THE FRAGMENTED UNIVERSE OF FILM DISTRIBUTION COMPANIES IN EUROPE

EUROPEAN AUDIOVISUAL OBSERVATORY

Contribution to the Workshop « Distribution of European films »

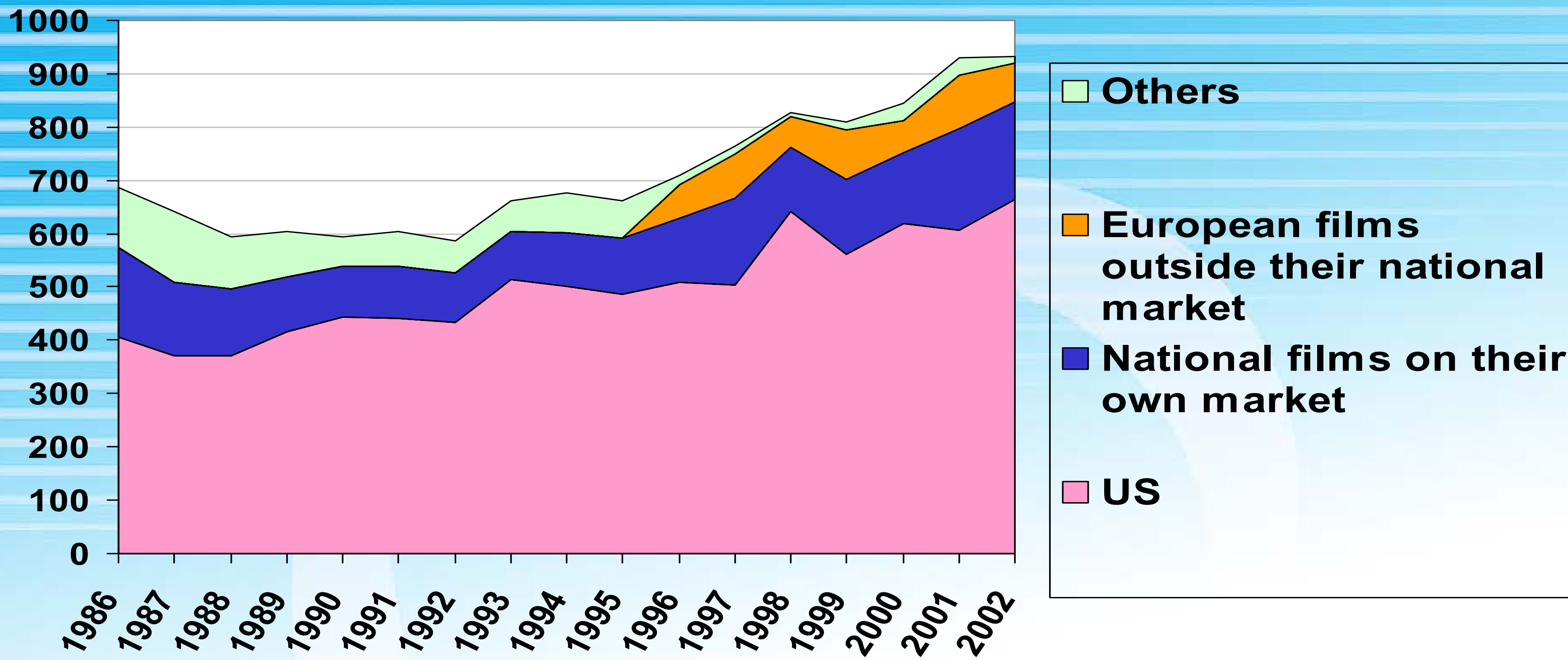
(Venezia, 29-31 August 2003)

OBJECTIVES OF THE PRESENTATION

- *To describe briefly the market situation and the reduced circulation of European films outside their national markets*
- *To provide elements of information on the companies involved in film distribution in the EU*
- *To identify the basic models of distribution of European films*
- *To suggest questions for debate*

