

# **Video on Demand: risks and opportunities for the distribution of European films**

**A. Lange, Head of Department  
« Information on Markets and Financing »  
EUROPEAN AUDIOVISUAL OBSERVATORY**

**Conference « European Content and  
Copyright Policy »**

**Helsinki, 13-14 July 2006**

# **THE EUROPEAN AUDIOVISUAL OBSERVATORY**

- **CREATION PROPOSED IN OCTOBER 1989 BY PRESIDENT MITTERRAND IN THE CONTEXT OF ADOPTION OF THE TWF DIRECTIVE**
- **DECISION TO CREATE THE OBSERVATORY ADOPTED IN 1992 DURING THE FINNISH PRESIDENCY OF EUREKA AUDIOVISUAL**
- **CREATED BY A DECISION OF THE COMMITTEE OF MINISTERS OF THE COUNCIL OF EUROPE IN DECEMBER 1992**
- **MISSION: TO COLLECT AND DISTRIBUTE INFORMATION ON THE AUDIOVISUAL SECTOR**

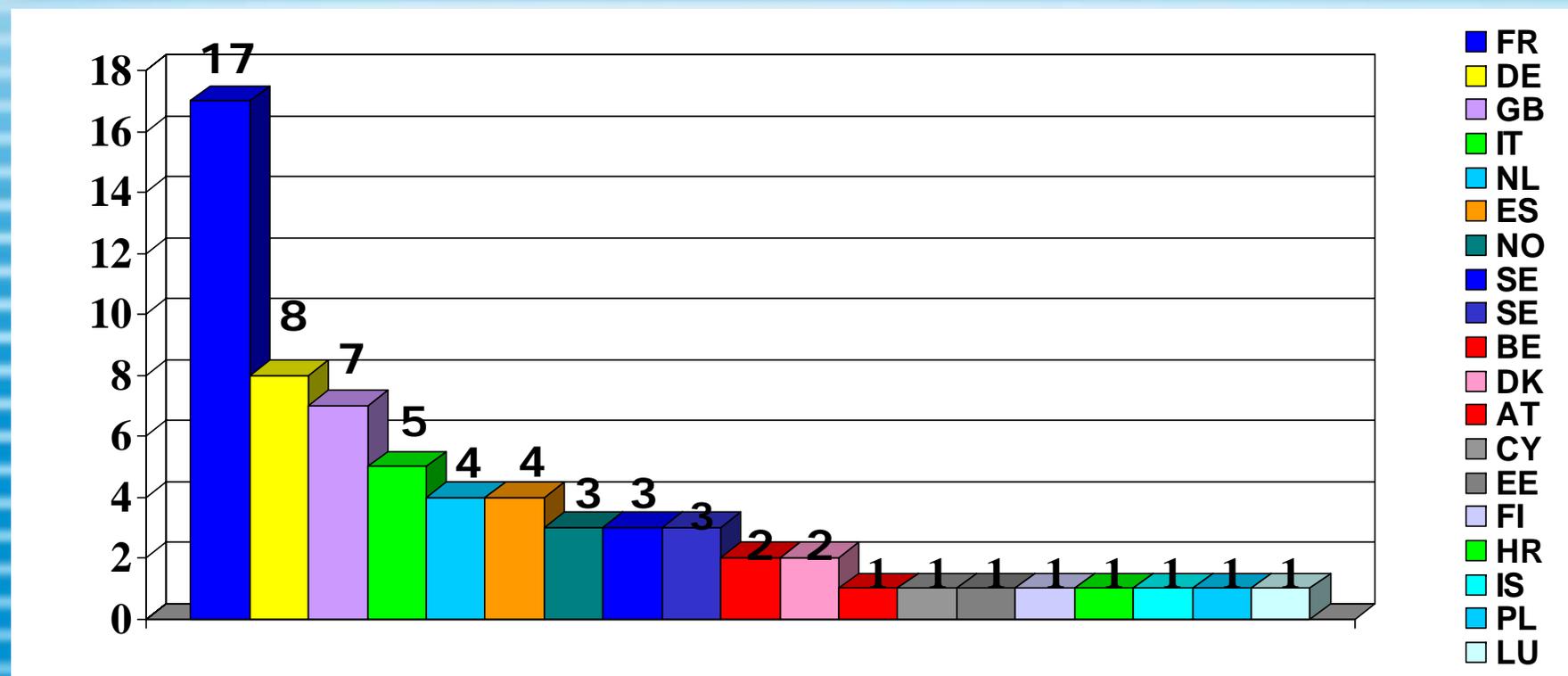
# OBSERVATORY ACTIVITIES RELATED TO ON-LINE DISTRIBUTION OF FILM AND AUDIOVISUAL WORKS

