MEDICI — The Film Funding Journey

Ninth Workshop – 25 to 27 September 2019 in Potsdam, Berlin

Module 1: Platform Economy

Introduction

The emergence of Netflix (more than 140 million subscribers) and other streaming platforms could be considered as a tsunami in the audiovisual environment. They are profoundly changing audience behavior and have a deep impact on film production, financing and distribution. A great deal of money and resources go into the creation of original content for platforms. This huge impact of the digital platforms raises multiple questions for the public film funds:

- How do public funds experience the emergence of platforms?
- How do funds reposition themselves in the changing media society?
- Do they need new formats? How can they support the development of formats without knowing how they will be seen? What are the criteria they need to address when discussing/ evaluating formats?
- Which producer does not dream of selling his/her project to Netflix, Prime Time, YouTube, etc.?
- Should funds deal with platforms directly not via producer?
- Should funds allow their films to go directly to the platforms?
- Do funds go beyond Netflix and Amazon and communicate also with other global and local platforms?

MODULE 1 deals with the current situation of the media platform economy and the developments that we can expect in the coming years. It consists of three lectures followed up by the discussion on how the national funds could or should react and what role the European Commission should play in this area. The idea behind this module is to provide a map showing where the platform economy stands today and where it is going.

LECTURE 1:
An Overview of the Platforms' Landscape
Patrizia Simone, European Film and TV Analyst/European Audiovisual Observatory
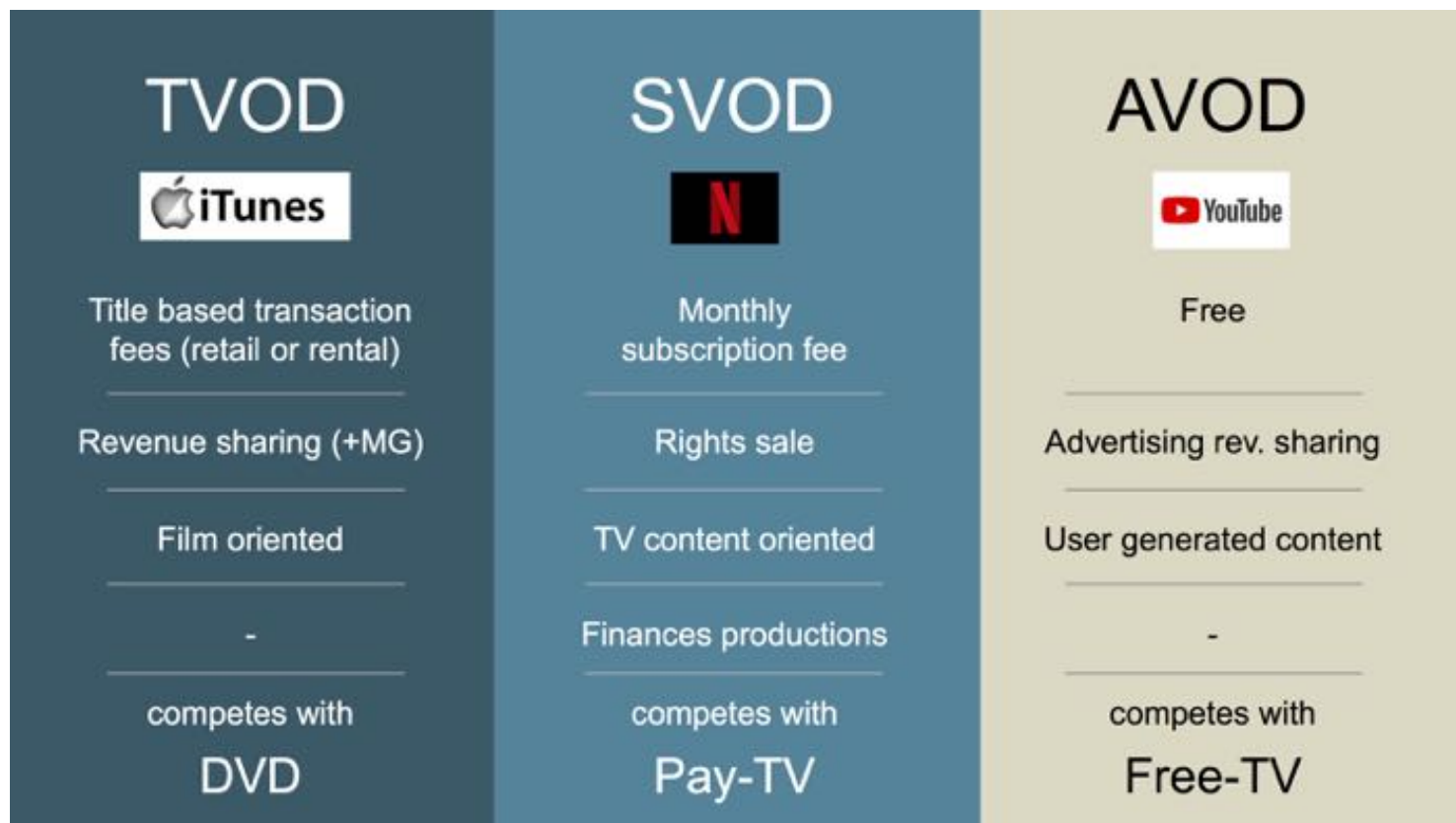See Patrizia Simone Lecture (PDF)

VOD platforms in Europe: an overview

Patrizia Simone
European Audiovisual Observatory

The VoD Models

We can identify three different types of VoD models.

- Pay-VoD
- Transactional VoD (TVoD), based on on-time fee payment for film content. In terms of the market competition, it tends to compete with DVD.
- Subscription SVoD that offers the access to a catalogue based on the monthly subscription. These catalogues offer mainly TV content and these platforms finance productions. In terms of market competition, they compete with Pay-TV, which is also based on the subscription model.
- Free-VoD
    - AVoD (Advertising Video-on-Demand). It is free for consumers and competes with free-TV. All the costs are supported by advertising.

TVOD	SVOD	AVOD
iTunes	Netflix	YouTube
Title based transaction fees (retail or rental)	Monthly subscription fee	Free
Revenue sharing (+MG)	Rights sale	Advertising rev. sharing
Film oriented	TV content oriented	User generated content
-	Finances productions	-
competes with DVD	competes with Pay-TV	competes with Free-TV

VoD platforms and Pay-TV in the EU market

Currently, the Pay-VoD is driving the growth in the EU audiovisual market. The figures show that Pay-VoD revenues have been growing quite consistently (+34% over 2106 and 2017) while Pay-TV has much smaller annual growth rate (only 2%) and physical video was under a steady decline (-17%) and more specifically:

- -the SVoD is driving the market with an explosive growth of subscribers over the past years. The revenues are also jumping quickly. However, there is still room for growth.
- TVoD is a less growing part of the Pay-VoD. That may be because it offers mostly films, while SVoD is about the TV content. So, if we have a closer look into the numbers, we see that on SVoD, 80% of the content is TV content, whereas on TVoD, the TV content makes only 2%. But that is only if we count a series as one title. If we break down the series into episodes (giving each episode the status of a title), then 45% of the TVoD content is TV content, while 87% of the SVoD content is the TV content. Therefore, the European film market will not significantly profit from the SVoD, because films do not make a big part of the SVoD catalogues. Pay-TV still represents only a small portion of the overall AV market in the EU. On-demand pay-revenues represent only 5% of the entire EU audiovisual market in 2017. If we compare SVoD and Pay-TV, we can see that while SVoD has been growing much faster over the last five years, Pay-TV is still the dominant player in terms of revenues (35% of the EU AV market in 2018).
- SVoD has become an established part of the AV ecosystem with the rapid growth in terms of subscribers and revenues. The European Audiovisual Observatory estimates that there are around 250 different SVoD services. SVoD also represents the shift in the audience behavior – from the ownership of content to the access to content.
- The increase in revenues on TVoD compensate for the drastic fall of the revenues on DVD even if TVoD has a more moderate growth than SVoD because consumers have more choices to access the content.
- VoD markets have an inherently high market concentration. The two big US players (Amazon and Netflix) dominate the EU market with almost 80 percent of the number of subscribers and revenues (97% in France but 33% in Poland).
- Traditional media players are reacting to this challenge by launching their own services to compete with OTTs (for example, Disney is launching Disney+).
- We are also witness to a lot of mergers and acquisitions so that players can achieve a necessary scale to compete against streaming giants. This also happened on the European scale with the EU broadcaster that joined forces in order to compete.
- There is a shift of power towards new entrants (OTT platforms) and direct over-the-top distribution model. The new market entrants have a possibility to collect data and earn revenues immediately, which is something that has always been difficult when distribution was traditionally mediated by distributors.
  It is very difficult for the national players to compete with global tech giants in terms of resources and technical know-how, especially, with an increase of investment into premium and original content.

What is the catalogues of VoD services offered in the EU?

In 2019, the Observatory conducted the research during which it tracked 45 SVOD services and 77 TVoD services. And we identified in total 27000 EU films available on VoD compared to 7000 EU titles theatrically released as first window. Among these 27000 films:

- 24000 titles are available on TVoD proving that TVoD mostly focuses on films,
- and 3000 on SVoD.
- However, the vast majority of films – available on TVoD and SVoD - is available in fewer than 4 countries, while almost 40% are only available in one market. It means that European films still travel with difficulties even on VoD.

There are significant differences among the countries. The share of European films tends to be higher in large markets.

- Most of films available on VoD services (one third) are recent films produced in the past five years.
- 57% of the films available on TVoD had theatrical life, meaning that many films go directly to VoD that in the past went directly to video or to TV.

The new AVMS Directive / quota of 30% EU content on VoD platforms

The new AVMS Directive requires that the share of European content in VoD catalogues must be at least 30% and that VoD must ensure the prominence of the European works contained in these catalogues.

As of today:
- the quota requirement is almost met on TVoD
- on SVoD the share of European films is 25%.
- If we look at the TV content only, the quotas are largely met on TVoD if we count series (not episodes) and the quota is almost met on SVoD. While, if we count each episode as one European work, the share of the European works decreases below the quotas.

Even though the quota requirements are already mostly met, there are still several challenges:
- In the first place there are differences between players and countries. On the one hand, the share of European works is higher in larger markets.
- On the other hand, quotas are not met by some of the largest market players and, to some extent, by some national VoD services managed by broadcasters. It is mostly independent national services which offer a high share of European works.
- Furthermore, the AVMS Directive does not foresee any specific sub-quotas for films that would ensure more diversity.

Availability Vs. Visibility

The most urgent challenge for European films when it comes to VoD distribution is visibility – the capacity to be promoted and reach out to the audiences.

The Observatory conducted a research by looking into a limited data sample of 42 mainstream VoD services in 5 EU member-states (Belgium, Germany, France, the Netherlands and the UK). We did a snapshot of what is promoted on the webpages of VoD services and concluded several things:
- The bulk of promotion (95%) is dedicated to films (mainly the most recent films produced in the last 2 years).
- Promotional spots for European films are proportional to their share in catalogue (around 27%). However, the national players dedicate much more space to the promotion of European works than the international players do. Only a very limited number of films benefit from intensive promotion. 30% to 45% of promotional spots for European films on TVoD go to only 10 films – an extremely limited share of a catalogue.
- The question is who is buying the European content. It is mostly the top international SvoD services (Amazon Prime, Netflix and HBO), but also some national players such as Viaplay (Denmark) and TIMvision (Italy). The more territories they cover the larger their catalogue is, and the more European works are included in them.

There is a common myth that global platforms are interested only in blockbusters. But we analysed the shares of theatrically released films in the catalogues of four major players (the two main US players – Netflix and Amazon, and two European large players – Viaplay and TIMvision):

- Surprisingly, Amazon and Netflix have a higher share of low-performing theatrical films in their catalogues than the successful European VoD platforms.
- At the same time, the share of European blockbusters is pretty much the same across the four catalogues. Netflix has been investing in European films, but with a downward trend in the past three years (it bought 90 films in 2018, 150 films in 2017 and 234 films in 2016). This is probably because Netflix started producing more original content. However, its original production mostly consists of series (in 2018, there were 25 series and 10 films). Netflix has been less and less interested in buying recent European films only for individual territories. It increasingly requires multi-territory rights Right-holders might have difficulty in reaching out to Netflix without a middleman such as aggregators.

The direct investment of VoD platforms into films

The Observatory has recently done a research in how European films are financed. It was based on the limited sample of final financing plans of 445 live-action fiction films released in 2016 in 21 European markets. The sample involves the investment volume of 1.4 billion Euros and estimated 42% of coverage rate. The analysis showed the following:

- The VoD financing is still insignificant, at least for films released in 2016. Only 6 out of 445 sample titles received direct financing from VoD service, which is only 0.1% of the investment volume. (Netflix produced 10 films while around 1800 films were produced in the EU)
- The VoD platforms trigger erosion of consumer revenues in other segments such as DVD or Pay-TV, which may result in lower investments from broadcasters and lower pre-sales. This is what has already happened in France. As a result, there is a need for attracting private investment.
- Another concern is that SVoD services are luring talent away from the film industry because they offer higher salaries and film industry cannot compete with the TV SVoD production industry.

General Conclusions

Regarding VoD Services

- TVoD and SVoD are very different businesses.
- Availability is not a challenge, but visibility is. The question is how to reach audiences amidst an abundance of content, particularly on TVoD.
- The ownership of customer relations results in power over suppliers.

Regarding Public Film Funds

- The public support will become more and more important in maintaining cultural diversity in film production. Already in our sample, 39% of films benefited from either direct public funding or incentives. This percentage is even higher (49%) if we exclude France.
- Public money for the audiovisual sector is continuing to drastically decrease. Distribution should be valued as highly as production by the film funds. Funds should consider funding different formats and changing the definition of film. Film can mean anything that tells a story through the art of the moving image.
- The focus of public support is likely to shift from film to other formats and / as well as from production to distribution.
- The prominence of economic goals will only grow.
- The investment in theatrical film production will decrease in contrast to the investment into AV production.
- There will be fewer films
- The gap between commercial films and "difficult" films will be increasing, and public funding for "difficult films" will be even more important.
- The funds lack data

LECTURE 2:
How the platform landscape is evolving on a global level?
by Fabio Lima, CEO/Sofa Digital and Filmmelier (Brazil)
See Fabio Lima's Lecture (PDF)

Sofa Digital deals with all of the phases of distribution: acquisition, delivery, marketing, reporting, financing. We aggregate the content and deliver to other platforms. We have recently started working on blockchain.

General challenges

- The past decade was marked by the Netflix experience, but Netflix is not the only player and the only threat to the traditional film industry
- People are massively using video on OTT and smart phones all over the world. However, it has been very difficult to explain to regulators, politicians and people from the film industry how and why the system is changing from linear and physical distribution to the digital distribution.
- The business has not changed in terms of content because we are still delivering the same content. We just do it by using a different technology.

Two ways of monetising content

There are two ways of monetising content:
- a revenue-share structure (based on non-exclusive content) and
- A licensing structure (based on exclusive content).

This section explains how these two modes of monetising content looked before and after the digital entered the game

Before

There was one cluster of models of monetising films based on:
- the theatrical window as the first exploitation followed by home entertainment, DVD rentals, etc. Distribution rights were for a particular distributor on specific territories. The licensing model based on exclusive access by media companies so there was only one way in which consumers could access the content – through Pay-TV subscription needing a Pay-TV operator (for example, without the operator you could not access HBO). There was also Free-TV based on advertising and license-fee.
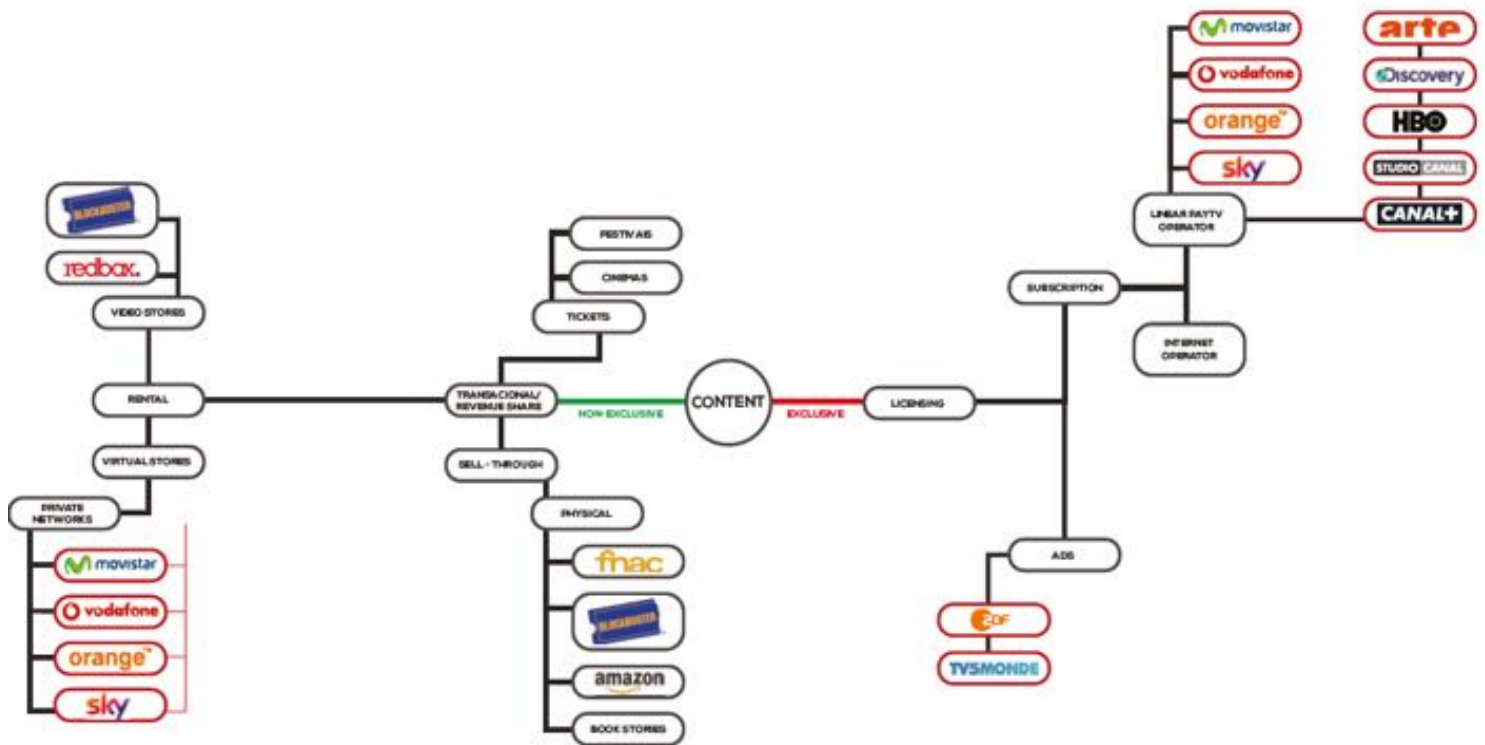
Now