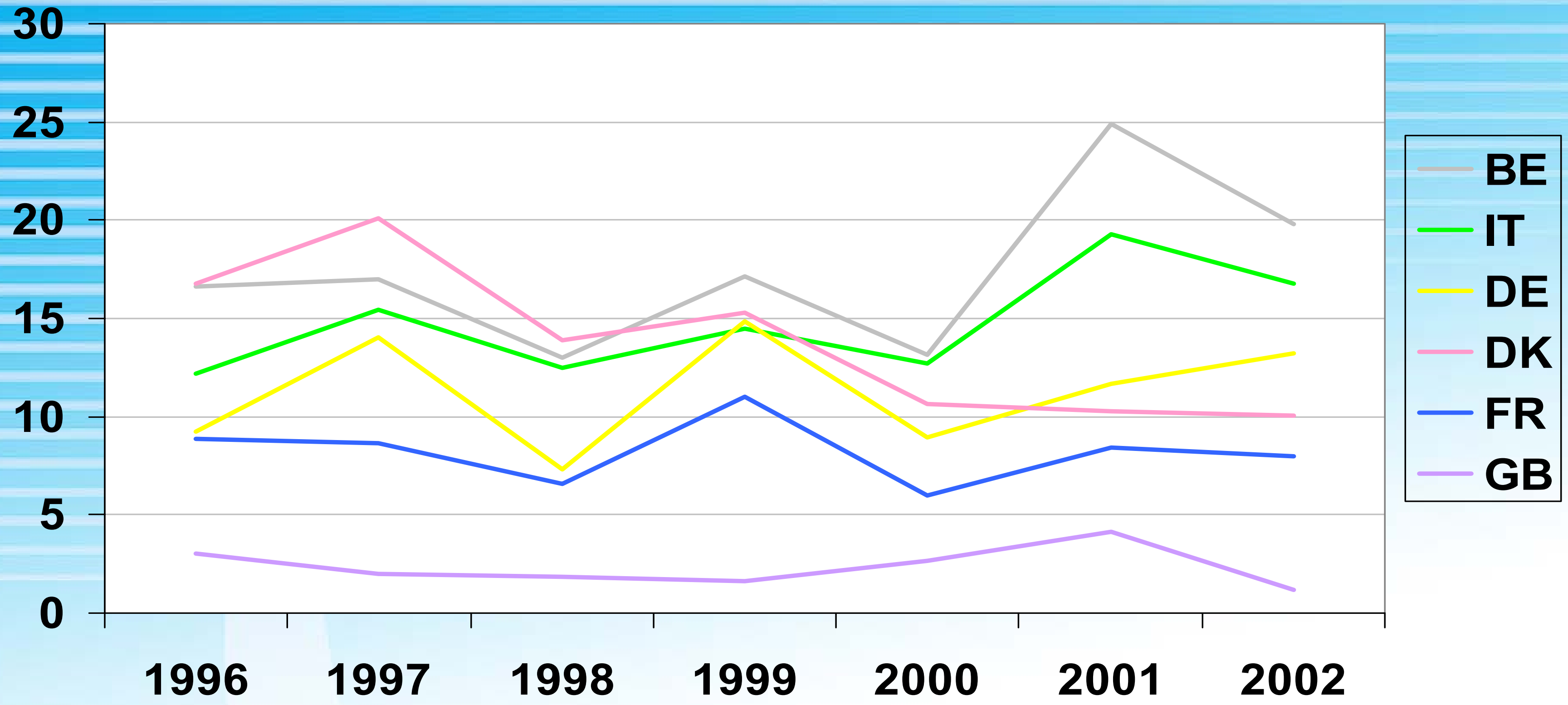
FILM ADMISSIONS IN THE EUROPEAN UNION BY ORIGIN (1986-2002) in millions

