman home alone."

Jack Valenti, 1982



« ... this card tends to trivialize the film by bringing it on the ground of television... This can only harm the diversity and strength of French cinema."

Marin Karmitz, 2000

Digitalization means...

- Development of piracy
- Decrease of theatres attendance in Europe
- Larger possibilities for movie consumption
- New ways of promoting movies

Superposition of modes of consumption

	Place	Timing	Supply	Payment	Availability
Theatres (1895)	Theatres	Linear	Limited	Unit	Immediate
TV	Home	Linear	Limited	Third -party (ad / tax)	T+n month.
Pay per view	Home	Linear	Limited / Large	Unit	T+ n1 m.
Pay TV	Home	Linear	Limited / Large	Subscription	T+ n2 m.
VOD	Home / Mobility	Unlinear	Unlimited	Unit	T+ n3 m.
SVOD	Home / Mobility	Unlinear	Large	Subscription	T+ n4 m.
Piracy	Home/ Mobility	Unlinear	Unlimited	Third-party	Immediate

Digitalization means...

- A broader segmentation of modes of consumption, depending on movies, users, situations...
- Value creation and value transfer between modes of consumption
- No total substitution of one mode by another one
 - Theatres keep their intrinsic differentiation (independent from windowing)
- Increasing specialization of distribution modes according to kinds of programs

Digitalization as a source of opportunities ?

- Dual economy American/ European movies

1 territory = **69 %** of EU entries for European movies
27% for US movies

- 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

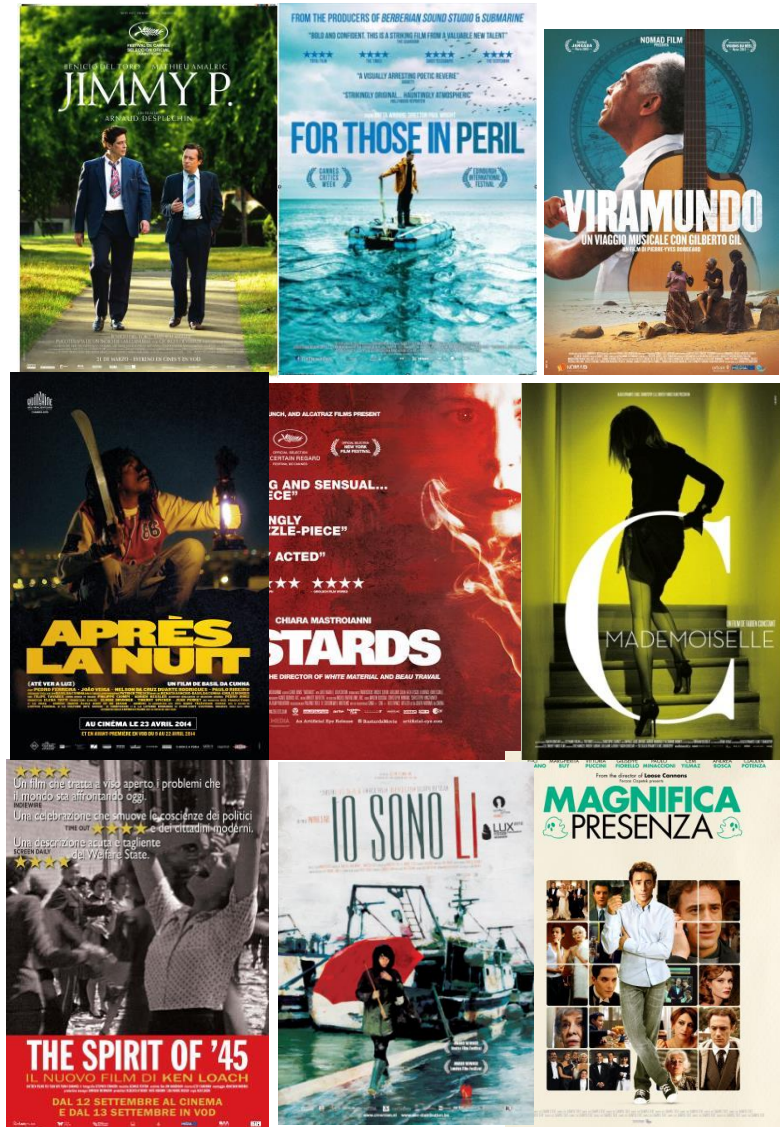
650 releases in Milano, **350** in Catania

Example of Day-and-Date (joint release theatre + VOD)

- Developing distribution mode in the USA and the UK
- Some experiments led by European Commission and European Parliament
- Aiming at
 - Learning, in a context of inevitable changes and high uncertainties
 - Promoting circulation of European movies

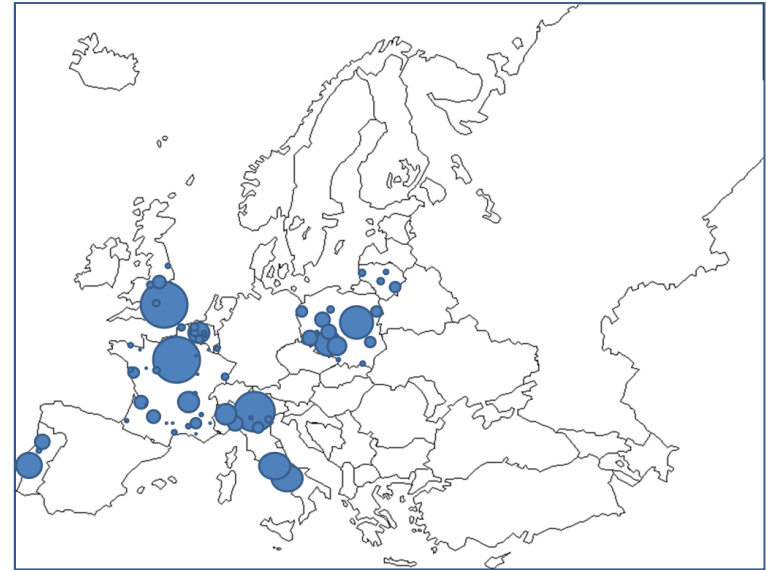
The EU experiments (1st wave)

- 3 groupings involving 25 companies/organizations
- 9 movies, released from May 2013 on 15 EU-28 territories
- D&D, Direct-to-VOD, VOD Preview, Direct-to-DVD



Some results

- 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



Crossroads...

- Inevitable changes, in consumption modes and business models, led by users
- Inevitable segmentation, as source of freedom for consumers
- Huge uncertainties about the repartition of value
- At stake:
 - global equilibrium of the industry
 - specific role of theatres
 - piracy, as a competitor for home consuming modes.