Nowadays, the presence of the digital has not changed the economics of monetising and financing the content. There is still the revenue-share side and the licensing-side. However, there are some new players, new opportunities and more competition because the number of distribution channels is expanding. The age of distribution scarcity and the traditional operation models of theatrical distributors and Pay-TV channels is gone:

- The new digital environment provides an abundance of offers and a better access. The revenues on VoD will become higher than the revenues on DVD because there are no more costs of physical production.
- On the licensing side, there is this a new situation where Netflix and other similar platforms are just one of the providers delivering the Pay-TV type of content. The only difference is that the access to their servers requires the presence of internet operators.
- Furthermore, there is a revenue-share coming from advertising monetised by success. This type of revenue did not exist before because free-TV was just broadcasting. Now, they are paying for the real audience. Such revenues are generated on platforms like Youtube and Facebook.
- Netflix's new business model is not disruptive. It only delivers content to individual users rather than to everybody at the same time and points to the fact that distributors need to gain a better of knowledge of distribution beyond the traditional TV distribution model.
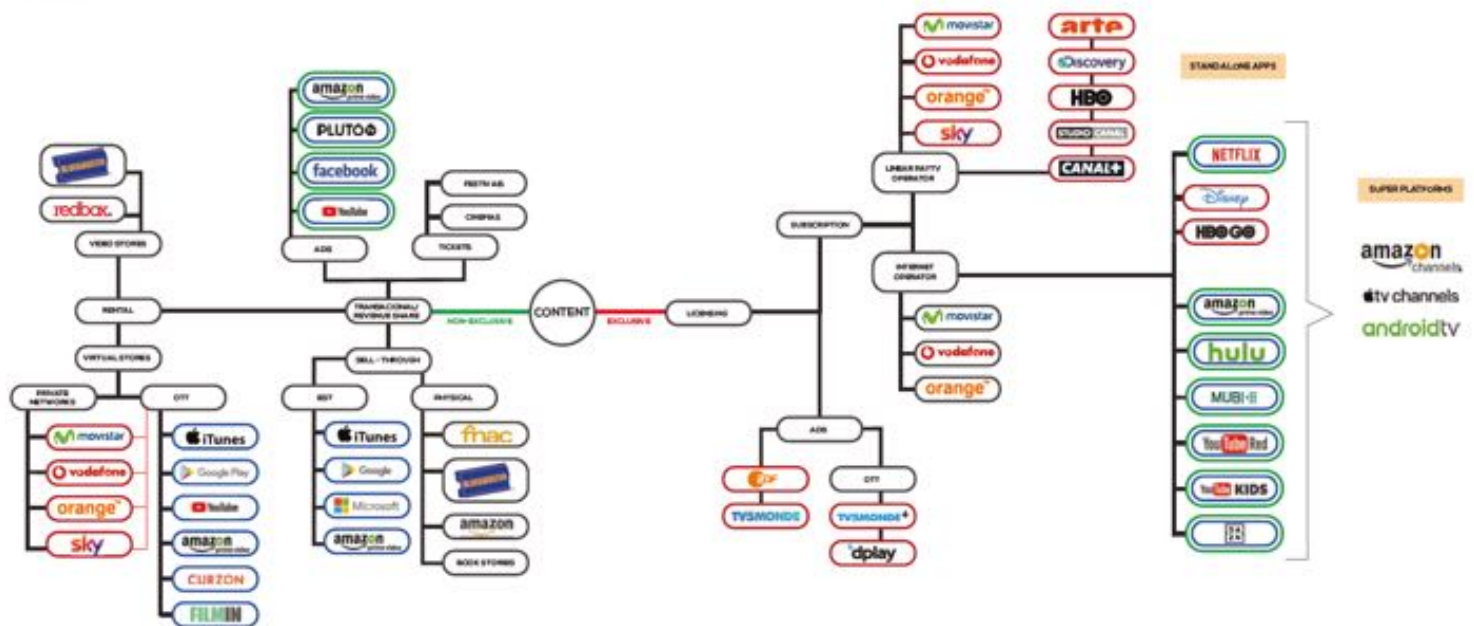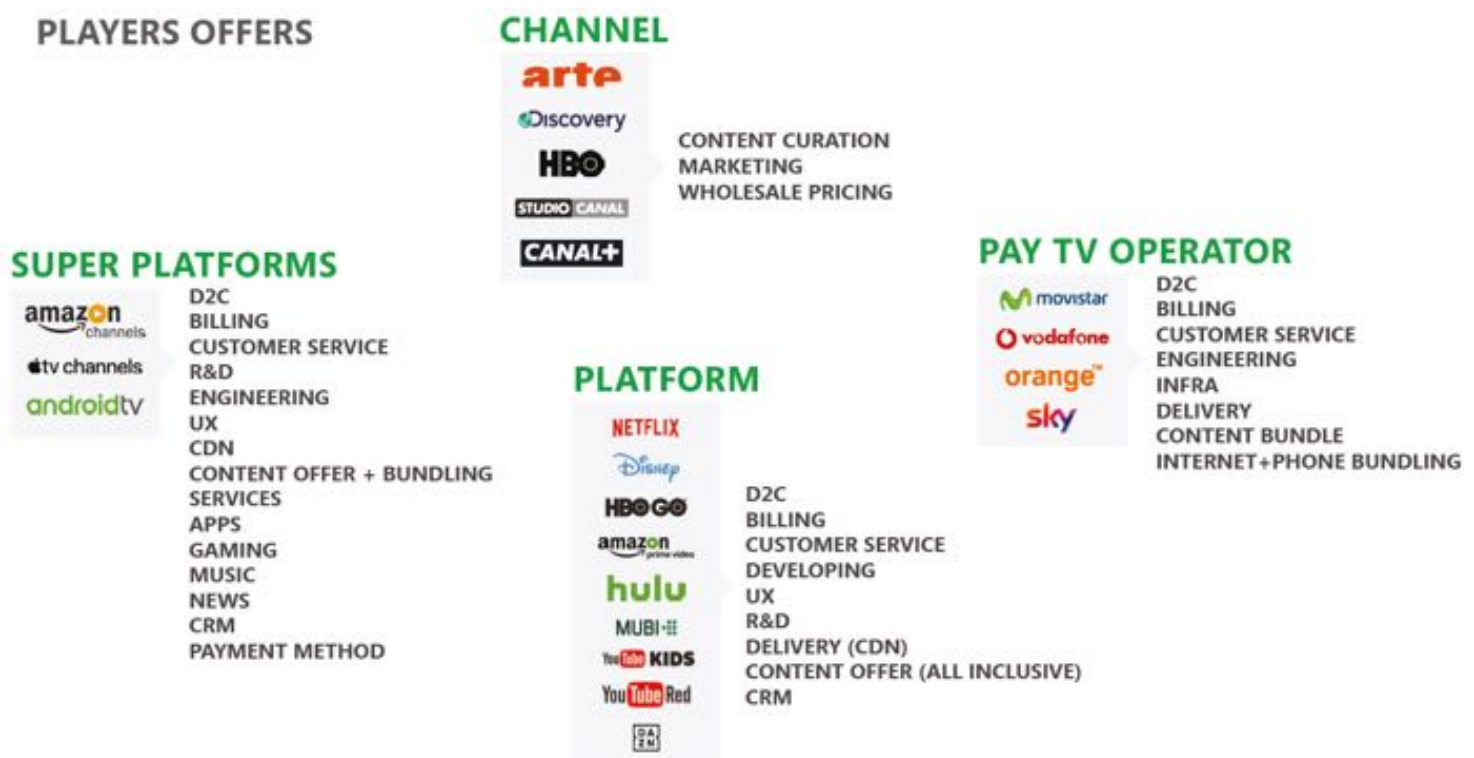
The digital players and their offers

The digital players can be classified into 4 groups:

- **Channels** that used to be and remain content creators. They co-produce, licence or co-finance content. They offer content curation, wholesale pricing and marketing. Examples of such channels includes HBO, Arte, Discovery, Canal+, etc.
- **Pay-TV operators** offer direct-to-consumer relation, billing, customer service, engineering, infra, delivery, content bundle, Internet+phone bundling. They have infrastructure to deliver services to content-consumers, to aggregate users and services. The examples of Pay-TV operators include Vodafone, Orange, Sky and Moviestar.
- **Platforms** used to be only content curators. The major platforms include, among the others, Netflix, Disney, HBO GO, Amazon Prime, HULU, MUBI, YouTube Kids and YouTube Red. They provided a new experience by allowing people to watch whatever they want at any time. They offer direct-to-consumer relation, billing, customer service, developing, delivery (CDN), CRM, UX, R&D, etc. The content offer is based on all-inclusive content. They started by licensing content from all channels at first, but now they are increasingly producing their own content after many channels decided to stop giving them their content. Platforms have the right data, they keep moving and developing, but they are limited in terms of technology.
- **Super platforms** have two things that no one else does - iOS and Android systems. Examples of super platforms include Amazon channels, Apple TV channels, Android TV. It costs a lot of money to be such a platform and compete with all the other players. Their advantages:
  - A half of their employees deal with technology.
  - They offer direct-to-consumer relationship, billing, customer service, the R&D that no one else has, engineering, user interface, CDN, content offer + bundling, apps, gaming, music, news, CRM, micro-payment method.
  - They are also developing the channel-model. Apple has recently announced the new Apple channel that will be based on the good experience of Amazon channels. Google also announced Google TV. They use their eco-system (apple, iTunes, etc.) now not only to provide film content through their servers to consumers, but also to expand in the way that media companies become able to create their own channels. Soon any media company will be able to create a channel with 200 films. That brings all media companies back to the game again. They can say now: "we neither want to buy nor be like Netflix. We will create a new scale". Hence, it might be concluded that the coming decade will be marked by the super platforms.

PLAYERS OFFERS

CHANNEL

arte
Discovery
HBO
STUDIO CANAL
CANAL+

CONTENT CURATION
MARKETING
WHOLESALE PRICING

SUPER PLATFORMS

amazon channels
tv channels
androidtv

D2C
BILLING
CUSTOMER SERVICE
R&D
ENGINEERING
UX
CDN
CONTENT OFFER + BUNDLING
SERVICES
APPS
GAMING
MUSIC
NEWS
CRM
PAYMENT METHOD

PLATFORM

NETFLIX
Disney
HBO GO
amazon prime video
hulu
MUBI
YouTube KIDS
YouTube Red
DAZN

D2C
BILLING
CUSTOMER SERVICE
DEVELOPING
UX
R&D
DELIVERY (CDN)
CONTENT OFFER (ALL INCLUSIVE)
CRM

PAY TV OPERATOR

movistar
vodafone
orange
sky

D2C
BILLING
CUSTOMER SERVICE
ENGINEERING
INFRA
DELIVERY
CONTENT BUNDLE
INTERNET+PHONE BUNDLING

How all this will be reflected in the area of arthouse cinema?

- The Pay-TV players will offer special competitive services and channels dedicated only to independent or local films. It will not bring millions of subscribers, but the channels will have their own way of operation because they are not going to drop any technology-related costs. They will receive a share from the subscription that the super platforms Apple, Amazon and Google will get
- To compete with those super platforms, Netflix will have to focus more on the content than the technology. It will have to become a strong global premium channel.
- Rather than creating their own platform (as Apple and Amazon) Android and Google decided to follow the same strategy they applied to the smartphones and tablets – they simply license their operational system. They created a special Android TV operational tier that can be used by the Pay-TV operators and local platforms that do not have the competency, knowledge or capital to develop their own technology. Now the cable operators will use Android to offer the same services that the main super platforms offer. They pack their own catalogues. You subscribe with a click and receive the same experience as on Apple and Amazon. And that will bring a lot of competition and enable channels to optimise their distribution and have their content distributed across all (international) platforms. For example, if you decide to create the channel with Norwegian films and you want to localise and distribute that channel globally, you will be able do it without aggregators. It will be cheaper. It will change the way we finance content and the public film funds can join this transformation.

The experience of the Norwegian Film Institute (NFI) with big platforms

The obligations of direct investment in European works for VoD platforms implies that some large global players such as Netflix, HBO or Amazon Prime would co-produce or pre-buy a European work that has already been supported by a public film fund. While this can bring an alternative source of financing to European producers, during the MEDICI workshops in 2018 and 2019, representatives of European public film funds raised the following three controversies that so far have been triggered by the involvement of the VoD platforms:

1. 1. Would it be acceptable that a film that has been supported by public funds from different countries incl. Eurimages, but attracted no interest by distributors, be sold to a digital platform that takes all the rights, including the theatrical ones, for 15 years?
2. 2. Netflix simply does not respect the cultural and protectionist rules of the European public film funds. In reality, Netflix as a US-based company addresses European production companies, does not pay any taxes or levy to the national film funds unlike movie-theaters, distributors, TV channels, Internet providers, etc.
3. 3. Finally, acquisitions of European rights by Netflix and other platforms undermine the basic concept of "independent producer" which is at the core of public film financing in Europe. Namely, public film funds and broadcasters in Europe have the mandate to use their subsidy structures to support production of independent works produced by independent producers. However, when producers sell to or co-produce films with global digital platforms that are outside

the European system of co-production treaties, totally private, on the stock market and owned by investors, they must give away all the rights and stop being independent producers, which disentitles them from the public support they received from the film funds.

NFI case study

Presented by Lars Løge, Director of Development and Production Department, Norwegian Film Institute

NFI entered into a conflict with the Norwegian production company that co-produced a drama series with HBO. Namely, the producer developed the project himself as an independent producer, which qualified him to apply to the NFI for the production support. The NFI granted the production support on the basis of the great audience potential and a significant cultural value of the drama series. The fund was aware at the time that HBO would also come along as a co-producer. However, when the drama series was well into production, the NFI demanded to see the producer's contract with HBO and found out that the producer sold all IP rights and ownership to HBO. The contract stipulated that in case of any breach, HBO will be considered as the sole owner of the work.

On the one hand, it was a fantastic contract for the production company in a sense that HBO financed almost the entire series. However, the NFI believes that the producer breached the NFI's funding rules and regulations by signing this contract because it tricked the NFI into subsidising the global digital platform instead of an independent producer whose works cannot be financed through the market alone. Consequently, the NFI withdrew from the project and asked its money back. For the fund it was unacceptable that the ownership is completely out of hands of the producer while HBO can decide on absolutely everything regarding the project. The producer complained against this NFI's request and the case ended up at court. The litigation is still in progress at this moment.

The above case raised many issues that the European public film funds may face once VoD platforms start investing more frequently in European works. It signals that some basic terms and concept need to be re-considered:

- What are the responsibilities of the funds and what are responsibilities of the market vis-à-vis production of European works?
- Where do the responsibilities of the public film fund stop?
- Also, clearer definitions of the concepts of "independent European producer", "primary ownership" and "secondary ownership" are necessary. When does a European producer stop being independent? Does having no or negligible part of the revenue share and copyrights make a producer and independent producer?

The conclusion that the NFI has made is as follows:

- It is positive that producers get more financing choices thanks to VoD platforms.
- Yet, if they opt to get a higher revenue in exchange for 100% of the ownership rights over a work, then the NFI cannot support them, regardless of the project's cultural value and audience potential.
- The aim of the NFI will be to help producers go to market with a strong IP, rather than as a weak player who will be easily swallowed by the big players.

As the first action dedicated to resolving this issue, the NFI started hosting North American VoD platforms every now and then with the idea that they come to Oslo to hear the pitches by the Norwegian producers who already received some NFI support and intend to internationalize the further financing. In this way, the NFI facilitates matches between the market and independent Norwegian producers.

However, if producers choose to sell all the rights to a platform, the NFI will step out and claim its money back. Otherwise, if the platform and producer decide only to co-produce under the conditions that resemble the conditions under the European co-production treaties, then the NFI stay in the project.

LECTURE 3:
Constraints, opportunities, actions to be taken by public funds regarding platforms as a financing partner
by William Page, CEO/FilmDoo-Eurovod (Brazil)
See William Page Lecture (PDF)

William Page is the co-founder of FilmDoo Ltd, a London-based VoD platform that focuses on international films with language and culture of different countries. It is supported by the European Union. He also co-founded the company called Fasso U.G, in Berlin that is based on technology business. He is also the director of Eurovod, an association of European VoD platforms and technology businesses consisting of approximately 400 members from across Europe and internationally.