Source : European Audiovisual Observatory / LUMIERE



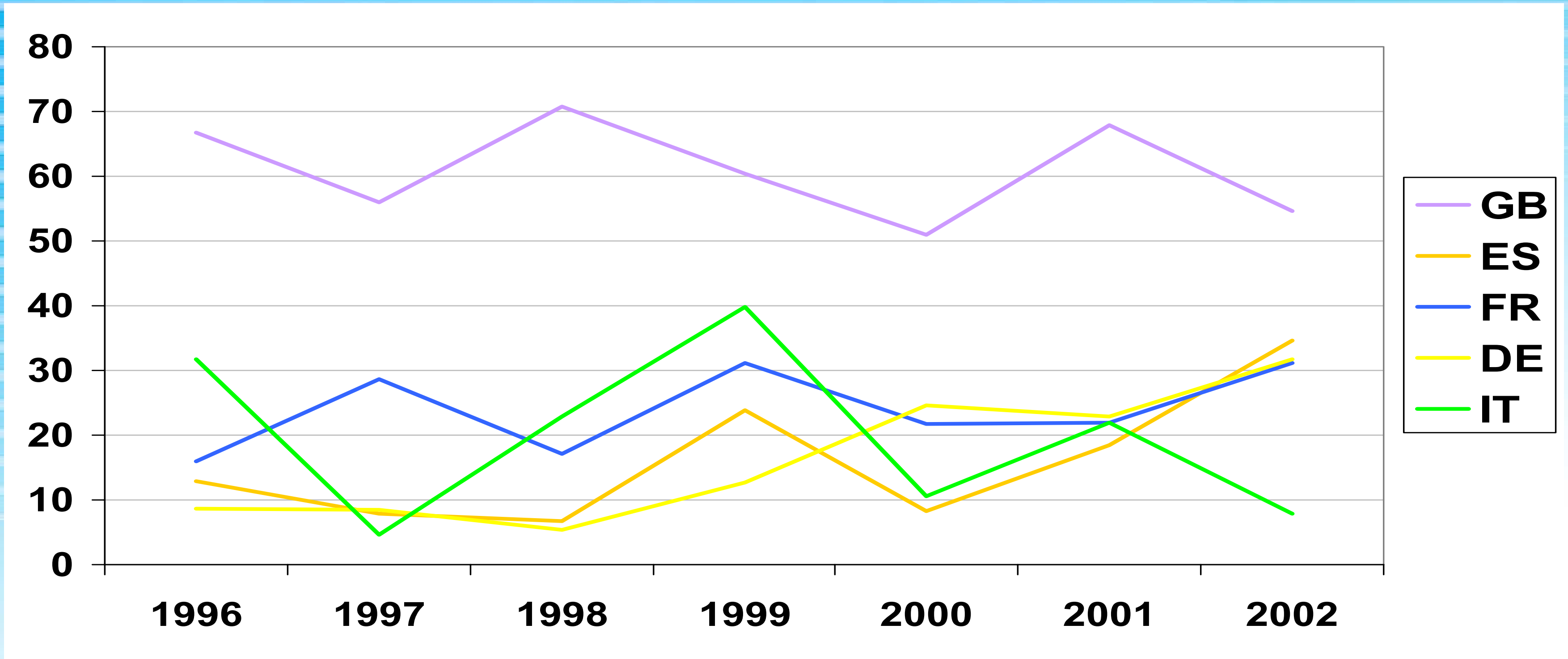
MARKET SHARE OF EUROPEAN NON-NATIONAL FILMS IN THE VARIOUS NATIONAL MARKETS (1996-2001)

Source: European Audiovisual Observatory / LUMIERE



RATE OF EU EXPORT (1996-2002) (Percentage of EU admissions realised outside the national market)

Source: European Audiovisual Observatory / LUMIERE



DIFFICULTIES IN ANALYSING THE POPULATION OF FILM DISTRIBUTION COMPANIES

- *No European model for distribution but a great heterogeneity of national situations and a great diversity of corporate strategies*
- *Vertical integration and overlap of activities of some major companies (production / distribution / exhibition)*
- *Overlap of distribution activities (theatrical / video / sales)*
- *Non-availability of comprehensive financial statements in several countries (AT, DE, DK, GB, IE, NL)*
- *General opacity of the rights market*

FILM DISTRIBUTION ACTIVITIES AND NUMBER OF EUROPEAN COMPANIES

- ***Theatrical distribution*** *(editorial selection, contracts, planning, promotion, dubbing/sub-titling, print, physical distribution)* ***around 400 companies in EU***
- ***Video distribution*** *(editorial selection,contracts, planning promotion, organisation of duplication process, physical distribution)* ***around 300 companies in EU***
- ***Sales*** *(editorial selection, international promotion, contracts)* - ***around 50 companies in EU***
- ***Film libraries*** *(storage, rights management, sales to TV and to video publishers, ancillary markets,...)*

TYPOLOGY OF THEATRICAL DISTRIBUTION COMPANIES IN THE EUROPEAN UNION
1. Distribution of US films

1. *One joint-venture between US Major companies with subsidiaries in various EU countries :* ***United International Pictures*** *(Paramount, Universal, and previously MGM)*

2. ***National theatrical distribution subsidiaries*** *of Walt Disney (Buena Vista), Columbia and Warner in most of the EU countries*

3. ***Joint-ventures between US majors and national companies*** *(e.g. Gaumont-Buena Vista International, Warner Sogefilm, UFD, Columbia Tristar Egmont)*

