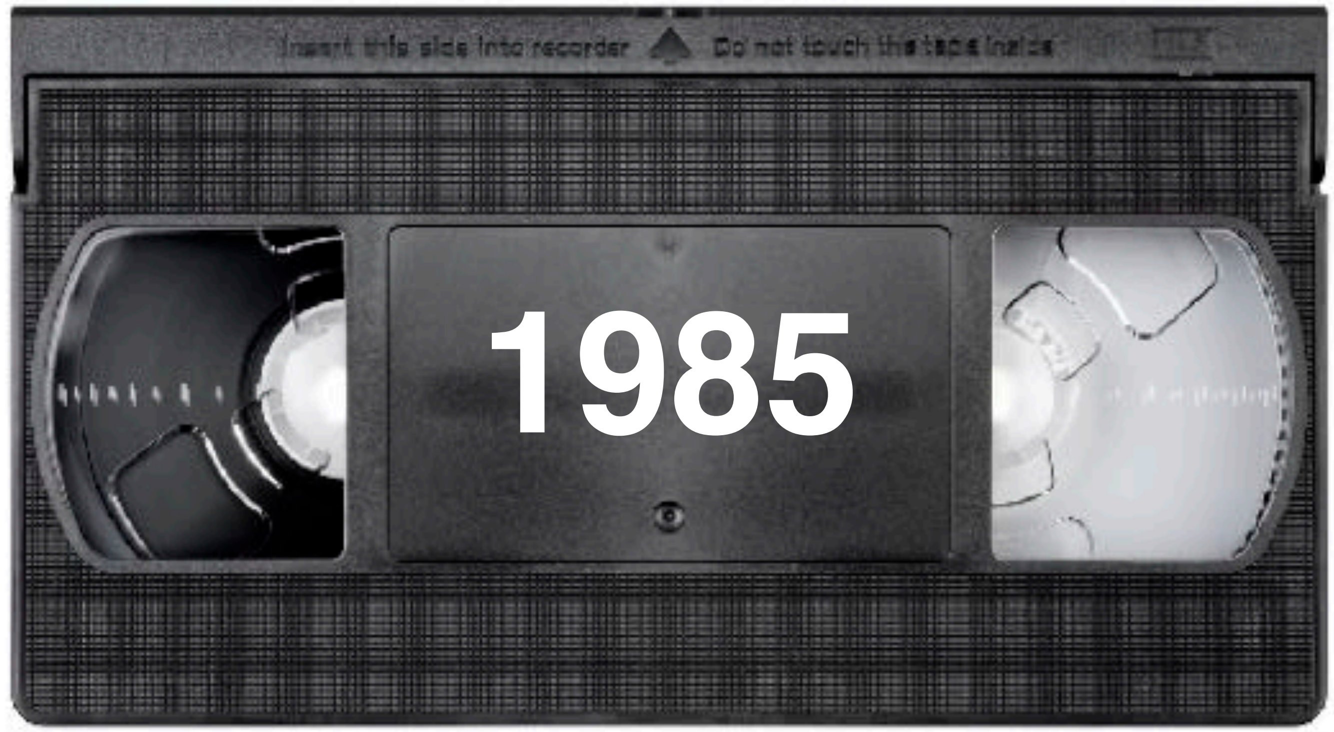
DIGITAL PRODUCTION
CHALLENGE II

The Digitalization of the Filmindustry

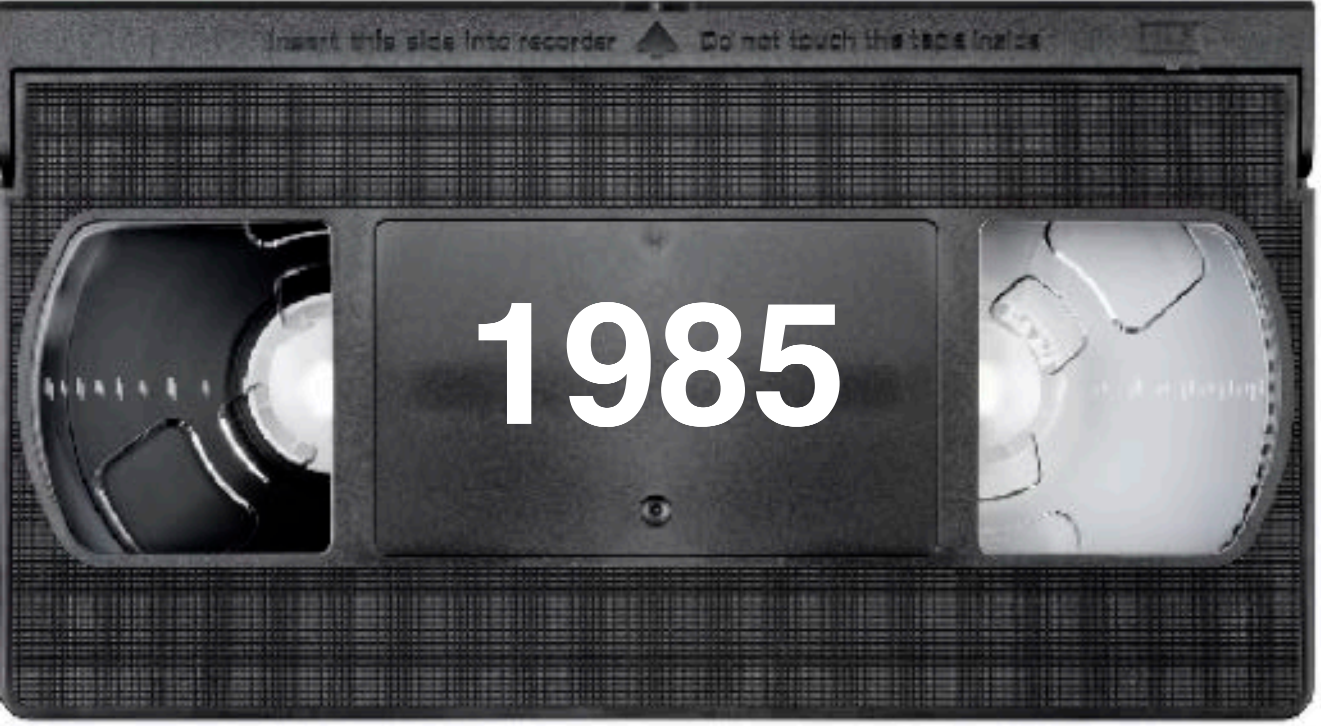
Αθήνα

28.11.2018



I say to you that the VCR (VHS) is to the American film producer and the American public as the Boston strangler is to the woman home alone.

TESTIMONY OF **JACK VALENTI**, PRESIDENT, MPAA,
APRIL 1982 on home recording copyright



