



MEDICI – The Film Funding Journey

Reports Previous Workshops

Fourth Workshop Report – 16 – 18 September 2014 – Štířín (Czech Republic)

Module 1 – The Role of Public Funds in Promotion

Introduction

Public funds have adopted a variety of positions and tactics to promote the films they support. Some funds avail themselves of their website, newsletter and/or other means to promote and inform politicians, professionals and other parties. Others have created a specific entity to actively promote their industry and projects at festivals, on the market and/or for special events.

Or, in other words:

- Is it the role of public funds to be pro-active as “promoters” of the projects they support, and/or of the professionals active in their country?
- To what extent can they become involved? Who are the persons concerned?
- Do their actions bring concrete results (political level, sales, selection for festivals, etc.)?
- What are their relations with sales agents and distributors?



1. Overview and challenges of the market

- A very **tiny market share** for domestic films in most of the EU countries
- **Competent law(s)** determining how and where the films supported by the funds must be released
- Audiences moving towards a **demand-driven market**. How should public funds position themselves: by following audience demand? by confronting that market trend?
- The impacts of the **economic crisis** i.e. less financing support from broadcasters (public and private), distributors, but also from public film funds, rendering the decision-making process more difficult (support to fewer projects?)
- **No more physical boundaries.**

- A **fragmented market** competing for audience, which makes **the idea of a single European film market** almost impossible, due to:
 - tiny **national markets** with 28 different languages, mentalities and laws across 47 Council of Europe member countries;
 - the increased number of TV channels;
 - the power of the US industry, which represents 60% of the market share in Europe, even though the number of the US releases is five times less.
- The **balance within the value chain is changing** (production-distribution-audience cycle) due to the arrival of new players like telecom companies and Netflix. Consequences are:
 - **packaging or communication** with consumers is starting to take priority over content;
 - an **audience design strategy** during the production and financing phase has become unavoidable.
- Content's decreasing commercial value could impact its quality and give rise to **cultural issues**.
- The difficulty of finding space on screens for national and European productions, inciting distributors to financially favor corporate over cultural support.
- The **“brand”** issue, which makes Netflix and HBO very successful thanks to TV series with numerous episodes and seasons. Arthouse films are **one-time formats** and, as such, they have more difficulties on the market. If the distribution business moves from buying the title in the shop to buying a brand, that becomes a problem for the film funds and their cultural mission.

Outcome of group discussions

- **Re-think the notion of the evaluation criteria in the context of the new media** by incorporating three types of criteria – economic, industry and cultural (see Module 3).
- Have **producers and directors team up with distributors and sales agents** to provide upfront an adequate marketing plan for reaching audiences. Niche films require more effort and planning.
- Investing **more adequately in the distribution** of supported films may increase EU films' market share. In fact, the majority of public fund money goes to the production stage.
- Funds need to be **more selective and open for releases on VOD platforms** when seeking to support distributors.
- Find a way to **develop the taste for platforms devoted to national and European content** and to have them – like Netflix – invest in production. They represent a future for European films.
- Both brand and content are important. It is crucial to **create hype** around a project, so that everybody wants to take part in it through word of mouth and social networks. That creates a distributable product lending itself to distribution.

2. What about the challenges of piracy?

- Piracy and illegal platforms offer much more than **legal offers**.
- **Education and free Internet access facilities** influence piracy habits.



Outcome of group discussions

- To use the music experience and success like Spotify, etc. by:
 - **Lowering the price of products.** The problem is that doing so will even more greatly decrease the market income for all the film industry players.
 - Providing people with **a legal offer that matches the piracy offer.** With Spotify, there is no longer any need to download music illegally. It provides a better legal offer than private/pirate offers because you can connect to it everywhere for US\$10 a month. The **value added services topping the content** can expand the business models.
- To add **editorial content for free (like Universciné)** (*see Module 3*) to every film. Editorializing makes a big difference between piracy and legal offers. Piracy provides only the movie and nothing more, and this very often in a poor quality. Legal offers should be based on creating the content around a film – talking about directors, actors, the way a film has been done, what it reflects, reviews, previous shorts of the director, etc.
- To try to **benefit from something that is made available for free.** Piracy can help incite popularity.
- **Obtaining data on illegal downloading.** It can speak volumes about people's habits, general taste and demand.
- To put into place specific organizations to fight piracy, like:
 - In Norway, the levies from the cinema and media distribution are partly used as financing sources to fight piracy. The money is spent on financing anti-piracy campaigns and lawyers. It is administered by the association of cinemas.
 - In Germany, a special institution developed by the film industry and the FFA fights piracy with a budget of 500'000 € to 1M € a year. FFA also invests in anti-piracy education and has developed a system for tracking downloads. The latter enables research on when a film is released on the piracy scene, so that we can evaluate the damage. This is done in collaboration with distributors of the same films.
 - In Sweden, film agreements stipulate that some of the financing must be spent on fighting piracy: the amount comes to about 1 million €.

Challenges

- If content is free access, how to finance it?
- Who checks if the money allocated to specific programmes is being used actively?

3. Further questions

- **How to find and know the audiences** in order to influence them through promotional activities? How do funds do this in other countries?
- **What happens with the ways things are consumed?** How does that affect the distribution of films, job positions and the organizational structure within the public film funds?
- **How to predict what will happen if the market develops on its own, without any interventions?** How will the public film funds protect and support films with niche markets if they rely primarily on content with wide appeal?
- We are on the cusp of a major change. The path that public funds are pursuing is not going the way they expected. However, every time of big changes leaves room for new opportunities. **How could the funds take advantage of such opportunities? How could they carry out or try out something different and integrate it into the system?**

Promotion, Distribution and Success Evaluation

- **Module 1 – The Role of Public Funds in Promotion**
- **Module 2 – Distribution – Who and What to Support**
- **Module 3 – Vod Platforms as Potential Friends of the EU Cinema**
- **Module 4 – Release Windows**
- **Module 5 – Finding and Addressing Audiences**
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- **List of Participants** (PDF)
- **MEDICI Fourth Workshop Report** (PDF)

Illustrations by [Mišo Duha](#)



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Module 2 – Distribution – Who and What to Support

Introduction

Responsibility for distribution no longer lies with the distribution companies alone. Today the distribution of a film (VOD platforms, theaters, producers, etc.) involves newcomers on the scene: a different expertise and a specific distribution strategy must be adapted to each film.

Or, in other words:

- Whom to support and what kind of expenses to finance?

1. The Nordisk Film & TV Fund (NFTF) new initiatives

Please see also Petri Kempinnen's *general presentation of the Nordisk Film & TV Fund (PDF)*

In 2013, an extensive survey among distributors of all sizes, film funds and ministers was carried out. The objective was to discuss the distribution of Nordic films on different platforms. Based on that survey, in 2014 the NFTF set up four **new distribution initiatives** in order to:

- **boost the number of choices** available to our audience;
- make Nordic films **available all the time**, not only during the short period of a window.
- **reach the under-25 audience**

The four new distribution initiatives (2014)

Digital distribution support

- Aimed at improving circulation by reaching audiences through digital platforms
- Available for distributors showing Nordic films on VOD platforms
- Covering the promotion and marketing costs of the platform but not the producer.
- Ensures an **addition or alternative to traditional distribution** by TV, Cinema, VOD, mobile phones, etc.
- Annual support amount: 250 000 €

Support for recruited audience screening

- Meant for test screenings **to assess market potential** of non-national Nordic films.
- It covers the cost of screening and subtitling
- Single maximum support: 4,900 €

Nordic Film Marketing

- The third scheme came out of the extensive discussions with distributors who wished to make more ambitious marketing plans, but did not have enough expertise.
- The grant covers the cost of **hiring or developing marketing specialists** working exclusively on the theatrical and/or VOD release of up to three Nordic films. The grant covers the salary of a specialist hired for a period of 8 to 9 months
- The grant is a complement to single- and slate-project support
- The focus is mainly on **social media and young audiences**
- Annual amount comes to 115 000 € and is **non-recoupable**

Nordic film promotion for exhibitors

- We decided to tour the Nordic countries to present a showreel of upcoming titles that will be ready in the upcoming 6-month period, and the distribution support schemes that the fund offers.
- The trade conventions of the distributors/exhibitors will take place in four Nordic cities: Malmö (SE), Joensuu (FI), Oslo (NO) and Copenhagen (DK).