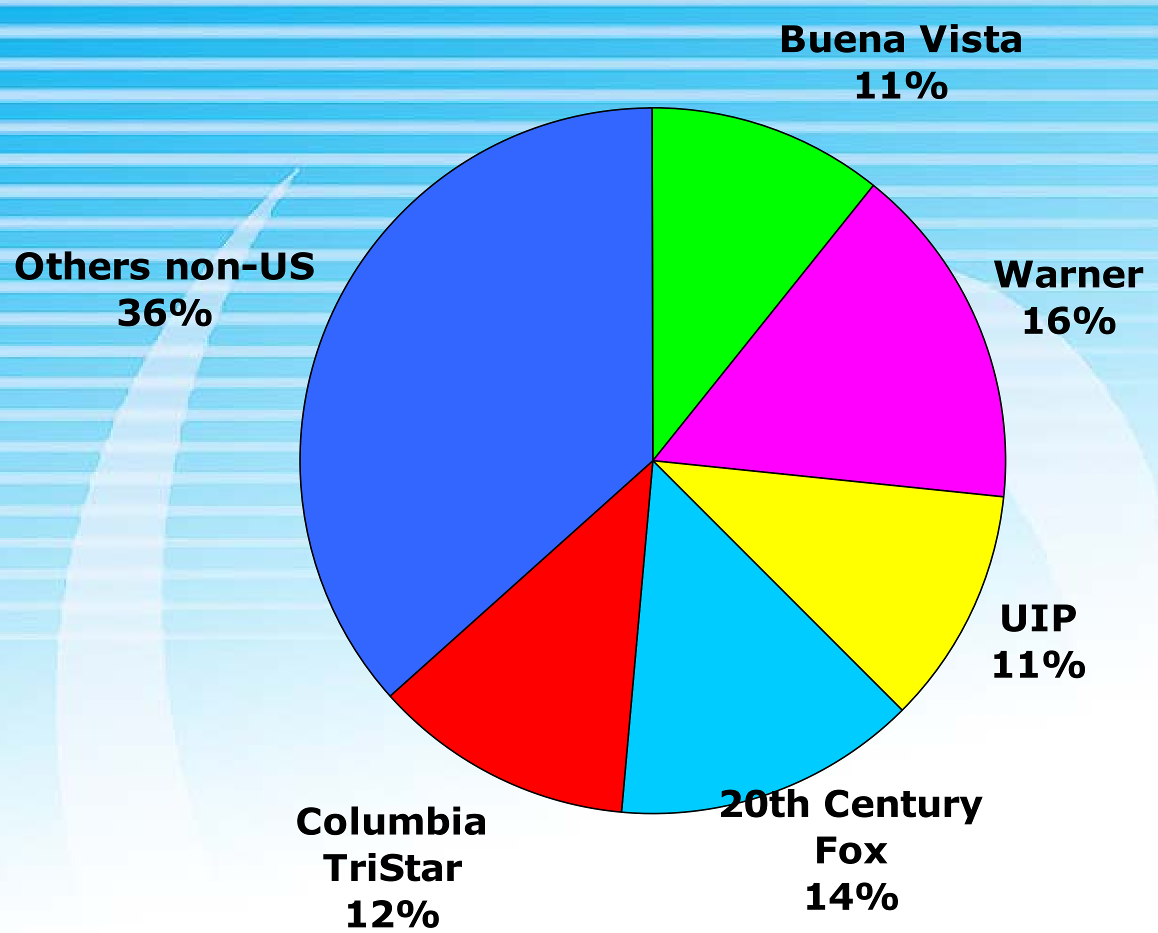
4. ***European companies specialising in distribution of US films*** *(Entertainment Film Distributors, Metropolitan Film Export, Nordisk Film,...)*

TYPOLOGY OF THEATRICAL DISTRIBUTION COMPANIES IN THE EUROPEAN UNION
2. Distribution of European films

- *1. **No European major** (failure of the PolyGram project)*
- *2. **Distribution companies in integrated film groups** (Pathé, UGC, Gaumont in France, Cecchi Gori in Italy, Kinowelt in Germany)*
- *3. **Distribution companies integrated in TV groups** (Medusa/Mediaset, BAC Films/Canal+, SND/RTL Group, Constantin/Kirchgruppe, Sogepaq/Sogecable, Carlton Film Distribution/Carlton...)*
- *4. **Distribution companies integrated in exhibition groups** (Lusomundo in Portugal, Laurenfilm in Spain, Odeon in Greece)*
- *5. **Independent production companies with distribution activities** (Aurum Producciones, Eagle Pictures, Gemini Films,...)*
- *6. Distribution **initiatives of individual art-house theatres***