web 2.0 2003

2005

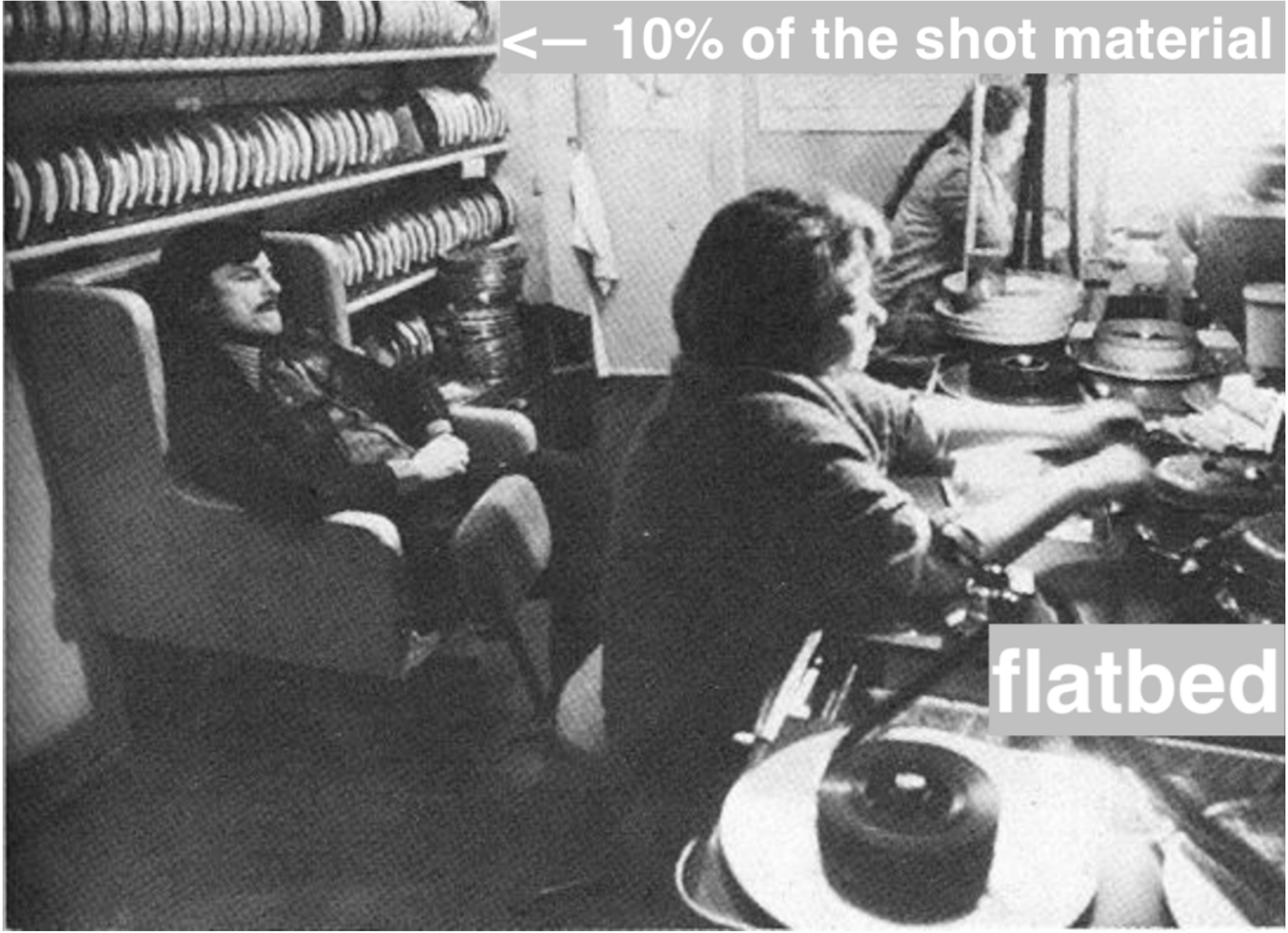
2015

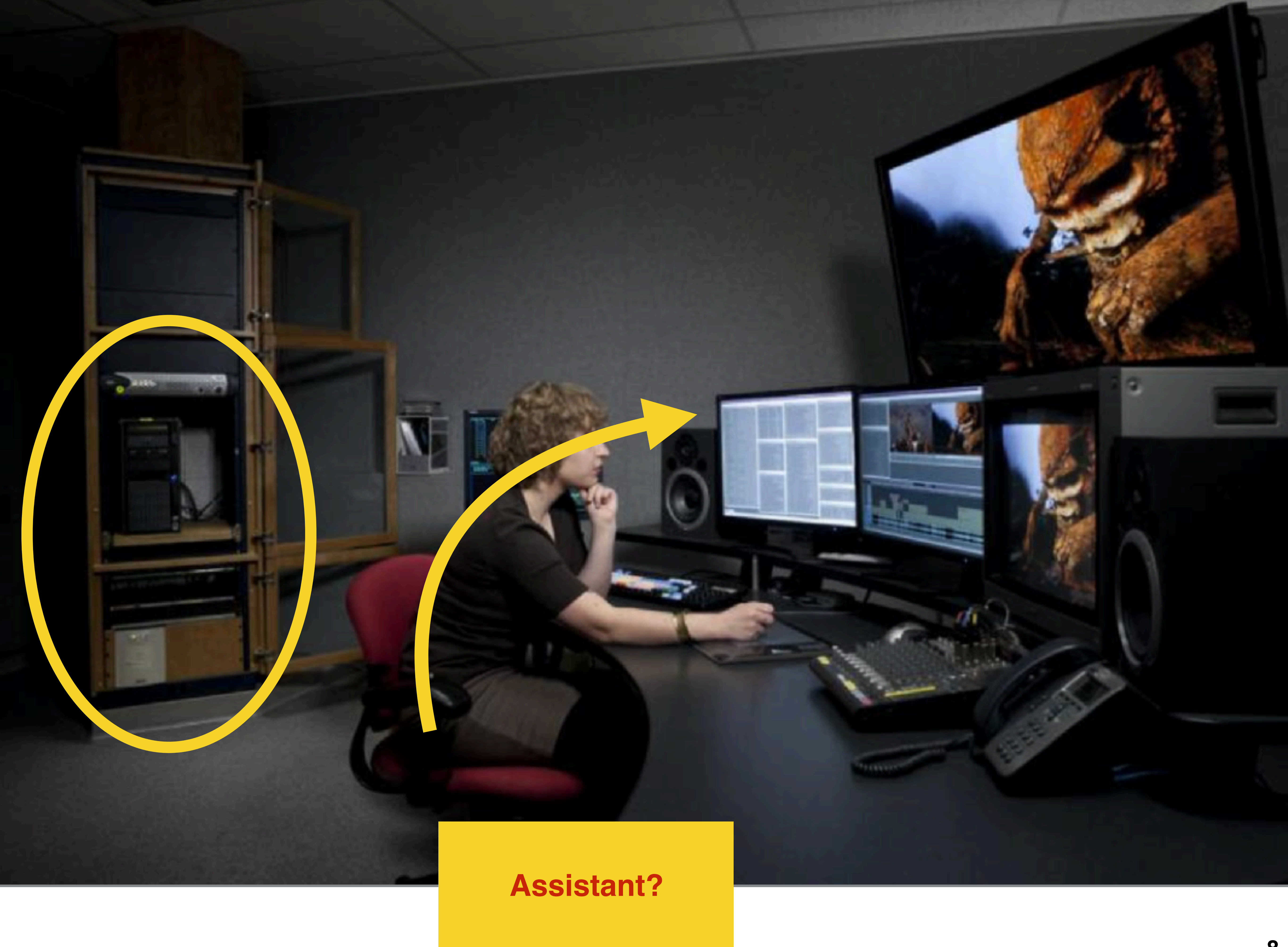
NETFLIX


the „screen“
Moviola


thousand clowns
Moviola
in the rack: 1 scene
83397150


Steenbeck


<— 10% of the shot material
flatbed


Assistant?