2. Case studies of projects allocated Digital Distribution Support

Case study # 1 / TriArt (Sweden) – www.triart.se

- **TriArt** is a medium-sized distribution company with experience primarily in cinema releases. As both distributor and platform, it is widely known in Sweden. They also invest in domestic Swedish films by supplying MGs, and have plans to expand to other Nordic countries. However, they do not own any cinemas.
- Their online platform **TriArt.se** combines international and Nordic titles for which TriArt holds the VOD rights. In the summer 2014, they decided to do a pilot project with four **Nordic titles**. These they released on VOD on May 31, 2014. They partnered with two major newspapers from two Swedish cities to promote TriArt.se through their website and print editions.
- Those titles are:
 - The Finnish film “Concrete Nights” by Pirjo Honkasalo. The film was released in cinemas two months before its VOD release on TriArt.se. As one of the very few Finnish films ever released in Sweden it got good reviews, but only 5000 admissions in cinemas. The VOD release included related interviews, reviews and other complementary material. **On VOD, the film scored the same as in cinemas, but did not do as well as expected.**
 - Three other titles were from 2012 and 2013: “All that Matters is Past” by Sara Johnsen was released on VOD a week after its theatrical release, “Sex, Drugs & Taxation” by Christopher Boe and “A Hijacking” by Tobias Lindholm were released directly on VOD. **They also had smaller audiences than expected.** In Sweden, similar films usually attract around 5000 viewers, but these films had around 1000 to 1500 rentals. The price of a rental was approximately 4 Euros for a 48-hour access. However, TriArt has recently teamed up with one telecom operator, and the new campaign with new Nordic titles is expected to start in November .

Case Study #2 / Greenlight (Iceland)

- Iceland is a small territory of only 350,000 people. Top VOD results are about ten thousand rentals, but the average number of rentals is one to two thousand. The top cinema result is 50,000 admissions, but already 10,000 is considered a success. In addition, Icelandic people often (almost four times a year) go to the cinemas.
- Greenlight is an art-house distributor with a lineup of Nordic films. It is owned by an exhibitor (cinema network), which makes it much easier for them to experiment with the releases. They shared the same challenges with TriArt when it comes to obtaining the rights from some of the bigger distributors, but the results are much more convincing.
- Greenlight did **Day-and-Date release**:
 - “The Keeper of Lost Causes” by Nikolaj Arcel (cinema + VOD) and **got 3,500 rentals from VOD and the same number of admissions in cinemas.**
 - “Nymphomaniac,” another successful example of Day-and-Date release by Lars von Trier. It **got around 5000 admissions in cinemas**, which is a good number considering the genre and theme of the film and the fact that in much bigger markets, like Sweden and Finland, it got only 10,000 admissions. In Iceland it also scored **4000 rentals on VOD.**
 - “Pioneer”, “Nordwest” and “White Snow” are other titles using the same strategy but that did not work as well: they only got **up to 500 rentals**

3. Conclusions

- **Distributors have been satisfied so far**, feeling that new distribution schemes have brought about a crucial change in our fund. The audience and the press responded well also, but **cinema owners consider themselves damaged by the new schemes.**
- **Both case studies are our first projects and first results.** In both Iceland and Sweden, it was the first time platforms launched marketing campaigns and partnered with media and audience to better market the Nordic films. We all learned something from these first trials. We are expecting new applications from Denmark, Norway and Finland.

- The **markets in Nordic countries are very different** and that needs to be respected.
- **Distributors almost never consider DVD releases**, because DVD is almost dead in the Nordic countries, except for Sweden (in Norway it is almost non-existent). VOD is cheaper. DVD releases cost more, and the distributor has to invest more in making them.
- **Revenues are decreasing with transitions to new platforms.** The production side is now in trouble because distributors cannot invest as much money as before. TV stations are also getting more hesitant to invest in film since the emergence of VOD. To us as a fund, this new situation poses a big challenge ahead.

Outcome of group discussions

1. Increasing audience through more regional/national collaboration

Challenges

- In most of the European regions, in spite of a common cultural and linguistic background and collaboration within the film business, films fail to reach their audiences. Some examples:
 - Dutch films never cross the border to Belgium, and vice versa, although remakes of each other's films show excellent results.
 - It is easier for a Norwegian film to get distribution in Germany than in Sweden
 - There is a recent example of the Danish live-action, superhero children's film that worked even in the US, but that the Swedish distributor in charge of all Nordic territories did not want to release in cinemas

Actions that could be taken by the funds:

- Funds must **be more proactive in communication with both national and regional distributors** and try to set regional rather than only national goals. In this context the innovative NFTVF distribution scheme is groundbreaking.
- **Extend the existing multilateral treaties to distribution funding schemes** (like the one between German-speaking countries) in order to open up borders and define collaboration with neighboring countries



Open market for foreign films

- **Inspire a regional (and also international) collaboration** in the context of driving the industry towards new platforms.
- **Promote films abroad as regional rather than only national films**

Regarding the Producers

- Producers can partly take **responsibility for distribution**. They should be encouraged to find the audience for their films by themselves, already during the development phase of a project.
- Producers **should be allowed to apply for digital distribution**.
- **Producers of niche films can become full-time distributors**. They can hire experts who help them bring the film to the audience for a one-time fee and without selling rights.
- Funds should empower producers by granting more money to distributors, on the condition that they ensure a **10-15% corridor to the producer**, in addition to the normal share.

- Producers should have **more power in negotiating** with global platforms like Netflix and iTunes.

Regarding the Distributors

- They should be **less conservative** and **not strictly bound to theatrical releases** and the distribution of blockbusters. There are examples of progressive distributors in Europe, like Magnolia (Germany).
- Distributors with a track record and with big and interesting catalogues could be **empowered to make better deals with powerful global platforms**. They could condition the rights for a big film by taking rights for ten niche films, for example.