MARKET SHARES OF US COMPANIES ON THE EU MARKET IN 2002

Estimates by OBS



MODELS OF DISTRIBUTION OF EUROPEAN FILMS AT A EUROPEAN LEVEL

- 1. ***Distribution by the US majors*** : potential «European blockbusters» (very often with US support at the production stage)

- 2. ***Distribution by leading national distribution companies***, in general on the basis of pre-sales or co-production agreements (UGC, Gaumont, Senator, Medusa,...)

- 3. ***Distribution by specialised medium and small companies*** (sometimes the co-producers)

- 4. *Distribution at the* ***initiative of art-house theatres***

4 TYPES OF EUROPEAN FILMS

- *1. « **European blockbusters** » (in most cases with US support in production or distribution, eg. Working Title's films)*
- *2. **European « quality films » with wide popular appeal** (eg. Almodovar, Lars von Trier, Polanski,...)*
- *3. **National popular films** without wide European distribution (often comedies, eg Der Schuh des Manitu)*
- *4. **Arthouse films** with limited specialised circulation or festival circulation*

100 DISTRIBUTION CONTRACTS OF THE 20 LEADING « EUROPEAN BLOCKBUSTERS » (1996-2002)
54 US-related distributors
17 TV-related distributors
15 distributors part of integrated European film groups
14 independent distributors

Film	DE	ES	FR	GB	IT
Bridget Jones's Diary	UIP	UIP	Mars	UIP	UIP
Notting Hill	Universal P	Warner Sogefilms	Universal P	UIP	Universal PicturesUIP
James Bond: The World Is Not Enoug	UIP	UIP	UIP	UIP	UIP
Bean - The Ultimate Disaster Movie	Polygram	Sogepaq Distribu	Polygram	Polygram	Warner
The Full Monty	20thC Fox	Hispano FoxFilm	UFD	Fox	20th C Fox Italia
Astérix & Obélix : Mission Cléopâtre	Tobis Stud	Tripictures	Pathé	Pathé	Buena Vista
Astérix et Obélix contre César	Constantin	Tripictures	Pathé	Pathé	Cecchi Gori
Le cinquième élément	Tobis	Columbia TriStar	GBVI	Pathé	Filmauro
Tomorrow Never Dies	UIP	UIP	UIP	UIP	UIP
Le fabuleux destin d'Amélie Poulain	Prokino - F	Vertigo	UFD	Momentum	BIM Distribuzione
La vita è bella	Scotia	Laurenfilm	Bac Films	Buena Vista	Cecchi Gori
Die Another Day	UIP	Hispano FoxFilm	UFD	Fox	20th C Fox Italia
Chicken Run	Tobis	Warner Sogefilms	Pricel	Pathé	UIP
Los otros	Senator	Warner Sogefilms	Bac	Buena Vista	Lucky Red/Eyescreen
Evita	UIP	BVI	UFD	Entertainment	Cecchi Gori
Taxi 2	Tobis Stud	Tripictures	ARP Sélect	Metrodome	Cecchi Gori
Billy Elliot	UIP	UIP	Mars	UIP	UIP
Le dîner de cons	Tobis	Sherlock Media	GBVI	Pathé	Filmauro
Chocolat	Senator	Laurenfilm	Bac	Buena Vista	Eagle Pictures
About a boy	UIP	UIP	Mars	UIP	UIP

100 DISTRIBUTION CONTRACTS OF 20 EUROPEAN "QUALITY FILMS" WITH WIDE POPULAR APPEAL (1996-2002)

45 independent distributors
24 TV-related distributors
20 distributors part of integrated European film groups
11 US-related distributors