- VARIOUS PUBLICATIONS RELATED TO THE LEGAL ASPECTS OF ON-LINE DISTRIBUTION, COPYRIGHT ISSUES,... (***IRIS***)
- 2004: PUBLICATION OF THE REPORT « ***THE ON-LINE DISTRIBUTION OF FILMS*** »
- 2005: FIRST SURVEY OF VIDEO ON DEMAND SERVICES IN VOL.4 OF THE ***YEARBOOK. FILM, TELEVISION, VIDEO AND NEW MEDIA IN EUROPE.***
- 2006: SECOND SURVEY TO BE PUBLISHED IN ***YEARBOOK***
- 2007: PROPOSED ***REFERENCE STUDY*** (LEGAL & MARKET)

# 68 FILM AND TV VoD SERVICES OPERATIONAL IN EUROPE (July 2006)

- does not include VoD services for adult films

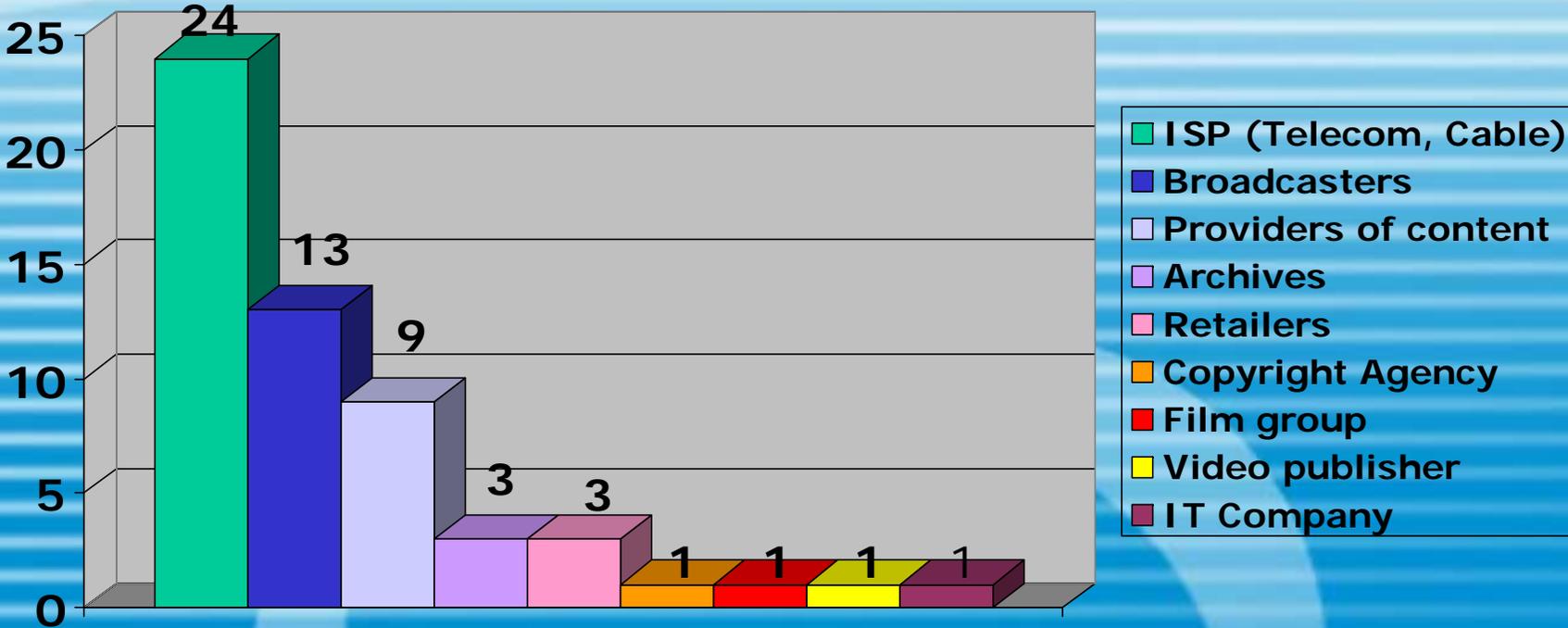
Source : European Audiovisual Observatory