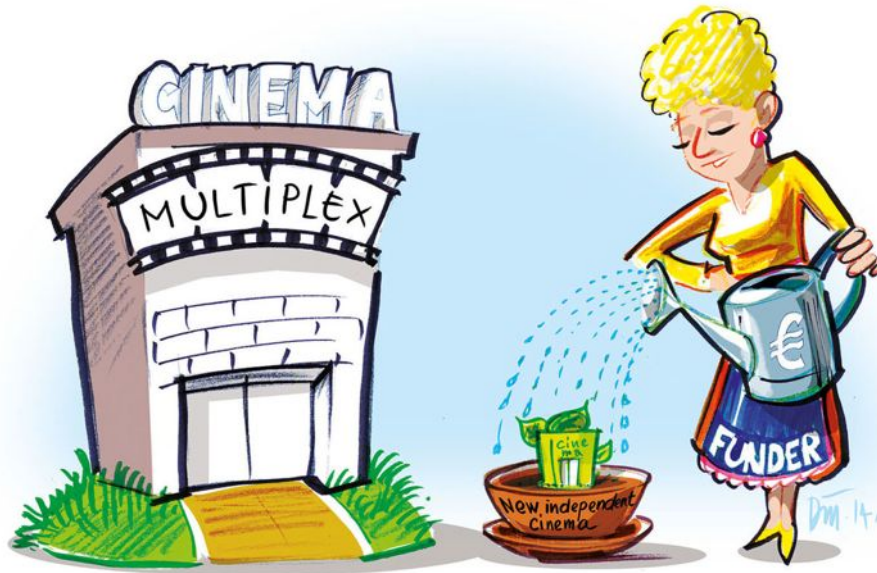
2. The role of Platforms within the distribution scheme

Challenges

- **Global platforms like Netflix do not fit the standard revenue models.** They offer fees, like TV stations, for making the content available for a certain period. But they pay less than a TV channel. So producers prefer to sell the rights to a TV station rather than to Netflix. Platforms can try to pay more than TV stations.
- **Developing too many platforms in Europe threatens to further fragmentize the European market.** Meta searching engines like Flimmit exist, but they are still nascent and incomplete, with an insufficient number of titles. Very often, they fail to list a film in which you are interested or that you wish to access.
- **Platforms do not send back revenues to the industry.** iTunes, for example, channels the money out of the region, unless they are forced otherwise. Integrating national providers into the film business may be a solution to this challenge.
- **Funds do not give money to support new and small platforms.** They remain completely dependent on the good will of distributors who dictate the conditions

Actions that could be taken by the funds:

- National laws, European Communication and other acts strictly regulate the funding policies of national film funds. It takes two years for a public fund to make a change within a support scheme. It is urgent to find a way to **respond faster and act more radically**. The case of the NFTVF can set a good example.
- **Distribution support needs changes.** Such support is often automatic, which makes the funds consider the films' box office over their quality. If a film does not work at all in the cinemas, it does not get any funding and vice versa.
- The funds invest in the production of numerous films, but only few of them turn out to be for a wider audience and cinema screens. Their audience may be somewhere else and can be targeted through the release on another platform. **Should the funds be the ones that propose and choose the release model? Should the level of distribution supports be proportionate to the individually tailored film distribution strategy?**
- To access distribution support, funds could require **distribution companies to show a detailed business plan** where they do not rely solely on public subsidies.
- Funds should introduce **separate schemes for funding platforms**, to open up the distribution support schemes designed solely for distributors.
- There should be **more national responsibility for formatting and distributing the local content in order to fit the new media**. International/global platforms like Netflix have little room for national content. It is not only an expense-related problem but a real challenge for funds.
- **National funds could follow the new distribution schemes of Creative Europe**, whereby distributors can get support for a slate of films on VOD platforms. At least thirty films from five different territories are required.
- **The question remains: what platform(s) to support? Only established platforms? New ones? Platforms that in the past worked as distributors? The ones with a good track record that already profiled themselves as stable, active players?**



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Module 3 – Vod Platforms as Potential Friends of the EU Cinema

Introduction

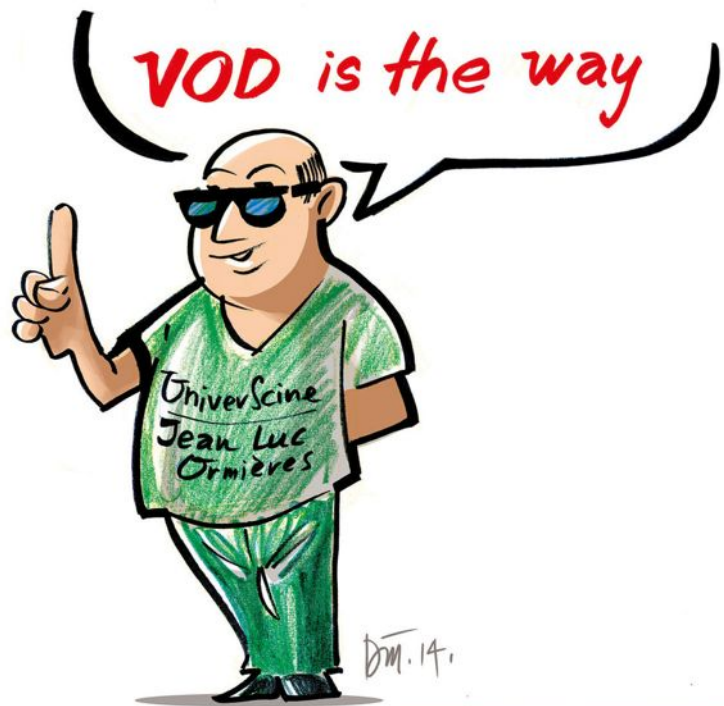
The first day of the third MEDICI Workshop was devoted to the impact of digital means on film business and production. Participants discussed the need to share knowledge with the industry about new distribution platforms, and the desire to see European films – mostly art-house films – attract more people and find an audience. With the arrival of VOD platforms, they expressed concern over whether people would watch art-house online.

Or, in other words;

- What will happen five years from now?
- Do film funds support VOD platforms in their own country?
- Is it the role of the funds to initiate the creation of national VOD for their indigenous productions (all categories)?
- How can new media contribute to something different? Is there any possibility for the funds to work with new media platforms?

1. Universcine, a VOD platform devoted to independent cinema

Jean-Luc Ormières – co founder of UniversCine (www.universcine.com)



See also:

- [Jean Luc Ormières's presentation \(PDF\)](#)
- [Questions to Jean Luc Ormières \(PDF\)](#)

Introduction

UniversCine was founded in 2001 by production and distribution companies, as the first independent VOD platform in France. More than 3000 movie titles are available, representing over 40% of French annual productions, 20-25% of the total number of films released, and over 40% of European films. The platform covers art-house niche markets and also acts as a virtual distributor. Little by little, Universciné builds awareness of unknown directors from all over Europe, who already have track records on their domestic markets, but none in France.

What does UniversCine do?

- They **aggregate VOD rights**. Independent distribution companies with arthouse films from all over the world have the possibility of channeling their acquisitions through UniversCine. The latter dispatches films on all available VOD platforms in France, thus guaranteeing rightholders the broadest VOD film exposure.

Somehow this puts Universcine in the **position of a VOD distributor**:

- They have acquired films from all European and non-European countries. For instance, in the past they acquired nine films from Slovenia that have never been shown.
 - In France, they started paying **MGs** for VOD rights. They can pay between 3000 € for a Chinese documentary to up to 200,000 € for a French film.
 - They provide a **huge editorialized content** to trigger different spectator attitudes. With a team of more than 30 people, 8 of whom are either editors or journalists in charge of creating additional content — e.g. interviews and all sorts of bonuses to the film.
 - They have exclusive **cross-marketing collaboration** with festivals such as Streams, enabling us to distribute the same films at the same time in several countries and on several platforms.
 - They **provide technical services** to their partners: for example, a technical unit that tries to identify some potential pirates.
- Two to three years ago, they launched a **physical label, BLAQ OUT – a DVD publisher** targeting the same niche market as VOD.
 - They pursue the idea of **setting up similar platforms in various countries in Europe**. Even if not successful everywhere, so far in Europe they have created a network of 14 platforms. These work in solidarity with each other to get through the occasional hard times and to buy content together or else for each other, elaborating on the mutualization of tools.
 - They have developed a **standard acquisition agreement to clear rights** off films and hand them over to any platform that we want to operate in a territory.
 - They decided to **play local and to address people according to their culture** and to what is happening in their country (like in Switzerland, the films on the platform are available in three languages, in Belgium in two languages, etc.). Potentially therefore, they have an opportunity to address some 260 million people.