ERSTE SCHRITTE

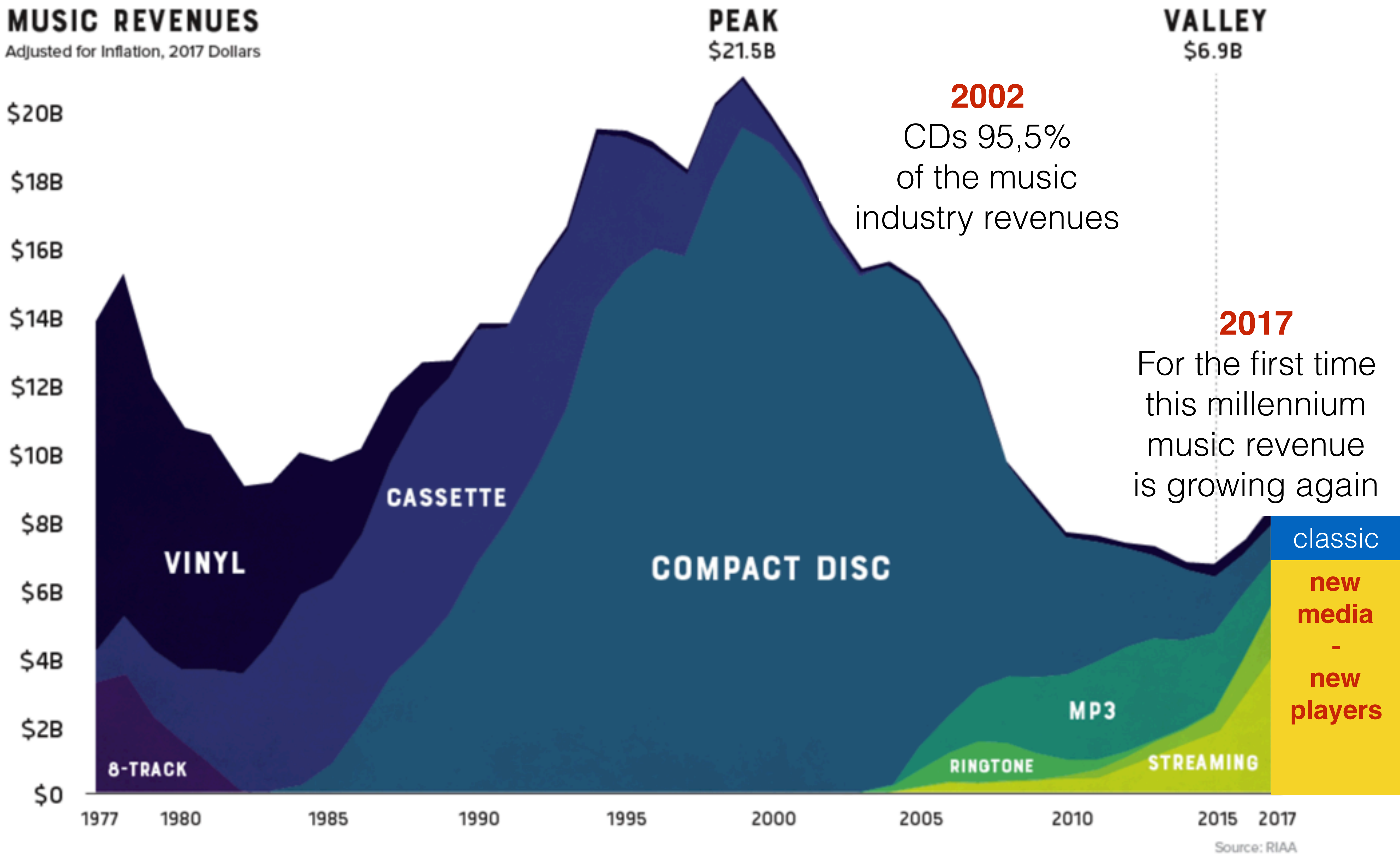
Die Power von Final Cut Pro X

Final Cut Pro

Video

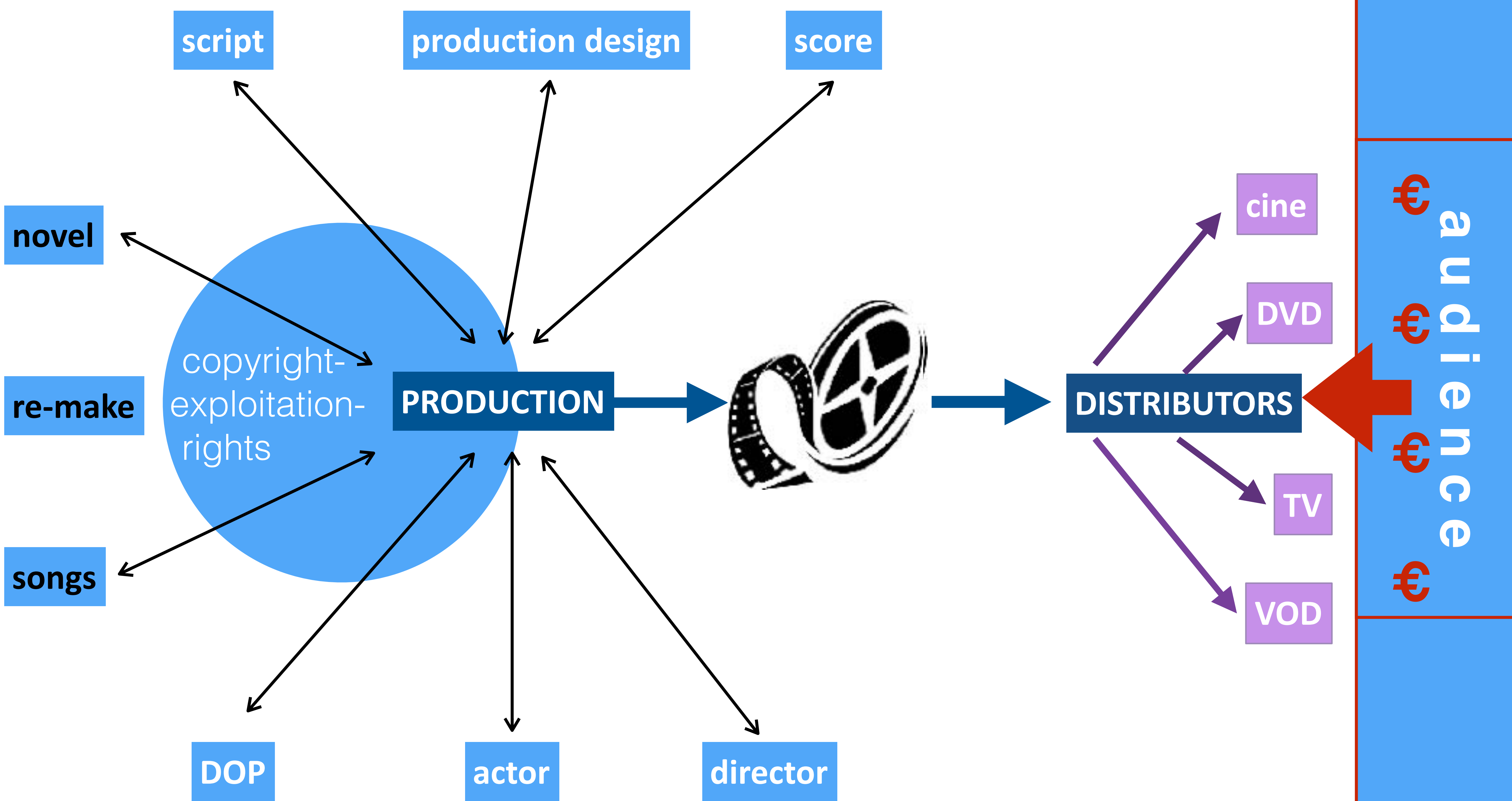
329,99 €

while we (the filmindustry)
were happy about the new toys …

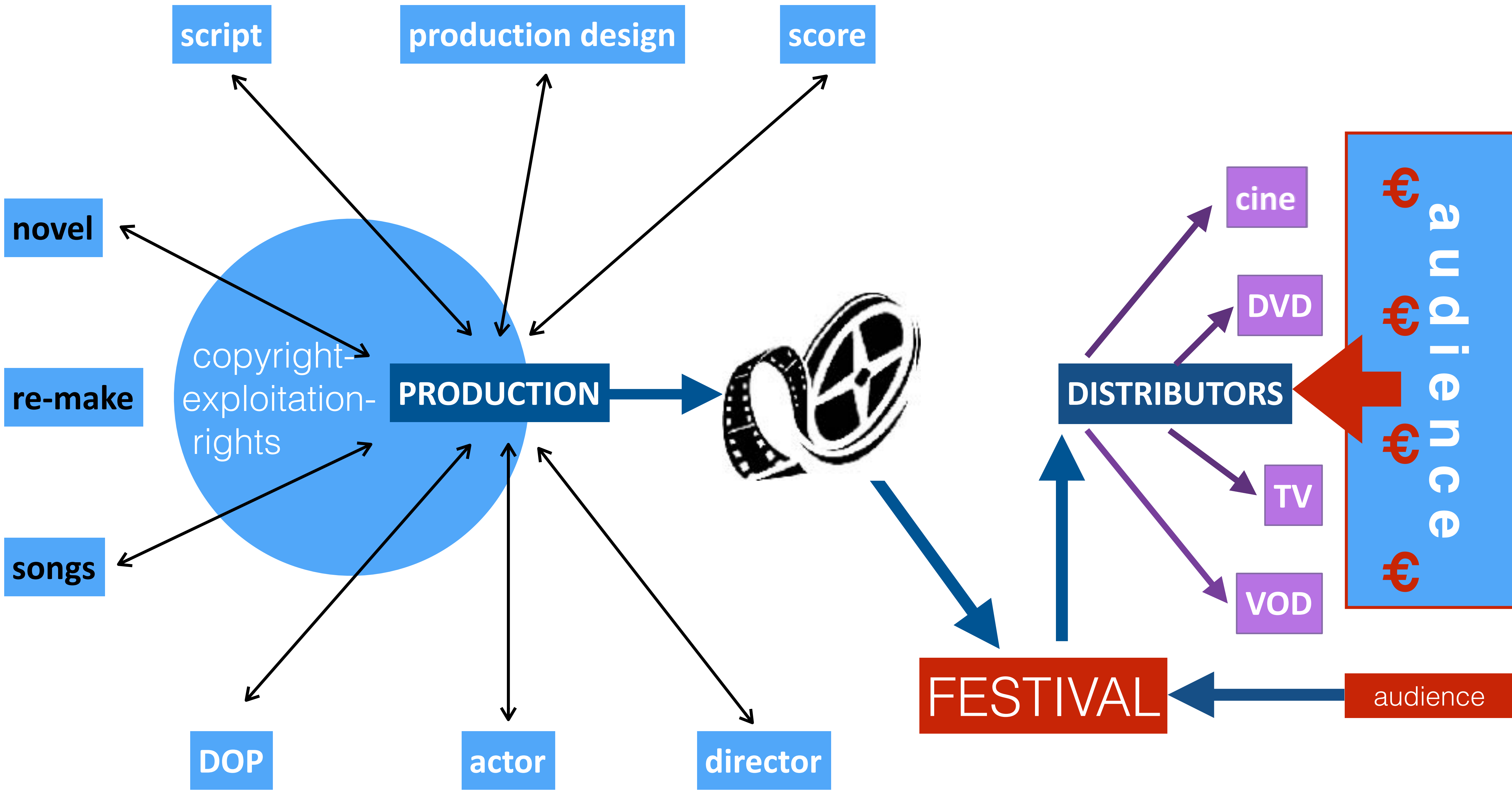

MUSIC REVENUES
Adjusted for Inflation, 2017 Dollars
PEAK
$21.5B
VALLEY
$6.9B
2002
CDs 95,5%
of the music
industry revenues
2017
For the first time
this millennium
music revenue
is growing again
classic
new
media
-
new
players
$20B
$18B
$16B
$14B
$12B
$10B
$8B
$6B
$4B
$2B
$0
VINYL
CASSETTE
COMPACT DISC
8-TRACK
MP3
RINGTONE
STREAMING
1977
1980
1985
1990
1995
2000
2005
2010
2015
2017
Source: RIAA

meanwhile …

copyright / exploitation rights / commercial

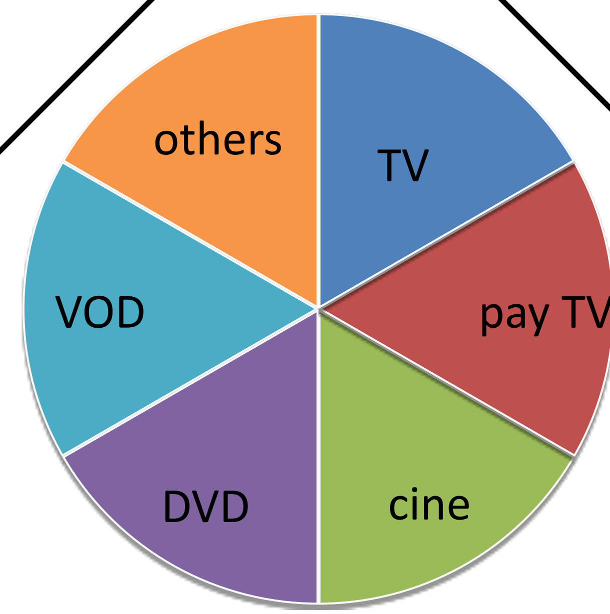


copyright / exploitation rights - arthouse



DISTRIBUTION RIGHTS

RIGHTS MEDIA

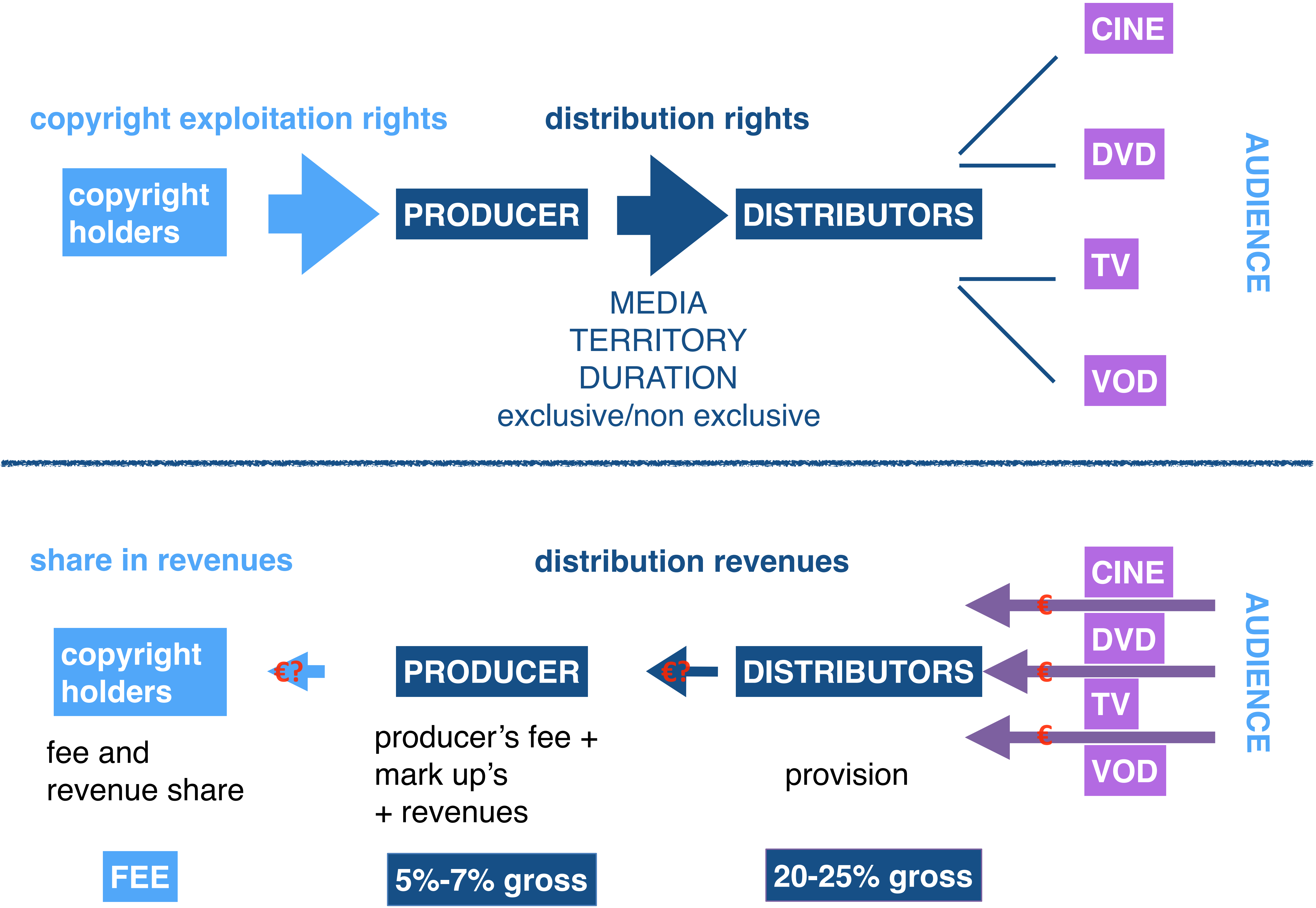


exclusiv/non-exclusiv

RIGHTS - TERRITORY

RIGHTS - DURATION

2018 …. 2023


copyright exploitation rights
distribution rights
copyright holders
PRODUCER
DISTRIBUTORS
CINE
DVD
TV
VOD
AUDIENCE
MEDIA
TERRITORY
DURATION
exclusive/non exclusive
share in revenues
distribution revenues
copyright holders
€?
PRODUCER
€?
DISTRIBUTORS
€
€
€
CINE
DVD
TV
VOD
AUDIENCE
fee and
revenue share
producer's fee +
mark up's
+ revenues
provision
FEE
5%-7% gross
20-25% gross

analog = shortage = many Distributors
(many intermediators)
(many middle-men)

8 €

cinema 6 months

theaters
(concessions)
distributors
world sales co.