General trends
- It is self-evident that the times are changing. What we see is the emergence of a number of new platforms, and new ways for the content to be seen. The revenues from the Internet giants increased while the broadcasters and other traditional platforms are declining. That led to the situation that Internet players started financing and producing their own content.
- Netflix is not the only digital player. There are more competitors and new market entrants, which has triggered an increase of non-linear consumption. Children do not watch TV, but YouTube. It affects the way content is seen and the type of content the people want to see. This all resulted in the proliferation of the VOD-platforms worldwide. Several of them are getting very strong (like Disney+ and the new Apple platform) on a global level, which will have a significant impact on the licensing of the content and it marks the end of a Netflix's monopoly.
- Who are the most relevant audiovisual market players and what are their revenues:
  - There are 65 EU public service media. They are considered to be the traditional players and their share of the pie is by now relatively small.
  - Then there are European commercial broadcasters (such as Sky, Liberty Global, Vivendi) whose revenues are 1.8 times bigger.
  - The European telecom operators (such as Deutsche Telecom, Vodafone, Orange) show revenues that are 8.9 times higher than those of public services.
  - The revenues of non-European media conglomerates are 11.2 times higher.
  - And finally, the Internet giants such as Amazon, Apple, Alibaba, Facebook, Tencent, or Netflix show revenues that are 18.4 times higher than those of the EBU (European public Broadcast Union). These Internet giants are increasingly commissioning the content and expanding internationally (including the European market).

- Netflix and Amazon are momentarily investing the most in content. However, Apple TV is about to be launched and is already commissioning a number of their own shows. There is also Disney+ that is going to drastically increase the content budget over the next four years. All these platforms are becoming more aggressive with clients.
- VoD platforms are behaving more and more like traditional platforms. A number of platforms pursue exclusive and all-rights deals. Funds should think about pointing local producers towards them because they have money and fund original content, but producers should understand the implications of exclusive deals.
- VoD still makes up a relatively small share of the overall revenue, but growing rapidly worldwide – except for the USA where the market share for streaming has already reached market saturation (Statista estimates that 44% of American households already subscribe to Netflix, Amazon Prime, Hulu or other SVoD services). but it is ramping up in other markets worldwide. Consumers are spending more on subscription video services than ever before.
- SVoD dominates both in terms of clients and revenues when compared with TVoD and AVoD.

Challenges for film-financing and distribution practices
- VoD services play an increasing role in changing release strategies and in challenging the traditional separation into windows of exploitation. Yet some countries like France rigidly stick to the traditional windows.
- Connected audiences find it ever harder to understand that the film of their choice can be available in Europe or elsewhere in the world, but not in their country. That is where platforms can potentially offer a solution.
- There are many upcoming SVoD platforms (i.e. Disney+, Quibi, Apple TV+, HBO Max, NBCU, BET+) that are ready to invest billions into original content, film and TV.

- Lines are also being blurred between different players. There is more and more collaboration between leading SVoD platforms and ITC/Pay-TV operators (i.e. Amazon and Vodafone, iflix and digimaxis, Sky and Netflix, etc.).
- ITC (Internet and Telecommunications Companies) are also adding/building their own OTT/SVoDs.
- Many SVoD fund "originals" (i.e. Sky original production, a Viaplay original, Atrium TV).
- "Skinny bundle households" make 54.6% share of total OTT viewing time.

Continued industry uncertainty
- It is important to recognise that a number of platforms will not survive because their operation will become too expensive.
- The decline in Blu-ray and DVD sales is accelerating, while digital video spending worldwide is growing (in particular SVoD).
- Change in user behavior – unwillingness to pay for content and growth of illegal apps and ways to grow content.

How to Exploit VoD for Produced Content?

In which chronology?
- VoD should not affect the classic principle of a licensing and release chronology that starts with the highest price for an individual (theatres) and ends with the lowest price for the largest groups (free TV).
- Most European markets place the VOD release and EST parallel to the DVD release (rather than before). This is being increasingly challenged.
- SVoD services seem to be better placed after pay-TV release, until they pay more
- AVoD services should be avoided until significant licensing fees have been gained, as these services potentially dry up the value of a title
- Catch-up TV services do not seem to be a chronology issue, yet the number of views or transfers allowed could potentially dry up the value of a title

Maximising revenue and exposure for independent distributors
- Most VoD platforms are concerned with offering a wider selection of titles than their competitors rather than with maximising revenues of each title.
- It is rarely possible to control the price policy of a platform, but it is always possible:
    - not to work with those that dump the market (generally to sell other services, such as Internet access)
    - to ask for a guaranteed royalty, independent of the sale price

- The need of for promotional /editorial support is stronger than in any other form of exploitation except for theatrical release (for example, in France, during year 2007, the first 50 films represented 60% of the admissions in theatres, 19% of the DVD sales and 33% of the VoD rentals)
- The long tail theory can be made a reality with strong editorial & recommendational tools.
- Aggregation of independent distributors/producers can obtain better rates and exposure (for example, Universciné and Eurovod)
- There is also the new European **AVMS Directive** in place that foresees 30% quotas for European content on all platforms. This will give producers more visibility, more prominence and as platforms will need more European content. According to the directive, VoD services will also have to invest in the local European productions.

What does this mean for funders?
- There are more potential digital partners than just Netflix!
- More options than ever before for financing – new forms of advance funding, exclusives etc.
- Funds need to have a 'global mind-set' to distribution as there are now more content distribution and players available. For example, Europeans think that people in China only watch Chinese films, but this is not true. There are regulatory issues and censorship, but non-Chinese films do quite well in Chinese cinemas. For example a Thai film was bought by a Chinese distributor for 400,000 USD and earned 41 million USD.
- Blended options for financing and new business models are likely to emerge
- We will see a growing need for co-production worldwide and in the emerging markets
- Funds can use 'exclusive', 'originals' and 'all-rights' to maximise value
- Funds need to consider VoD platforms and long-tail distribution in their financing models.

How can funds help producers deal with platforms?
- Opening doors to broadcasters, platforms and ITC.
- Need for education for producers. They do not necessarily understand technology. The funds' role is to

help them there. Funds can join together and create the material on new financing options that they circulate to all producers they work with. They should open the doors to other markets (China, East Asia, etc.).

- Creation of new financing models.
- Increasing focus on distribution, marketing and promotion. Shifting priority from production because there is already way too many films per capita in all European countries.
- New forms of funding are increasingly crucial – crowdfunding, product placement, private financing, etc.
- AVMS directive could offer some assistance!

Group discussion about the funds' experiences with VoD platforms

What happens with the independent producers' revenues?
- It seems that sustainability of the independent production companies will not be based any more on revenues, but on the production that caters to the demands of VoD platforms. How can the system ensure that producers are able to receive revenues during the exploitation of the content in addition to earning money while producing it?
- Producers may get one hit on the Netflix-like platforms, (like Rain in Denmark that has become popular globally), but they do not see a lot of money out of it even though it brings them more work through commissioning new seasons and series.

What happens with the IP rights?
- Platforms are more and more open to share the rights with producers. However, producers need to negotiate for months with Netflix to keep the basic rights in their company.
- Producers lack an adequate education and experience in dealing with the sale of IP rights to the digital platforms
- In the case of publicly funded films, producers do not care about them after they produce them. They sell the films for peanuts to Netflix because they are not obliged to pay anything back to the funds. They accept poor deals because they did not invest any private or recoupable money into their films.
- TVoD still has the same concept as theatres. You have a film and you want to buy the experience of watching it, maybe in a different home environment, but you are buying into an IP. But SVoD gives a different experience because you can have access to quite a bit of the content there for little money. The IP you are accessing changes the consumers habits and the attitude towards viewing the content, especially when it comes to children. It creates different way of consumption. But in this new environment, there is a question of how we keep the interest in the product not only in the viewing experience.
- In Asia, there is a proliferation of AVoD platforms. People do not want to pay for the content (especially young people).

How to ensure more visibility for the European works?
- There is no question of the availability of European content, but of its visibility. The funds see Netflix and other platforms as an enemy. Instead, they should collaborate more with them on promotion of the content.
- Proliferation of platforms is an opportunity for producers and funds to make their films seen by more people than ever before. On the flip-side, the public does not understand why they need to pay for a film that is free elsewhere by illegal downloading.
- The 30% quota ensures quantity, but it does not mean that the films will be more visible. This quota should be set as the final goal, rather than as an obligation.
- Subtitles are becoming cheaper and cheaper. Animation films will soon start to be dubbed by the artificial intelligence. This all helps in getting material available in different languages much faster.
- Platforms want blockbusters and promote only very few titles, but they should go for more diversity. Festivals show some great Netflix original films that would have never been made in the US without this streaming platform. Can Netflix start co-financing in the same way small documentaries and arthouse films from small European countries?
- High-quality content is high-quality content regardless of where it comes from. There are examples of British pensioners becoming obsessed with watching a Thai series. Platforms can be great partners in production of such high-quality and universal content.

A synergy of the new and the old platforms?
- Netflix and MUBI are trying day-and-date release more often. This can work for specific art-house films, but some middle-brow films can suffer from the disruption to the theatrical release model.
- Netflix offers only limited theatrical release (in few cinemas, only in one territory, etc.). They use theatrical release only to obtain some additional promotion while the rest happens on the Internet. Netflix cares only about the online audience. Theatres cannot remain sustainable with such a system

because once a film in on SVoD, all the revenues remain there. With TVoD it may work better.

- In the UK, there are examples where distributor, exhibitor and SVoD platform join together to do only day-and-date. For a number of films, it really works; cinemas are packed and platforms are selling well. Maybe other local cinemas across Europe should try to develop similar synergies with VoD platforms where everybody may benefit from the same marketing.

How to regulate the new platforms so that they contribute to the implementation of cultural policies, especially in small countries?

- SVoD's regulatory future is unclear. The funds have no idea about how to finance productions meant for these platforms. And there is a need for that because there is an overproduction of movies and all of them cannot have theatrical releases.
- Netflix has the same model as Pay-TV: both will be moving to channels. It will change the framework of regulatory discussions. Local and niche channels will enter the market, which is relevant both for film funds and the policy-makers in small market.
- Film funds should support local platforms to join forces and acknowledge that Netflix is not the only option. There must be a regulatory framework that would support cooperation between small, local platforms.
- On the one hand, platforms need to be forced to pay levies similar to the traditional players. On the other hand, small European platforms like the ones that are part of Eurovod simply cannot afford to pay them.
- Netflix keeps all the data for themselves or sell it. Can a regulatory framework oblige them to share some of the data with the public film funds?

The public film funds' experiences with new players and forms of content, their impact on funding schemes and their responsibility towards the industry in the 21st century

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- Module 2.1 – New Formats
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MEDICI — The Film Funding Journey

Ninth Workshop – 25 to 27 September 2019 in Potsdam, Berlin

Module 2.1: New Formats

Introduction

As we shift from linear programming in cinemas and broadcast to catalogue-based media on platforms, defining and designing the format to reach out to a global audience has become integral part of the content development process. The following questions arise in this context.

- How does this change the development process?
- What viewing habits must be taken into consideration – screens, locations, duration, 2nd screen activity?
- What exactly do "designing for the binge" / "integrating social media strategies" / "acknowledging the long tail" mean?
- Are there any common definitions that public funds could use to differentiate between new forms of content?
- Why do we now need to design formats?
- How do format and content development interlace?
- What parameters do we need to consider when we define a format?
- What work stages are part of format design? How do we research what format to develop?
- When do we begin defining a format?
- When should we be done with formatting?
- What skills are needed to facilitate and what criteria are needed to assess the development and production for platforms?

Some film funds in Europe have already adapted their strategies and opened up their financing schemes to transmedial and new media projects in development and/or production. The Danish Film Institute is one of the most active funds in this regard. Claus Ladegaard, CEO of the DFI presented during the 9th MEDICI workshop how his fund supports the creation of relevant and accessible content. The following section is a summary of his presentation.

Lecture and Q & A

Claus Ladegaard, CEO, Danish Film Institute
(see PDF)

At the Danish Film Institute (DFI), when we talk about the new formats, we exclude television shows and series already covered by the television support scheme. DFI could introduce a very liberal cross-media support scheme because of the Danish Film Act from 1994:

- does not only stipulates that the goal of the DFI shall be promotion of film art and film and cinema culture in Denmark,
- defines film very broadly – as motion pictures of any kind irrespective of the mode of creation or use, including photographic images and videograms, with the exception of television broadcast. This covers all kind of moving imagines except for traditional television.

The DFI' strategy behind the cross-media scheme is identical to the strategy behind all other schemes – to strengthen the cultural impact of Danish films. All projects we support should address the issues Danes are concerned with. They should be films for ourselves made by ourselves, that will help people deal with and understand difficult things in the Danish society. Integral part of this strategy is the adaptation to the digital transformation – funding content in all formats and on all platforms that the Danish audiences are using. In addition, we are also trying that the projects we finance reflect a diversity in every way.

DFI'S SUPPORT SCHEMES FOR DIGITAL MEDIA

1. Digital Games Scheme

- The DFI started supporting digital games in 2007 with a tiny budget (800.000 Euro) within the support scheme New Danish Screen. The support started at the initiatives of the politicians who thought that games are close to films and can be also important cultural products. The scheme aimed at new talents and was supposed to provide a sort of the seed money for new producers. The target groups considered were only children and youth.
- The scheme lasted for eight years until DFI established a specific funding scheme for digital games in 2015 after approval by the EU that games can be treated as cultural projects and after we convinced the politicians that games are for everyone, not only for children and youth (as the conducted surveys showed). The scheme is dedicated to development, production and promotion of games and operates with around 2 million Euro a year.
- The criteria the scheme is based on are:
    - cultural value (aesthetic qualities, educational potential, social engagement and relevance for Danish audience),
    - originality (different from the existing games in the market),
    - feasibility and
    - responsibility (transparency in payment, legal handling of personal information and social responsibility in communication between players, etc).
- What is specific about the games is that they are 100% international in their reach, whereas films are 100% national.

The representative examples of the videogames supported by the DFI include:

Cosmic Top Secrets

- Adventure game with autobiographical and documentary elements.
- The character must find the truth about her parents who were secret agents during the cold war.
- An extension of a documentary film on the same subject.
- DFI supported it with 430,000 Euro for development and production, which makes 48% of the global budget.


Mulch

- Educational game for kids attending 7th - 9th grade, to be played in the classroom.
- The players have to manage the production on a farm with animals and crops.
- 77,000 € in development and production funding, 20% of the budget. The rest was secured through equities by farmers' associations and NGO's working with environmental issues.

Inside

- Artistic puzzle platform game for a grown-up indie game audience. It is extremely well done aesthetically and artistically.
- The player has to get a boy through a dystopic and dangerous world.
- 135,000 € in development funding, 1.3% of the budget. It had a huge international potential and attracted a lot of international financing. Probably today we would not fund this company anymore. When we funded it, it was their second game and we gave them some development funding, which helped them to keep the rights and go on with the financing process. Now that they are successful we would probably let them do everything by themselves.
- Winner of 4 Bafta Awards.
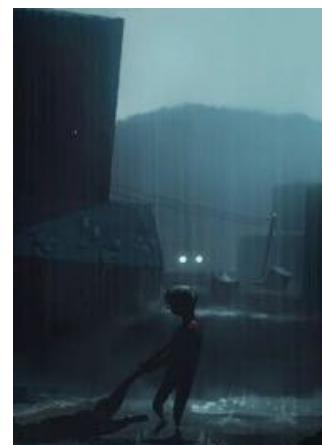
2. The Cross-Media Development Scheme

- It started in 2015, when the DFI established the Game Scheme and stated exploring the links between games and films. We introduced first the Cross-Media Development Scheme. It covered productions made in more than one form and intended for more than one platform. We are very broad and inclusive when it comes to eligibility of projects. The only requirement is that moving imagines must be part of the project, meaning that it cannot be only a book or a podcast. The scheme's budget was 400.000 Euro with an editorial board of film and game commissioners employed at the DFI. We also had an additional objective with this scheme: to gain knowledge about handling cross-media project because we were lacking experienced knowledge.

3. Cross-media funding within all schemes

- This year, however, the DFI has closed the Cross-Media Development Scheme and changed the funding regulations so that producers can apply for cross-media funding within all schemes, not just one specific scheme. It means that producers can apply for a game and a feature film support in both game scheme and commissioner's schemes for feature films and documentaries. The budget is flexible and since 2019 it has been part of the total DFI's budget.
- The funding criteria include:
- Originality: new and original elements in form, content, expression or storytelling and a distinct and coherent voice of the creator.
- Expansion: the universe or the storytelling is expanded and enriched by the use of more than one format, which is the most important aspect for us.
- Connection: the connection of the different elements and formats and their ability to express the vision and the controlling idea of the project.

The representative examples of the cross-media projects supported by the DFI include:

Flee
- Animated feature-length documentary film and immersive VR project.
- The film and the VR experience tell the story of Amin and his five-year long journey from Afghanistan to Denmark as a refugee. VR experience covers only one scene to make spectators feel how it is to be a refugee and travel on such a long journey.
- 41,000 € in development funding.
- Still in development.

Vokabulantis
- Episodic and interactive cross-media story combining puppet film and digital game.
- The story follows two tweens who want to talk about their feelings towards each other, but have to learn a special language for it.
- Spectators will find it fun to learn the language skills. Aimed at tweens.
- 75,000 € in development funding.
- In development.

Sein
- Cross-media interactive youth universe on the website www.seinmag.dk.
- Includes text, sound, video in different genres, e.g. fiction and documentary web series.
- Curated and produced by an editorial board of youngsters.
- Target group: 15-25-year old people
- 360,000 € in development and production funding. It is a huge support from the DFI. The website is running right now and we hope they will find the sources to keep it running because the DFI will not be able to fund it substantially in the future.

