

**FOCUS ON VOD:
OPPORTUNITIES FOR EUROPEAN CONTENT**

**Annual Conference EUROPA DISTRIBUTION
Estoril Film Festival, Portugal, 13 November 2010**

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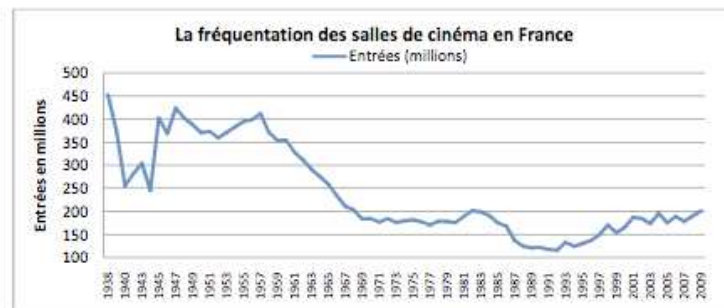
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TOPICS

- What is changing?
- Recent developments
 - Technological
 - Social
 - Economic
 - Political
- Where are the opportunities?

WHAT IS CHANGING ? (1 / 2)



Source : CNC

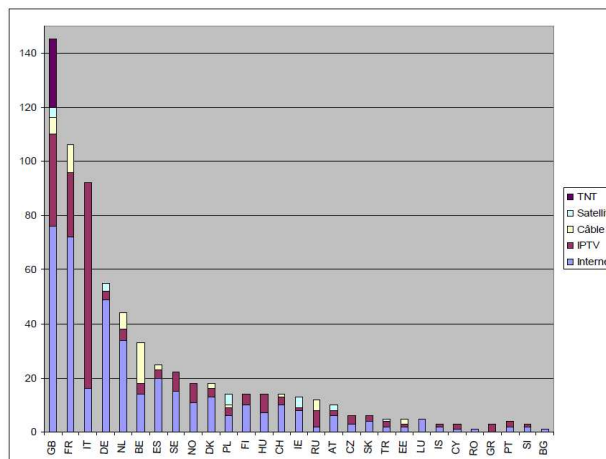
- Entrance of television in second half of 20th century
- Decline of cinema attendance during 1960s
- TV pre-sales now account for approx. 30% of film finance (CNC, 2009)
- Will VOD ever play a comparable role?

WHAT IS CHANGING ? (2 / 2)

- BASICS REMAIN THE SAME !!!
- **Fundamental activities:**
 - Funding
 - Development and production
 - Distribution
 - Marketing
 - Exploitation
- **Sequence of activities may change:**
 - e.g. sequence of funding/exploitation
 - starting with marketing may become increasingly important

TECHNOLOGICAL DEVELOPMENTS (1 / 3)

- Rapid rollout of internet & IPTV
- Number of VOD services in Europe: From 1 in 2002 to \pm 700 in 2008
(European Audiovisual Observatory, Dec 2008)
- Rapid uptake of internet enabled TV (over-the-top services) since '08.



TECHNOLOGICAL DEVELOPMENTS (2 / 3)

- These developments have led to different providers of VOD services in Europe (Conf. EAO, 2009)

Telcos: T-Online, France Telecom, Belgacom, Telecom Italia, Telefonica

ISP: Fastweb (IT), Arcor (DE), Absolut Medien (DE), Tiscali (GB)

Cable operators: Telenet, ntl, Telewest, ONO, Casema

Broadcasters: Canal+, TF1, RAI, RTL, ARTE, M6, BBC, Premiere, ProSiebenSat1, Sky, Mediaset,...

Film groups: SF (Svensk Filmindustri), MK2, Filmax

Producers associations: Universciné, FIDD

Archives Film & TV: British Pathe, NFI, INA

Video publishers: TF1 Video, Editions Montparnasse

Retailers: Lovefilm, Virgin, Glowria, Carrerfour

New companies (aggregators): Cinezime, 4friends, Live Networks, Videonetwerk...

Copyright collecting societies: SGAE, EGEDA

Manufacturers: Apple, Archos, Microsoft, Nintendo

Specialised services: Arts Alliance Media Ltd

TECHNOLOGICAL DEVELOPMENTS (3 / 3)

- **EU broadband penetration** expected to rise to 75% by 2013 (now 56%)
- Growing demand for **internet-enabled television sets**
- **Time- and place-shifting devices** (TiVo, Slingbox, TV everywhere)
- HD quality VOD
- *Pay once, watch anytime, anywhere ?*

➤ ACCESS TO CONTENT

SOCIAL DEVELOPMENTS (1 / 4)

- Europeans spend more and more time on internet
- **Social Media**: Facebook grown to 300m users; important platform for video
- **Game consoles**: (in US, Xbox accounted for 31% of VOD rentals in 2009)
- Fine-grained audience demographics
- **Discovery is key**

➤ CONTEXT IS KING !!!