# OPERATORS OF FILM VoD SERVICES

- **Telecom operators:** T-Online, France Telecom, Belgacom, Telecom Italia, Telefonica
- **ISP:** Fastweb (IT), Arcor (DE), Absolut Medien (DE), Tiscali (IT, NL)
- **Cableoperators:** Telenet, ntl, Telewest, ONO, Casema
- **Broadcasters:** Canal+, TPS, TF1, RAI, RTLNederland, FT2, ARTE, M6, BBC, Premiere, ProSiebenSat1, Sky
- **Film group:** SF (Svensk Filmindustry)
- **Film & TV archives:** British Pathe, NFI, INA
- **Video publisher:** TF1 Video, Editions Montparnasse
- **Retailers:** Lovefilm, Virgin, Glowria
- **New companies, providers of content:** Cinezime, 4friends, Live Networks, Videonetwork...
- **Copyright agency:** SGAE
- **IT companies:** Apple's iTunes Music Stores

# OPERATORS OF FILM/TV VoD SERVICES IN EUROPE BY MAIN ACTIVITY (July 2006)



## MORE TO COME...

- BT
  - Channel 4
  - ITV
  - Amazon ?
  - France Telecom IPTV services in Spain, Poland, UK
  - Deutsche Telekom IPTV service in Hungary
  - BSkyB to launch IPTV services in 2007...
- ...

# IN SEARCH OF A BUSINESS MODEL FOR VoD SERVICES

## *Developing appealing libraries :*

- Current offer from VoD film services in Europe: from experimental service with only 1 film to catalogues of more than 1000 titles, including recent US blockbusters
- Strong debate with distributors and exhibitors on windows : VoD as a competitor of theatrical exhibition market and of DVD rental/sales markets

## • *Pricing :*

- Rental formula (24 hours) : from 1 to 6 EUR per film
- Subscription rental formula : ex. 4 films for 15 EUR
- « Download to own » (user purchases the rights to watch the film several times) : 10 EUR or more

