

Theatrical Film Releases in the Digital Era

- Promoting Diversity and Competitiveness in European Cinema -

18.09.2015. San Sebastian/ Brussels: the International Union of Cinemas (“UNIC”) – the trade body representing European cinema theatres and their national associations across 36 countries – today released a statement reaffirming the cultural and economic value that exclusive theatrical film releases bring to audiences and the entire European film system. The statement underlines exhibitors’ commitment to a culturally diverse and competitive European cinema landscape and asks European leaders to rethink the current direction of EU film policy and related copyright reform.

The statement reads as follows:

“Today’s opening of the San Sebastian Film Festival – a flagship festival celebrating the diversity of European and international cinema – arrives at a time when European policy-makers explore new routes to promoting the European film sector and reviewing related copyright rules. On Sunday, the European Commission will meet with cinema professionals in San Sebastian to discuss how EU policy can help promote audience engagement across the film sector.

The International Union of Cinemas (UNIC) would like to take this opportunity to lay out the views of European cinema exhibitors on how EU public policy can best promote a diverse – as well as competitive – European cinema landscape. UNIC members strongly believe that European leaders should revisit the current direction of EU audiovisual policy, placing cinemas at the centre of Europe’s strategy for film. Only in this way will it be ensured that the strategy benefits the entire cinema ecosystem.

Each year, the opportunity to watch a film together on the Big Screen is enjoyed by hundreds of millions of European cinema fans of all ages and from all walks of life. In 2014, admissions in Europe grew by 1,7 per cent. In the same year, the share of European films reached a record high of 33,4 per cent of total admissions. So far attendance figures this year continue to look very promising, with many UNIC members likely to be able to report all-time record admissions at the end of the year thanks to a range of European as well as international films that audiences wish to see in their local theatre.

Data from independent research consultancy IHS – attached – reconfirms that the theatrical success of a film remains essential to its success throughout the entire subsequent film value chain. When considering the composition of total film industry revenues, it is clear that the Video on Demand (VOD) industry needs to be developed on the strong shoulders of theatrical exhibition and not at its cost.

Let us be absolutely clear: cinema operators welcome the development a legitimate online market for films. A healthy VOD market is essential in order to compensate for the enormous losses that have occurred in physical home entertainment over the past five to ten years, in part due to rampant levels of piracy. European cinema

operators look to VOD platform providers as potential partners. We expect this emerging sector to become a contributor to – rather than solely a beneficiary of – the complex European cinema eco-system and to share some of the significant risks associated with financing and distributing European films.

Cinemas across Europe offer their guests unparalleled cultural and social experiences through investment in state of the art digital technologies, by continuously upgrading their theatres as well as by securing exclusive rights to show films and event cinema before consumers can access these offers on their computers or mobile phones. The sector embraces continuous innovation with a view to attract ever more film fans to the big screen. An exclusive and sustainable theatrical release – coupled with sophisticated marketing strategies – creates excitement around a film. On a different level, such an exclusive release of course also has very positive effects on the subsequent VOD offer. VOD services benefit from the immense consumer awareness and excitement that only a cinema release can generate.

This virtuous cycle of value creation in film distribution – both economic and cultural – depends to a large extent on commercial freedoms and resilient European copyright laws. UNIC strongly believes that the various stakeholders that make up the European film and cinema sector must remain in the driving seat when it comes to deciding whether, where and when films should be released in specific markets. They are in the best position to understand what audiences want and how to meet diverse tastes and levels of demand across Europe.

In common with colleagues across the European film eco-system, cinema operators are therefore seriously concerned by proposals from some EU officials to mandate cross-border access to VOD services across Europe. If implemented, such plans would severely limit the commercial freedom of cinema operators to acquire an exclusive licence for a film in a specific European territory.

Many films – and particularly European titles – require time and investment before they can be viably released in cinemas outside their country of origin. For example, the massive EU box office hit *Intouchables* was released for the first time in France in November 2011. For strategic reasons, its international distributor, Gaumont, subsequently decided to launch the film in theatrical markets across Europe only when and where consumer demand emerged, and with the help of its international distribution partners who promoted the film at local level. The film was, for example, released in Estonian theatres seven months after its initial French cinema release. It was brought to theatres in the UK – an at times challenging territory for non-national European films – in September 2012. These release dates were chosen in order to further increase the performance of the film and in order to benefit from the word-of-mouth that had developed after the success of *Intouchables* in other territories.