SOCIAL DEVELOPMENTS (2 / 4)

- Consumers increasingly demanding
- VOD can increase
 - Functional value (e.g. ease of use)
 - Social value (e.g. via Facebook)
- **Ease of use** is vital
- Smooth navigation is needed towards EU content
- Easy search and alert mechanisms (e.g. Findanyfilm, Voirunfilm)
- FOCUS ON VALUE FOR CONSUMER

SOCIAL DEVELOPMENTS (3 / 4)

- More demand for niche content ?
- “Long tail theory” predicted more demand for niche-content
- Indeed, number of titles bought each year has risen sharply
- BUT: Market share of niche-content has fallen in favour of best-sellers
(*A World of Hits, Economist, 26 November 2009*)

SOCIAL DEVELOPMENTS (4 / 4)

- Increasing cross-border demand ?
- **Availability** of non-national EU films is on average 8% in Europe. On VOD, this share is higher (e.g. 9% in Germany; 20% in Spain).
- BUT: diversity of **consumption** on VOD = diversity of consumption in theatres in France. In the UK, total gross value of European films on VOD was lower than in other version markets.
- VOD markets so-far remain territorial (conf. linguistic markets)

ECONOMIC DEVELOPMENTS (1 / 4) – GLOBAL

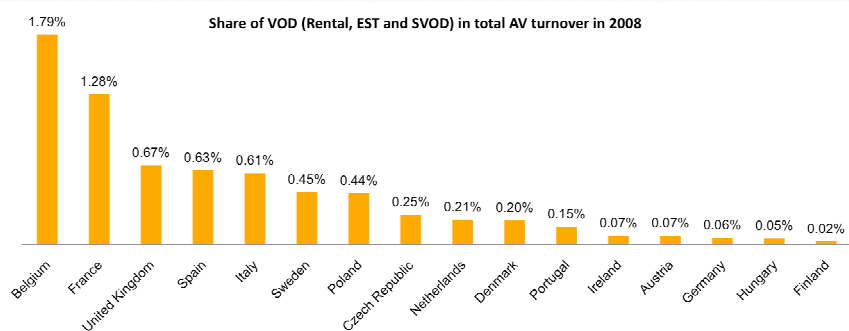
- Global DVD sales declined by 13% in 2009
- YouTube: 2 bn streams per day & film service launched
- **iTunes** accounted for 52% of US VOD rentals in 2009, **Xbox** for 31%
- **Hulu** profitable (thanks to syndication model) & started paid service
- Hollywood now takes VOD very seriously
- Comcast bought NBC Universal (end-2009)
- **Google TV** and **Apple TV** launched (Oct 2010)
- **Netflix** “primarily a streaming company” (CEO Reed Hastings, Oct 2010)

ECONOMIC DEVELOPMENTS (2 / 4) - EUROPE

- The EU VOD market represented a total turnover of € 27m in 2003
- € 82 million in 2006
- € 384 million in 2007
- € 544 million in 2008
- VOD revenues still far smaller than theatrical, broadcasting and DVD
- Significant differences per country
- Share of VOD turnover in total audiovisual turnover is estimated **between 0.2% (Finland) and 1.79% (Belgium)**
- ADSL and Cable are main delivery networks