4. Call "Universe"
- Is a call for cross-media projects for children.
- Purpose: to stimulate the development and production of content for children combining storytelling in traditional formats and in new formats.
- Distribution: combining traditional platforms and new platforms.
- Target group: children under the age of 12.
- A project has to include minimum two formats.
- Only creatives and companies with a proven track record can apply.
- Encourage collaborations between creatives and companies from different formats and platforms.
- 40 applications.
- Development funding up to 33,000 €.
- Funding of 7 projects for development.
- 3 months to conclude the first development.
- Applications for additional development or production funding.
- Budget: to be decided.

KEY LEARNINGS FROM TO-DATE EXPERIENCE WITH FINANCING NEW DIGITAL FORMATS

KEY LEARNINGS

- New formats are very different from films in terms of storytelling, financing, development, production and perception.
- Films, and the way we develop and fund them, are well defined - new formats are not. We have a very elaborate development scheme (with specific and clear development phases) when it comes to film funds. It includes Idea, synopsis, treatment, 1st draft, 2nd draft ... shooting draft, of the script, project development, pre-production, production, post-production, promotion, distribution. With new formats it is so different because they go back and forth within the value chain, there is no linear and predictable process.
- Film funds need to accept the new reality and reform their regulations accordingly. In the beginning many people at the DFI were frightened. They did not know what to do, but it is getting better with time.
- As for the staff, the traditional film people are not enough anymore. We need to recruit staff from the game industry and other areas related to new formats.

CHALLENGES

- What shall be the role of the fund? Should they stick to films, open up the funding systems to new formats, or make cross-media a requirement? Indeed, there are funds such as Canada Media Fund that support cross-media projects only.
- How to get the most innovative and professional part of the film industry to engage in cross-media? The problem is that that the industry still sticks to feature films and TV series and never goes to cross-media.
- Opposition from a conservative film industry. They feel that the public funding will decrease or be redirected to the cross-media people.
- How to fund new formats without extra funding allotted to the film fund?
- Finding the right balance between abolishing old formats and embracing new ones. Our debate at DFI involves the following questions:
  - Should we stop funding short fiction for the sake of funding for web-series and low-budget features?
  - Should we fund children's films or digital games? We still invest much more funding in children's films. But in the future, the funds will have to move here as well.
  - Should we fund youth films or serial fiction? SKAM is a great example. If it had been made as a feature, nobody would have ever noticed it (even in Norway). It is the format that made this series successful. So serial fiction is much more important for the younger audience than youth films.
  - What should be the balance between traditional feature projects and interactive projects.

THE FUTURE PLANS

- Higher priority to the digital perspective: digital games, cross-media and serial storytelling.
- 2018: less than 5% of the overall funding budget went to games and cross-media. It will increase!
- The funding system needs to adjust - flexibility and less detailed regulation! So that we can follow the digital transformation and development.
- Content must take priority over format - and platform! The main driver is the storytelling.
- Let's stay relevant! We should look at what public service broadcaster and gamers are doing in order to stay relevant for the children and youth.
- It is not only children who are leaving the old platforms, it is also much older people in Denmark. The fund should address these age groups as well.

Q & A with Claus Ladegaard

Did you receive money from the Danish government to implement this cross-media turn? And how are you communicating to conservative feature-film producers this new trend?

CL: The change is still not too radical. We allocate only 5% of the fund to the cross-media, so we do not need additional approvals and financing. Our strategy is to convince film producers that it makes sense to do games, web-series etc. in combination with films. But they are still too conservative, their motivation to change is still low and they are afraid that in the future they will lose the schemes for financing feature films.

Do producers at the moment of applying need to have a clear idea about the formats the want to use in cross-media projects?

CL: We only require that every application contains a visual element. Also, we encourage producers to come to us very early – in the pre-development process – before they decide on the formats, so that we can help them in choosing the right ones that expand the story. If they come after they decided on everything, then it does not work.

How does the distribution of cross-media projects work?

CL: We still lack a concrete business model that would ensure revenues for cross-media projects. The web-series we have funded are distributed on YouTube and nothing happens. They are 100% publicly funded. It is still much less income than in case of feature films, games and TV.

Do people make applications together (cross-media and classic producers) or is it film producers as "usual suspects" who apply through their established companies?

CL: We are quite open. It can be either of the two companies that receives the funding. We have a tradition that the applicant opens a single-purpose company and applies for funding, which can work here as well.

Do you organise match-making events where people from different sectors can meet up and learn about each other's practices and vocabulary?

CL: We do not do it in a systematic way within Denmark, because it is a small country where feature film producers can easily get an overview of all available partners for cross-media projects. They do match-making themselves when they need each other as well as the Creative Europe Desk. We occasionally organise workshops and seminars, and maybe we should do more of that in the future. However, we are more active with match-making when it comes to international collaboration. We started co-operation with the Canada Media Fund and organized match-making talks with them. The Canadian industry is much more developed in terms of technology and audience research. The DFI signed the digital media co-development agreement with them three years ago. We identified producers, directors and creators who could be interested in collaboration of this sort and organised a match-making event with Canadians. As a result, we had 2 rounds with 10 applications. Four projects were selected in each co-development call, and three of them have moved to production. Our initial goal was modest – only to get a chance to tap into the knowledge of the Canadian fund, without expecting that our collaboration would result in actual projects. But in the end, we also have some productions, which is fantastic considering the small pool of Danish producers active in this area.

What are the experiences of other film funds with cross-media schemes?

CL: The Norwegian Film Institute has the support scheme for games that they opened at the initiative of the Norwegian Ministry of Culture. It was fascinating to find out that in Norway the primary game consumers are women in their 40s. There are also significant developments in Flanders. There they organise lectures and masterclasses by international experts, international story-telling conference where people representing different types of sectors and formats participate in order to inspire people to be more collective. In Germany, the game schemes are under the competence of regional film funds, not the federal film fund.

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MEDICI — The Film Funding Journey

Module 2.2: Group Exercise: Format Development

Description of the exercise

MEDICI Participants are divided into teams of approximately 5 team members. Each team needs to develop a format (within 30 minutes) that they will pitch in a three-minute pitch to the other teams, representing the jury, in order to secure development and/or production funding. The main challenge in this exercise is to come up with an idea that provides both content and the proper format for delivering that content. The formats are intended either for AVoD (such as YouTube) or an SVoD (such as HBO) or for a team park.

How the exercise works

- Definition of each team member responsibilities and function:
  - Each team finds envelops on their table, one for each team member.
  - The slip inside every individual envelope indicates the function, back story and mission of each team-member.
  - Team members do not share their background stories with each other, but whatever the team develops, each member must address their own designated concerns.

- Creation of the format:
  - Step 1: The author and the director imagine a character each to be shared among them.
  - Step 2: the creative producer picks a number from 1 to 12 in order to choose one of the twelve processes the two characters need to go through. The twelve possible processes are: emerging, dancing, cheating, dying, battling, laughing, transforming, climbing, crying, settling down, helping and discovering.
  - Step 3: the executive producer picks one number between 1 and 12 in order to choose one of the situations the two characters will be in. The twelve possible situations are: inside Trump's head, in the forest, in the stairwell, in her handbag, on the beach, in the attic, in the shadow, on the mountain top, on the balcony, in his mobile phone, by the lake and on the glacier.
  - Step 4: the team develops a plot where the two characters will face the process and the situation chosen at steps 3 and 4 within one or more format(s).

- Pitch
- After 30 minutes, the team pitches (3 minutes) the project to the other teams.

The purpose of the exercise
- This exercise makes the participants experience the process of creating a project in a team and pitching it in front of potential funders (the other teams) being at the other side of the table.
- It demonstrates how important it is to give enough funding at the earliest stage for a project to be developed in a team effort and why this kind of process is important (sharing expertise across platforms and formats, audience groups and partners) and expensive. This funding will allow:
  - …for bringing the project teams together, spend some days together and ideate both creative, technological, formal and financial options regarding different formats.
  - …to engage external experts (i.e. content, platforms, formats) with whom the teams would meet and talk about their ideas.
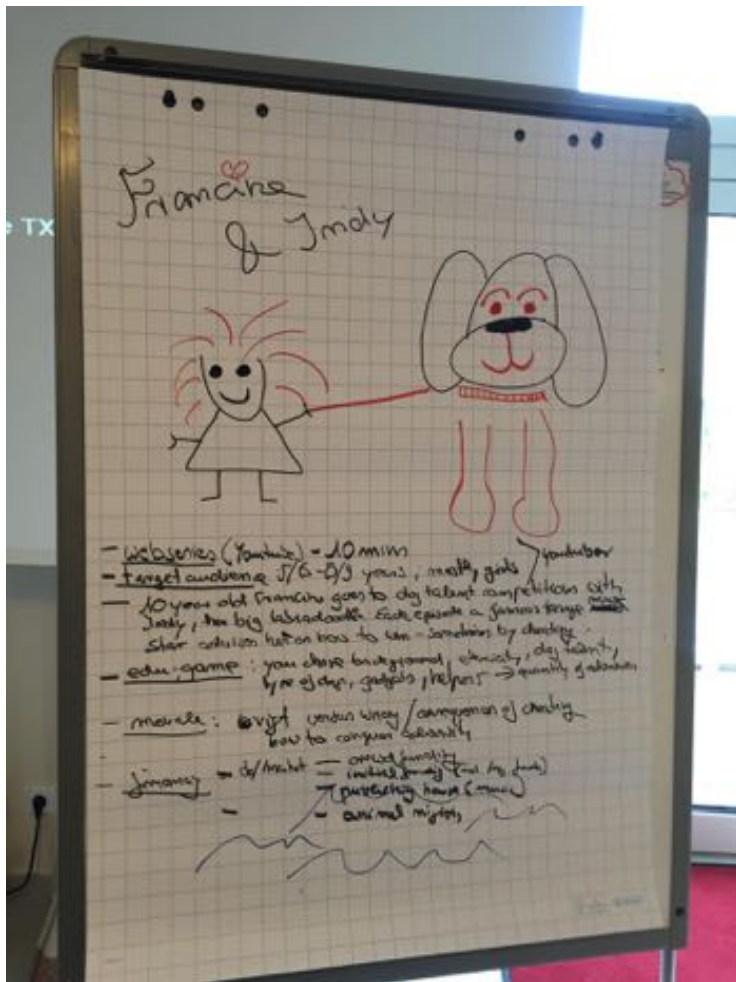 - To include marketing and advertising experts to validate the commercial potential of the project

The Outcome of the Exercise: Graphic presentations of the formats that the teams developed
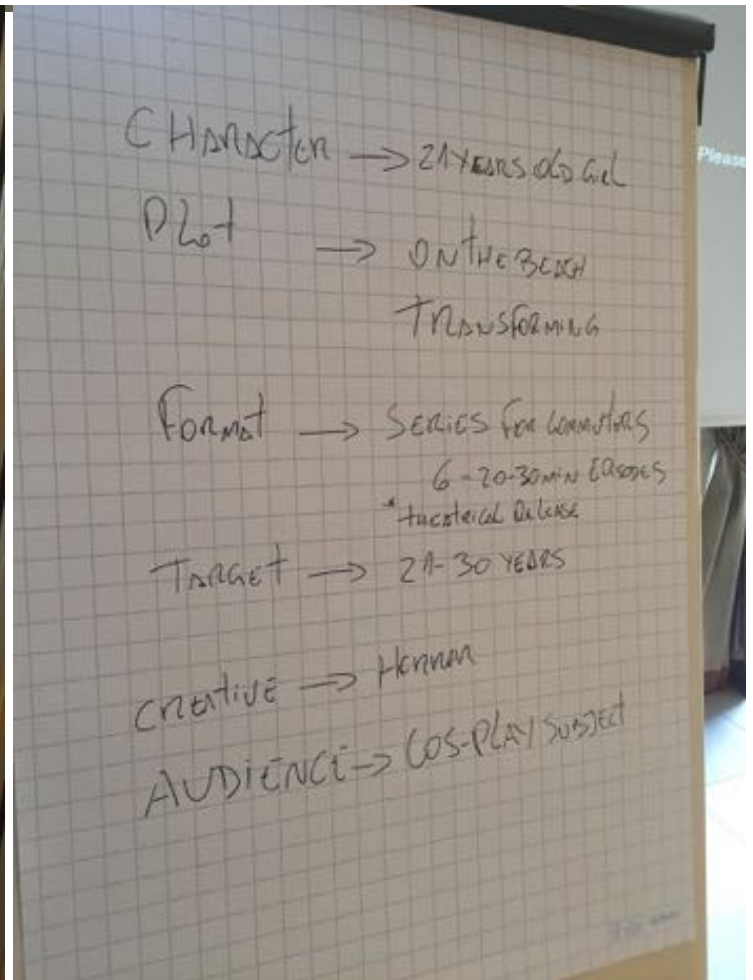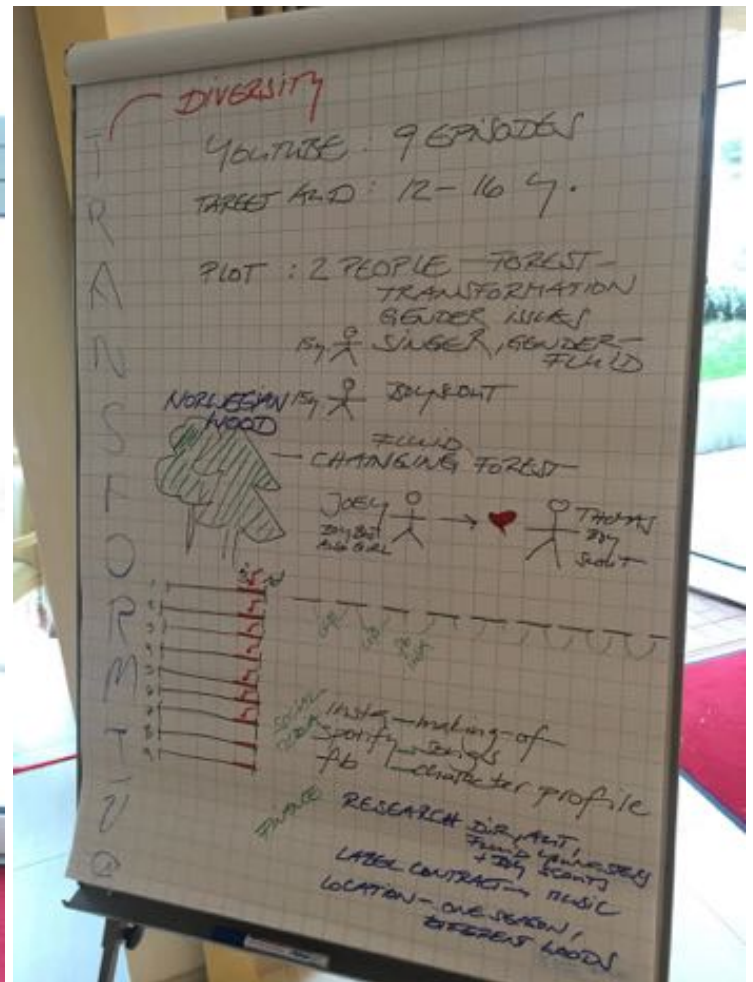

Team 1 (format: documentary + VR + digital game + feature film + story platform) (left)

