European film in the digital era

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PURPOSE: presentation of a Communication entitled "European film in the digital era Bridging cultural diversity and competitiveness".

BACKGROUND: worldwide praise is given to the European film heritage. However, most European films do not reach all their potential audience in Europe and even less so in the global market. For the most part, films stay on national markets but, even there, some fail to secure any other local distribution channels.

In this context, the digital revolution offers more possibilities and flexibility for distribution and is having a fundamental impact on audience behaviour. It is essential therefore to adapt to the digital era and use its potential to keep existing audiences and reach new ones, and to build bridges between cultural diversity and competitiveness.

The Communication provides a stocktaking of recent developments in the film sector and **identifies current challenges in public policies impacting the film sector**.

It also highlights **existing EU instruments** that could contribute to the process of adaptation to these challenges.

CONTENT: the Communication aims at **improving the complementarity between the Member States and the Union policies** in the area of cinema heritage and its promotion. In particular, it promotes common directions to better embrace the opportunities and address the challenges related to the digital shift while taking account of cultural and linguistic diversity and the varieties of the national audiovisual landscapes.

It stresses the need for a joint effort to **strengthen the global efficiency of existing funding tools** for the competitiveness and diversity of the European film sector.

The main trends: in the EU, European films represent on average 62.52% of releases and account for 32.9% of admissions. Box office receipts and admissions of European films fall far behind those of US productions. The Communication underlines that only **a small minority of European films are released in cinemas outside of Europe** (8% in 2010).

At the same time, television is still the most widely used platform for watching films. In 2011, 41 % of the almost 122 000 feature films shown on TV in Europe were of European origin.

While DVD is declining, **Video on Demand (VoD)** is a relatively new form of distribution expected to grow significantly in the coming years. In 2012, the VoD market recorded a growth rate of 59% in

Germany and 14.7% in France.

The Communication indicates that while cinema attendance has remained stable in recent years, that **the Europeans go to the cinema less than once a month** (39% never go to the cinema). Apart from in cinemas, Europeans watch films on free TV (79% of the population), on DVD (67 %). **Mobile viewing** therefore represents an important market especially as viewers increasingly expect to watch content anytime, anywhere and on every device. Average video online viewing per viewer, while still relatively low in the main EU markets, increased between 155% and 200% over the period 2008 to 2011

- **structural weaknesses of the European film sector**: the Communication highlights the structural weaknesses of the sector which prevent it reaching larger audiences:

- **fragmentation of production and financing**: the European film sector is composed mostly of small and micro enterprises relying on limited intangible assets. A large majority of European films are not profitable and do not recoup their investments. It is therefore difficult for European companies to become more stable. In addition, the complex film production financing system is being challenged by changes in distribution and consumption, triggered by digital technologies;

- **limited incentives to internationalise projects** : more generally, the film sector does not mobilise appropriate finance for projects with an international focus. Projects therefore tend to target domestic audiences. The potential of **co-production** to increase the outreach of a given film could be better exploited; too many co-productions still lack a clear strategy for distribution in the countries concerned and beyond;

- **more funds for distribution and promotion**: the focus of film policies on support to production overshadows the potential of distribution across all possible platforms. The rigid system of release windows (passage to other media of viewing cinema films) prevents the development and use of new, innovative release strategies and business models:

- **too slow to digitise**: Europe is lagging behind in terms of digitisation: only 1.5% of film heritage has been digitised. This is explained by a lack of funding and high costs — both in money and time — for clearing rights;

- **shortcomings in entrepreneurial skills**: initial training for cinema professionals often fails to deliver the necessary entrepreneurial and business skills. Relations between film schools and business are weak and training is still not offering sufficient opportunities to gain an international perspective and contacts.

Commissionproposals: a concerted effort at all levels would be needed in order to overcome these structural weaknesses. A series of measures are proposed which can be summarised as follows:

1) Reviewing the financing environment: a successful European film industry needs a rebalancing of spending between production, distribution and promotion of films, including progress via: i) **strengthening public funding schemes by optimising its overall added value of funds granted**, for example, ensuring that the project is developed in such a way as to reach its targeted audience or ensuring that publicly funded projects are accompanied by a well-designed distribution and marketing strategy. In this regard, the new MEDIA programme may make a useful contribution; ii) **to better involve new actors in the value chain** such as, for example, Netflix which may invest primarily in series but also increasingly in other genres like documentaries and comic monologues (*stand-up comedies*); iii) **to allow access to private financing through EU financial instruments,** such as, for example, guarantee funds opening up access to private funding, as provided by the programme COSME;

2) Designing an innovative business environment: rapid developments in the sector call for sufficient flexibility to allow operators to experiment and to test new approaches and business models. Flexibility is particularly needed on release windows (for example, after cinema release, for VoDs and on-line broadcast) to enable the testing, developing and use of **alternative release strategies adapted to different types of films** and maximising complementarities of different platforms to reach out to audiences. This could secure additional audience share for those European films and maximise the effect of marketing efforts. Simultaneous or more coordinated release in cinemas across borders or more rapid access for online services could also be explored;

3) Strengthening the creative environment: cooperation among European film schools (on curricula or mobility) and creative partnerships between schools and businesses are to be encouraged. The objective should be **to promote a better match of training and skills** with the needs of industry (including entrepreneurial, ICT, advertising and marketing skills). It should also aim to bring a more international and global audience perspective to the creative part of the industry. Creative cooperation should also be encouraged between the film sector and other sectors.(TV fiction, video games and cross media).

Finally, measures are planned to **enlarge the target audience**. Information on audience preferences and consumer behaviour could help to better identify and target factors that can contribute to the success of a film.

There is also a need to **promote the visibility and discoverability of European films**, and to engage with audiences. Film education also constitutes a major investment for tomorrow's audiences. Here, the "Creative Europe" programme may contribute to improve approaches in this field.

Next steps: in the face of rapid evolution in the sector, there is a need to promote a European debate and open a dialogue with all stakeholders — public authorities and private sector — about film policy in Europe. The debate should focus on the shared objectives of making the rich diversity of European films more accessible.

To this end, the Commission intends to launch a **European Film Forum**, a process building on existing instruments, aiming at promoting the exchange of experience and practices, and the studying and sharing of knowledge on issues of common interest. The main focus of the Forum should be to debate public policies for the film sector and to involve — on a voluntary basis — interested parties.