Film	DE	ES	FR	GB	IT
Trainspotting	Prokino	Sogepaq	PolyGram	Polygram Filmed I	Medusa
Todo sobre mi madre	Arthaus Filmverleih	Warner Sogefilms	Pathé/AMLF	Pathé	Cecchi Gori Distr
8 Femmes	Constantin	Alta Classics	Mars	UGC Films	BIM Distribuzione
Gosford Park	UIP	Lauren Film	Mars	Entertainment	Medusa
Hable con Ella	Tobis StudioCanal	Warner Sogefilms	Pathé	Pathé	Warner
Microcosmos : le peuple de l'he	Pandora Film	Alta Films	Bac	Guild Entertainme	Lucky Red
Le goût des autres	Tobis StudioCanal	Vertigo Films	Pathé	Pathé	Lucky Red / Eyes
Le huitième jour	Pandora Film	Sogepaq	PolyGram	Polygram Filmed I	Mikado
The Pianist	Tobis StudioCanal	UIP	Bac	Pathé	RAI Dist. / Studio
Secrets and Lies	Pandora Film	Cinemussy	Ciby Distrib	FilmFour Distribu	BIM Distribuzione
Bend It Like Beckham	Highlight Film	Alta Films	Metropolita	Helkon SK (now F	Lucky Red
Dancer in the Dark	Constantin	Golem Distributio	Les Films du	FilmFour Distribu	Istituto Luce
Elisabeth I	Polygram Filmed Er	Warner Sogefilms	UIP	Polygram Filmed I	Warner
L'auberge espagnole	Constantin (2003 re	SGDA	Bac	Cinefrance	BIM Distribuzione
Breaking the Waves	Pandora Film	Golem Distributio	Les Films du	Guild Entertainme	Lucky Red
Marius et Jeannette	Arsenal Filmverleih	Golem Distributio	Diaphana	Gala (Porter Firth	BIM Distribuzione
Buena Vista Social Club	Senator	Vertigo Films	Mars	FilmFour Distribu	Mikado
Lola rennt	Prokino	Buena Vista Int	ARP Sélécti	Buena Vista Int.	Lucky Red / Eyes
Carne tremula	Prokino	Warner Espanola	Ciby Distrib	Pathé	Medusa
Italiensk for begyndere	Kinowelt	Golem Distributio	Les Films du	Pathé	Istituto Luce

THE TOP 20 EUROPEAN DISTRIBUTORS

(companies partially or entirely US-controlled excluded)

Operating revenues (2000-2001) in EUR million

(includes non-theatrical revenues)

Source : OBS /AMADEUS

		2000	2001
Medusa Film	IT	144	202,5
Metropolitan Film	FR	45	150
Senator Film Verleih	DE	108	140
Constantin Film Verl.	DE	119	127
Bac Majestic	FR	116,9	135,7
Entertainment	GB	63,5	127,9
Egmont Ent.	DK	74,3	85,1
Egmont Ent.	SE	55,8	68,2
Eagle Pictures	IT	51,5	63,4
SGDA	ES	49,9	63,3

THE ROLE OF TELEVISION IN THE CIRCULATION OF EUROPEAN FILMS

- *Various TV companies control theatrical/video distribution companies and/or have set up their own international sales company*

- *Canal+ project to articulate European theatrical distribution and a network of pay-TV companies has failed*

- *Role of TV in the production phase is declining but impact of TV involvement in film production on theatrical and video distribution would need further analysis*

- *Real timing of the chronology of distribution of European films (theatrical/DVD/TV/Internet) would need detailed investigation*

THE ROLE OF SALES AGENTS

- *Integrated film groups have their own sales arm or sales subsidiary*

- *Small and medium-sized companies have the choice between working with a sales agent or acting themselves as their own sales agent at film markets*

- *When successful, independent sales companies are evolving towards co-financing partnerships with their clients and towards the role of rights libraries (eg Capitol Films owns the rights to 85 films)*

- *Some independent European sales agents also act as agents for US independent films (eg Capitol Films for Woody Allen)*

- *Future role of the independent sales agents: decline or significative developments? (to be discussed)*

LEADING INDEPENDENT SALES AGENTS IN THE EUROPEAN UNION

Operating revenues in EUR million

Source : OBS / AMADEUS

	2000	2001
Capitol Films (GB)	18,8	20
Atlas International (DE)	5	11
Ideale Audience (FR)	8,3	8,6
Celluloid Dreams (FR)	6,1	8,4
Film Distribution (FR)	7	n.a.
Roissy Films (FR)	4,8	6,7