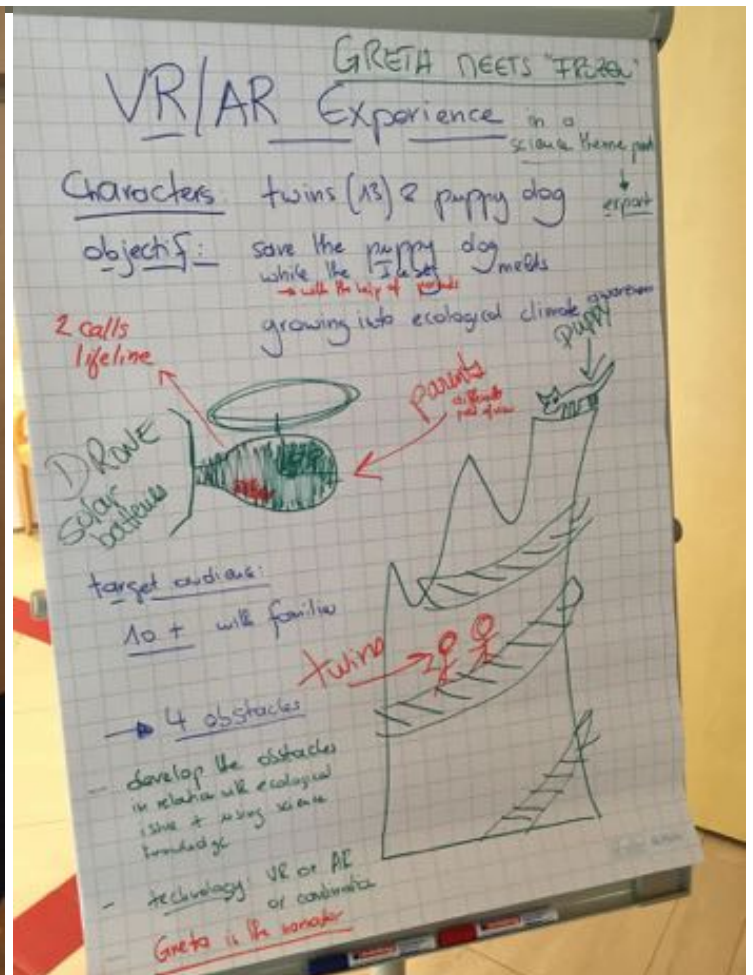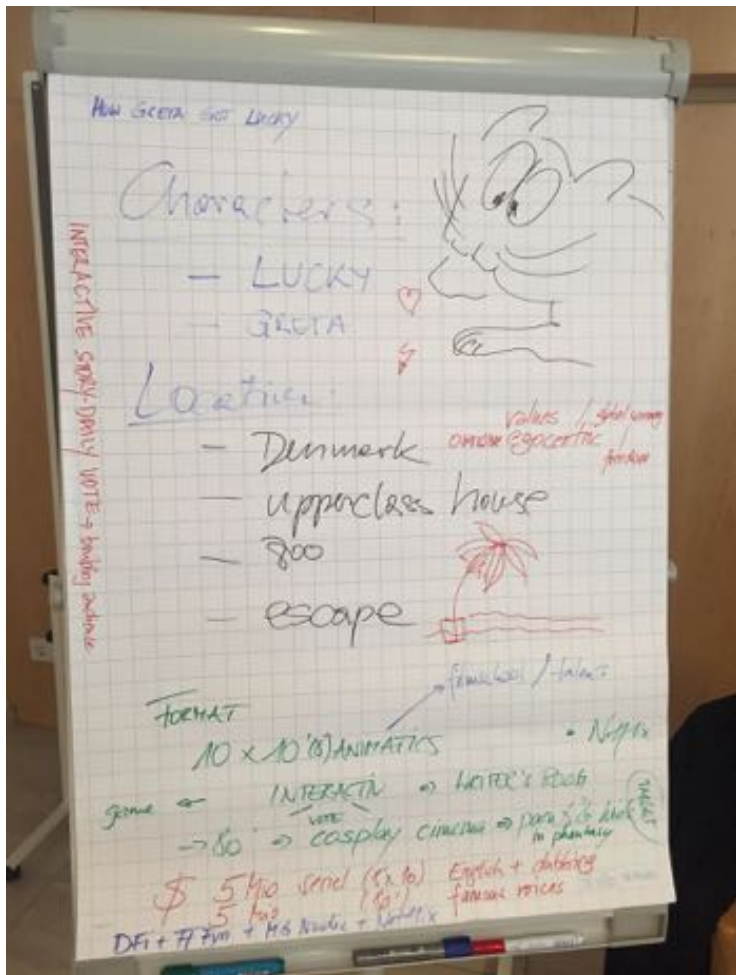Team 2 (format: series for an SVoD platform + theatrical feature film) (right)

Team 3 (format: web-series + digital game) (left)

Team 4: (web-series + music videos & Spotify album + Instagram TV + FB project) (right)

Team 5: (format: animation series of 10 eight-minute episodes + game + theatrical animation film) (left)

Team 6: (format: VR/AR experience) (right)

Post-Exercise Group Discussion:

Examples of specific format developments schemes and their challenges:

- The **German region Baden-Württenburg**
  - put in place a specific program called "concept-funding" within their development fund that could be considered as an example. They allocate 10.000 Euro for the pre-development of a concept for interactive digital formats and 20,000 Euro for the development of a concept and prototype for interactive digital formats. The grant can be spent on meetings with the experts from technology, formatting, audience development, etc. Producers and authors and digital experts can apply any time and funding-decisions are made quickly. If this phase is successful, then producers can apply for development funding.

- **VAF**/Belgium:
  - there are script-writing labs for web-series. Producers submit projects to the fund while they are in the earliest phase. The jury selects two best projects that are coached by experts. The two creative teams collaborate individually as well as a group with other people developing fiction TV series and web-series. Towards the end of the lab, the creative teams are expected to deliver a bible with characters and plot-lines, with which they can apply to the Flanders Audiovisual Fund (VAF) for the development and production support.
  - Furthermore, since 2018, VAF creates an Innovative scheme for innovative projects (around 800,000 Euro) i.e. VR, AI, cross-media, web-series, etc. The budget of this scheme has been made up by taking a bit of money from all different schemes (feature films, documentaries, animation). However, it is still only a beginning and **the whole area of cross-media still lacks regulations.**

- **SODEC**/Quebec/Canada:
  - Created the VR LAB. The fund launches a call, the jury selects the best projects and grants them development financing. Yet, SODEC's main issue is that the governing regulations do not allow the film fund officially support digital projects. That is why the VR LAB was a way to twist the law and unofficially support new formats. This concern raises the issue that in the coming years **countries need to change film laws that still recognizes only traditional films**.

- **Cinema Center/Wallonia Brussels Federation** (WBF):
  - Since 3 years, WBF has launched one call per year for micro-budget films. Producers submit only a treatment of 5 pages and a distribution strategy that must include platforms release. Four projects are selected per year with a support of 100,000 euro for the production. The the selected authors have to participate in a screenwriting workshop organised by Le Groupe Ouest (legroupeouest.com) that will help the authors to develop the story, the structure, the characters, etc of their project. The funding scheme is still recent, so no evaluation can be made, but it has already proven that **the funds cannot do everything themselves, without the help from external experts**.

- **Ile de France regional fund**:
  - there is a script-development funding scheme where auteurs can apply with 2-3-page concepts that can suggest any format (classical film, series, cross-media-project, etc.). However, the authors are obliged to organise workshops with the target audiences (i.e. children, elderly people, people in a hospital, library, etc) over a period lasting between 2 to 6 months (one workshop a month).
  - In addition to this scheme, there is also a specific policy for helping young artists (below 30) in general. Artists are organized in teams and work with experts and experienced mentors who help them develop the projects and, eventually, present them publicly. The costs are all covered by the fund.

- **Telefilm Canada**
  - In Canada, there is a flexible "talent program for young filmmakers" who wish to skip the cinema release and go straight to web. However, this applies only to the micro-budget movies. Otherwise it is not allowed.

General challenges

- Politicians can be skeptical towards training initiatives. They believe that training ends at film schools and are always irritated that professionals need education beyond film schools. Therefore, the funds need to be cautious about how they sell this idea about cross-media training and development to politicians.
- Film schools normally do not provide knowledge in cross-media development and production.
- Maybe too much money has been spent on projects that were never made. A portion of that money can be invested in cross-media labs and script-development in different environments that include external experts with the skills that the funds do not have.

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MEDICI — The Film Funding Journey

Ninth Workshop – 25 to 27 September 2019 in Potsdam, Berlin

Module 4.1: Digitisation From Application to Distribution

Introduction

As presented during the previous MEDICI workshop, the blockchain could be adapted to public film funding. That is possible because the blockchain technology correlates with the process of digitisation which most of the public film funds currently use to digitise their funding documents, and because most of the public film funds produce, co-produce, acquire and distribute content. They have to deal with a wide variety of different types of contracts and stakeholders. That implies a great deal of administrative work and burdens that could be reduced by implementing blockchain architecture. A number of questions arise here:

- What do we need in order to go forward if blockchain were to be THE solution to the burden of administrative work for the funds and the industry?
- Are the needs identical in all funds?
- Is there a possibility to share any of these technological developments rather than create them anew for each funding body and thus lose time and money?

Lecture and Q & A: Florian Glatz

Lawyer and President of the German Federal Blockchain Association

I am here in two capacities:

- As a Founder and the President of the German Federal Blockchain Association, I will talk about the blockchain strategy that the German Government has just published. The blockchain technology is becoming a global phenomenon since the relevant reports have been published in many European countries, United Arab Emirates, China, US, etc. The German strategy is a 30-page document that indicates how Germany should research, support and employ the blockchain technology in many different sectors of both the public administration and the private economy. It contains also a chapter on copyright, referring in particular to the film industry. It says that blockchain might be very relevant for the management and enforcement of copyright.
- I also represent the Motion Protocol project whose mission is to introduce a blockchain-based token infrastructure into the film industry. We perceive blockchain as the digital equivalent to the copyright law. In our view, blockchain is not a product owned by a company or a government, it is simply an idea that is out there and is slowly being implemented in many different sectors. However, blockchain is not the one thing that will save us all. It is just a tool and it is up to every industry to decide how to use it.

Blockchain in a Nutshell

Standardisation, automation and disintermediation are the major trends in today's society that the blockchain technology is based on.

- The blockchain **standardises** and represents information and knowledge in a structured and machine-readable form. This standardisation makes machines understand what the humans have done.
- As soon as the machines can understand the information that we are transacting upon, they can start to automate these transactions. The **automation** happens thanks to software, connected computers and, ultimately, sensors. We can digitally measure everything about this world, which enables a deeper and deeper automation of things.
- **Disintermediation** means that since computers can automate a lot of processes, many intermediaries that were established in the 20th century will not be needed anymore. Now everything can be done by computer in an automated fashion.

Defining a blockchain

- Blockchain is a **megatrend**. It is not a particular thing, but a big ideal of many shapes and forms.
- Blockchain does not have the image that represents it. It is an abstract, invisible technology that runs on some computers and you will never see it.
- Blockchain is all about **bookkeeping**.
- Blockchain is an immutable and append-only **database** resembling an excel spreadsheet. It is a means to **record** (store and read) information in a structured fashion. We can store all kinds of information in this database and it will be **shared** by many people on millions of computers worldwide. Everybody who retains a copy of this database **agrees** that whatever is being written in this database is true. Therefore, blockchain **turns data into facts** through the consensus-computing relevant to the people that rely on this database. Blockchain has some very strict and concrete rules about how one can add or modify information in this database, which is what makes it reliable

A decentralised infrastructure behind the blockchain

All engines we use today (Google-search, WhatsApp, Facebook, etc.) have a centralised IT infrastructure behind them. Whenever one sends information via e-mail or WhatsApp, it is intermediated through a central server in the centre of this interaction between two peers. This simple architectural solution has a huge impact on the society. Namely, corporations such as Facebook use it to track users, create and sell data about people and earn billions, which has created a whole new concept of privacy.

The blockchain technology, however, ensures a transition from this centralised to a **decentralised infrastructure**. In the decentralised one, there are no middlemen anymore when information is sent from one peer to another. The blockchain removed the middleman, but retains the notion of a truth that anybody can look into at the same time in order to know what is going on. The first thing that was built with this blockchain-triggered solution was "the money without banks – bitcoin". But now, ten years later, we are looking at many different applications of this solution to this abstract problem for different industries, including the film industry.

We live in a totally decentralised world. Everybody is doing their own bookkeeping on paper, in an excel sheet, in a word file, in their head...it is a very localised process happening in isolation in millions of different places in our world. The lawyers exist in order to check all those books for mistakes or cheating. But it costs billions or trillions of dollars. The lawyers' salaries are called transaction costs and the blockchain revolution can finally make them unnecessary. There will be no need for an auditor or lawyer to discover frauds and mistakes because it will happen automatically in the system. **To put it shortly, blockchain is centralising booking-keeping on a decentralised bookkeeping infrastructure**.
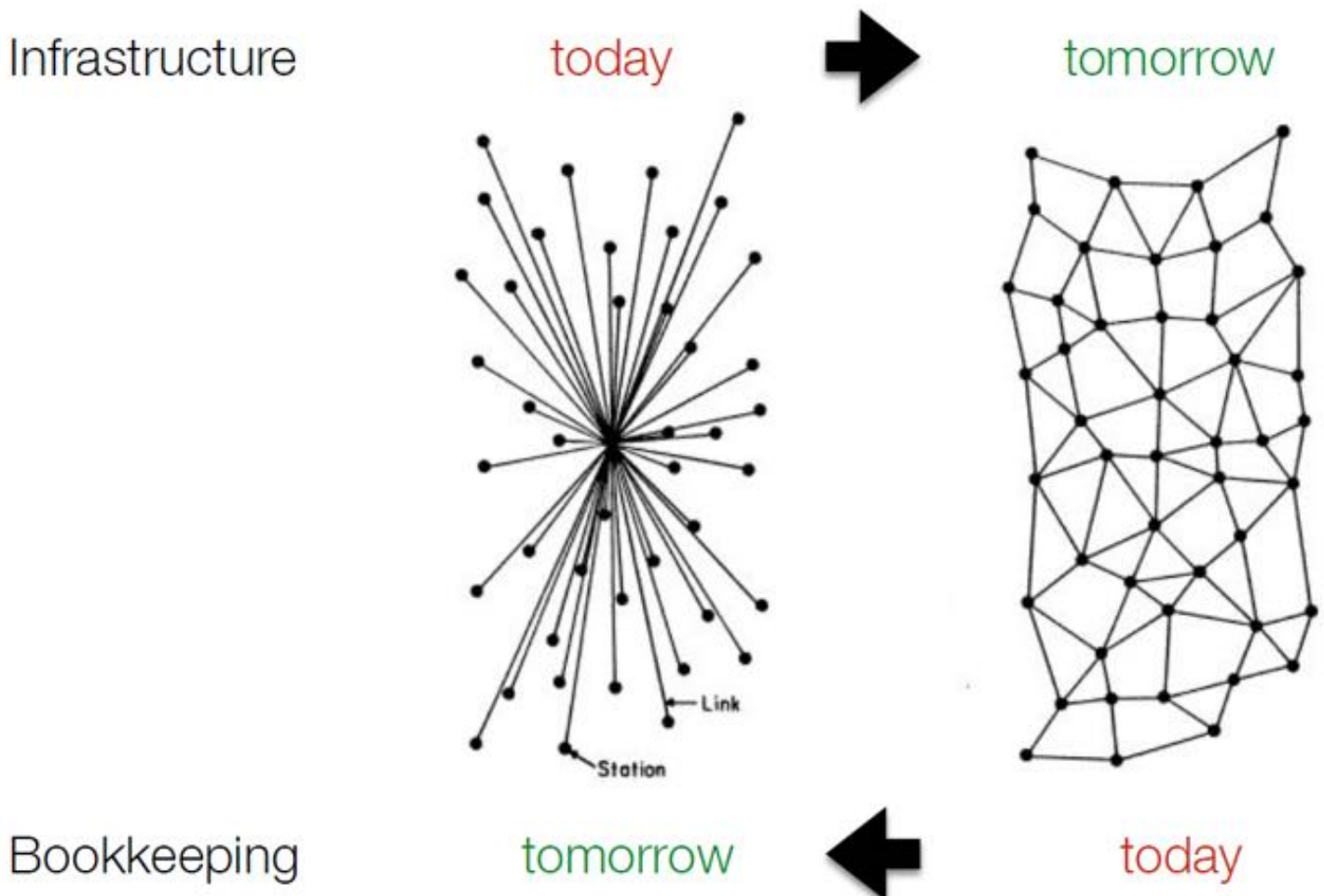
Why Should the Film Industry Care About the Blockchain?

The blockchain technology can be applied to the **copyright management** in the film industry. The example of the IMDB (International Movie Database) demonstrates this. This database provides countless details of every individual film. But there is only one critical piece of information that is always missing – who owns the film (how many people? Which kinds of royalties do they get when the film is being exploited? In which territory? In which form? etc.). This information does not exist anywhere because it has been created through peer-to-peer distribution licences and contracts. There is no central repository that keeps track of this data. This results in

- a non-transparent market for trading IP rights,
- an information asymmetry at the detriment of filmmakers,
- inefficiencies in the area of clearing film rights and
- impossibility of direct remuneration of rights-owners.

Hence, the main mission for the film industry should be **to centralise with blockchain this decentralised way of bookkeeping when it comes to rights management in the film industry**. In this regard, it is necessary to create a central registry for film rights and licences, which will ensure

- more transparency for filmmakers, right holders and financers
- a better access to global licence trading
- direct renumeration
- disintermediation of unnecessary middlemen, and
- new business models.

Token Economy as a Solution

The Motion Protocol project I am working for has developed its Intellectual Property (IP) Book-Keeping Protocol that runs on a blockchain. It is based on a very important concept in the blockchain technology called **token**. Token is an abstract thing – a unique digital identity for an asset.

Could a film be considered as an asset using the concept of token?

A film is an asset created through the existence of the copyright law. This law ensures that a film becomes an economic good with some value. It can be owned, sold, sublicensed, etc.

How do you represent this asset on the blockchain using the concept of token?

- A concrete standard that has been developed to create the kinds of tokens in this context is called **IRC 721 token standard**. Thanks to it, you can put down in a standardised machine-readable form the core terms of an IT-licence agreement. It can:
  - represent a non-tangible economic good, ancillary copyright, a licence agreement and so on.
  - have a unique owner (right holder) or a multitude of owners. Terms of use are programmed into the token. It contains the territory in which you are allowed to exploit that token, time window and the type of use. Such a token is transferrable and you can create a sublicence based on it.

- The source code is already machine readable but not machine-optimised. It is optimised to be written and read by humans like computer scientist, which then will be compiled into a machine code and executed somewhere in the CPU. Certain information, like the licence information, will be represented in another kind of data. The picture below shows, as an example, how a licence agreement looks like when it is stored in a blockchain. All information about the licence are transparent (validity dates, exploitation territories, sublicence info, etc.). The whole chain of providence is visible, showing where a particular licence is coming from.

```
 1 {
 2   "@context": "http:\/\/coalaip.schema\/",
 3   "@type": "Right",
 4   "rightType": "License",
 5   "usages": "all",
 6   "name": "The Godfather",
 7   "image": "https:\/\/ipfs.infura.io\/ipfs\/QmXBn3kPkmwC4gNyztG1X7ov5GDdct2Dj4NALXJYtqyMb6",
 8   "territory": "USA",
 9   "context": "Film Festivals",
10   "validFrom": {
11     "@type": "Date",
12     "@value": "2018-12-13T14:12:17+01:00"
13   },
14   "validTo": {
15     "@type": "Date",
16     "@value": "2019-12-13T14:12:17+01:00"
17   },
18   "rightsOf": "QmTUbkYtNmFwba4vyhq5vQSeGucHppyB4PHvcCzDBitt9K",
19   "license": "QmauXZ41M4kj8ZPuHeRrp1fpgXjNK1iSS6CdGcYVAv71da"
20 }
```

- Furthermore, when you have this kind of token, you can create many other tokens around it. This process is called the **token economy**. For example, ERC721 token allows you to create digital securities in order to sell future profits of a film and fund its production. Thus, it is basically a venture financing, fully digitised and fully interlocked with the life cycle of the IP behind it.

