under the milky way

MW

Digital Distribution and Marketing

www.underthemilkyway.com

Digital Film Distribution in Europe

Hearing on the promotion of European films on-line

Brussels, Nov 18

Nicola Allieta/ Head of Italy VOD @UTMW

Agenda

- Introduction
- Keys findings of digital distribution
- European VoD markets issues
- What next?

Under The Milky Way, a Global VoD Aggregator

Introduction

Key Findings
Digital Distribution

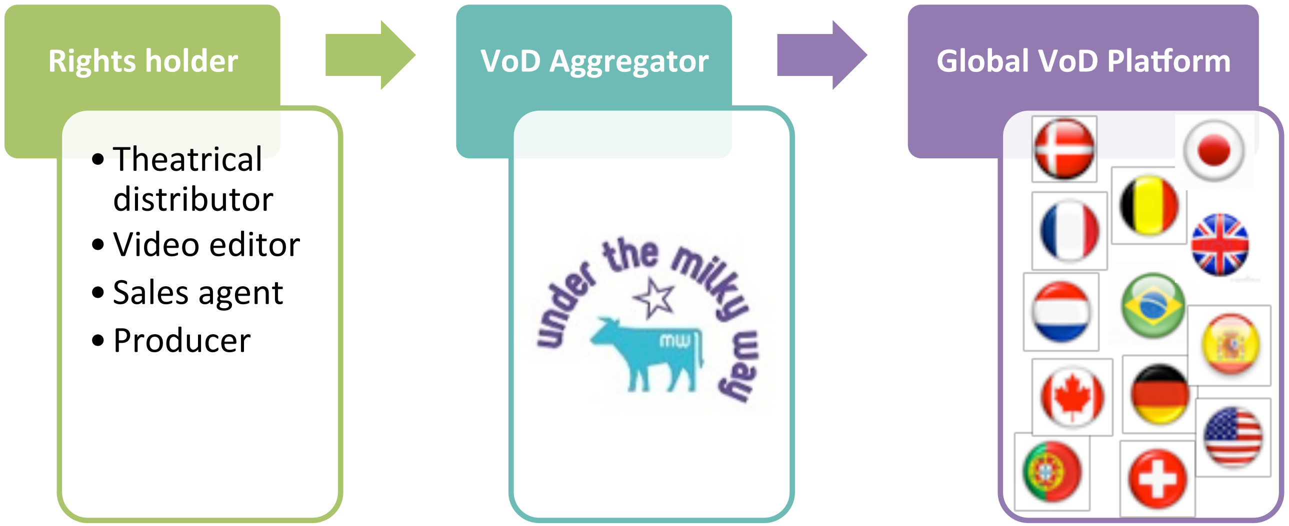
EU markets
VOD issues

What next ?

Founded in June 2010, Under The Milky Way (UMW) is a service company dedicated to the **digital distribution and marketing** of feature films.

Mission Statement:

To ensure that films are delivered and exploited as effectively as possible on the most prominent VoD platforms in the world.