Why?

- To help independent producers **take advantage of distributing films online** by themselves and thus take charge of the destiny of their films
- Because **VOD has definitely taken over the DVD market.**
- It is a step further towards **creating a European market for art cinema and increasing transnational circulation.** If there should be but one single person in, let's say, Austria, looking for a Portuguese film, something important is achieved, because next day it will be two persons, and the day after four, and this is how, in Europe, we promote films coming from other countries.
- To **provide new space** for the exploitation of our films by adjusting to local environments.
- To contribute to the **change of the players'** (directors, actors and other players) mindset by helping them understand the benefits of such distribution.

Adjusting to the new media:

Portability

- Portability applied to **SVoD allows consumption in different countries** and announces a change in the relations between the producers and the sales company.
- It provides **possible technical solutions for the EuroVoD platforms:**
 - Combined identification of users through IP and their data bank;
 - Possibility for cross-border access when traveling abroad;
 - High-level security for both customers' details and content licensors' rights
- It has **legal and business implications:**
 - To inform users that if they act in contradiction with the Terms & Conditions, the service will be interrupted;
 - To inform rights holders and re-sign contracts with them;
 - To enable rights holders to authorize or not this type of exploitation of their films
- The VOD market of **expatriates:**
 - This market is important for bigger countries (2 millions for France) but also for small ones with a large diaspora, like Ireland
 - Those people are extremely hungry for their domestic culture.
 - There are 15-20 million people from Europe working temporarily in third-world countries.
 - ⇒ The idea is that every citizen with a credit card issued in his/her country can have access wherever they want to the movies that have cleared rights in their native country.
 - ⇒ It means to start working with sales companies so expats can see their national films even if the films have not been sold to a local distribution company.
- Portability also refers to **people who are learning a foreign language** and have no access to the films from the country of the language due to the lack of distribution.
 - ⇒ A VOD deal can be made between producers and sales agents so that these films find their way to such viewers 18 months after their release
- To offer Ministries of Culture or other **to show the films in their cultural centers** around the world (this worked very well with the Ministry of Culture in France). The Goethe Institute or the British Cultural Institute could do likewise.

The role of new media in different funding criteria

Cultural criteria:

- To admit that VOD is a new media, not simply a branch of video or TV.
- To enhance the "audience appetite" for non-domestic content.
- To improve the transnational circulation of films in Europe.
- To create an awareness of a European identity/ies in times when this is endangered.
- To keep culture exempt from the market rules.

Economic criteria:

- Bigger revenues for the exploitation of a film, enhancing the availability of the film for the audience
- How do the business models affect the value chain? Transactional VoD versus Subscription VoD?
- The impact on the current financing system

Industrial criteria:

- Where do the new media influence the development and wellbeing of regional industries?

Collaboration between new media platforms and other partners

- It is important to ask **producers** what their expectations are with respect to VOD. They will need to define/understand the release window their content is made for. There are examples of films with mediocre theatrical release results nonetheless scoring 50% more revenues than in cinemas with their VOD release.
- We need to take specific actions towards the key players in the industry (**directors, actors, but possibly also casting directors, HoDs**) to render them more cooperative and less wary of having their film on the Internet.

2. Challenges and opportunities that VOD platforms face

Challenges

- 2723 VOD services exist in Europe, **but hardly 200 are sustainable businesses!**
- **VOD at the moment represents between 2-4% of the revenue** generated on a movie. Could it be up to 15 % within 4 years? What is going to happen in the future? Will that be compensation revenue or additional revenue? How will the financiers, public funds included, be reacting to these new revenues? How can they estimate them?
- The problem with VOD is that you know figures (number of subscriptions and rentals), but **you do not know your audience**. It is a big challenge to gain direct dialogue with the consumers, because the Internet service providers render most of the traffic blind (90% of traffic generated thru IPTV).
- What will happen with the Subscription VoD (SVoD) (which is halfway similar to so-called "couch-potato" behavior of just pushing the button on the remote control)? **Where should SVoD be included on the release windows scene?**
- Actual measures related to the release windows protect not only the financing system (MGs, pre-sales to TV and pay-TV which, in France, contributes up to 18 % to the financing of the film industry), but also the quintessential link between the spectators and the film. **Should the windows be reduced? And what would be the impact on the financing system?**
- The **DVD market is gone, pay-TVs and TVs are losing interest in financing films** (in France, 50% of the production does not get support from pay TV and free TV): VoD could then become an opportunity in the long term.

Opportunities

- Video-on-Demand **enhances the trans-national circulation of films**, to which theatrical distribution cannot contribute.
- VoD is a **significant opportunity for some genre films**.
- VoD, at the moment, **might affect the existing financing and revenue models** without providing any proper economic alternative.
- **In a year from now, the market will change** and offer VoD platforms new opportunities
- VoD also can be **an important link with the audience that lives in a sort of a cinematic desert**, since in many countries nothing but the capital city theaters exist. But how easily can it go beyond this?
- **In some cases/countries, funds should assimilate VOD release into theatrical release**. This applies particularly to co-productions made under the European Convention on Cinematographic Co-production. Eurimages has already taken some steps in this area.
- The competent authorities should also **acknowledge co-productions where a co-producer has at least a contract with a VOD distributor**, especially when it comes to the countries of minority co-producers.
- Funds must **find a way to help producers and other key players to better understand what VOD means**, in order to make their films attractive and more easily available on such platforms.
- Funds must **include the role of new media in their evaluation criteria**.
- **We need to redefine altogether the time and space of the exploitation of our films**, adjusting them to the local environment.
- **A network of people with diversified expertise is necessary** to shape things better in the future.

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Module 4 – Release Windows

Introduction

The question of release windows has become unavoidable. Access to content has changed radically since the appearance of VOD platforms and the decrease in box office revenues. Even if theatrical releases remain the best option for feature films, the pressure to change the rules for film releases must be considered.

Or, in other words:

- What kind of influence can a film fund have over its own release?
- How can other market responses (straight to DVD or TV and, soon, to VOD) be dealt with?
- What about the holdback periods?
- Has branding and storytelling around brand become part of cinema?
- Can a film fund influence the release of a film in the most strategic way?
- When funds receive an application from a producer, does it contain anything that concerns the release? Did the producers talk to the audience? Do they know where the audience is? Do they plan to spend money in order to reach that audience?

Five reasons why we need new release windows in Europe

Domenico La Porta, CEO Cineuropa (www.cineuropa.org)



Please also see:

- [Domenico La Porta's presentation](#) (PDF)
- [Case studies](#) (PDF):

- “The Tide Experiment” (ARP/France)
- “A Field in England” by Ben Wheatley (UK)
- “Welcome to New York” (Wild Bunch/France)

Reason 1: Even if they look like American films, European films still do not travel

If we look at the top 20 films by admissions in Europe in 2013:

- Mostly American films are listed.
- The first European movie, “Les Misérables,” is in 18th place. It is hardly a European film because it is a co-production between the UK and the US, with an American cast. It was sold as a US film, using the same marketing strategies as Hollywood blockbusters.