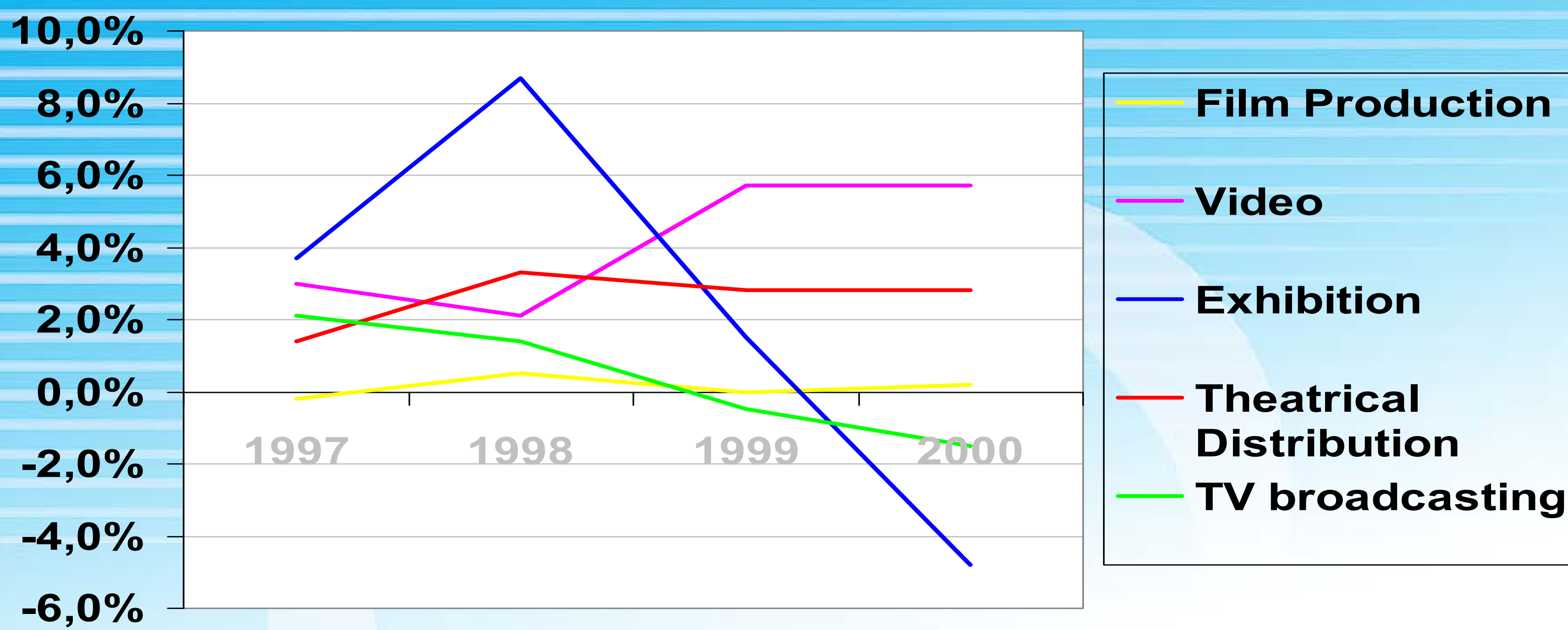
Data not available for Wild Bunch, division created by Canal Plus in 1999 which became independent at end 2002. Provisional turnover for 2002 was 30-40 millions $

PROFIT MARGIN OF VARIOUS BRANCHES OF THE FILM & TV INDUSTRY IN THE EUROPEAN UNION (1997-2000)

In %

Profit before Taxation / Operating Revenues

Source : OBS



CONCLUSIONS

- European Union film markets are largely dominated not only by US products but also by US-controlled commercial structures (theatrical and video distribution companies)

- There is no model for European distribution: great heterogeneity in national situations, strategies of companies, relations with TV,...

- Distribution companies (theatrical and video) have better financial performances than film production companies and broadcasters

- In financial terms, European theatrical distribution companies have better operational performances than US-controlled companies, but have greater financial dependence on banks and lower profit margins

- After the failure of pan-European distribution project (PolyGram/StudioCanal), the European distribution sector remains fragmented by territories

QUESTIONS FOR DEBATE

- What is the main problem: weakness of European distribution structures or lack of European films with popular potential?
- Do we still need an European major company?
- Is a consolidation/concentration of the medium-size distribution company population to be encouraged?
- Should video distributors play a major role in production?
- Do co-productions facilitate European-wide distribution?
- What is the future role for independent sales agents in a fragmented market?
- What is the future role of TV in the promotion, distribution and broadcasting of European films ?