14 €

DVD 6 months

DVD commerce
DVD distributors
theatrical distributors
world sales co.

20 € / month

PAY TV 6 months

world sales co.
packagers
telecom co.
cable co.

17 € / month

FREE TV after 18 months

world sales co.,
packagers,
TV networks.

DIGITAL DISRUPTION # 1: CONVERGENCE

Convergence in the 90s

Cable and ***Telcos*** networks heading towards similar functionalities and similar regulatory framework

Consequences: Possibility for telcos to mirror the cable operators mix of transmission and TV packaging

Convergence in the 10s

The “open” ***internet*** and ***TV*** managed networks heading towards similar functionalities

Consequences: Opens up competition with news players, Reorganisation of the value chain

DIGITAL DISRUPTION # 1: CONVERGENCE

Technology:

- QoS (Quality of Service) on the "Open Internet", connected devices enable to Technical bypass the "managed" television distribution networks (Cable, IPTV)
- Interconnection of IT systems leads to automatisation of advertising management
- Personalisation of content

Usages:

New needs of consumers to select channels and programmes

Markets:

Stagnation of revenues pushes players to grab a share of intermediaries revenues

DIGITAL DISRUPTION # 2: DISINTERMEDIATION

direct contact with consumers without distributors or packaging by telecom or tv operator

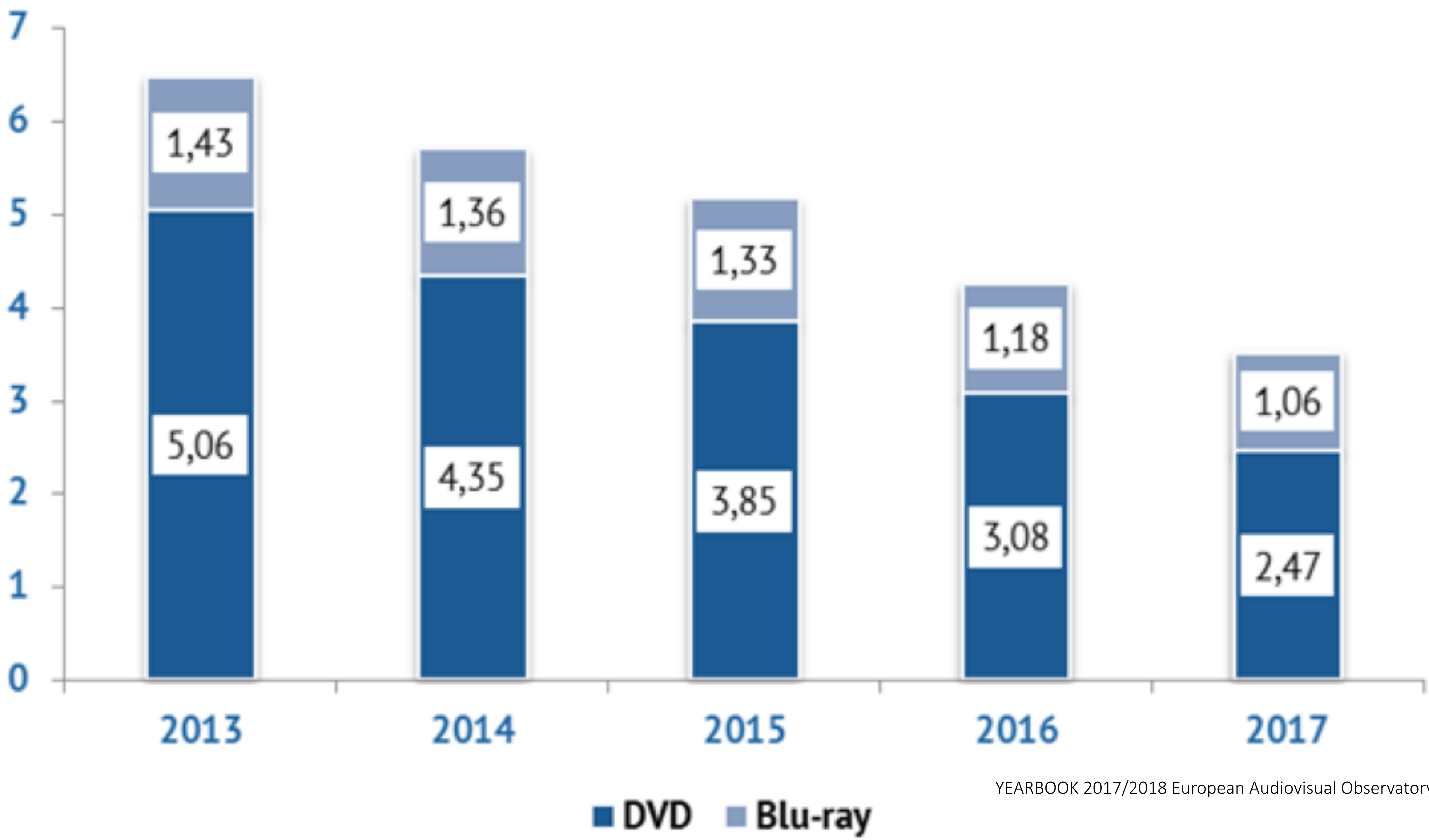
automatization of advertisement thru **data collecting** and managing

looking more for the **product** than the channel

DIGITAL DISRUPTION FOR THE CONSUMER

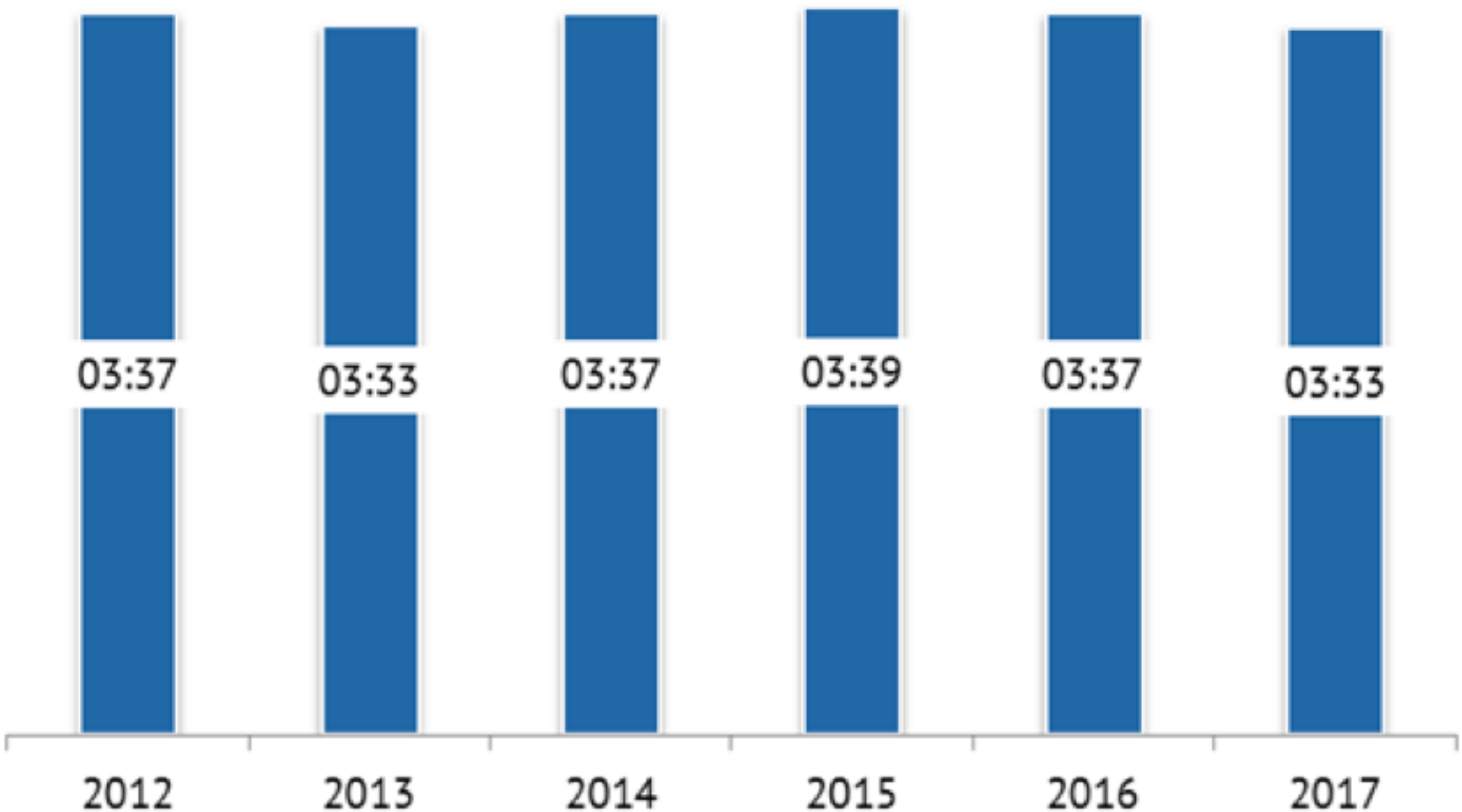
- PIRACY - *„for free“ - culture*
- WEB - *new formats: webisodes / participation (YT)*
- VOD - *everything - everywhere - anytime*
- SVOD - *new formats: high end tv-series*