Under the Milky Way services

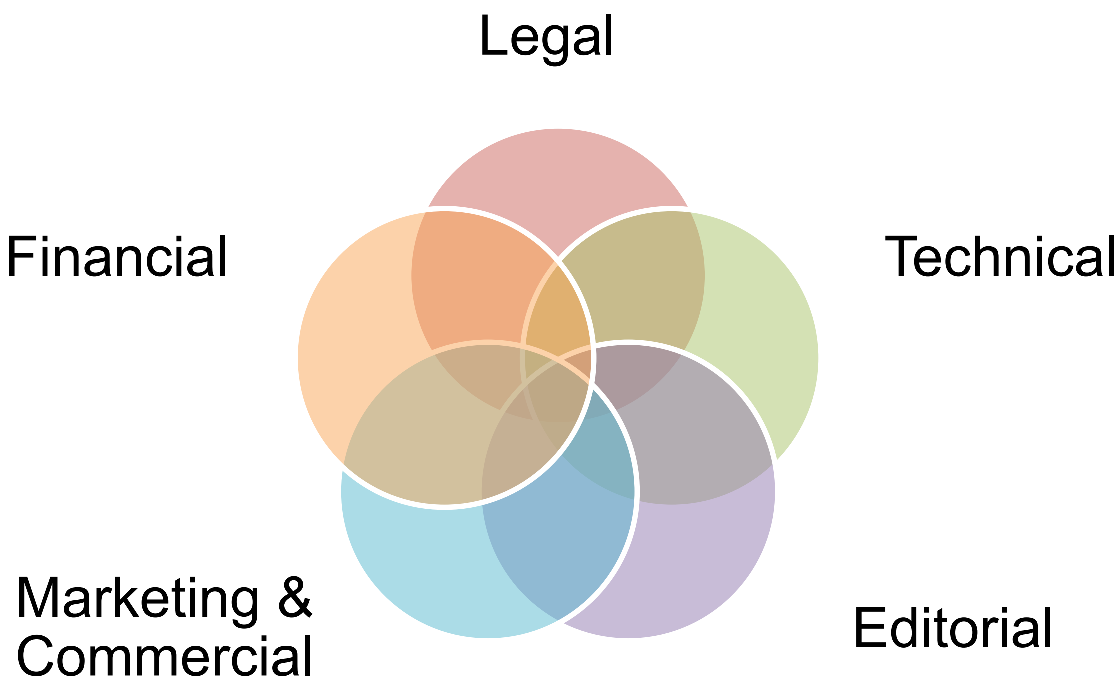
Introduction

Key Findings Digital Distribution

EU markets VOD issues

What next ?

Under The Milky Way provides
interfaces between **rights-holders** and the **VoD platforms**:



Worldwide Digital Distribution

Introduction

Key Findings Digital Distribution

EU markets VOD issues

What next ?

UMW has developed an **international network** of **13 local representatives** covering **more than 100 countries:**

Paris	Milan	Copenhagen	Brussels	London	Vienna
France, Switzerland (Fr), International	Italy	Scandinavia	Benelux	United Kingdom, Ireland	Germany, Austria, Switzerland (Ger),

Madrid	Sydney	Tokyo	Montreal	New York Los Angeles	Moscou
Spain, Portugal	Australia, New Zealand	Japan	Canada	USA, LATAM	Pan-Russia

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Keys findings of digital distribution (1)
Context Production & Distribution

- 1,285 films produced in Europe in 2011 (*Source: European Audiovisual Observatory)*
- Most of these films are not exploited outside their country of origin
- Revenues are generated by the Theatrical, DVD an VoD exploitation only once both MG and P&A are recouped, which rarely occurs
- There are often 4 or 5 players in the value chain between the producer and the end user
- Lack of transparency in the financial reporting

Keys findings of digital distribution (2) models under threat

The existing production and distribution models in the movie industry models are under threat:

•**Audience fragmentation**, changes in the public's behavior (the younger generation wanting to access content - especially new content - anytime, anywhere and on any device)

•**Declining** audience for **traditional media (linear TV)**

•**New business models** for the film distribution in the digital era

•Emergence of **new distribution channels**: Connected TV, VoD services (global players : Apple, Google, Amazon, Netflix …)

Keys findings of digital distribution (3)
A transition ?

Introduction

Key Findings Digital Distribution

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What next ?

A transition from a pre-financing model to a distribution model?

•Requires different approaches within the industry (less value, fewer resources to promote, to market, to produce films)

•Can the production & distribution models evolve?

- Fewer films, shorter production cycles
- Shorter financial cycle and more transparency: can compensate for lower/no Minimum Garantee
- Economies of scale through simultaneous multi-territory releases
- Dispersal of expenses through transversal marketing
- More flexibility in windowing to benefit from the multiplied effects of joint marketing campaign
- Better expertise in the new marketing tools (fragmented audiences but universal usage and normalized behavior through social networks)

Keys findings of digital distribution (4)
the new global players

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What next ?

The "threat" of the new global players?

- Huge financial, technological resources and universal brands to attract a broad audience , infinite shelf space
- Very few European competitors
- Content distribution is not necessarily their core business (digital retailers)
- Not willing to pre-finance cinema and to compensate for the loss of existing resources from broadcasters
- Prefer to invest in premium TV content (better branding / greater audience loyalty)
- But need to offer strong local EU content, which EU viewers still seek out
- How do EU films gain exposure on these big platforms (Win-Win relationships)?