As for the top 20 European films by admissions:

- Most of them are known only in their country of origin, by cinephiles or film industry professionals.
- In second place is an Italian film that made 8 million admissions, but only in Italy. It was not sold abroad.
- In third place is a German comedy that was successful mostly in Germany and Austria.
- In fifth place, “Lo Imposible” —a film shot in English with an American cast but with Spanish financing and a Spanish director. Nonetheless, and despite the fact that it looked like an American film for large audiences, it obtained 100% of the admissions total in only three territories in Europe (90% of admissions in Spain).

Reason 2: The young audience is somewhere else

Numbers suggest that the situation is better now in 2014 than in 2005. Ten years ago, the figure was 901 million viewers; today, it is 908 million. Even if there are no drastic changes, the statistics of film institutes and the European Audiovisual Observatory show that:

- in some countries, the audience has dropped dramatically. Spain has lost almost 46% of its cinemagoers;
- during the last two decades, cinemagoers tend to be seniors and only rarely people between 11 and 24. The young audience will not come to the cinema unless promised a new movie experience.

Reason 3: The cinema experience is becoming less unique

- The Internet penetration rate is growing:
 - 14% percent of the EU population lives 30 minutes away from the closest cinema. In Romania, that goes up to 40%.
 - The Internet penetration rate in the EU is 76%, which is much higher than the world average of 39%.
 - In the top ten Internet countries:
 - Spain is in 5th place, which explains the drastic drop of moviegoers in the last decade.
 - Romania, although a small and poor country, is in 8th place because the Internet is the only way for most Romanians to watch films.
- The TV set market has doubled between 2005 and 2012:
 - The quality of the screens has improved, not only with the flat screens, plasma TV sets, 3D TVs, etc. but also because of their size. You can have an experience at home comparable to the cinema experience.
- Cinema is not a social experience anymore:
 - People do not talk to each other after the cinema screenings: everybody leaves the cinema right after the screening, so there is no longer any connective experience.

Reason 4: Fragmentation of digital users

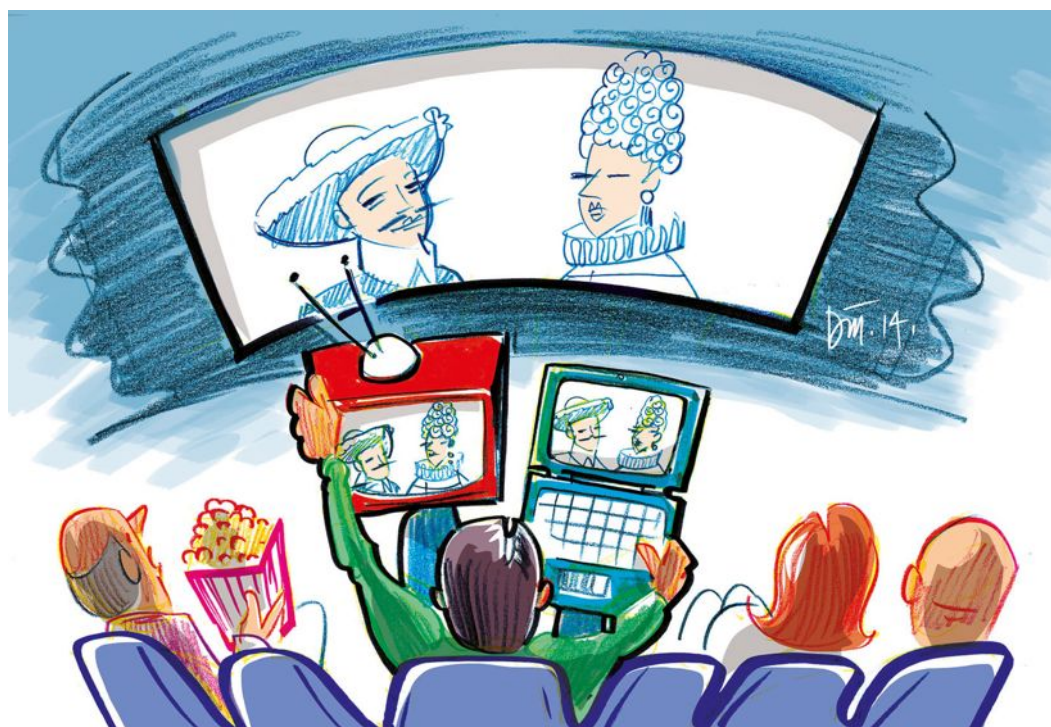
Digital users can be divided into **five** profiles: these need to be better targeted:

- **Digital haters** do not like technology or the Internet, and do not watch movies on VOD. They have Internet at home, but they do not really use it. They use technology only when they find it practical and useful. Haters will keep associating film with the cinemas; and they are to be found mostly among the older generations.

- **Digital immigrants** started using technology for work, business, emails, etc. but then discovered other possibilities and started using them as well. They are starting to consume VOD packages on tablets.
- **Digital explorers** are immigrants who explore everything. Whenever there is something new (Spotify, Netflix, etc.) they go for it. Maybe they will not adopt it, but they will at least try it out. They will share a trailer on a FB page or say something about your film even before seeing it.
- **Digital leaders** utilize their consumption of digital to do something more with it. The "leaders" need at least sixty smartphone apps to handle their email properly, whereas the "immigrants" need only one. The same applies to their music consumption. Leaders create a network for sharing digital content. Each digital leader has a digital nemesis. As soon as they have new information, they want to communicate it, thus ensuring their growing prominence.
- **Digital natives** are people for whom the Internet is like electricity. They were born with it.
- Both **natives** and **leaders** fall into the age group that does not go to the cinemas; they absolutely need new release windows.

Reason 5: People have transmedia habits

- 90% of people in Europe say that TV is the best way to watch films, while 87% say they watch films both on computers and in cinemas. This shows that most people have transmedia habits. It also underscores the importance of:
 - Crossmedia marketing that is free. Everything becomes a social network today. People prefer comments on the social media to articles by professional journalists.
 - Word of mouth makes people become interested in a film, and then they choose the fastest way to consume it. If the film cannot be seen at that moment, they either turn to piracy or forget about it because word-of-mouth will come up with something new! Choosing proper release windows for the right films at the right moment can solve this problem.



Tips for choosing the right release window

- **Context:** It is crucial to release a film at the right moment, on the right and best platform suiting the film. The context implies compliance with **competent legislation** (France and Germany are among the most rigid countries in this regard), and **business models** to experiment with the release window.
- **Choice of film** (for distribution through new release windows): Film funds can play an important role in this respect, since the choice implies **economic and political risk** (exhibitors can boycott the film, distribution lobbies can fight it, etc.). All the films that enjoyed successful day-and-date releases did so because they were extremely well chosen.
- **Experimenting:** In the past decade, approximately 438 release experiments have been conducted—77% in the USA, 92 in EU (50% in the UK). The experiments have included:
 - **Day-and-date** (film release in cinemas, VOD and often on DVD on the very same day or within a short period of up to two weeks). The first successful day-and-date

releases happened in the UK in 2005 with the film “EMR,” and in the US in 2006 with Steven Soderbergh’s “Bubble.”