DIGITALIZATION replaces SHORTAGE by ABUNDANCE european transaction volume in 100mio€



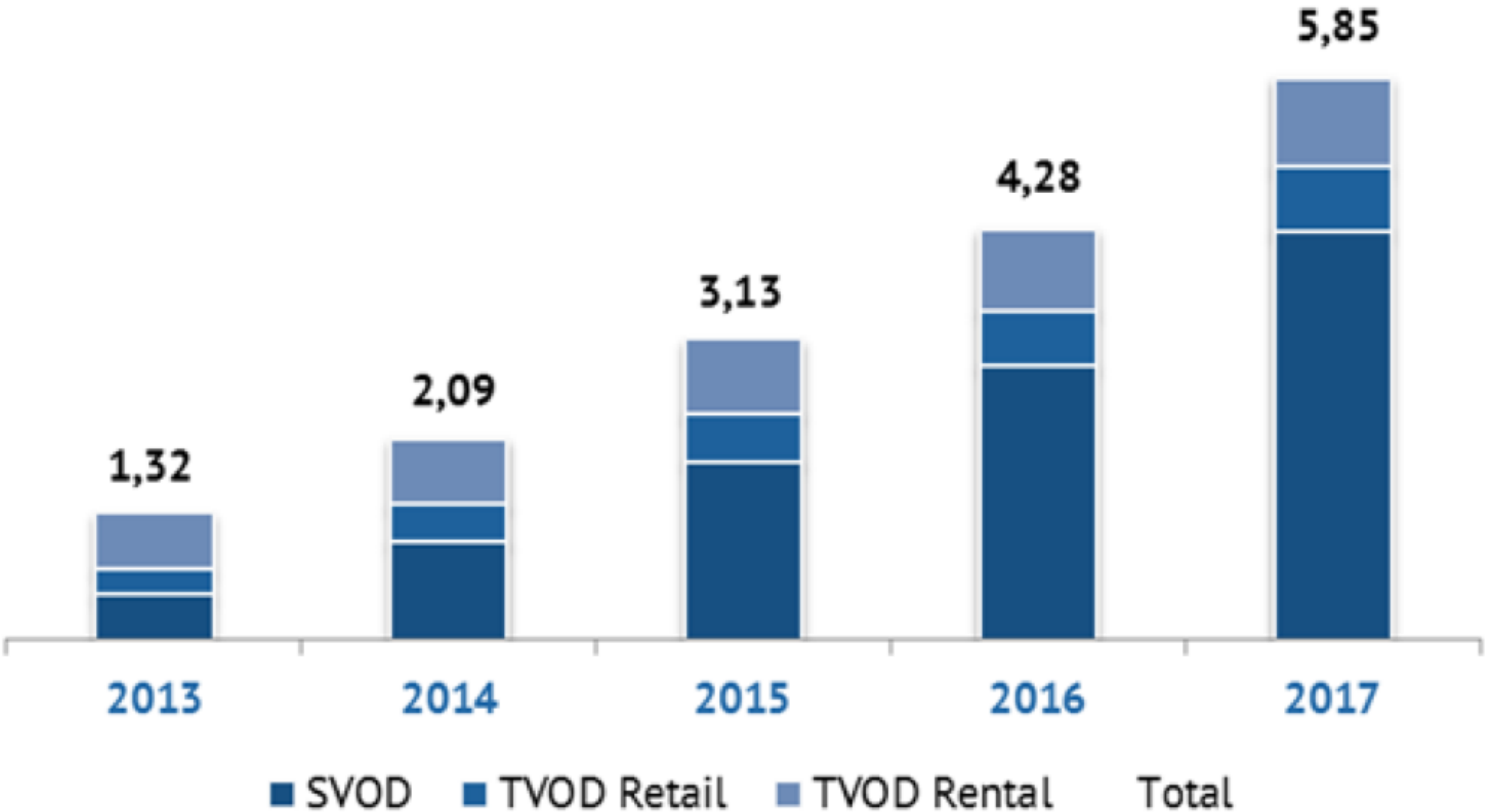
YEARBOOK 2017/2018 European Audiovisual Observatory

average TV-reception per day in hrs

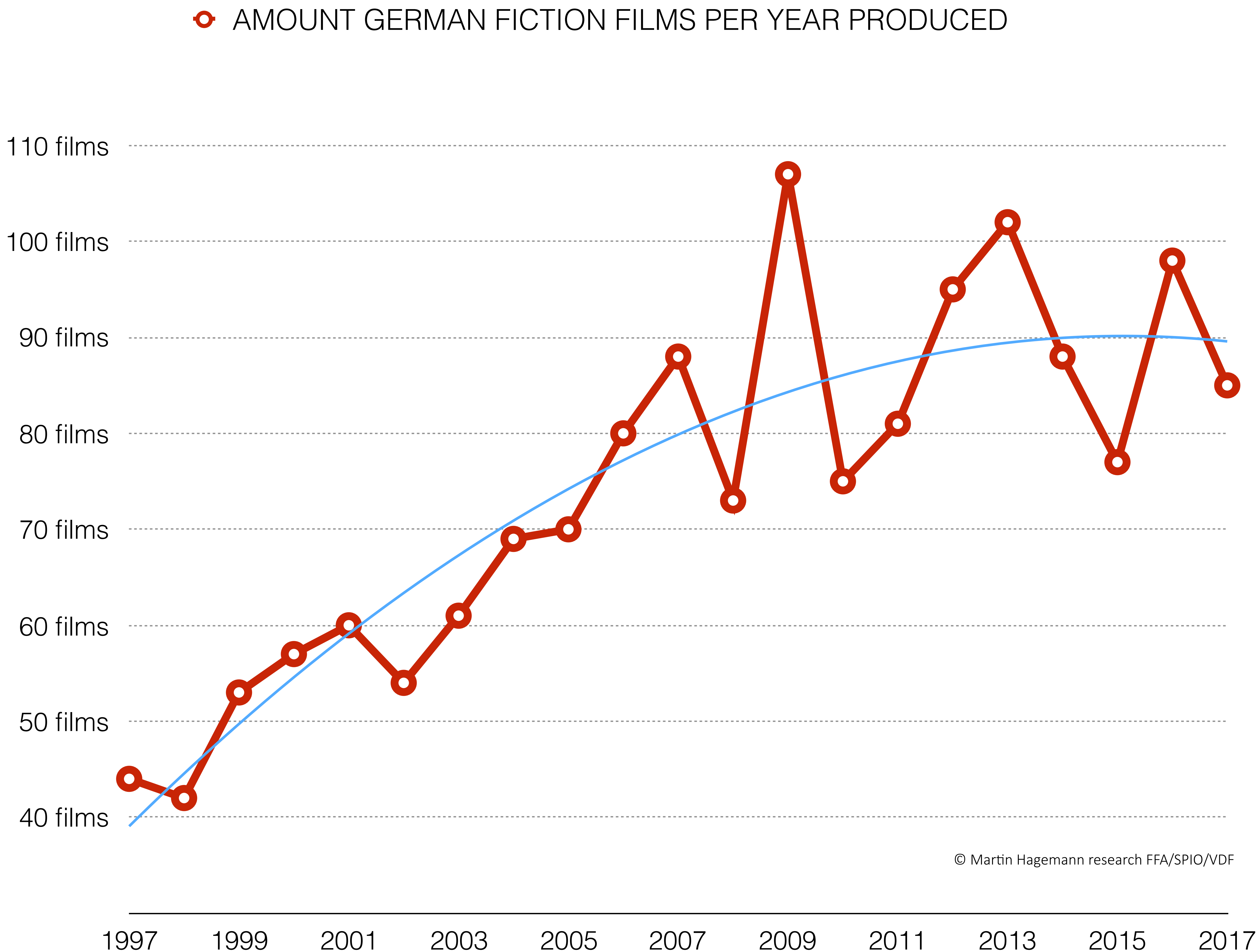


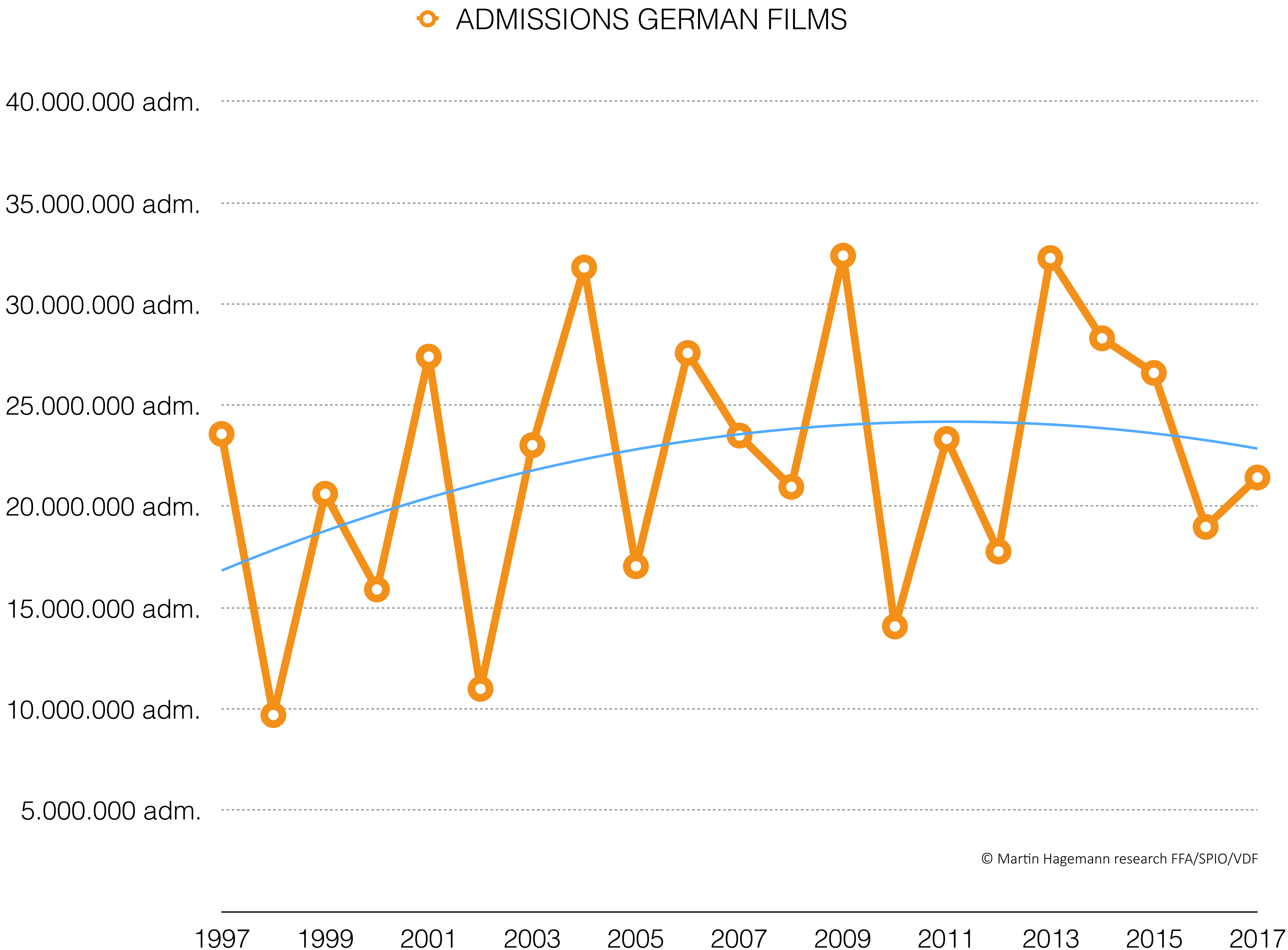
YEARBOOK 2017/2018 European Audiovisual Observatory