Phases in the life cycle of a film in the blockchain era?

- The life cycle of a film in the blockchain era starts with the **idea** for a film in the form of a copyright-protected synopsis or treatment represented on blockchain by the IP protocol.
- Then comes the **financing** phase in which the producer sells the digital and token-based securities that embed and certify the future profit to be used for production of the film.
- In the **production** phase, producers may partly pay the crew in these profit participation tokens.
- **Distribution phase** will be marked by a very transparent peer-to-peer licence trading.
- In the **exploitation** phase, filmmakers and right holders will understand easily how their ideas have been exploited along the value chain and will easily claim royalties on that. Royalties may also be paid automatically as they are being created, executing the waterfall.

Two Examples of User-Cases

1. License-trading platform called **Cinemarket** is a user-case that produces the token-based IP Protocol. Basically, every time a film licence is sold, a token is created and is transferred along the value chain.
2. **White Rabbit** is a controversial use-case because it monetises the online piracy. It enables pirates to pay for the films that they illegally stream. Since the blockchain contains the information about the rights and their owners, pirates are actually paying directly to the people from which they steal the film. Netflix has around 30 million subscribers in Europe, while there are 350 million people that are illegally downloading films. Instead of being afraid of Netflix maybe we should be afraid of people who do not know how to pay for the films they are watching and maybe we should start giving them an opportunity to pay for it.

Blockchain 2.0

Blockchain started with a utopian idea, but it did not really work out. Thus, in 2019, blockchain is being re-evaluated. Its reformers need to undertake the following actions:

- To create industry-specific blockchain networks (for example, for a film industry) with concrete user-cases and real value add
- To connect to existing blockchain ecosystems and use the value that has already been created rather than build the new data silos
- To exclude crypto currencies as a means of payment because nobody understands and wants it.
- To provide a scalable and cheap infrastructure that is open for everyone to use.
- To build an ecosystem of applications and users from day one
- To allow every industry to govern and finance the creation of this infrastructure on their own.

How will the film industry participate in this?

- The film industry should create a non-profit association whose membership would represent all stakeholders (the European film funds, producers' associations, filmmakers, etc.). It would decide how the blockchain infrastructure should work, how it is being developed and financed, and who has power over it.
- Another solution would be to establish tokenized blockchain-based film funds that would insist that the beneficiaries of their funding must use the full blockchain ecosystem to create their films.

Eurimages – the first European fund experimenting with the blockchain technology

Eurimages has set up the working group which is in conversation with a number of film funds and blockchain experts and discusses the introduction of the blockchain technology in the area of European co-productions. They started with harmonisation of the production budget across Europe. The idea was to create a top-sheet suitable for everyone so that producers do not have to change the budget form in every country. The new universal top-sheet is now available on the Eurimages website (see "Summary production budget" on Eurimages website: www.coe.int/en/web/eurimages/documents) and a number of film funds and producers already use it. There are also other topics the working group is discussing right now like how do you register different type of costs, definition of overheads, etc.

Blockchain indeed enables people from the film industry to share at least a minimum of information. Everybody can pick what is necessary, for example, for using a tax incentive, etc. However, it is still all too slow considering how fragmented and complex the European film industry is. Furthermore, Eurimages consists of thirty-nine countries, which makes the whole process additionally challenging and complex. It requires a lot of pragmatism and flexibility. In some countries, you can simply cannot change the regulations.

Q&A with Florian Glatz

Is the blockchain fully transparent? Can everybody in the industry see the contracts or are there some specific access rights?

FG: Right now, it is fully transparent. It would take some additional effort from the funds and the entire film industry to introduce privacy.

When Canada co-produces with Europe, nothing looks the same, it feels like producers come from two different planets. It takes forever for producers to find common ground. If you had a European association who would spend years deciding on a common, standardised architecture, would it solve the problem?

FG: If we are not able to agree on the data standards, blockchain is useless. We need to agree on the data standards first. Blockchain indeed reinvigorated many efforts to standardise data-sets. Once you standardise them, you immediately benefit from the blockchain. It has a power to get people work on things that have previously been considered totally hopeless.

For now, the blockchain seems like a dream where everything is automatic. But maybe certain things should be regulated first before they are integrated into a big automatic system such as blockchain?

FG: Definitely. We need to be pragmatic about all this and start with the areas of the film industry that are less sensitive to the revolution. We first need to identify the area in the industry where introducing automatic systems like blockchain is possible. There are two approaches here. One way is to start with the films that do not exist yet. This means that funds can say that they want to support only the projects that from the start use the digital blockchain to define everything around the film. The second approach is to create a library of films and all the accompanying rights in order to be able to feed them into the block chain and arrange their distribution. But it is up to the funds to choose the approach that suits them best.

Who is going to enter data into the system and what if entered data is false?

FG: There are two solution to this. The first (centralised) solution is to create specific institutions that would validate the data entered into the system (especially the copyright-related data). The second (decentralised) solution is to let anybody claim whatever they want and let the time show who was right and who was false. In case of any conflict, the real owner would easily prove his ownership during a dispute process. However, it is again up to the industry to decide on a more suitable approach.

What will happen if a film fund decides to change the provider of the blockchain service?

FG: There are two layers here: the ground layer and the application layer. On the ground layer, we standardise and represent the IP agreements. Here we all need a consensus and a common solution that everybody adopts. This should not be done through a single project, company or a private entity, but we need an industry body all of us is part of to decide on this. Once we have this ground layer, we will see a very healthy competition on the second layer, which is the application layer. There will be many companies competing for users and clients, but they will all use the same underling blockchain and the same underling protocol for doing the bookkeeping. For the end-users, such a competitive landscape means that switching costs would be low, because the data portability is already ensured by the ground layer being open and standardised by the film industry itself. So if one service-provider on the top layer starts charging too much for their software, you can switch to another service provider, but your data stays in the same place.

Would we use electronic signatures?

FG: To be able to close legally binding contracts through a blockchain, we would need a concept of legally secured digital identities and electronic signatures. This principle is already possible to some extent, but there are currently massive efforts on the EU level under the umbrella of the European blockchain partnership. They are

looking for the European framework for developing a digital identity standard that complies with all necessary requirements.

In its blockchain strategy, the German Government said two relevant things. First of all, digital identity is the top priority for Germany and, accordingly, Germany wants to look into how data on the blockchain can be used as a proof at court.

I think all this will be driven by the public sector: governments and regulations, but also by the industries choosing and adopting certain standards. Also, we need to mention W3C – one of the biggest international standardisation bodies for the Internet which developed all the standards that we use today. They are also developing the standard for digital identity called the DID (decentralised identifiers) standard that is already in use. They are also creating another standard, which will be very relevant for the film industry, called "verifiable claims standard". With this standard and the DID standard, we already have the major standards that will be relevant for the IP protocol

And where does blockchain stand in terms of the energy consumption?

FG: When it comes to the energy consumption, we are looking at two different generations of blockchain – the bitcoin and what is coming now. Bitcoin users consumed a lot of energy to run the system. Now renewable energy sources will be increasingly used to feed the energy hunger of bitcoin. Already today around 40% of energy consumption of bitcoin comes from the renewable energy like, for example, in Iceland. The Chinese Government will also switch soon towards the sources of renewable energy. The German Government in its blockchain strategy said that when it gives money or projects to private entities to develop something with blockchain, one of the criteria will be that they must use a CO2-neutral blockchain that does not consume energy in the way that bitcoin does.

There is no database for copyright ownership, which is a big weakness. Where should we begin? This is particularly difficult during the dynamic development and production process of filmmaking. But there are people who are already collecting data for co-productions called collecting agents. They have information like who is the owner of the revenue streams, for which territories, etc. everything that would be highly valuable for a blockchain. Are you in conversation with collecting agents because that could be a good start?

FG: We should be. Connect us with them, please!

The public film funds' experiences with new players and forms of content, their impact on funding schemes and their responsibility towards the industry in the 21st century

MEDICI — The Film Funding Journey

Ninth Workshop – 25 to 27 September 2019 in Potsdam, Berlin

Module 4.2: Blockchain as a part of the workflow

Vincent Choukroun, Project Manager Cascade 8/Logical Pictures (France)
(see PDF)

Introduction

Module 4.1. introduced a lecture by someone who is working with blockchain on the metalevel, dealing with the general concepts, how to implement blockchain within the film industry and how to work on the political and institutional level to ensure the necessary standardization.

Module 4.2 takes another look at blockchain to further explore its potentials and challenges:

- Is its implementation as simple as announced?
- How does blockchain differ from the digitization that funding bodies have already been implementing?
- How can the different funding bodies synchronize their efforts to make sure that their blockchains enable international co-production?

Module 4.2. introduces a blockchain expert, Vincent Choukroun, coming directly from the industry and representing manufacturers of applications that can be put into use. His lecture rather provides an idea about the practical use of the blockchain interfaces in a daily business.

My company, Cascade 8, was established in January 2019 as one of the subsidiary companies of Logical Pictures, a French equity fund that created several other companies[1] within the same media group called Logical Media Group. Therefore, we have developed applications together with these companies.

In my presentation, I take a basic TCP/IP protocol as an example of the practical use of the blockchain technology. I will present several use cases that can give a taste of a practical use of blockchain in the every-day life.

Our first blockchain platform was called BlockFrames and it came out in September 2018. It is a royalty distribution system based on blockchain. What is innovative about it is the fact that it is decentralized, transparent, automatic and temper-proof. After BlockFrames, our goal was to create a suite of decentralized applications (DApps)

Therefore, we have developed three new DApps which will be presented at Berlinale in 2020:

- The first one called <u>Media Financiers,</u> is intended for high-net-worth individuals and assures transparency when it comes to receiving revenues.
- The second one called <u>Media Delivery,</u> is a collaborative platform for managing film material delivery schedules. Made for sales agents, this App follows what happens with the multiple films from their catalogues in all kinds of territories.
- The third one called <u>Bigger Boat,</u> allows right-owners to send packages to SVoD platforms and TV channels through secure traceable transactions. The Apps like Bigger Boats are interesting also in a sense that thy help us combat large US digital platforms.

[1] such as distribution company The Jokers and the sales agency Pulsar Content

A suite of Decentralized Applications (DApps)

Data	Operating system	DApps

ethereum

BlockFrames
by Cascade 8
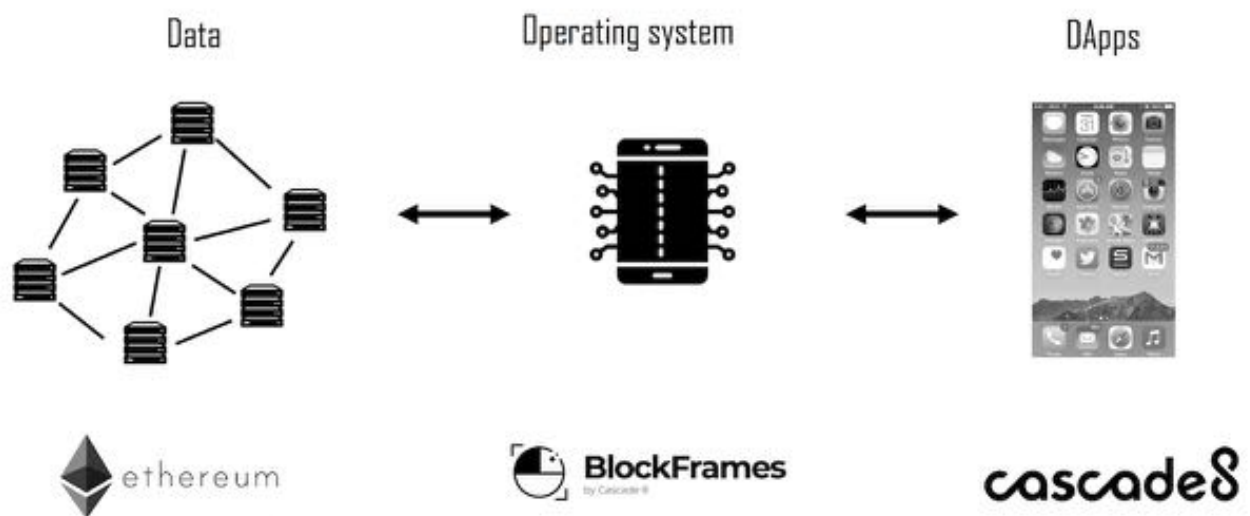
cascade8

Blockchain Use-Cases in Cascade 8'S Dapps:

Use-Case No.1: **Digital Signature**

Blockchain includes countless transactions. Every time there is a transaction on a blockchain, there must be somebody – either a person or a software – who will sign it with the digital signature. The digital signature helps track almost any action that someone is doing. However, we make sure to feed the blockchain only with relevant information about the relevant, specific actions.

For example, in the Media Delivery App we record only the notifications of the revenues, because they trigger payments. The information about signed distribution agreement is fed into blockchain in case of the Bigger Boat App. When it comes to the BlockFrames App that deals with royalty payments, we record on blockchain whenever somebody accept to make payments.

The picture below shows the interface you use to sign a transaction with the digital signature. To sign a transaction, you need a key which is actually your ID. The problem is that if you lose the key, you lose your identity. Therefore, you can (and should) create as many keys as you want on many devices, so even if you lose one, you can still use another one to sign a transaction. It takes around 10 seconds to sign the transaction on blockchain. Once you sign an agreement in this way, the blockchain records it.

Wallet and keys manager

My profile

michel.blockframes.test

Keyring

	Mac at work		Mac house		Iphone
🔑	Last import 12 jun, 2019	🔑	Last import 12 jun, 2019	🔑	Last import 12 jun, 2019

	PC house		Samsung
🔑	Last import 12 jun, 2019	🔑	Last import 12 jun, 2019

Use-Case No.2: **Certified Register**

You can use blockchain to register many things in a credible way. Most often, it is about registering financial transactions (the case of the BlockFrames DApp). However, one can also register information about a delivery workflow (Media Delivery DApp) or information regarding the sale of a film (Bigger Boat DApp).

Etherscan is an example of a website where you can find the certified register of all the transactions from the beginning of the production (see picture below).

Etherscan

Goerli Testnet Network

All Filters ∨   Search by Address / Txn Hash / Block / Token / Ens   🔍

Home   Blockchain ∨   Tokens ∨   Misc ∨ | Goerli

Address 0x8314CCE4a843B1A7F2B160BdD32Eb232ba50f988

Overview		More Info	
Balance:	6.194508391572457658 Ether	My Name Tag:	Not Available
Token:	$0.00 **2**		

Transactions   Internal Txns   Erc20 Token Txns

↓₹ Latest 25 from a total of 2,131 transactions

Txn Hash	Block	Age	From		To	Value	[Txn Fee]
0x3880b2bb67d8be...	1366045	16 hrs 39 mins ago	0x8314cce4a843b1...	OUT	📄 0xc1ea41786094d1f...	0 Ether	0.000049581
0x52e6a79a12dbd2...	1366044	16 hrs 40 mins ago	0x8314cce4a843b1...	OUT	📄 0x112234455c3a32f...	0 Ether	0.000047341
0xa907d7b784c5fd...	1366044	16 hrs 40 mins ago	0x8314cce4a843b1...	OUT	📄 0x179c0215320e07...	0 Ether	0.000206505
0x4eb16c44f345694...	1366043	16 hrs 40 mins ago	0x8314cce4a843b1...	OUT	📄 0x112234455c3a32f...	0 Ether	0.000050033
0x82f210d44eeaf21...	1366041	16 hrs 40 mins ago	0x8314cce4a843b1...	OUT	📄 0x86a803a15a2b67...	0 Ether	0.002621806
0xdea66bb9f9e7b0...	1365568	18 hrs 39 mins ago	0x8314cce4a843b1...	OUT	📄 0xc1ea41786094d1f...	0 Ether	0.000049581
0x56bffa38305564b...	1365567	18 hrs 39 mins ago	0x8314cce4a843b1...	OUT	📄 0x112234455c3a32f...	0 Ether	0.000047341

Use-Case No.3: **Automated Programs**

The blockchain with smart contracts was created in 2015. It can be used for recording the information about the revenue-sharing and for managing the recoupment waterfalls (BlockFrames DApp). In the case of the Media

Delivery DApp, the user can trigger specific actions through automated programs. If a delivery is accepted, then user should trigger payments.

The above three, and countless other, use-cases indeed announce a radically new landscape which could come soon. It has a potential to bring three major improvements to the film industry.

- The whole contractual film ecosystem (chain of titles, etc.) would be accessible at glance.
- Furthermore, there would be an easier access to the information about the revenues. Funds who want to allocate grants based on the revenues, would be able to use blockchain to obtain the most accurate information without a fear that the producers cheated in their reports.
- Finally, blockchain would show every company's history and every person's professional career in a form that could be fact-checked.

Suggestions for Public Film Funds

- Public film funds should establish themselves a legal framework for a blockchain covering the chain of title and revenue allocations. They should not allow private companies do this work and profit from it.
- Funds should create oracles (information-feeders) for issued certifications, allocated subsidies, granted amounts and festival award. It helps in feeding the blockchain with true information and prevents cheating. Private companies cannot be always trusted.