- **Ultra VOD or VOD preview:** The VOD release comes first, followed by cinema and DVD releases. The first example was a documentary by Brian De Palma, “Redacted” in 2007: the results were good, due mainly to the director’s fame and right timing (the VOD release coincided with the festival premiere).
- **Post VOD**
- **TV Previews** like “Woman with a Dragon Tattoo,” which was first released on TV and then in cinemas in many European countries.
- **Day-and-date with Festival and TV** Cannes did so in collaboration with Canal+.
- **Festival and VOD:** as with “Welcome to New York,” released at Cannes and on VOD (see Case Study 3 below).
- **Direct on VOD** could be also very successful for films of good quality and obtaining great reviews.

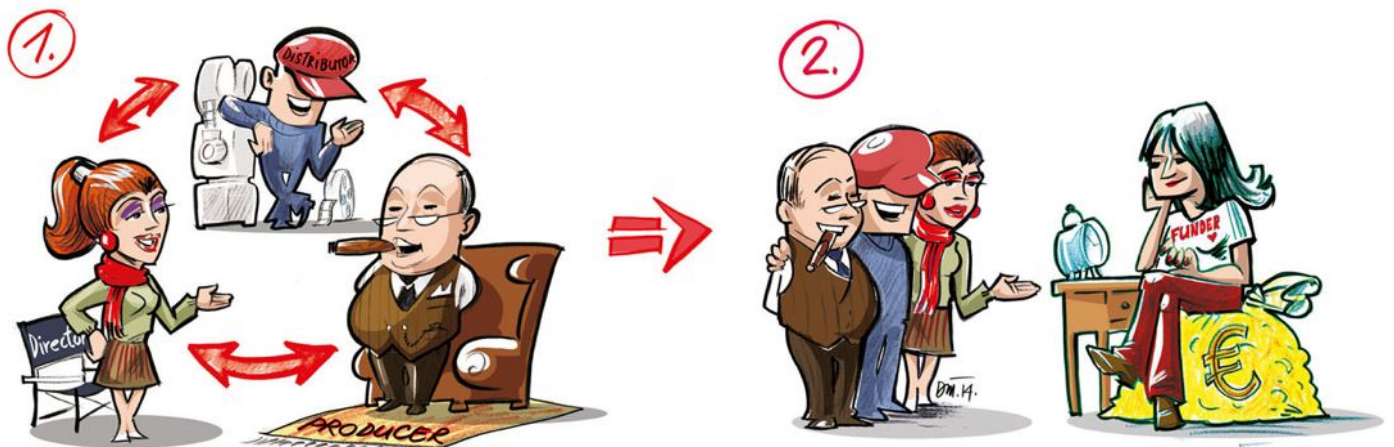
Outcome of group discussions

Film funds can stimulate new release strategies through:

- **Facilitating talks within the industry**, initiating processes and inspiring people to think creatively.
- **Stimulating producers to be less conservative.** Distribution strategy should be made a mandatory part of the application form, bringing extra points.
- **Launching innovation schemes** that cannot be used for anything else but innovative distribution. If the funds put that into the official rules and regulations, distributors will follow the rules and be more proactive. Some film funds like the British Film Institute, Finnish Film Foundation and Wallimage already have such schemes
- **Staying away from purely automatic support schemes** and employing, instead, competent people who can apply and implement alternative releases
- **Deciding which films are not for cinema release and offering them alternative release windows instead.** In that way, they will get a wider audience while cinema owners and distributors will avoid financial losses.
- **Helping festival hits** get their instant post-festival VOD releases for international audiences.

Challenges

- Most European **producers have been accustomed to a certain routine for years** and do not want to change. It is usually only young producers who use the opportunity of alternative release windows.
- Sometimes there is **no agreement between distributors and producers** (and directors) as to transmedia strategy. Distributors simply disable it.
- **Distributors accuse funds of using cultural products made with public money to gain some extra profit** by pushing them out and involving other players, like TV, in day-and-date releases.
- Innovative distribution funds force directors and producers to talk with distributors first, and then team up with creative people from other fields to come up with out-of-the-box audience design strategies. However, **players very often team up just to get another share of easy public money.** At the same time, marketing agencies see producers as just another client, and not as a cultural worker.



- **Changes of regulations in the funds take too much time** or are made difficult because of the law regulating release windows.
- **Funds have to find a way to convince the different players to work together.** Movie theaters

and TV are still reluctant as to new distribution schemes; and could issue an ultimatum to cancel a deal with TV or forget about the theatrical release.

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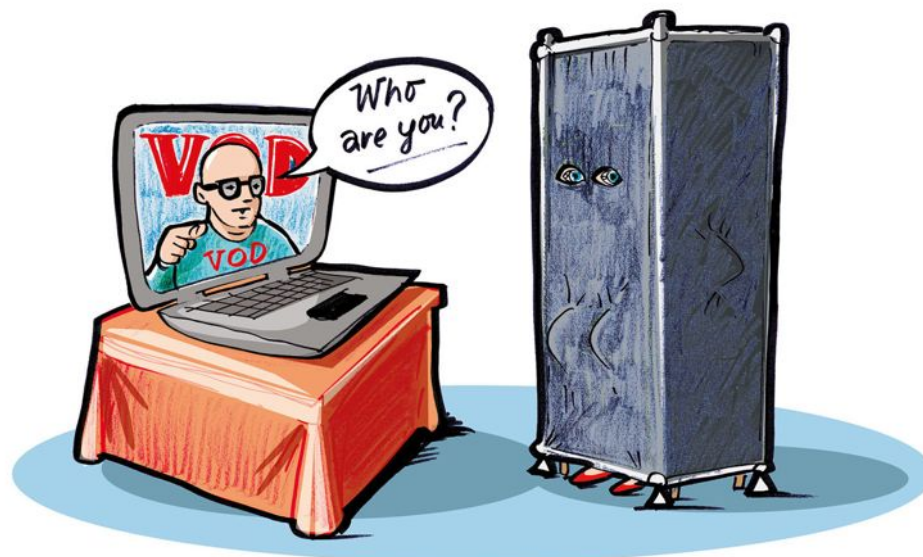
Module 5 – Finding and Addressing Audiences

Introduction

Films are made to be seen and to find their target audience. Today, this represents a real challenge, given the market's fragmentation and the changes in consumer behavior. Indeed, nowadays the choice of both a film's content and its support is up to the consumer.

Or, in other words:

- What tools are required for funds and the film industry to gain better knowledge of the audience and the market?
- The funds can choose between being a player or a pawn - to be proactive or passive. In which areas do the funds need to step up and become more of a player? What is stopping them from becoming players? Do they need a different attitude, more courage, more collaborators or more skills?
- Should the public funds adapt themselves more to the market needs, or should they try to interfere in the way the market works?
- In the film industry, you need to stipulate who your audience is (acquisition), where they are in demographic terms (development), how to address and interest them (marketing & promotion) and how to keep them (retention). How do film funds envisage the management of different audiences, and their relationship with them?



Unknown audience

Outcome of group discussions

1. How to gain better knowledge of the audience and the market

Access data on cinema audiences

Two examples:

- **French Model:** In France, there is a **CineCards** system, which enables cinemas to gather the profiles of their clients and promote films that correspond to client- demand.
- **Danish Model:** In Denmark, there are **cinema clubs**. These establish a real relation of trust with their audience, **helping members develop a taste for films** that normally would not be that popular **with them**. Cinema clubs significantly rely on **word-of-mouth**, because their members spread news about the films outside their circle.

Challenges

- Data about CineCards buyers and cinema club members do not represent the market:
 - ⇒ It is just data on a small group of loyal cinephiles.
 - ⇒ The CineCards scheme is not reliable. People very often cheat, scanning the card without seeing the films.