ECONOMIC DEVELOPMENTS (3 / 4) - EUROPE

- Share of VOD in total AV turnover in 2008



→ EU VOD markets are still in their infancy

Sources: Screen Digest, EAO

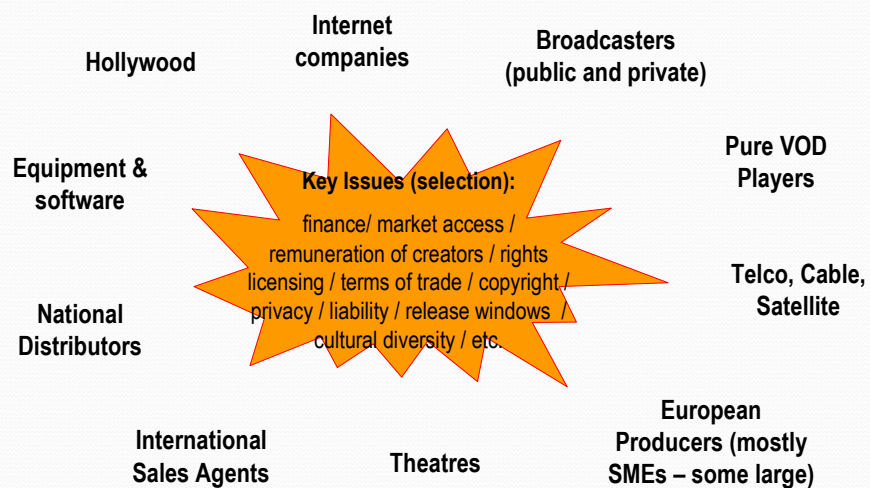
ECONOMIC DEVELOPMENTS (4 / 4) - EUROPE

- European VOD turnover to grow to approx. **€ 2.2 billion in 2013** (equivalent of video rental today)

BUT:

- Most new operators have not yet entered into production finance
- Few Minimum Guarantees
- Little demand for exclusive content
- Financing gap

COMPETITIVE INTERESTS (1 / 2)



COMPETITIVE INTERESTS (2 / 2)

- Greater concentration of the VOD market expected
- **Fewer VOD service providers** will control most of the market
- It remains to be seen whether internationally-operating VOD providers will meet the current investment levels of broadcasters and distributors

POLITICAL DEVELOPMENTS (1 / 4)

MULTI-TERRITORY LICENSING STUDY (KEA & CERNA, 2010)

- **Context:** Only a fraction of Europe's audiovisual works are enjoyed outside the countries where they are produced. The European Commission (EC) wishes to assist European creators and audiovisual enterprises to develop new markets through the use of digital technology, and asked how policymaking can help achieve this.
- **Proposition:** Multi-territory licensing - The licensing of intellectual property rights for a content version that covers more than one jurisdictional territory at a time.

POLITICAL DEVELOPMENTS (2 / 4)

STUDY OBJECTIVES

- Analysis of legal frameworks in different Member States
- Description of online distribution market
- Challenges to establish multi-territory business models?
- Economic and cultural consequences of multi-territorial licensing?
- Policy options

POLITICAL DEVELOPMENTS (3 / 4)

STUDY FINDINGS (selected)

- Windows are transforming: VOD moving to 4 month after cinema
- Versioning & marketing remains specific to each territory
- International buyers have difficulty finding rights holders of EU content
- Platforms and rights holders want to benefit from more efficient licensing practices and one-stop shops
- Copyright is not a bottleneck – its execution may be

POLITICAL DEVELOPMENTS (4 / 4)

RECOMMENDATIONS (selected)

- **Decrease transaction costs**
 - Promote a pan-European licensing infrastructure, common metadata standards, digitisation of archives & rights aggregation
 - Support establishment of transparent international rights registries
 - Encourage collective initiatives for one-stop shops
- **Create demand, technology expertise & collaboration**
 - Support digital marketing & digital marketing training
 - Encourage subtitling databases & rights registries
- **Support risk taking and innovation** (through digital innovation funds)

So **WHAT**
are the
opportunities
???

VOD – PROMISES FOR EUROPE

- Digital distribution can help EU rights holders reach **new markets** – nationally and internationally
- **Distribution costs** decrease (but not necessarily branding costs)
- No more “shelf space scarcity”
- Internet can be used to **develop audiences**
- Innovative marketing can increase audience per film

VOD – CHALLENGES FOR EUROPE

- VOD may mostly benefit a few large content aggregators (Canal / Sky / Google / iTunes / Liberty Global / telecoms etc.)
- **EU rights acquisition burdensome and costly**: Hindering rights holders access to digital platforms (much more easy to buy US content)
- VOD requires **more partnerships & digital marketing skills**
- There is a **financing gap** to experiment
- Challenge to **engage with highly demanding consumers**

OPPORTUNITIES

- Focus on **ACCESS, CONTEXT, VALUE** for consumers
- Distributors must be in the position to **build brands** around films
- Buy VOD rights, and **exploit** on as many platforms as possible, OR quantify your marketing spend to negotiate share in royalties
- **Separate** Rental VOD, EST, SVOD, FreeVOD, Catch-up TV
- **Aggregate** your content, form partnerships
- Exploit your back-catalogue
- **Assess (per film) flexible windows** (reverse-windowing / day-and-date release / shorter windows) to create a buzz (pull-marketing)
- Focus on your core strength: **engage with your audience**
- Work towards a transparent rights database to ease sales/acquisition

Thank you!

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