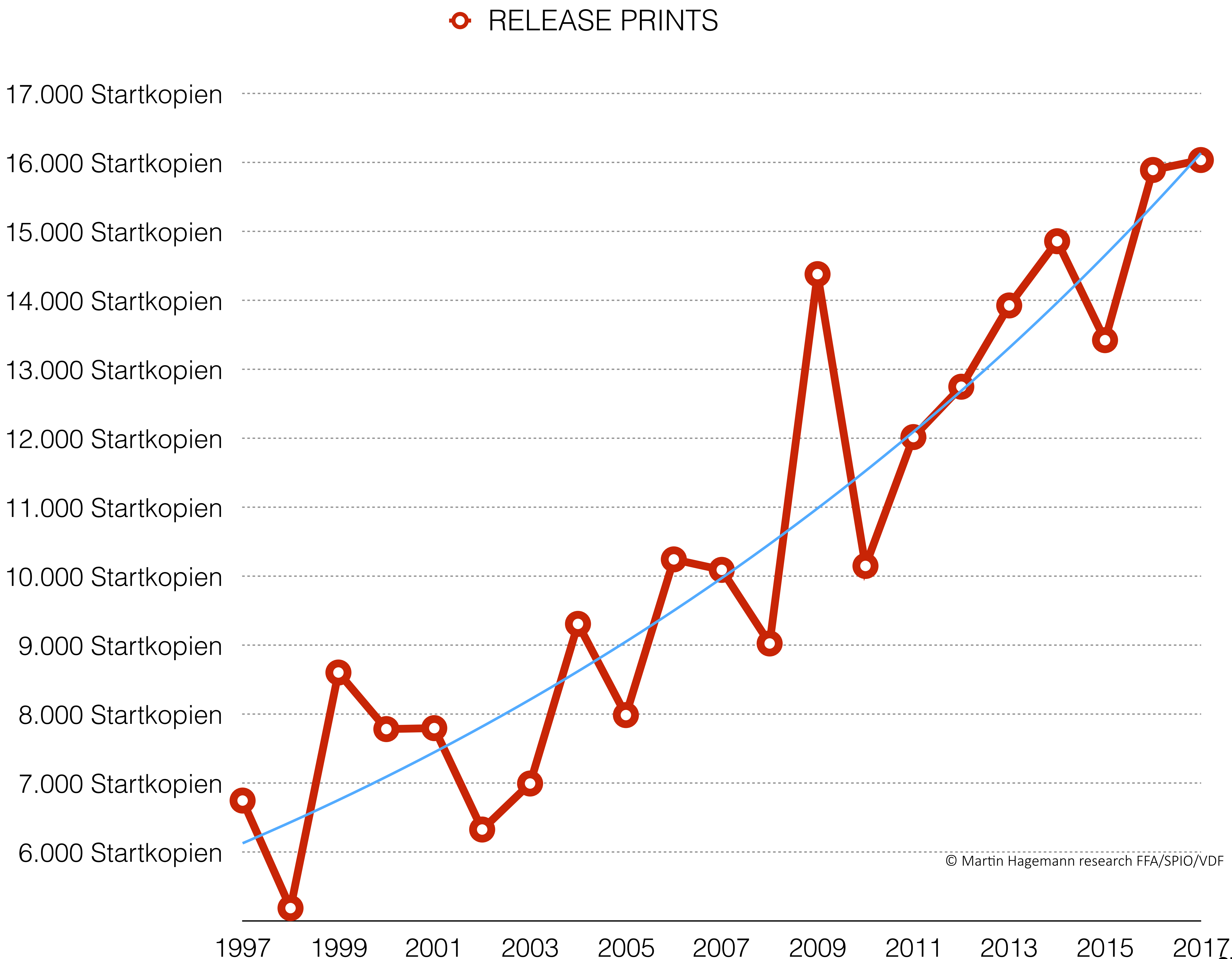
european transaction volume in 100mio€



YEARBOOK 2017/2018 European Audiovisual Observatory


AMOUNT GERMAN FICTION FILMS PER YEAR PRODUCED
110 films
100 films
90 films
80 films
70 films
60 films
50 films
40 films
© Martin Hagemann research FFA/SPIO/VDF
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017


ADMISSIONS GERMAN FILMS
40.000.000 adm.
35.000.000 adm.
30.000.000 adm.
25.000.000 adm.
20.000.000 adm.
15.000.000 adm.
10.000.000 adm.
5.000.000 adm.
© Martin Hagemann research FFA/SPIO/VDF
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017


RELEASE PRINTS
17.000 Startkopien
16.000 Startkopien
15.000 Startkopien
14.000 Startkopien
13.000 Startkopien
12.000 Startkopien
11.000 Startkopien
10.000 Startkopien
9.000 Startkopien
8.000 Startkopien
7.000 Startkopien
6.000 Startkopien
© Martin Hagemann research FFA/SPIO/VDF
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017

INTERNET

creators & producers

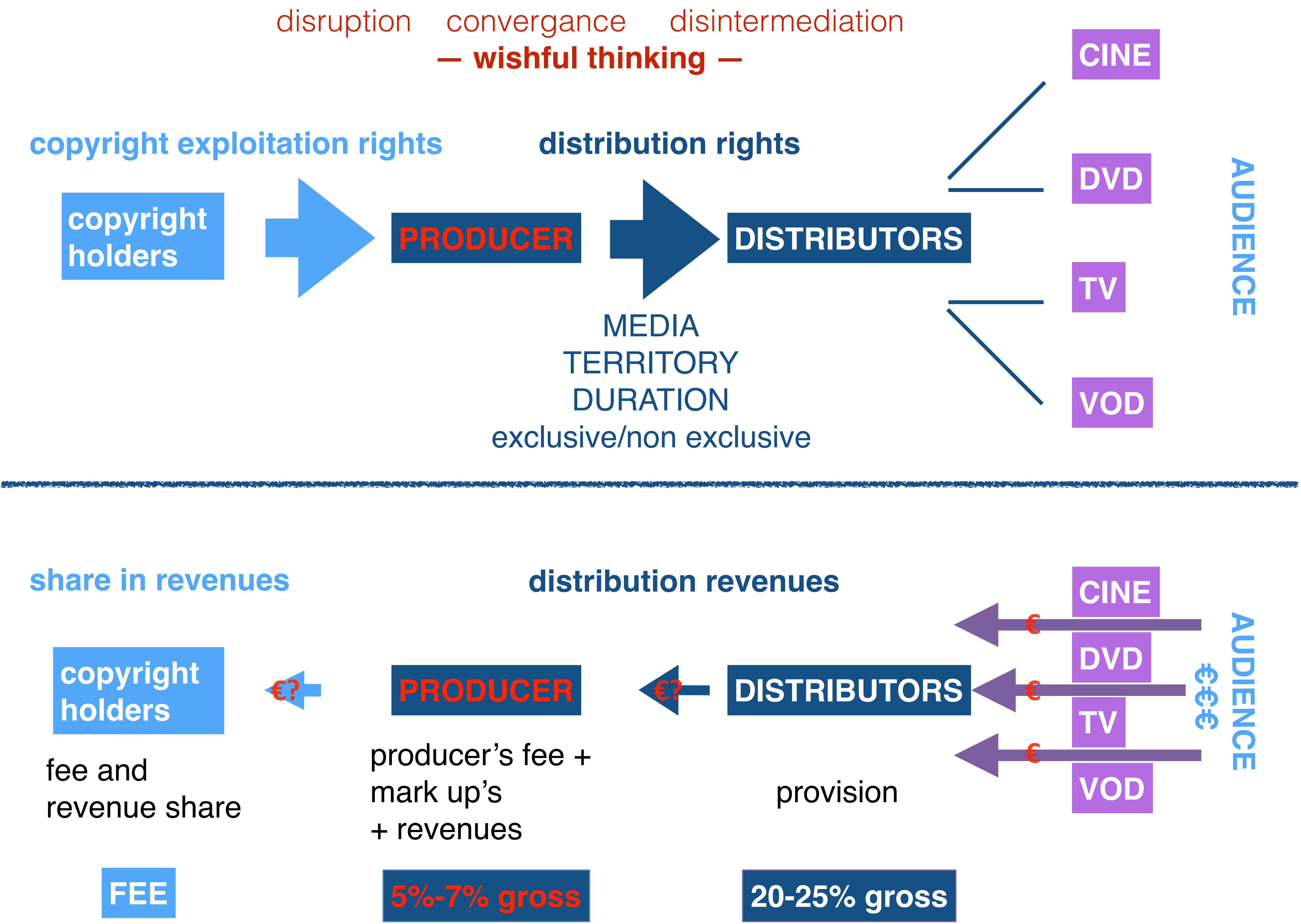
PRODUCTION

DISTRIBUTION ?

audience

preprod. new tools (previz)
prod. new formats, new tools, new workflows
postprod. new formats, home-lab, new workflows
delivery new formats
exhibition new formats

DISRUPTION
of
DISTRIBUTION


disruption convergance disintermediation
— wishful thinking —
copyright exploitation rights
distribution rights
copyright holders
PRODUCER
DISTRIBUTORS
CINE
DVD
TV
VOD
AUDIENCE
MEDIA
TERRITORY
DURATION
exclusive/non exclusive
share in revenues
distribution revenues
copyright holders
€?
PRODUCER
€?
DISTRIBUTORS
€
€
€
CINE
DVD
TV
VOD
€€€
AUDIENCE
fee and revenue share
producer's fee + mark up's + revenues
provision
FEE
5%-7% gross
20-25% gross

disruption convergance disintermediation

— wishful thinking —

copyright exploitation rights

distribution rights

copyright holders

PRODUCER

CINE

DVD

TV

VOD

AUDIENCE

MEDIA
TERRITORY
DURATION
exclusive/non exclusive

---

share in revenues

distribution revenues

copyright holders

€?