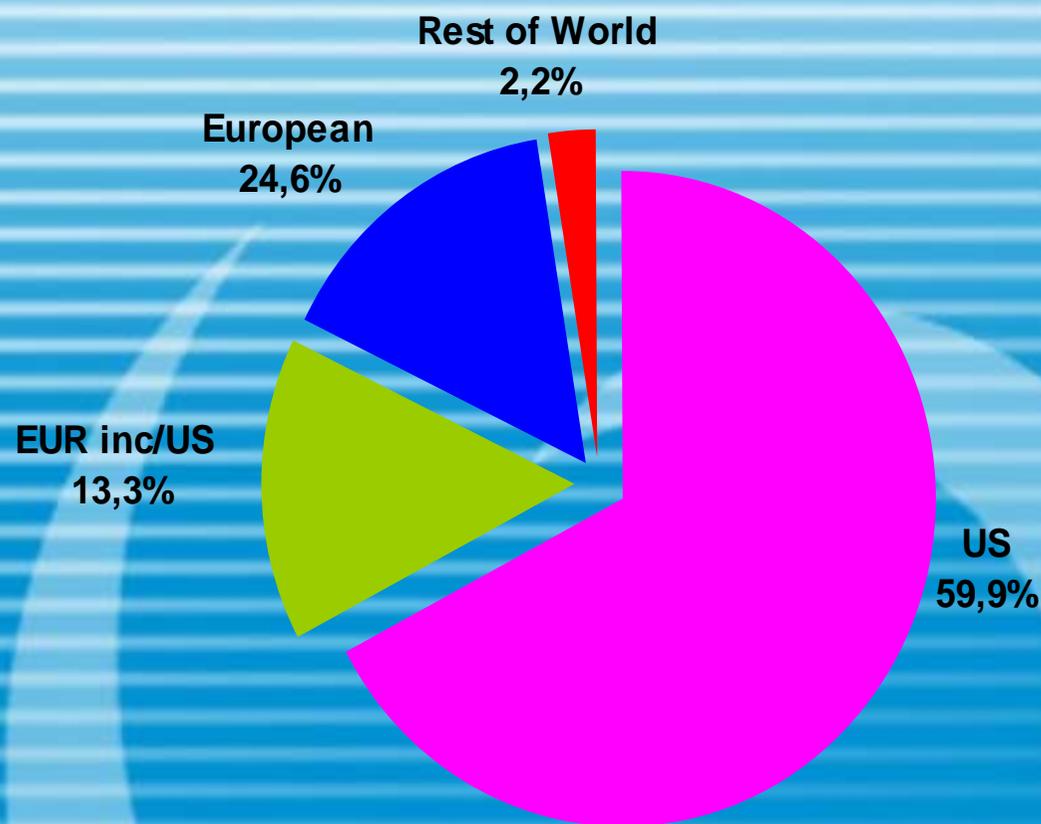
# **TOWARDS AN EUROPEAN VoD MARKET ?**

## ***GEOGRAPHICAL FLEXIBILITY OF VoD SERVICES***

- **SERVICES TO PC MAY BE RESTRICTED BY TERRITORY (Geocode, IP address, credit card, subscriber number...) OR ACCESSIBLE WORLDWIDE**
- **SERVICES THROUGH IPTV RELATED TO THE NATIONAL TERRITORY OF THE ISP**
- **POSSIBILITIES OF PAN-EUROPEAN « MIDDLEMEN » (eg CinemaNow/Tiscali)**
- **VARIOUS SERVICES ALREADY EXIST WITH PAN-EUROPEAN MARKETING : SF-Anytime, iTunes Music Stores, Live Network, Sky by broadband,...**
- **MAINLY NATIONAL SERVICES WITH POSSIBILITY OF ACCESS IN OTHER COUNTRIES**