Keys findings of digital distribution (5)
Non linear Value Chains for Digital Film Distribution

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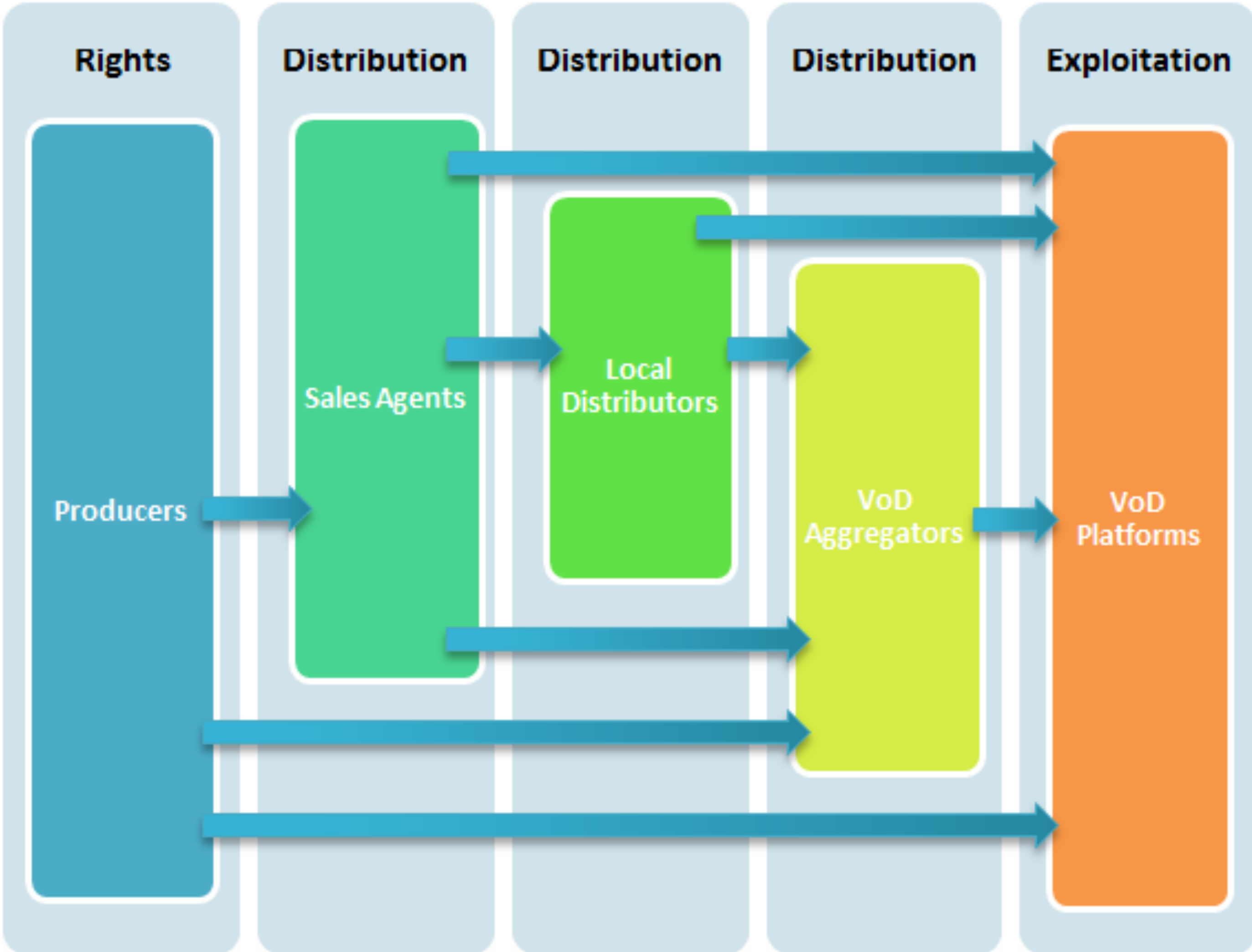
What next ?