Q & A with Vincent Choukroun

You mentioned registers of statements that are encrypted. But what happens if two statements contradict each other?

VC: The thing with blockchain is that it is not informative, but based on the actions. To give you an example, let's say that a French distribution company claims it sold a film for three thousand euro to Canal+. We will wait for Canal+ to validate this information before we feed it into blockchain. No action is recorded in blockchain unless all the stakeholders linked to a specific statement have validated it.

Should we establish a non-profit association of film funds that would engage in an inter-disciplinary conversation about how to standardize data and funds so they benefit more from the blockchain technology?

VC: The French CNC has already done some works in terms of standardization. They created a specific register (RCA)[2] of all the contractual information related to the projects that received their certification that they want to put on blockchain. I hope that every European country will do the same in the near future. However, the fact that here are many ways to record information in blockchain poses a challenge. Everybody will be using blockchain, but the question is how? and how to standardize it across European countries? That is why the funds need to work together and create one standard. Otherwise, everybody will be using blockchain, but one will be in German, one in English, one in French, etc. …and there will be difficulties to understand the things within each other's blockchain, which would be a pity.

[2] The cinema and audiovisual registers (RCA), created by a law of February 22, 1944, are managed by the CNC. The Cinema and Audiovisual Registries service publicizes acts, conventions and judgments relating to the production, distribution, representation and exploitation of cinematographic and audiovisual works.

The public film funds' experiences with new players and forms of content, their impact on funding schemes and their responsibility towards the industry in the 21st century

- Module 1 – Platform Economy
- Module 2.1 – New Formats
- Module 2.2 – Group Exercise: Format Development
- Module 4.1 – Digitisation From Application to Distribution
- **Module 4.2 – Blockchain as a part of the workflow**
- Module 4.3 – Group exercise: block chain as part of new funding schemes. Supporting new formats and platform distribution
- Module 5 – Sustainability: Surviving the 21st Century
- Module 6 – Free Flow: What Do You Think?

- List of Participants (PDF)
- MEDICI Ninth Workshop Report (PDF)

Ninth Workshop – 25 to 27 September 2019 in Potsdam, Berlin

Module 4.3: Group exercise: block chain as part of new funding schemes. Supporting new formats and platform distribution

Description of the exercise

The MEDICI participants are divided into six groups of 5-6 people, each sitting at one table. The exercise consists of three elements:

1. The participants first receive the overall **task** they need to pursue.
2. Then they are pointed to the **conversations** they need to engage in while pursuing the given task.
3. Finally, they present the outcomes of their discussions in a **3-minute-pitch**.

1. **Task**
   Eurimages has asked the European film funds to join a think-tank on standardising the film development-production-distribution chain in compliance with the European Convention on Cinematographic Co-production.
2. **Conversation**
   In order to fulfill this task, the funds need to engage in the following two conversations:
   - **Conversation 1**: each Think-Tank (i.e. each table in the room) needs to discuss how the development-production-distribution chain could/should be standardised and propose a standard. In developing such a standard, they can:
     1. depart from the suggestions from the lecture by Florian Glatz (making an archive of the existing films or starting from new projects), or
     2. go by the lines proposed by Vincent Choukroun who in his presentation proposes a modular revolution by focusing on one part of the chain, trying to standardise it.
   - **Conversation 2**: every Think-Tank needs to identify the relevant bodies, institutions, organisations and players that need to join the next round of conversations in the Think-Tank.
3. **3-minute Pitch**: The outcomes of both conversations are to be presented in the form of a proposal (3-minute pitch) to Eurimages and the Council of Europe.

Outcomes of the exercise

Group 1

Conversation 1

Our blockchain would combine the responsibility of the **collecting agents** with the **escrow accounts**:

- **Collecting agents** are transparent, have data and structure, and manage the revenue streams of co-productions internationally. They possess information about the contracts, rights and all other insights. This information would be easily importable into the blockchain system where everyone can follow in real-time when and what is paid to the right-holders (directors, producers, scriptwriters, investors, public funds, etc.).
- The **escrow account** has the same structure and information. It is transparent and tracks the cash-flow of everything that funds pay to the producer. The funds would not pay the money to the collecting agent, but to the escrow account, which the producer will see on blockchain. The blockchain would

visualise when the production money comes in, when the producer transfers money to the production, and when co-producers receive funding in their territories.

Therefore, the idea behind our blockchain is to get a full, transparent system of following money from development to the moment the revenue streams start coming. This system would be based on trust, transparency and efficiency.

For the next round of our Think-Tank discussion, we would in the first place invite the colleting agents and banks.

Group 2

Conversation 1

Our blockchain would focus on production – a specific fragment of the film value chain. We would establish:

- first a **glossary** that would define all the terms and positions. We would start with film-title since it is different in every language and thus difficult to track. The blockchain would show the original title, English version and French version.
- All the projects in development would receive **a sort of a fingerprint** that they would keep during the entire production life-cycle. It would help the funds identify the project more easily than now.
- The similar standard would be applied to producers who would get **producer ID** for easier tracing on blockchain.

All the member countries should make sure that the relevant national requirements in terms of qualifications and certifications are verified. Furthermore, as soon as a funding body confirms its funding for a project, it would appear on blockchain with all the information about the guidelines, terms, criteria, deadlines, expiration dates of the granted financing. There will also be accurate information about the financing plans, budget and how much money should be spent in which country.

Some countries have some budget items that the others do not (for example contingencies), which poses a problem. Hence, our blockchain would make sure that every specific item from national budget forms exists also in the overall budget. Each country would appoint a project manager for the blockchain. They would verify and prove that everything is according to the national regulations and laws. On the other hand, collecting agents would not exist in our blockchain, because we would insist on disintermediation.

Conversation 2

Each country is different. Therefore, the countries should first bring together all the relevant institutions on the national level (regional and national film funds, certification institutions, etc.) and only after the consolidation on national level, they can continue the international conversation on the block-chain related standardisation. National funding bodies would coordinate everything under the monitoring of Eurimages. Eurimages would not regulate the standardisation
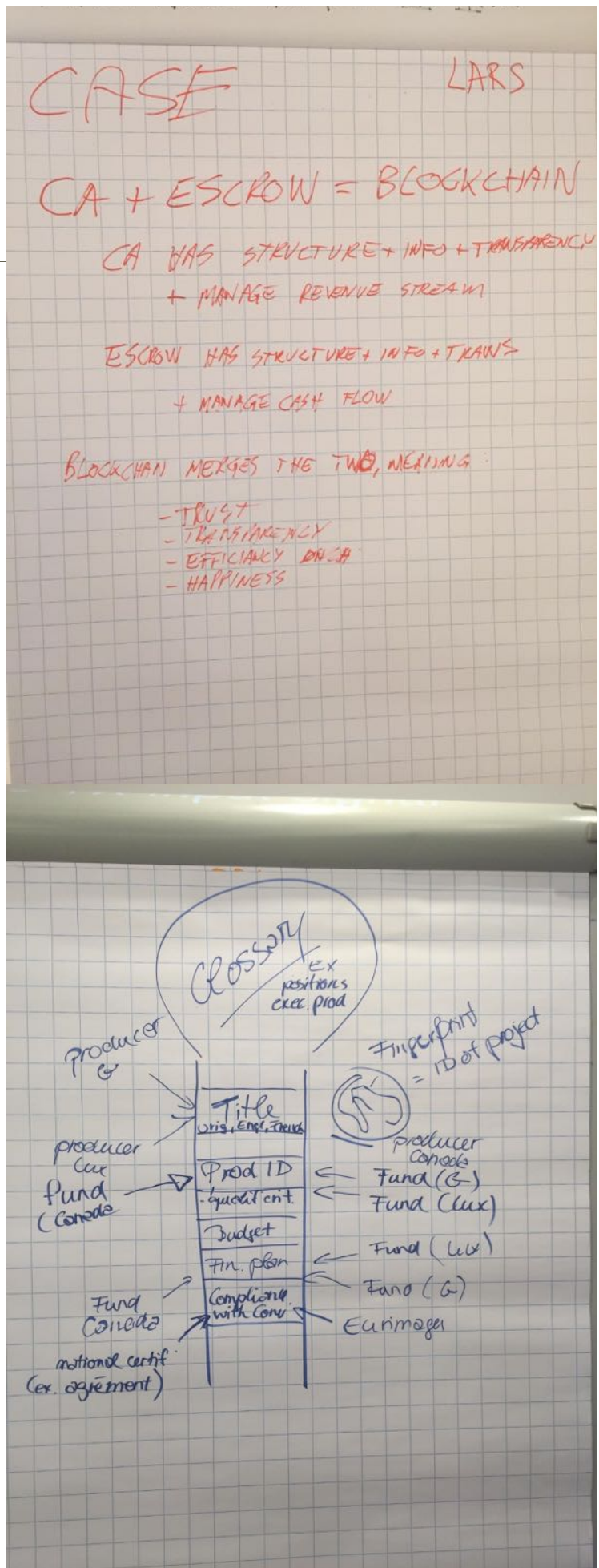
process on a metalevel, but rather on the operational level as an exchange of the best practices.

Group 3

Conversation 1

Our blockchain would contain a **minimum set of data which can travel across different networks**. It is important that these basic data are collected and certified by everybody involved (from both private and public sector) in the film, and are available to all the parties.

In developing our blockchain, we would collaborate with producers' associations, blockchain specialist, representatives of film funds (such as EFADs, Cineregio, etc.), but also with all the parties that provide data such as box-office, recoupment information, festival data, etc.

Conversation 2

Furthermore, we would standardise the chain of titles because it would be the DNA of each production – the main digital asset. This standardisation should be a collaborative project of public film funds and the industry. The piece of the blockchain containing information about the chain of title would be shared to all partners involved. We also need to consider creating an association whose role would be to register the chains of title in blockchain. The data they register could be used in different blockchains (within both private and public networks).

Finally, it would be necessary to define the way each stakeholder should report to blockchain their data about revenues.

Group 4

Conversation 1

Our blockchain focuses on **co-productions**. It contains information about the chains of titles, revenues, recoupments and all other information about how the money travels between different players. We would collect data from scratch with every new project. But the **established data standards** would be used.

We also discussed the **standardisation of the certification process for co-productions**. The current national forms are very different from country to county (in different languages, with or without percentages, etc.). We propose a universal form that could be appended to the existing certification letter in every country, containing a minimum information that Eurimages need to know about the project (chain of titles, percentage of financing, share of revenues, etc.). But this task is difficult to implement due to the rigid national legislations that do not allow that.


We also identified some challenges.

- We still do not know how we would involve players such as unions of scriptwriters, directors, etc.
- Meeting with too many companies from different sectors can be complicated because they all have different standards.
- Each territory uses different languages, regulations, practices and copyright laws.
- Who would be in charge of the governance of the blockchain?

Conversation 2

The blockchain standards would be established in collaboration with Ministries of Culture (policy-makers), producers' associations, lawyers, blockchain experts, Eurimages, Ibermedia and other organisations involved in co-productions.

Group 5

Conversation 1
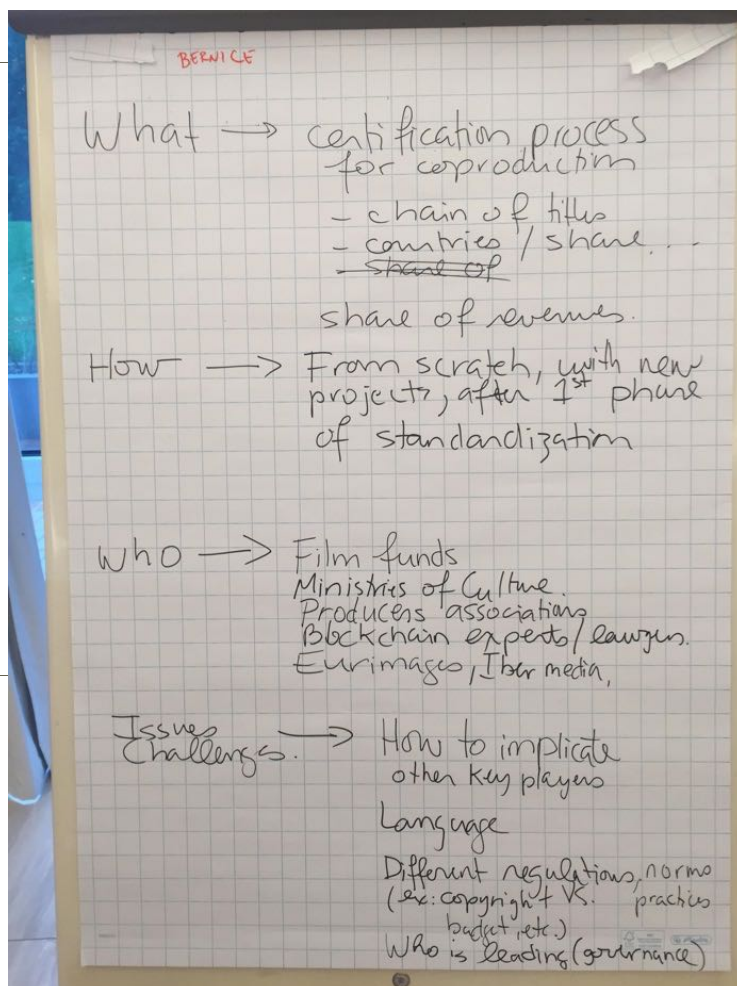
Our blockchain would be based on the **CCP 1.0 protocol**, which defines standardised datasets containing the following information:

- Who owns the film (information missing from the IMDB)
- ISO codes for every country, fiscal codes for every company and code for each co-production treaty
- Percentages of financing for every country
- Status information.

The valid documents would be only the ones signed by all the countries and partners participating in a co-production. Blockchain would show only such documents.

Conversation 2

Industry partners would be involved in the conversation, together with the relevant ministries, producers' associations and representatives of non-European countries that are interested in participating in the blockchain.

In the next phase, we would work on the CCP 2.0 protocol that would:

- Include credible mechanisms for tracking receivers and percentages of revenues in every relevant territory
- Require standardisation of how contracts are made in all territories.
- Resolve the current transparency and accuracy issues triggered by producers' refusal to report data.
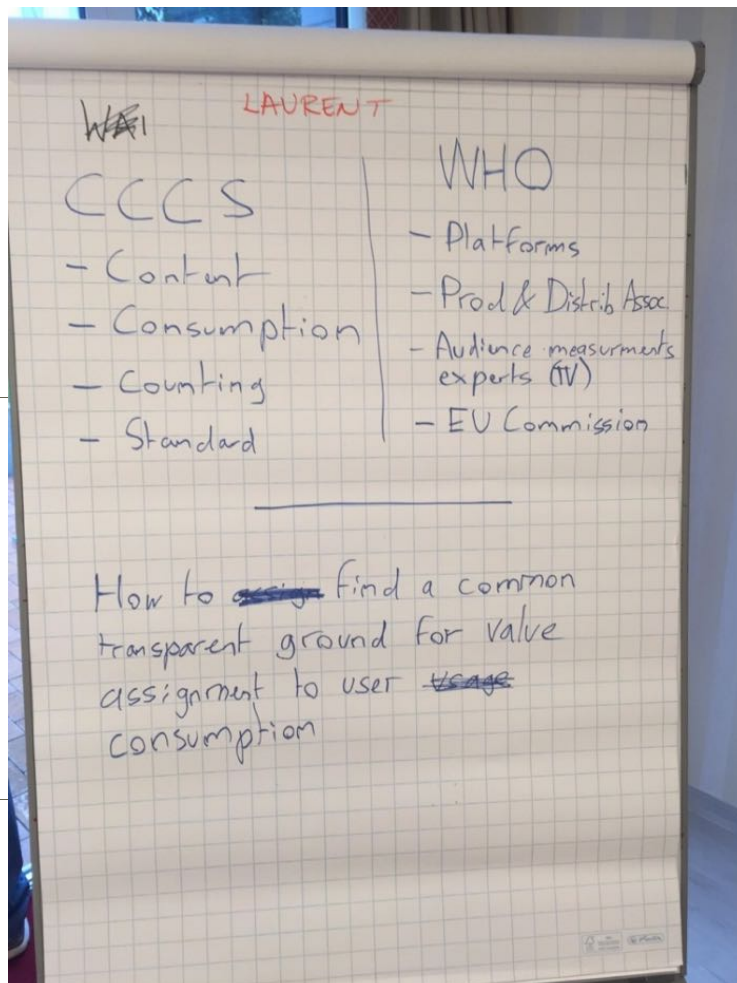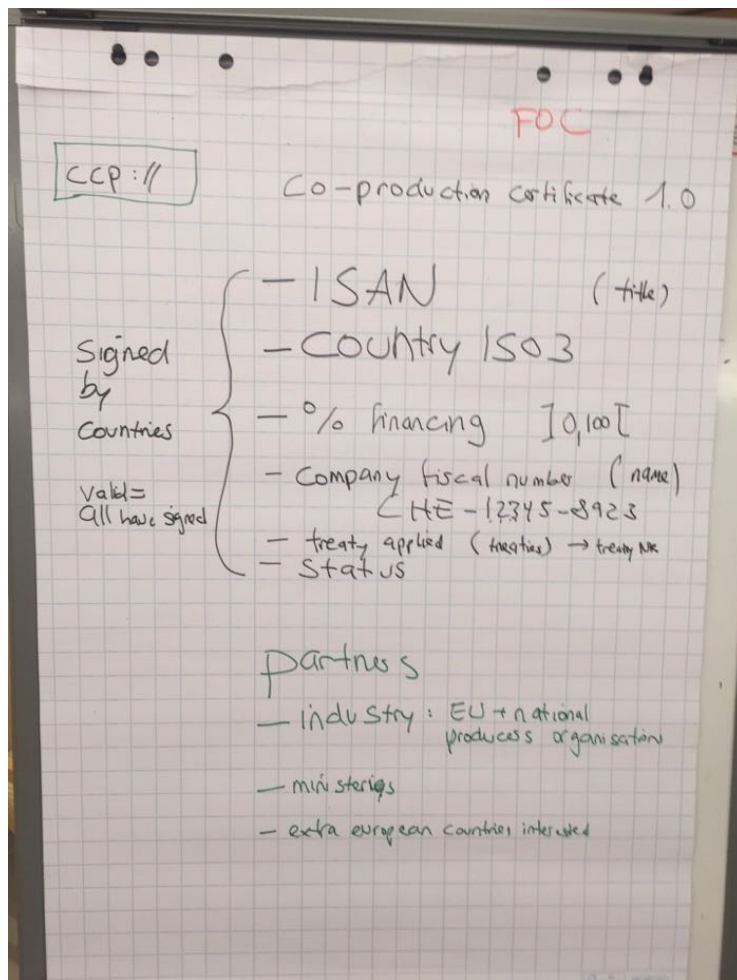
Group 6

Conversation 1

Our blockchain focuses on **VoD and is based on the CCCS** (content consumption counting standard) that we have defined. The CCCS should help us find a common ground for value assignment to user consumption on VoD platforms. Right now, there is no transparency of how platforms are recording the way the users are engaging with the content (are they just starting the video? watching only the first 5 minutes? etc.). There is no standard for counting and recording that information and our standard would do that.