Intouchables ultimately attracted 19.2 million cinema-goers in France and 18.5 million visitors in other European countries, thereby helping Gaumont and its distribution and exhibition partners to reinvest in the creation of further diverse European films. This enormous success was also achieved on the basis of the above-mentioned distribution strategy, which allowed rightsholders and cinema exhibitors to decide when and where a film should be made available. Any mandatory pan-European availability of the film on a VOD service during the time of the exclusive theatrical

window would have seriously damaged the prospects of *Intouchables*. Cinema operators would have not invested into screening the film had they not been able to secure an exclusive licence.

UNIC therefore strongly calls on European policy-makers as well as on governments in EU Member States to safeguard the diversity and the competitiveness of European cinema by ensuring that commercial freedoms and exclusive copyright remain intact.

A European film strategy first and foremost should acknowledge that audience demand changes along linguistic and cultural lines. A recent Eurobarometer survey, for example, showed that the huge majority of consumers appreciates offers that are tailored to their cultural and linguistic preferences. The European Commission should therefore support the film and cinema sector in its endeavours to develop films and related distribution strategies that cater for these different markets.

A further area of concern for cinema exhibitors is the current direction of the Creative Europe-MEDIA programme, which – amongst many other activities – supports the Europa Cinemas network.

Europa Cinemas is considered by many Europeans a lighthouse initiative of EU cultural policy-making. UNIC endorses the underlying objectives of the network, which include to promote the circulation of non-national European films. However, we simply find it unacceptable for the Commission to seek to intervene in the market through a new bonus scheme, which forms part of the new Europa Cinemas funding guidelines. The purpose of this new bonus is to incentivise the day-and-date release of films in cinemas and on VOD as well as to support the significant shortening of the theatrical window. The intended effect is to create spill-over effects between cinema releases and VOD releases in terms of consumer awareness.

Such an approach is in our view highly counter-productive and not in the interests of the members of Europa Cinemas. The large majority of European films benefit from exclusive and sustainable cinema releases, as illustrated above. UNIC members believe that all films, but particularly European productions, will in the medium-to-long term suffer if the period of exclusivity of cinema releases were to be unduly shortened or occurred synchronously with VOD releases. Economies of scale and scope – which primarily rule digital market places such as VOD – would crowd out European titles and lead to a further strengthening of large international films. Furthermore, smaller independent cinemas in particular would suffer from shortened windows, as – in some cases and in some countries only – certain cinemas were only able to acquire the licence to screen a title later than other cinemas. Their exclusive benefit would therefore decrease.

UNIC strongly feels that the European Commission, via the Europa Cinemas network, should not interfere if film industry stakeholders or – as is the case in a few countries – national government agencies choose exclusive theatrical film releases in order to celebrate the culture of cinemagoing and in order to create excitement around a specific film – a strategy that ultimately benefits all.

It would in our view be beneficial if the debate around European film distribution and copyright were refocused on issues that could truly help our sector to become even more competitive, diverse and innovative. The current focus on release practices and

territoriality overshadows a range of areas where EU decision-makers could make a real difference and foster the development of a competitive cinema sector.

EU law should promote investment in cinema and safeguard jobs and cultural diversity in our sector through maintaining resilient EU copyright laws. We would welcome even greater efforts to reduce profits from commercial-scale copyright infringements on the Internet through the 'Follow the Money' Initiative. At the same time, more needs to be done to promote responsible and fair media consumption online and raise awareness of the positive contributions of copyright amongst younger consumers.

There are also many opportunities for European film and media policy to unleash more innovation and competitiveness: there are, for example, clear opportunities for national, regional and European film funds to exchange best practice and to better collaborate in order to create efficient sector development. Equally, there is untapped potential regarding better collaboration between production, distribution, exhibition and film publishers with regard to collaborative marketing efforts across different film markets. There is also a need for more focused public support for development and distribution/promotion activities in the film sector so that even more competitive, attractive and diverse films reach audiences.

Finally, we would welcome new stakeholders in the highly interdependent European film ecosystem, including Google, Netflix, Amazon and iTunes, becoming active participants in, rather than only beneficiaries of, European cinema. In the same way as broadcasters and cinema operators do in certain territories, these international platform providers should contribute to national film funds if they create revenues on the basis of selling theatrically-released films in those territories.