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EU markets VOD issues
Obstacles

- **Multi territorial rights access**: VoD rights are fragmented across companies / territories
- **Complexity of the information**: rights holder, film, platform, country, language, media, currency, shared packages…
- **Large volume of movies and transactions**: absolute need for an efficient processes
- **Small margins** vs Costs and required Resources
- Lack of local subtitles
- Lack of Global European VoD platforms (Fragmented Online Video Market / many local players)

Fragmented Online Video Market in Western Europe

UK

BBC iPlayer
Virgin media
4oD
TESCO
blinkbox
PLAYSTATION Store
Qriocity
itv Player
DEMAND FIVE
LOVEFiLM
SeeSaw
ace trax Movies
sky
cooDoom
XBOX LIVE
GO!VIEW on PSP
jaman
VIZ
AOL
BT Vision
Woolworths

FRANCE

PLAYSTATION Store
6 VOD
XBOX LIVE
24/24 Vidéo
fnac.com
ace trax Movies
glowria.fr
VIDEO FUTUR
Qriocity
Carrefour
CANAL PLAY
GO!VIEW on PSP
TF1 VISION VIDÉO À LA DEMANDE

GERMANY

vodafone
RTL NOW
XBOX LIVE
MediaMarkt
maxdome
PLAYSTATION Store
Qriocity
AMAZON.DE
T-Online videoload
IN2MOVIES.DE
ace trax Movies

ITALY

Qriocity
cubovision
MediaWorld
CHILI LA VIDEOTECA ONLINE
Mymovies.it
XBOX LIVE

SPAIN

PLAYSTATION Store
Qriocity
XBOX LIVE
pixbox
Carrefour
Filmin

Benelux

VIDEOLAND
MovieMAX
telenet
Ziggo
upc
kpn
belgacom

14

NORDICS

Viasat OnDemand
XBOX LIVE
voddler
headweb
youSee
sputnik
film2home
discshop.se ENTERTAINMENT GUARANTEED
CDON.COM
anytime
FILMARKIVET.NO

× = Exited the business

EU markets VOD issues : opportunities

- VoD means **: no physical barriers** for cross border distribution
- Economies of scale / Centralized digital supply chain process
- **Flexible technological solutions**: Geoblocking, Mezzanine compatible files, Multilingual packages…
- **Room for niche content** (long tail), to easily access the **Fragmented European audience**
- No European cross border distributor but global Pan European platforms are emerging (iTunes, Amazon, Google, Netflix, Sony..:

EU markets VOD issues : opportunities
Global VoD: a new scheme of distribution

With an increasing number of produced films, the all rights sales / MG / on a per territory basis scheme is no longer adequate

France	Italy	Spain	Germany	…
Theatrical	Theatrical	Theatrical	Theatrical	Theatrical
Video	Video	Video	Video	Video
Pay TV	Pay TV	Pay TV	Pay TV	Pay TV
Free TV	Free TV	Free TV	Free TV	Free TV
Local VoD	Local VoD	Local VoD	Local VoD	Local VoD
Global VoD				

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What next ?
Thoughts and suggestions for changes

Introduction

Key Findings Digital Distribution

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What next ?

- Current standards for linguistic rights are not adequate for digital distribution (local communities, multilingual packages)
- The pan-European platforms need easy access to the fragmented rights to concentrate on their core competencies
- Producers deserve transparency, commercial circulation of their movies, however, the rights are often sold for a long period (5-15 years)
- Few integrated groups could manage pan-European digital distribution
- Transversal / per media mandates?
- From a prefinanced business model to a distribution model Destroying value but boosting creativity

What next ?

Day and Date as an experimentation

Introduction

Key Findings Digital Distribution

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What next ?

Objectives

- Find alternative distribution strategies for films which cannot find their way to the audience in the theaters
- Meet the ATAWAD requirement of the younger generation (also containing the piracy?)
- Lower the financial risks of the distributors (more sustainable ROI)
- Maximize the revenues flow/Improve the profitability in %

What next ?

Day and Date as an experimentation

Principles

- Simultaneous short windowing exploitation (Theatrical/VoD)
- Benefit from the instant and wide broad VoD distribution channels
- Implement a global & transversal marketing strategy (generate rapidly a public awareness on the movie and target more effectively the core audience)
- Manage (more secured) short cycles revenues streams

What next ?
Conclusion

- US Day & Date films releases: not a model but a business case
- US/ EU: different Backgrounds
- Need to experiment our own way dealing with local specs
- Required: changes in film consumption affect the Europe as the US

under the milky way

Thank you for your attention

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