Access data on non-cinema audience

Non-cinema audience data does not exist for the following reasons:

- Film funds conduct research **only on films released in theaters**.
- **Gathering demographic data from the new platforms is a real challenge**. Some of the platforms are based in countries where it is impossible to ask for and access their data, e.g. iTunes is based in Luxembourg, Google in Dublin, Netflix in The Netherlands.
- Some films, supported by film funds, are seen by almost every teenager in the country thanks to **school screenings**, but those figures cannot be accessed.
 - ⇒ If the Funds could collect that data, it would provide them with arguments to talk the matter over with politicians and plead for more (or stable) funding.
 - ⇒ They cannot build a direct relationship with the audience nor gain a clear vision of the real audience for the films they supported.

2. The role of a film fund: a player, a pawn or a catalyst?

- It is difficult to be a player in an inflexible playfield dominated by big theater-owners. To challenge the big players and become players themselves, the funds need to **use the fact that they do not depend on theater-owners**, at least in the short term, and to challenge the status quo.
- To become a player, a fund would have to **overcome two main barriers**:
 - EU regulations stipulating that film funds cannot interfere with the market.
 - Fear and pressure exerted by the big theater owners who understand such actions as war, and would use everything in their power to see the heads of film institutes fired.
- Film funds could **find a balance between the role of a player and that of a catalyst by**:
 - Gathering all industry players in the same discussion room. Funds can give them clear affirmative signals and support their projects and ideas. However, they should not take up the fight on their behalf.
 - Developing new schemes and incentives to facilitate alternative forms of distribution. However, it is the producers who should step up against the big players.
 - Supporting the launching of new cinemas and new kinds of networks.
 - Inciting producers to experiment with releases on their own.
- **In Europe, film funds are players** because without their support, producers cannot make films and survive existentially.

3. The relation of the funds with the market: marriage or war?

- Up to now, public funds have only thought about supply, without considering demand. They support films exclusively on the basis of the quality of a script. Their decision-making is driven by passion and subjectivity.
- In order to reach a larger audience, albeit not necessarily on a blockbuster scale they should:
 - **Change their way of choosing projects**.
 - Consider **how the producer defines the audience** and plans to reach the market.
 - **Encourage producers to start audience design at a very early stage** of development, as part of the production process. Producers are too focused on a film's quality and e making, its director, its budget: too little effort is invested in reaching

the market.

- **Look at alternative release strategies** that fit the free market, like in the US. However, in small national markets where films are mostly cultural products, this seems impossible. Could funds change anything?

4. Actions that could be taken by the funds

- **Lobby for changing the law** in order to include different release windows in their support schemes (like Austria, Germany, etc.).
- **Support arthouse VOD platforms** that would make difficult films more attractive and more available to the audience, and that would offer alternative content to big players like HBO, Netflix and also the public broadcasters' networks.
- **Intervene in the education and training programs for producers** to include classes on film distribution, promotion and market evaluation. Presently, students are unable to recognize new possibilities for targeting and reaching the audience.



- Evaluate whether the role of the funds is limited to looking for national effects and sticking to rigid national film policies, or **to consider European transnational cinemas and audiences**.
 - authors, producers and exhibitors would earn more money;
 - it would improve the box office results, giving producers more recognition but also ensuring more automatic funding;
 - it would put a stop to the illegal downloading of films made by the teachers
- To take charge of **school screenings of national films**, and include those screenings when calculating the box office results. This can bring multiple benefits:



- To think about **improving movie theater facilities** in order to gain new audiences. In Switzerland, for example, there are big co-operatives consisting of 250 apartments with indoor cinemas and offering a bar, a restaurant and cultural events as extra content. They have seven screens with 15-20 seats in order to satisfy diverse niche audiences. This model could be exported to other countries and supported by the film funds.

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Module 6 – How to Evaluate Success

Introduction

Success evaluation is the key for film fund managers. It is a matter of accountability not only with regard to the politicians and other instances, but also as to their own management and decision process. Not only can it influence the subsidy level for a given project or producer but, in some cases, it can also determine their very eligibility, their evaluation criteria, the genres of the films for which support is sought, etc.

Or, in other words:

- Which tools can a film fund develop to evaluate its strategies and policy?
- How can best use be made of success evaluation results?
- What data should be used?

How does Telefilm Canada measure the success of Canadian films, and why?

Michel Pradier, Director Feature Film – Telefilm Canada (www.telefilm.ca)

See also:

- *Michel Pradier's presentation "Measuring Success – Telefilm Success Index" (PDF)*
- *Questions to Michel Pradier (PDF)*



1. Reasons for changing the success evaluation of a film

We changed our success evaluation for the following two reasons:

- The Federal Government decided to give us 100M CAD a year to sustain feature films and attain 5% of the market share. Our market share has been below 5% since 2000 because of the vicinity of the US, and of the fact that English-speaking Canada is assimilated into US cinematography. US films make up 85% of the market share. Some years, like the year “Avatar” was released, that percentage jumps even higher.
- In our funding system, everything used to be calculated on the basis of the net national box office. On the one hand, this created discrimination and overlooked the achievements of many films. On the other hand, some producers were left with no access to automatic funding. However, box office grosses do not represent the totality of a particular film's achievement. It says nothing about selection and awards at the major festivals, nor about VOD sales and domestic or foreign platforms.

2. The new philosophy for success measurement

- We decided to evaluate films from three points of view: economically, industrially and culturally.
 - A film's **commercial component (economic value)** is allotted 60% of the points (40% relating to box office, 10% to domestic sales other than box office, and 10% to international sales). The big players in Canada that used to get 100% of the points based only their box office took to protesting. It took us a year and a half of consultations and discussions to reach the final model. Our first proposal was that only 30% of the points be allotted to the box office, but in the end we negotiated 40%.
 - **Cultural component (cultural impact)** is allotted 30% of the points. It covers international and domestic festival selections and awards.
 - **Industrial component (industry health)** is allotted 10% of the points. It represents the input of both the market and private investment in each film.
- The scoring has to reveal the totality of the value of a film. By aggregating the scores throughout a specific time period, we can evaluate the success of Telefilm Canada as a fund, and demonstrate how each individual production company performs on the basis of the score for each film they produce. Also, creative teams (producer, screenwriter, director) get an individual index for each film in which they are involved.
- We started applying our tool in 2010 by calculating the box office of all Canadian films for that year: it amounted to 24,6M CAD. The year 2010 became the reference year. We compare results under each heading: this helps us see where we scored well and where we underscored, and gives us indicators for new initiatives we may launch to improve things overall or in certain segments.

3. Data sources

- We have an aggregator (a device called MPTAC) that provides us with the national box office data on a weekly basis.
- Data for the cultural component, including festival selections and awards in Canada and abroad, are collected either by the festivals themselves four times a year (for the four prominent national festivals), or by external persons in contact with the international festivals (incl. Oscar, Golden Globe, etc.). We consider only the major awards (best film or best director). In total, we have 60 cultural events recognized by Telefilm's success evaluation system.
- The industrial component is checked through the financial structure of the films we finance, by calculating public-private financing ratio. For the films we support, we demand that producers declare the entire revenue on an ongoing basis.

Challenges for the future

- We would like to **measure our film's social impact as well**, and how they resonate with the audiences, but we still lack any device for collecting data of that sort.
- **Increase the frequency of distribution reports.** All the information on domestic and international sales (trade level) is collected through the distributors' sale reports twice a year. Our aim is to ask for reports four times a year.
- **We lack data on the films that are not supported by Telefilm Canada.** The only source of information is the assessments by the producers, depending on when and if they have the time and/or interest to provide us with it.