We would introduce additional two standards:

- The standard for counting the number of online views for every film based on which Eurimages would award the European audience prize.
- Eurimages could establish a new standard for managing revenues for every film by designing a non-profit VoD platform where all European movies could be placed. Eurimages would quantify things and pay out revenues based on the data coming from this platform.

Conversation 2

The next step would be to invite all the platforms, associations of producers and distributors, audience measurement experts and representatives of the European Commission and other strong political bodies, in order to continue our work in conversation with them.

Group discussion on digitisation and blockchain

The lectures by two blockchain experts and the group exercise inspired the MEDICI participants to exchange their own experiences with the digitisation of the work process. Digitisation has definitely become an irreversible process considering that around 50% of the funds have already introduced a data-based application process. What follows is a sample of some most common experiences and challenges the funds have faced on the way.

- **Eurimages**: The need for standardisation and harmonisation seems to be more obvious now than 3-4 years ago, which is improvement. Yet, Eurimages still has a long way to go with digitisation.
- **Telefilm Canada**: In 2015, we started the process of digitisation and finalised the process only a couple of months ago. Now everything is cloud-based. It has been a long process, but today we have programs that analyse and check everything. We have more data and can make different reports and evaluations easily.
- **FFA**: We still keep two types of funding applications. Some applications are submitted online and are based on the database that we already have in our system. But some applications are still submitted via postal service on paper.
- **Cineforom**: We have the system of electronic applications, meaning that producers submit all the necessary documentation as a single PDF file. After we check the file for accuracy, we manually copy data from it and register it into the master database. The master database is then used for making statistics and compiling evaluations. It contains data about budget, financing plans, etc.
- **FOC**: Our idea is that producers can see the same interface as the administrators. All submitted documents are kept in a common repository. Producers have free access to it and can re-use any data. So in Switzerland we are of all funding institutions the closest to blockchain so far.
- **SODEC**: We need to hire external people to help us with the new digital transformation, to train employees within the fund. It is an additional investment. It is not enough only to obtain financing or new technology, we also need to pay for the experts and trainers that will teach the funds' employees how to use it and deal with the whole change.
- **Norwegian Film Institute**: We experience the same challenge as we are in the middle of the digitisation process. We hired experts to shape the technological part, but our employees are still in charge of the application process, which is time-consuming (a colleague is using 40% of his work-hours on that). Another challenge is the large cost of maintaining and upgrading the new digital system that we will be constantly facing once the digitisation is done.
- **ICA-Portuguese Film Institute**: In Portugal, we hired the same expert that Eurimages did to help us develop our digital application platform. We are now doing another, upgraded platform with the help of the same external company to which the previous platform will be adjusted and the data from the previous platform will be migrated to the new one. We are now in the testing phase and will only see the outcome.

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Ninth Workshop – 25 to 27 September 2019 in Potsdam, Berlin

Module 5: Sustainability: Surviving the 21st Century

Introduction

Never have we produced nor consumed as much audiovisual content as today. The industry is growing by the minute. New technologies, the opening of borders, and new distribution windows have made audiovisual storytelling a very attractive profession. Public funds are unable to keep track of the increased number of producers and studios.

The public film funds are limited to giving money to projects not to producers to develop professionally. Some funds are not allowed to do that due to **political reasons**. Some have **partners who do this job for them**. Many funds established **professional training programs** (mainly for producers), but it still does not seem enough. Furthermore, there is **a lack of what is being taught in film schools in regard to the actions that the current market demands** (i.e. in regard to international co-productions, how to deal with platforms, digitisation of production processes).

The questions are:
- How do funds deal with this complexity?
- Are there any strategies in place?
- What measures are valuable and really needed according to the funds' experience?
- Are the film funds the ones who should fill this educational gap?

During Module 5, MEDICI participants discussed and exchanged their own experiences in regard to the professional training and other initiatives intended for sustaining the film industries in the fast-changing world. What follows is an overview of the participants' discussions.

The outcomes of the panel discussion
- **Federal Office of Culture**: In Switzerland, the Ministry is in charge of training programmes while our institution is not in the position to receive the funding for professional development of film workers. We still manage somehow to organise some training programmes when we sell them as "networking events". However, it is obvious that producers need more consultancy and other forms of help, not just funding for their film. Luckily enough, in Switzerland we have FOCAL that deals extensively with all forms of professional training in the audiovisual sector. Also, I believe that public TV should be involved in the training initiatives. They have their own education for TV commissioning editors and do not mingle with the film professionals, which is a pity.
- **SODEC**: We normally fund screenwriting, production and distribution. However, this year we could finally give some money to the producers and different associations to help themselves grow professionally by paying for special consultants, audience designers and marketing experts whenever needed. Still, such initiatives are difficult to implement according to the existing rigid rules. We need more flexible regulations because the things are changing too fast. In the meantime, we can only find a way to have a generous interpretation of very strict rules and thus squeeze in some training events.
- **Telefilm Canada**: The only thing we do is assigning the company score to every company based on their track-record. The companies with the highest score become "fast-track companies" and get a preferential treatment when it comes to funding. For example, we have the system that enables the first-time directors of futures-films to receive the funding much faster for their next film if their debut or short films do well at festivals.
- **ICA – Portuguese Film Institute**: New talents in Portugal needed our help regarding international co-productions and networking. Since we have the co-production treaty with Germany in place, we organised a meeting between Portuguese and German producers in Munich where they networked and presented their projects to each other. The same will happen soon with the Spanish producers. We also

try to send our producers to as many festivals with networking sections as possible in order to internationalize them. Some of them, for example, have been in Locarno this year and pitched their projects to other international producers.

Producers do not have a lot of experience with IP rights, so when they engage in co-productions, they do not really know how to define things in the co-production contracts and protect themselves. They need much more legal advice. Therefore, funds should start organising conferences and workshops in this area.

- **FFA**: Funds need to encourage producers to obtain more entrepreneurial skills. We also need to clarify or redefine the notion of "independence" and "independent producer". What does it actually mean? Be independent form broadcasters, platforms, from whom? What criteria determine independence?
- **Swedish Film Institute**: In Sweden, we lack producers. A lot of line-producer are becoming producers and for that reason and they need training. Last year, we launched a support scheme within which two organisations could apply together for funding, and we received a lot of applications from early-career producers. This year, we have decided to launch it as a scheme for emerging producers.
- **Lithuanian Film Centre**: Before you initiate any training development and sustainability support schemes, you need first to study your industry very well and learn about their needs. This is particularly important in small countries where it is very difficult to create any big platform for professional development due to tiny industries and markets.
- **Austrian Film Institute**: Producers graduate from film school without sufficient knowledge about the market and the industry. Thus, the funds need to help them gain necessary knowledge before they engage in complex productions. We organise some co-production platforms for young producers. It is not only about giving them money, it is also about transferring to them some new knowledge. Emerging producers should be familiarised better with, for example, the commitments and obligations they need to follow if they receive development and production funding. However, the problem does not stop here. Experienced producers also need constant development and further education, which is even more challenging for film funds.
- **VAF**: We finance personal, tailor-made coaching for early-career producers. We actually pay for a number of coaching hours that the selected producers can use for what they need. Sometimes those coaches stay longer in the project, to give feedback and help more continuously. Sometimes they only work very intensely for a couple of days.

- **nordmedia**: We have different programs for young producers who want to get to the market. For example, there is a support scheme for groups of up to five people from different areas of the audiovisual industry who decide to develop a project together. We provide them with coaches and different development experts from creative industries, and expect them to provide some results within nine months. However, we do not see many new formats developing out of this, even though that was the main objective.
- **SODEC**: The training programs should support early-careers producers. However, these programs should not be linked to the age, but to the level of experience only. Also, film professionals need consultancy during all phases of film value chain, from development to distribution. For example, producers need to be coached about how to fill in the budgets and different forms, scriptwriters need script-doctoring, etc.

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Module 6: Free Flow: What Do You Think?

Introduction

During Module 6, the MEDICI participants took part in the joint panel discussion to share their impressions of the 9th MEDICI workshop and make proposals for the topics and the structure for future workshops. What follows is an overview of their comments, concerns and suggestions divided into nine themes.

THEME 1: Should the supported content be free when exploited online?

In many countries there is the binding regulation that whoever pays taxes in that country can watch for free the TV series financed by that country's public film funds. For that reason, it is difficult to sell the funded TV series to Netflix or similar digital platforms. Countries have two approaches:

- Some pass the law stipulating that after a TV series is offered for some time for free by a local, public broadcaster, it can be sold to Netflix.
- In some countries, the public broadcaster has online platforms where everything is offered for free because people paid for it via different forms of national media tax. In this way they avoid the risk that the tax-payers pay twice for the same TV series (once to finance it through their taxes, and once to watch it)?

THEME 2: How to integrate support for digital formats into traditional film funds?

- Film funds are forced by politicians and governments to integrate the new digital formats into the existing film and TV support schemes rather than create entirely new schemes. However, it is a huge challenge for the funds to find a vocabulary that would help them insert the digital world into the pre-historical film funds and their schemes. There must be separate funding schemes for the digital.
- Some funds resolved this problem by changing the terminology. For example, the Swiss regional fund Cinéforom replaced the term "film" with the term "a work of art"
- The Flemish Audiovisual Fund (VAF), first tried to integrate the digital into the funding schemes for traditional format, but the experts in the classic selection committees were not competent enough to evaluate digital projects. As a result, new formats were discriminated, while the traditional formats were protected. That is why the fund now has a separate scheme for the new formats. It works better even though the fund had to build a wall between the old and the new formats. The number of applications for the new formats scheme is increasing, there is a new vocabulary, people making new formats have a distinct identity and the experts in the selection committee are getting more and more competent and experienced. However, the VAF's final goal is still to go back again to the global approach when the format will not matter.
- At the Danish Film Institute, the game support scheme is run by a games expert, so that the selection can be as professional as possible.

THEME 3: Why do filmmakers seem detached from the serious topics of contemporary society?

- Directors seem too alienated from contemporary themes. They mostly either deal with historical topics or, if they deal with the contemporary times, tend to create their own bubble and a constructed reality which does not have anything to do with real issues such as, for example, the alarming polarization of the society.
- Is there something wrong with film schools if they do not instruct the new European talent to be more subversive and contemporary?
- How can film funds motivate filmmakers to be part of society and tell the stories that are relevant to people?
- It is true that there are already many social-realistic dramas, but they only imitate and reproduce society. The stories from those films can be put in an imaginative way, so they incite a stronger

engagement and an extraordinary connection to the story.

THEME 4: Issues with the IP rights

- Producers still do not think enough about protecting and exploiting their IP rights. They still focus much more on the ideas and the content.
- In Germany, there is a specific fund designed only to attract large TV and film productions to Germany that would engage more German producers and production companies. For the FFFA it is important that German producers keep some IP on such productions, so that they can receive some revenues from their exploitation. Keeping some IP also gives producers a power while negotiating about the platform release during the exploitation of films. Otherwise, they simply give away the entire IP for a fee. However, the main problem is that many producers do not mind giving away all the rights for a decent fee.
- The funds should keep archives of produced films and go back to the catalogues of films from time to time, in order to check if they still create revenues. Some Eurimages films produced in the 1980s and 1990s indeed still generate revenues when they are, for example, broadcast on Canal+ today.
- Some films do not have identified owners. They are called "orphan films" and cannot be exploited economically. However, if their owners appear, they can claim the revenue back.

THEME 5: How to communicate bad news to producers

Many public film funds find it difficult to communicate to producers that they need to phase out a support scheme. How to tell producers, for example, that funds will not finance project development anymore because they need to start financing something else. Producers are dependent on the funds, which makes it very delicate when the funds need to stop supporting them. MEDICI participants proposed several solutions to this communication problem:

- Funds can explain to producers that the limited-budget they have necessitates changing priorities from time to time.
- Producers must be made aware from the very beginning that the funds depend on external funding and that some schemes will have to be shut down if their budgets are not increased by the governments.
- Funds can communicate in the very beginning that a particular funding scheme will last only for a limited period of time and thus prepare producers in due time.
- The funds need to develop the tools for measuring the impact of all funding schemes and prioritize the funding schemes based on their impact index.

THEME 6: More visibility for the funded films

- Funds should consider moving some money to distribution and promotion from the production funding schemes.
- Funds do not necessarily support projects because they are good, but often have different side motives

that determine their funding decisions. Sometimes they grant funding to a company only because they know that it would go bankrupt otherwise. This approach is highly problematic.

- Funds should also consider granting more support for the promotional costs incurred during the production stage (i.e. making the top-quality stills, electronic press-clip, etc.). The Flemish Film Fund (VAF) grants 30,000 euro for these costs if the producer is ready to invest another 30,000 euro. Productions then hire a promotion manager who takes care that a project receives a proper visibility already during the productions stage.
- Producers and distributors are sometimes more traditional then the funds themselves. They do not care about the new formats and innovative business models. They focus only on theatrical release and festivals. The funds need to make sure that they allot the promotional money to the right people who know how to spend the promotion and distribution funding properly and adapt it to the project. The funds need to educate both producers and distributors about what is the market today.
- Promotion money should be given only to those who make an obvious extra effort to promote films. Producers and distributors must come with concrete strategies.
- Funds can demand that all the films are after certain time available online for the public under the conditions that producers set.

THEME 7: Political challenges

- The funds produce digital content and new, innovative formats, when the governments decide to allocate some extra budget for that. However, it is happening only when film-friendly politicians are in power. It is sad that the sustainability of a film industry depends on that. What do funds do when the government changes.
- In some countries like Portugal, the funds do not need to worry about the political changes in the country because they are financed by the money that is independent from the government. The entire funding comes from the cable operators, broadcasters and exhibitors. This has been regulated by the amendments to the film law.
- Politicians put film funds under a huge pressure to increase the visibility of their films. Funds need to make sure to share this pressure with the producers.

THEME 8: The question of green cinema

The concept of green cinema is based on a special method starting from the green script-writing. It means that content of scripts should increase the environmental awareness of the spectators. For example, old-fashioned technologies should be replaced with the new ones in the scripts wherever possible. The same approach can be applied also to productions and distribution. Furthermore, the funds can also make their workflow more ecological and simultaneously more cost-efficient.

How can funds motivate and incentivize film professionals to adapt this approach?

Does it mean that the producers would be forced to lower the budgets of their films?

- In 2015, Cineregio, the network of European regional film funds, published the report about the green filmmaking. The report is available at www.cineregio.org/publications/green_regio_report_2015/
- Funds should pay more attention to green cinema. But they should apply it to themselves first before the impose it on others.
- The Swiss Federal Office of Culture has imposed the rule that its employees can fly only to the places that cannot be reached by train within six hours.
- Five years ago, the Flemish Audiovisual Fund set the rule that for every funded project, the producer must fill in the specific form in which the possibilities for the environmentally friendly production are explored. There are experts who are employed only to help producers with this. They explore if they can save energy on the transport, on the use of light, etc. After the production is finished, producers submit to the fund an excel-sheet that shows how much effort the producer made in this regard. Producers surprisingly accepted this without any opposition even though the fund did not provide any financial incentive in return.
- Co-productions involve a lot of travelling of cast and crews. So instead of travelling and exchanging people, co-producers can trade incentives.
- There is a company called Ecocinema, based in the Latin America, that shot the entire film in Patagonia using only the solar energy. Maybe such cases should be given more attention to inspire European producers.

THEME 9: Data-management issues

- Privatization of data is a big issue. They are not available to the funds, but are exclusively owned by private companies. The funds need more resources, IT-tools, data-experts and more time for handling the available data. Funds should include all these things in their official objectives. F
- Funds can demand from the producers to start providing the data on the platform-exploitation of their films.

- If the funds put all the data on blockchain, do they know what will happen with them. Can they trust that they will be handled properly?
- Some funds, like Eurimages, have a lot of data, but they really do not do much with it due to the lack of resources, people and time. Statistical analysis is also often not among the policy objectives and priorities of the funds.
- Digital platforms need to be forced to share data about the success stories with producers. They should at least tell them how many people clicked on the "play" button. They have slowly started sharing such data for the original productions, but they still do not do it when it comes to the licensed content. The funds need to push more towards his direction if they want to receive more audience-relevant data.

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