# BREAKDOWN BY ORIGIN OF FILM ADMISSIONS IN THE EUROPEAN UNION (EU 25 – 2005 prov.)

Source: European Audiovisual Observatory / LUMIERE database

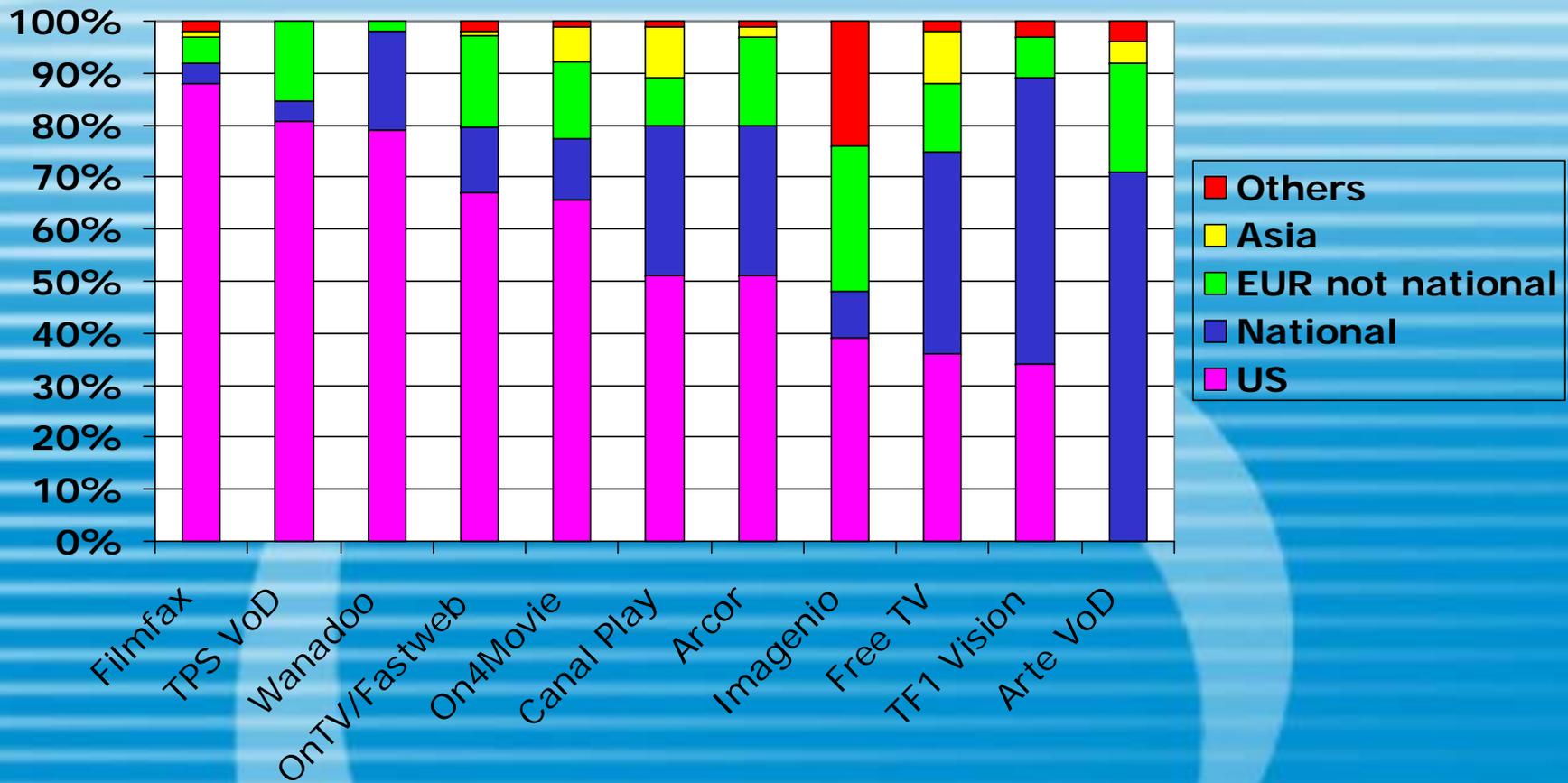


# **VoD AS A SOLUTION FOR THE CIRCULATION OF EUROPEAN FILMS ?**

- **Linguistic and cultural segmentation of the European market will continue**
- **US Majors will probably continue with their strategy of national distribution with leading national VoD operators**
- **There is currently no European film distributor with pan-European strategy and the capacity to purchase the VoD rights for the whole European market**
- **Problem of branding « European films »**
- **Risks of illusory technology-driven solutions to an anthropological problem**

# ORIGIN OF FILMS ON SOME VoD SERVICES IN EUROPE

Source : NPA Conseil/CNC



# **STRATEGIC ISSUES TO DISCUSS (1)**

**Broadcasters with strong involvement in the film rights market (production/theatrical/DVD/PPV) will have strategic advantage**

**Telecom operators have strong investment capacities but lack of experience in rights management and entertainment markets – They will need aggregators**