PRODUCER

CINE

€

DVD

€

TV

€

VOD

€€€

AUDIENCE

fee and
revenue share

producer's fee +
mark up's
+ revenues

FEE

5%-7% gross | **20-25% gross**

DIGITAL DISRUPTION # 2 „CUT OUT THE MIDDLEMEN“

VOD ← AGGREGATOR

THEATR.DISTR. → **CINE**

PRODUCTION

SALES COMPANY

WORLD RIGHTS

DIGITAL DISRUPTION # 2 „CUT OUT THE MIDDLEMEN“

VOD ← **PRODUCTION** → **CINE**

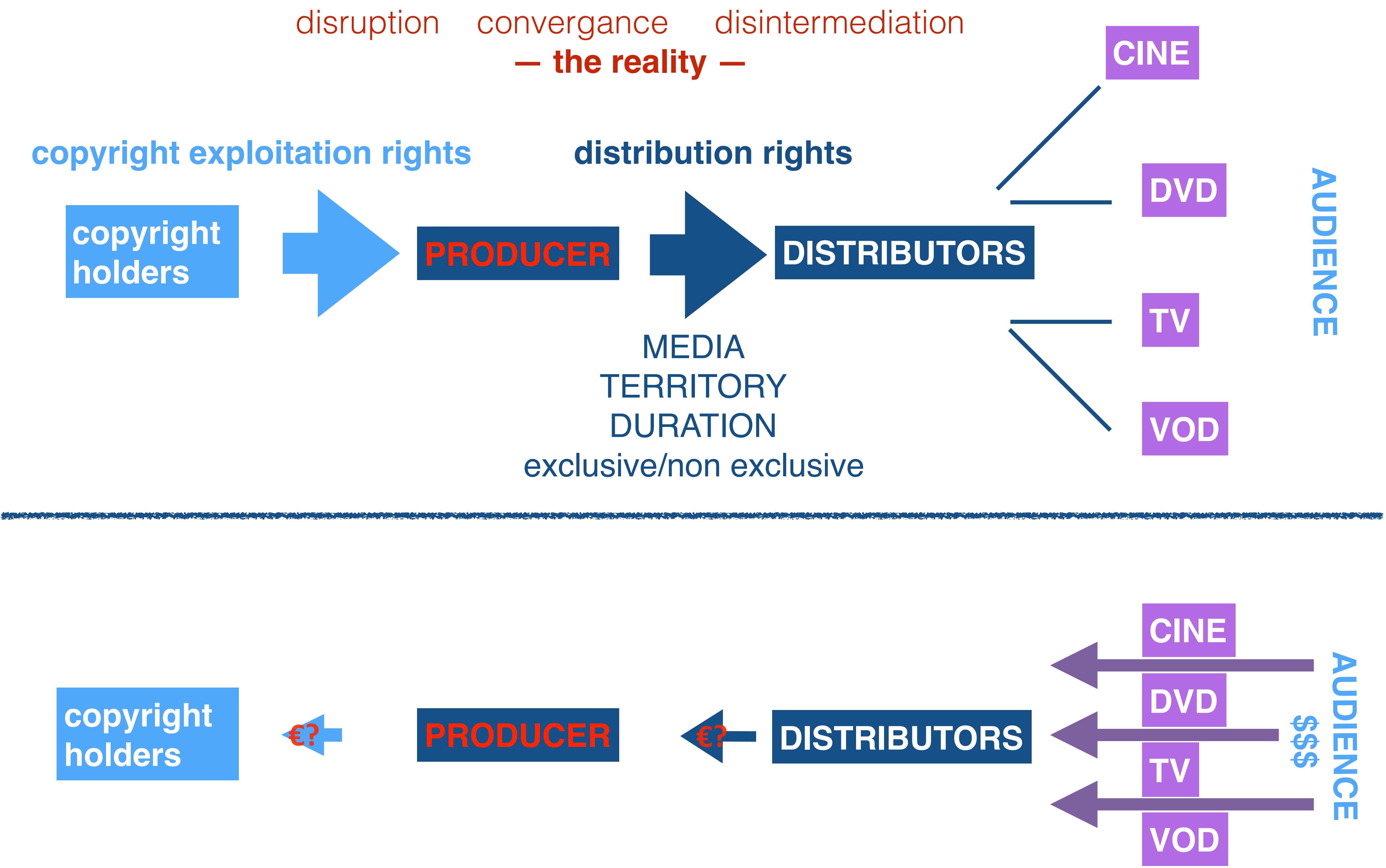
↓

WORLD RIGHTS

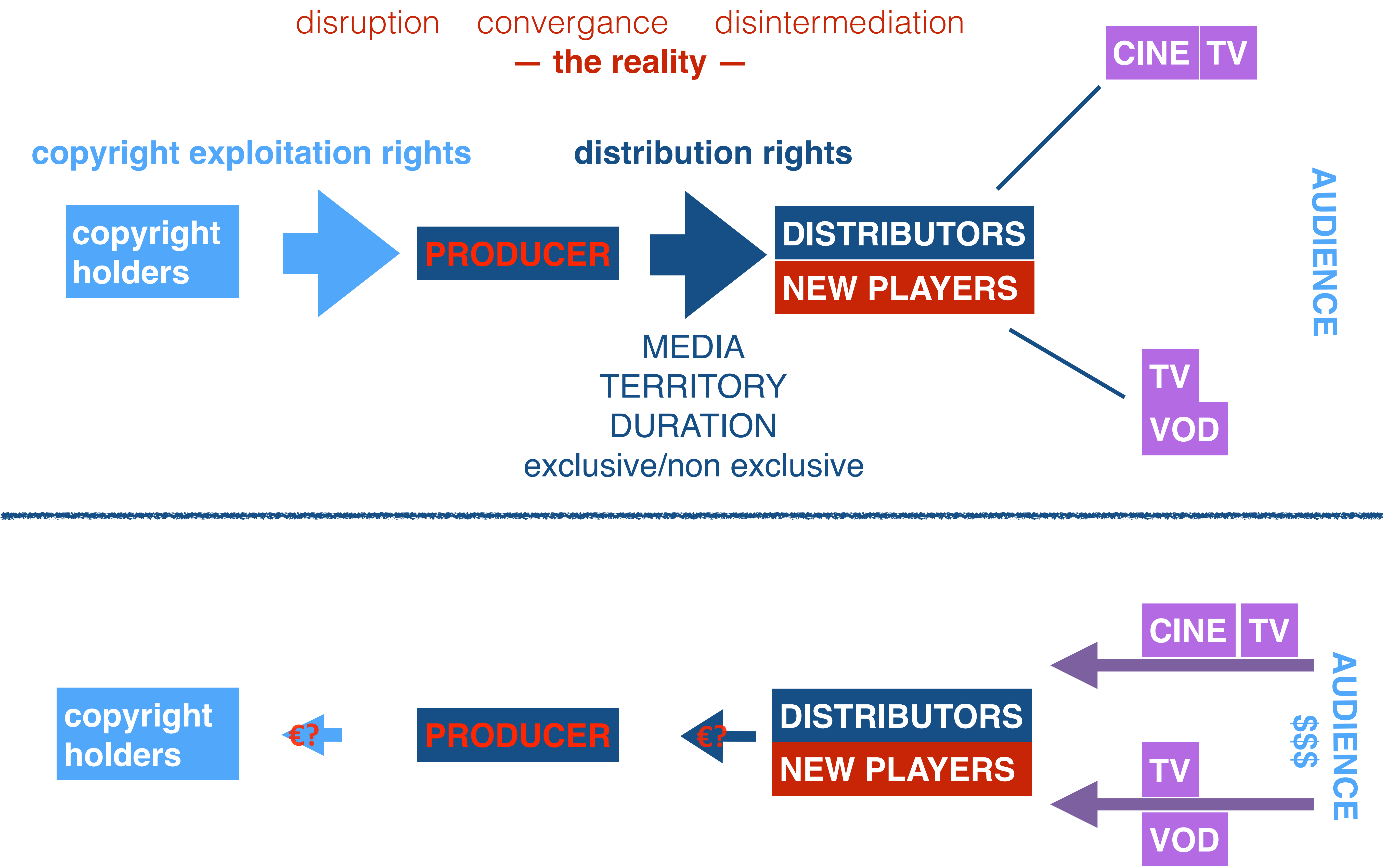
SPECIFIC WINDOWING-STRATEGIE FOR EACH FILM

CLOSER TO THE AUDIENCE

DATA MINING

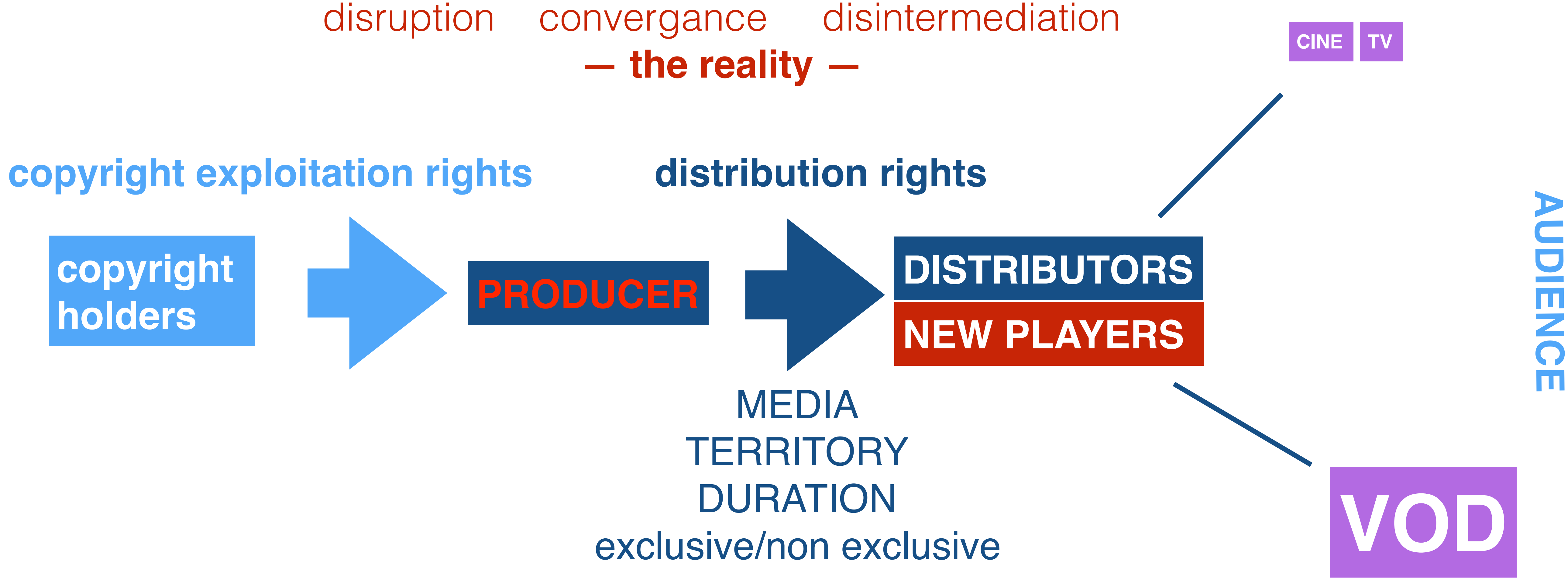


disruption
convergance
disintermediation
— the reality —
copyright exploitation rights
distribution rights
copyright holders
PRODUCER
DISTRIBUTORS
MEDIA
TERRITORY
DURATION
exclusive/non exclusive
CINE
DVD
TV
VOD
AUDIENCE
copyright holders
€?
PRODUCER
€?
DISTRIBUTORS
CINE
DVD
TV
VOD
$$$
AUDIENCE


disruption convergance disintermediation
— the reality —
copyright exploitation rights
distribution rights
copyright holders
PRODUCER
DISTRIBUTORS
NEW PLAYERS
CINE TV
TV
VOD
AUDIENCE
MEDIA
TERRITORY
DURATION
exclusive/non exclusive
copyright holders
€?
PRODUCER
€?
DISTRIBUTORS
NEW PLAYERS
CINE TV
TV
VOD
$$$
AUDIENCE

disruption convergance disintermediation

— the reality —



DIGITAL SOLUTIONS

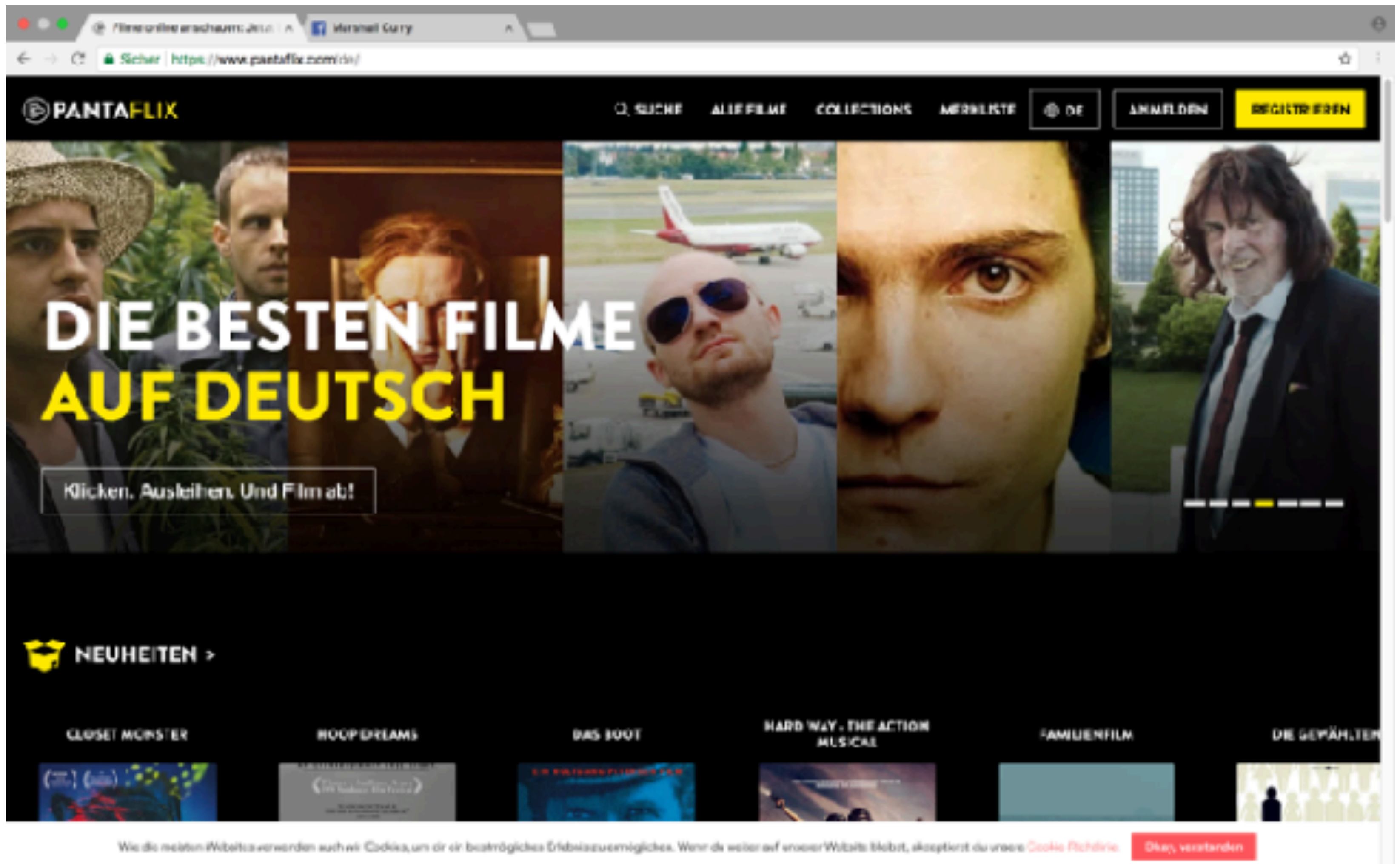
CINEGO

SIMPLIFIE VOS SORTIES DE FILMS.

- PRODUCTION/DISTRIBUTOR UPLOADS FILM AND CONTACTS CINEMAS
- CINEMA DOWNLOADS FILM AND SHOWS FILM (KEY BY PRODUCER/DISTRIBUTOR)
- SHOWS CAN BE BILLED AND PAID DIRECTLY FROM CASH SYSTEM TO PRODUCER

DIGITAL SOLUTIONS

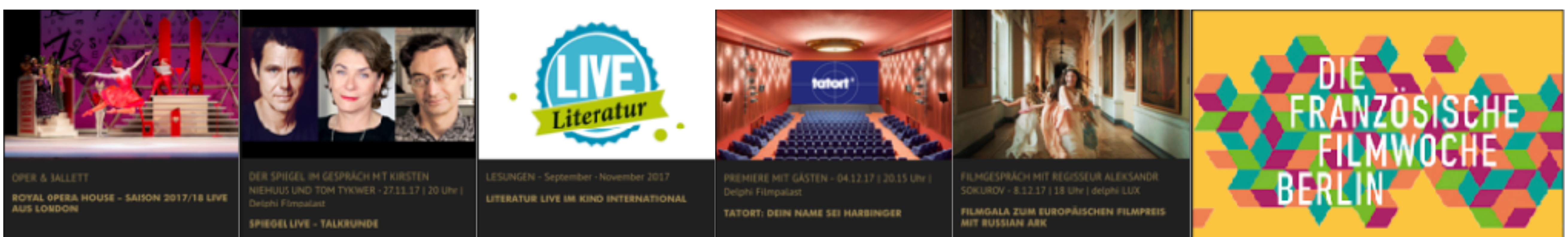
PANTAFLIX



- PRODUCTION UPLOADS TO PLATFORM
- PRODUCTION DETERMINES PRICE/TERRITORIES/MARKETING
- PLATFORM ACCOUNTS DIRECTLY WITH PRODUCER AND SHARES DATA (-30%)

DIGITAL SOLUTIONS

CINEMA - RENAISSANCE



DIGITAL SOLUTIONS

NEW FORMATS

MOBILE

CLUSTER-PRODUCTION: CINE / VR / AR