Furthermore, given the transparency of other stakeholders in the value chain, new players should be encouraged to make available more data regarding the commercial, cultural and social value that they bring to Europe.”

The Board of the International Union of Cinemas (UNIC)

Brussels

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About UNIC:

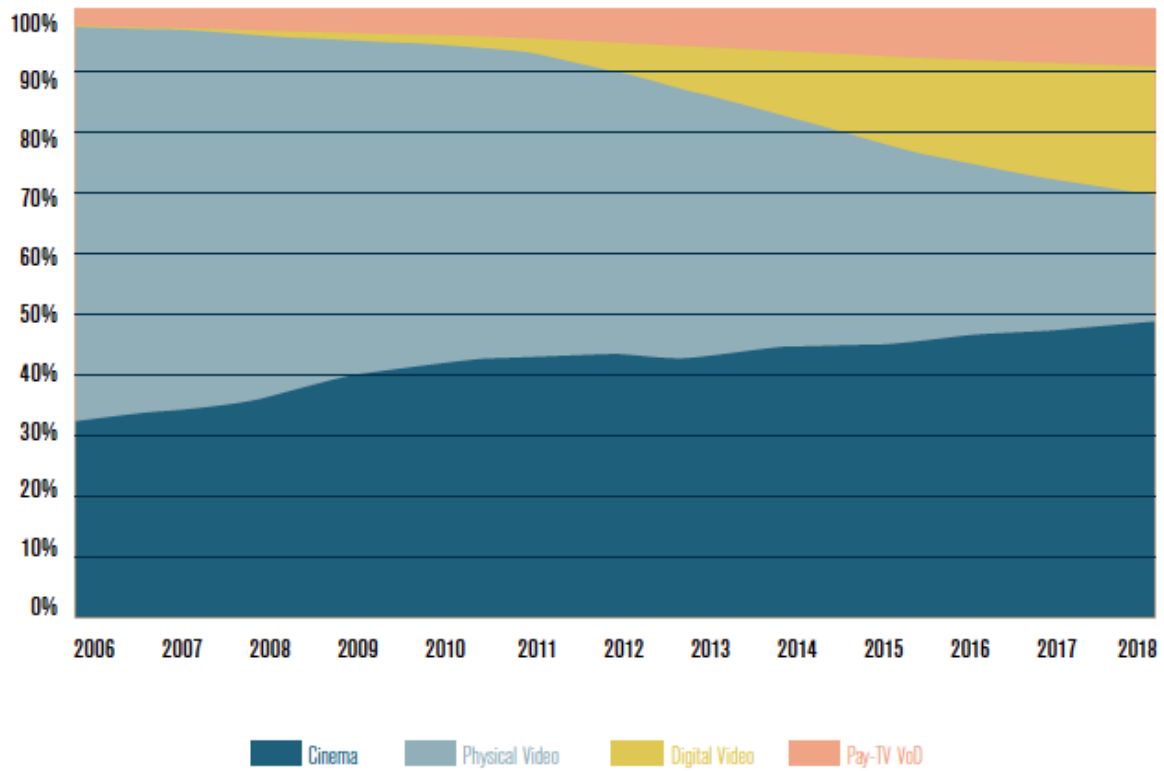
UNIC - the International Union of Cinemas - represents the interests of cinema operators of all sizes and locations as well as their national associations across 36 countries in Europe and in neighbouring regions (<http://www.unic-cinemas.org>). Together these territories account for around 33,000 screens, enjoying annual admissions of over 1 billion and in 2014 € 7.6 billion in box office revenues.

The UNIC Board - President: Phil Clapp (UK Cinema Association); Senior Vice President: Jean-Pierre Decrette (Fédération Nationale des Cinémas Français); Vice Presidents: Kim Pedersen (Danske Biografer); Edna Epelbaum (Association Cinématographique Suisse); Jaime Tarrazon (Federación de Cines de España); Mario Mazzetti (Associazione Nazionale Esercenti Cinema); Treasurer: Andreas Kramer (Hauptverband Deutscher Filmtheater).

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Appendix:

EU10: BOX OFFICE VS. HOME ENTERTAINMENT



Source: IHS

EU10: includes Czech Republic, Denmark, France, Germany, Italy, Poland, Portugal, Spain, Sweden and UK