4. Success evaluation methodology

- Scores are calculated for individual films, production companies and creative teams.
- The index that an **individual film** gets is a proxy, and not the real value of a specific box office.
 - We have a special index calculation method for smaller art films in order to make them more competitive, and because Telefilm Canada supports mainly that sort of

- films.
- Films with a 5M CAD box office get the same index as films with a 40M CAD box office, to ensure fairer distribution of our support.
- The scales have become similar for domestic and international film sales.
- There is also a new scale for selections and awards at international and domestic festivals (see the enclosed presentation for more details).
- Each film gives a score to their **production company**.
 - We calculate each company's average index based on the cumulative results of all the films produced over a five-year period.
 - This average index serves as a tool for assessing and predicting the success and feasibility of each company's future applications.
 - Scoring is gradually replacing CVs.
 - It provides a clue as to whether a production company will be able to deliver what it has promised.
- **Creative teams** are also assessed.
 - The director, for example, gets his index for every single film he has directed, and an average index for a five-year period.
 - The same applies to the producer and the scriptwriter.
 - The producer usually gets the same index as the production company since, mostly, he runs it himself. In the case of a company hiring a producer for but a single project, a different index is made available.

5. How does the index impact the decision-making process?

- At the project level, these are the five decision-making criteria:
 - **the production company's track-record** as shown by the company's index;
 - **the creative team members' track record** as shown – but not exclusively – by the creative team's indexes derived from their filmography;
 - the relative **market interest** expressed by the level of financial support the project earns;
 - **the marketing approach and strategy**, especially the initial promotional push;
 - **the quality of both the script and the director's vision**.
- We check the **market interest** for every project, and engage in a lot of discussions with distributors in this respect:
 - For budgets under 2,5M CAD, the producer is not required to demonstrate market interest when applying, but such projects never get over 500,000 CAD funding.
 - For budgets over 2,5M CAD, the producer must demonstrate 10% market interest. Market interest could be expressed through a fan-base, kick-starter mechanism, national and international MGs, gap financing, sponsorships, etc.
 - Sometimes we use our index to indicate that even for projects below 2,5M CAD, there may be market interest but that does not influence the final decision whatsoever.
- We also take into consideration the **global portfolio of our investment**, based on diversity of genres, projects coming from the different provinces of Canada, minority groups – e.g. Aboriginal communities, the Francophone community outside Quebec, the Anglophone community in Quebec— and new talents. Around 10% of the budget is given to new talents in the French-speaking fund, and around 15% in the English-speaking fund.
- We have also **removed deadlines**. We are spending more time on discussions and conversation with producers about the ideal timing for submitting their application – when they have a cast in place or the proof of market interest, etc. We try to be fair, and we tell producers not to bother to apply if they have not met certain criteria. Deadline removal works well, especially within the English-speaking market, because it fits in better with the mentality of producers working there.
- We replaced our automatic system with a **fast-track system**, designed for successful companies that produce at least three films in five years. Five companies have been selected and have access to reserved and additional funding.

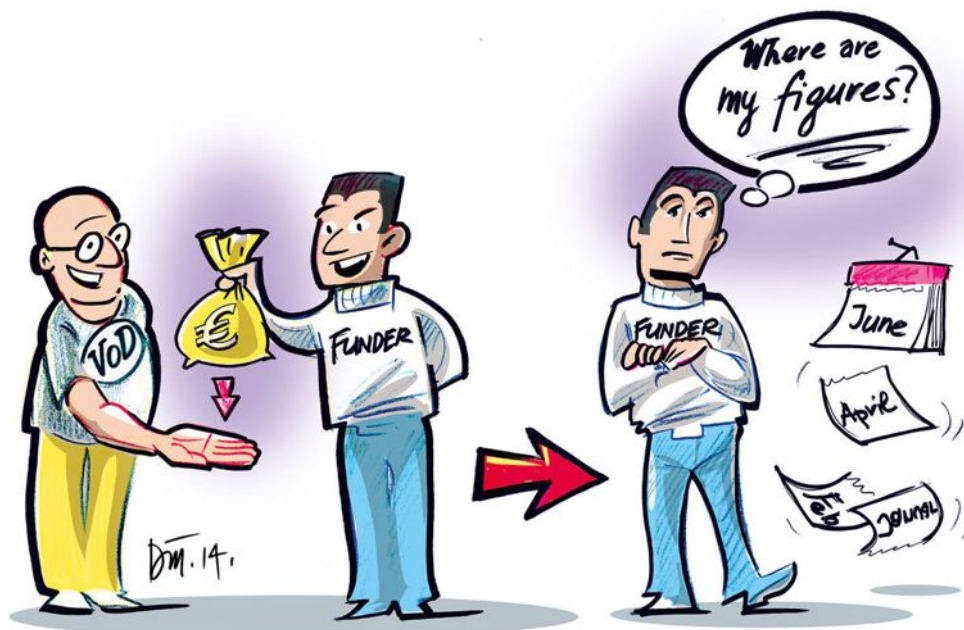
Challenges

- **The index is not strong enough to ensure what will be successful.** It is based only on a company's previous score. During the decision-making process, we still need CVs and the track records of directors, scriptwriters and individual producers.
- **We still do not know how to fully define a sustainable company.** How many productions does it have to do per year? What kind of revenue to generate, etc?
- Even if this system is innovative, **it is just information.** At the end of the day, it is still a human

being who makes the final decision.

6. Future plans

- **To increase the frequency of the revenues calculation** from twice a year to four times a year.
- For films supported by Telefilm, **to track the number of VOD transactions and other kinds of online distribution access** in order to include the results in the calculation of the indexes.



- **To check audience demand**, to harmonize and standardize measurements at a consumer-centric level. At the moment, we only consider the the supply side.
- **To better measure the opinions of consumers/critics.**
- **To further automate data collection and calculations.**
- **To improve our ability to adapt the scheme to the changes in the cultural sector**, in order to remain relevant
- **To further develop international collaborative efforts to build and maintain modern measurement frameworks.** The Success Index has been presented to film funds in other countries to obtain feedback, and to let them understand that films should not be measured only according to the US-imposed box-office standards.

Outcomes of group discussions

- **Such an index can make funds both player and pawn**, depending on what they need. Funds can play a pawn and reject a project on the basis of its poor index. However, if they really like a project, they can be a player, and decide to support it in spite of the poor index.
- **The indexes show what has been achieved as a fund far better than any other figures.**
- **This system pushes production companies forward**; it encourages them to become proactive and to have a vision at all times, knowing that they are under constant evaluation.
- It is **great that such a tool includes more than merely economic value**, but also the cultural aspects of projects.
- **Today, funds need tools to justify their decisions and expenditures** because the number of applications and films is on the increase daily. They need a system that is easy to apply but sophisticated in terms of the result it conveys, and what it defines as success.

Challenges

- This is an objective tool and provides good arguments to evaluate production companies using the same criteria for all. Nonetheless, **it cannot be applicable to every market**. For a small market with only small companies that produce one film every three years or more, and where there are almost no changes over years, this instrument may prove too costly to develop.
- **The context should be taken into consideration** when reporting why a project has a bad score. In the Netherlands, for example, 50,000 viewers for a children's film is reported as a high score. Yet in comparison to average results, such a score is not high at all. Or else a film could have poor results simply because the competition was particularly high when it was released. Automatized success evaluation tools can endanger this approach.

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