DIGITAL SOLUTIONS

AUDIENCE BUILDING

CROWD-FUNDING

DIGITAL SOLUTIONS

UNBUNDLING RIGHTS: **CAPITAL**

EUROPEAN TERRITORY

CUTTING OUT MIDDLEMEN: **CAPITAL**

GLOBAL MIDDLEMEN

NEW MARKETING AND NEW FORMATS: **CAPITAL**

BIG DATA

RENAISSANCE OF CINEMAS: **CAPITAL**

LOCALIZATION/PUBLIC FUNDING

IN TEN YEARS FROM NOW ?

Public TV:
an open platform in the internet, clear public mandate, tax-based and free of charge

Private TV:
will merge with or into an SVOD/AVOD platform

Cinemas:
commercial orientated cinemas: less, entertainment-driven, central curation
arthouse cinemas: more, organized on a local level, non-commercial, local curation.

Platforms:
few global platforms on the basis of SVOD+TVOD-principal (e.g. amazon) including production and cinemas,
national niche-platforms, curated, SVOD- und TVOD-principal
<u>problem</u>: how to locate films (a central search-platform for all films and formats?)

Production:
few vertical organized production companies, produce for all markets, direct distribution to cinemas and platforms
—> operate as Creative-Aggregators for smaller production companies, which develop *talent-orientated projects* and produce these on request of the bigger entities.

But what about the content, new contents, which could change the entire „game“?

Paul Schrader: People talk about the ‘Golden Age’ of Hollywood in the late ’60s and early ’70s. It wasn’t that the films were better or the filmmakers were better, it was the audiences that were better. It was a time of social stress and audiences turned to artists for answers. What do you think about women’s rights? What do you think about the war? **The moment that a society turns to artists for answers, great art will emerge.** It’s just that simple. It just happens. Back then, movies were at the centre of the cultural conversation.

https://lwlies.com/interviews/paul-schrader-dog-eat-dog/

thanks for your attention