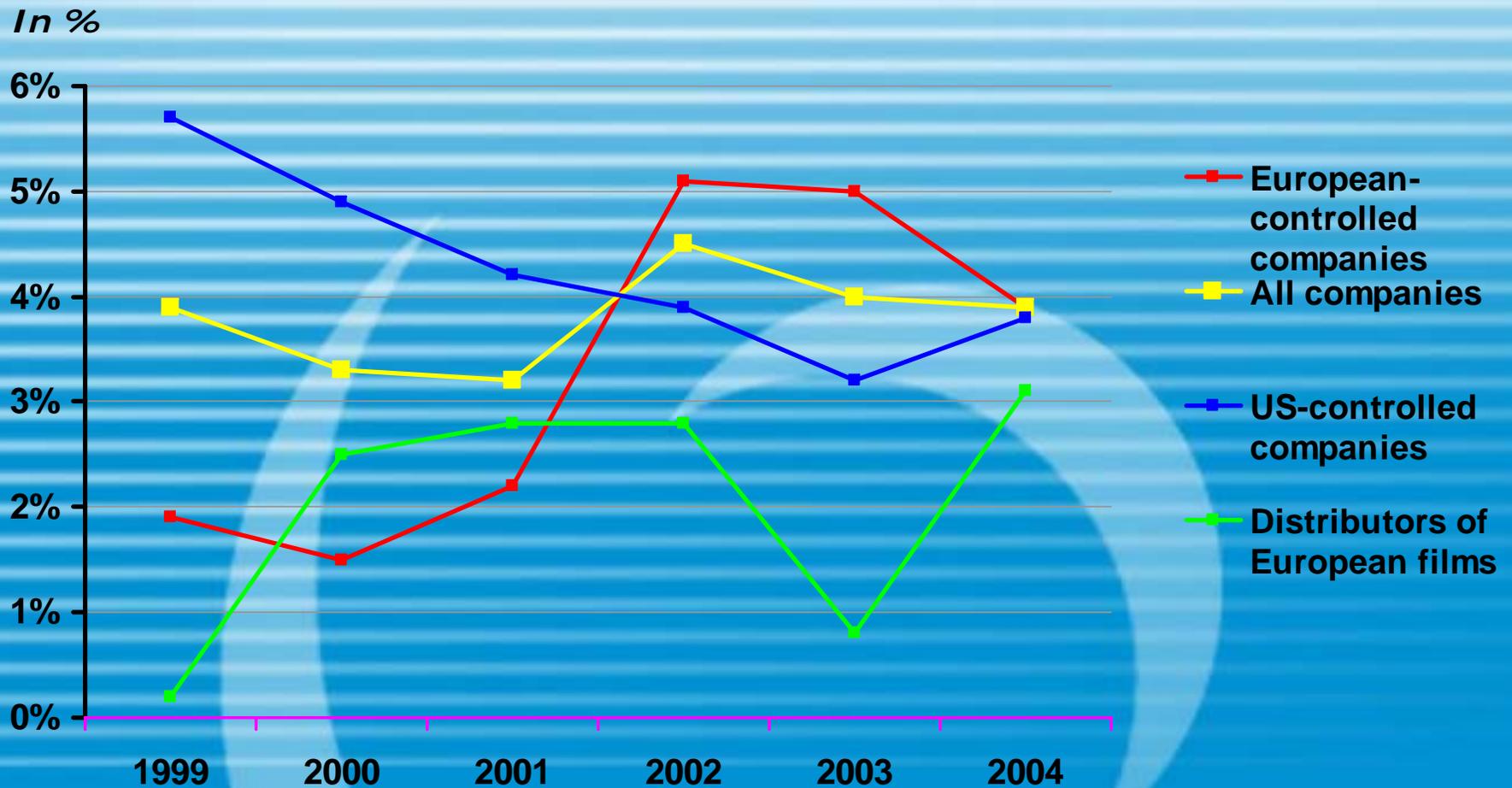
**Apple iTunes Music Store already an European leader on music and music videos. Future leader on film market?**

## **STRATEGIC ISSUES TO DISCUSS (2)**

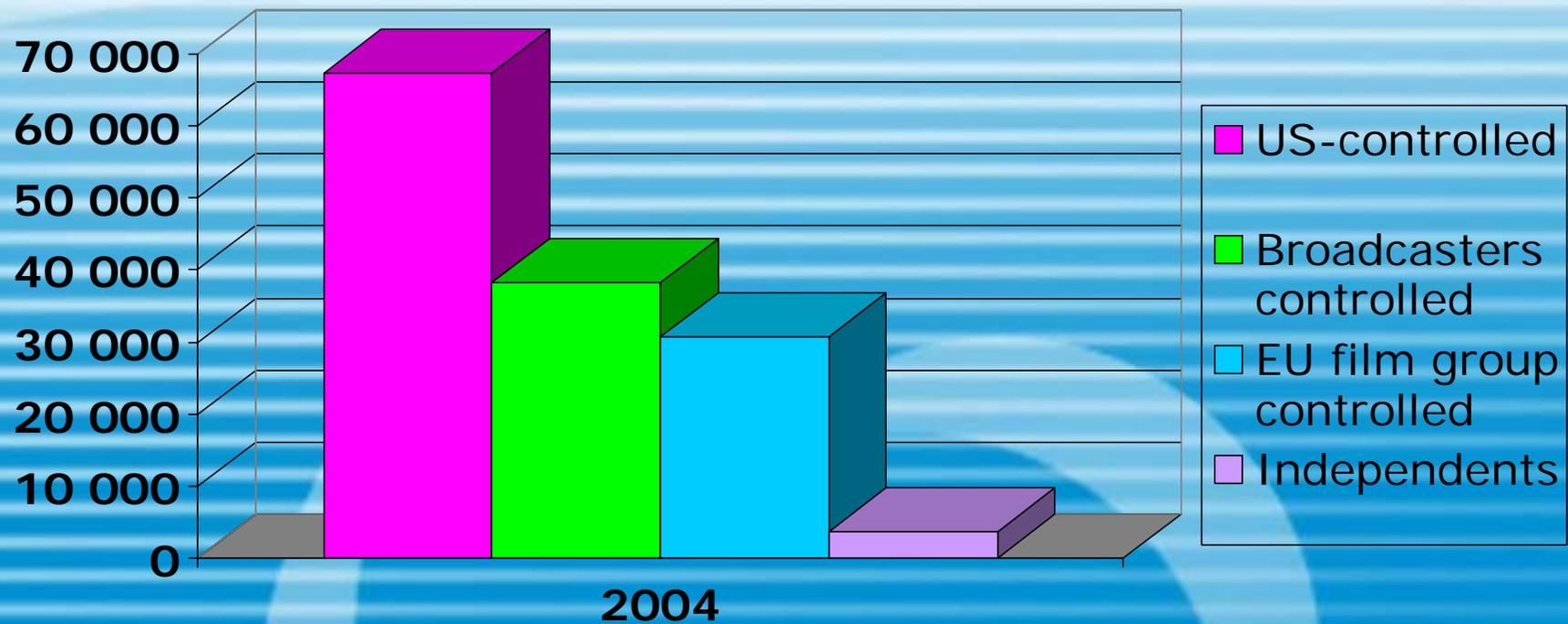
- **Distribution market will continue to be shaped by the strategy adopted by US majors**
- **Fragmentation of the European rights market (by territories but also by kind of rights) - Distribution companies still mainly specialised by kind of rights**
- **Only 1 European film group and 1 European video publisher operators of VoD services so far**
- **Weakness of the European film distribution branch**
- **Transition to digital exhibition is current major concern for European distributors**

# PROFIT MARGINS OF EUROPEAN UNION DISTRIBUTION COMPANIES (1999 – 2004)

Source: European Audiovisual Observatory



# AVERAGE OPERATING REVENUES OF VIDEO DISTRIBUTION COMPANIES (2004) in th. EUR



## **STRATEGIC ISSUES TO DISCUSS (3)**

- **Regulation of interoperability may cause temporary set-backs**
- **Unauthorised circulation will remain major concern**
- **Agreements on windows will have a major role**

## **STRATEGIC ISSUES TO DISCUSS (4)**

- **Pan-European VoD service(s) for distribution of European films as a dream ?**
- **Federate independent distributors and VoD providers specialising in European independent films**
- **Enlarge MEDIA automatic support to distribution to include VoD providers supporting the European circulation of films**
- **Capitalize on European experiences (Charter, working groups, reports,...)**
- **VoD services outside Europe as an opportunity (eg BBC sales in US and Korea VoD services)**

# **TOWARDS TRANSPARENCY ON DEMAND ? (1)**

- **Only 85 % of the EU theatrical market transparent**
- **Amounts invested by broadcasters in film production**
- **Data on film pay-TV channels are lacking**
- **No publications of data on the PPV market by the main operators**
- **Data on VoD : aggregates of revenues in telecommunications and ISP companies revenues, data on download only published for promotional purposes**
- **Number of viewers able to receive a specific channel or VoD service to be made more transparent**

## **TOWARDS TRANSPARENCY ON DEMAND ? (2)**

- **European producers and distributors express the need for studies supported by public bodies to prepare their strategy**
- **A producer's association asks for regulation of VoD rental prices**
- **In-depth monitoring of DVD market currently accessible only for important distributors – Risks of same situation for VoD**
- **Need for a « level playing field for information » for all forms of film distribution**

# WHY DO WE NEED TRANSPARENCY OF THE AUDIOVISUAL INDUSTRY ?

- Elaborating public policy
- Elaborating European industry strategy
- Monitoring implementation of cultural diversity objectives
- Informing rights owners
- Informing public bodies supporting the film industry with public money
- Informing consumers
- ...and, of course, making experts' life easier !

**Further details:**

**<http://www.obs.coe.int>**

***EUROPEAN AUDIOVISUAL  
OBSERVATORY***