A publication of the European Audiovisual Observatory

The Exploitation of Film Heritage Works in the Digital Era

OBSERVATOIRE EUROPÉEN DE L'AUDIOVISUEL
EUROPEAN AUDIOVISUAL OBSERVATORY
EUROPÄISCHE AUDIOVISUELLE INFORMATIONSSTELLE

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

The Exploitation of Film Heritage Works in the Digital Era

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Publisher

European Audiovisual Observatory

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European Audiovisual Observatory, Strasbourg, June 2016

Special thanks to:

Edward Humphrey (British Film Institute); Nicola Mazzanti (CINEMATEK); Gian Luca Farinelli (Cineteca del Comune di Bologna); Sandra Den Hamer (EYE Film Institute); Lova Hagerfors (Swedish Film Institute); Laurent Cormier (CNC); Fabio Quade (Murnau Stiftung); Philippe Bober (Coproduction Office); Bruno Deloye (Canal+); Florence Dauman (Argos Films); Nick Varley (Park Circus); Jenny Walendy (The Match Factory); Victoire Thevenin (MK2) ; Jean-Fabrice Janaudy (Les Acacias) ; Philippe Chevassu (Tamasa Film); Barbara Di Girolamo (Filmexport Group); Mathieu Boucher, David Giuge and Karen Byot (ARTE) ; Stanisław Bardadin (Cyfrowe Repozytorium Filmowe); Jerome Chung (Under the Milky Way); Emilie Dijiane (La Cinetek); Bruno Delecour (FilmoTV); Quentin Carbonell (MUBI); Jaume Ripoll (Filmin); Karin Haager (Flimmit); Jean-Yves Bloch (UniversCiné) , Natalie Vrignaud (Cinéma Les Fauvettes).

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Executive summary

Classics, cult and catalogue films: how to define film heritage works

The definition of film heritage works is a challenging one as the category includes "classics" as well as "cult" movies, sometimes relatively recent in terms of release. Film heritage might also overlap with the notion of "back catalogue films". As the quantification of the segment requires objective criteria, this report focuses on films which were produced at least 10 years ago, the rationale being that, after 10 years, a film has been through a first cycle of commercial exploitation.

A large proportion of the supply of films

Film heritage works represent a significant share of the offer of films in cinemas, on DVD and on television. As regards films theatres, the re-release of film heritage works, once a French specialty, has picked up steam in many European countries and now represent over 20% of all films on release in Europe – and significantly more in certain countries. The DVD sector addresses the film heritage segment in the form of both of high-end collection box sets and the permanent re-release of cult films. Film heritage also represents a large share of films broadcast on TV (47%[1] of all films broadcast in a sample of 124 TV channels in Europe).

The traditional film heritage market faces challenges

However, the exploitation film heritage works, and in particular films with an EU origin, faces new challenges:

- US studios, for the last 10 years, have constantly increased their interest in the film heritage market segment, by systematically re-releasing relatively recent blockbusters, all over Europe. Their share of the film heritage market has hence drastically increased from 30% in 2004 to an average of 81% for the period 2010-2014 thanks to new releases of films such as *Toy Story 2*, *Back to the Future* or *The Lion King*. One explanation for such a high market share is the fact than US film heritage works are, on average, re-released in twice as many territories than EU film heritage.
- Aside from US players, a growing number of territories is opening up to film heritage in cinemas, which has increased the number of national players active in the market and therefore fostered the competition for access to cinemas, already suffering from a bottleneck of recent films with small market potential (film heritage works account for less than 1% of total admissions). As a result, only a small minority of film heritage works on release in Europe (200 out of 1 300) reach the 1 000 admissions threshold.

[1] Including repeats.

- As the number of television channels increased, using film heritage works to fill a programming schedule appears as a cost-efficient solution for newly launched free-to-air channels. But, in turn, the largest TV channels have lowered their investment in film heritage as the supply from the new small channels was increasing. Film heritage works remain in demand for television channels, but more and more from the smallest ones, with lower prices. Major pay-TV channels, on the other hand, need to serve the full array of expectations of their subscribers and therefore still invest in film heritage, but with a much larger rate of repeats.

  The DVD crisis has impacted the film heritage market segment in several different ways. Interviews carried out in the context of this report seem to suggest that the “cinephile” market has resisted to a certain extent, as no substitute was available to replace DVD collection box sets of classic and cult films. In turn, catalogue films that are not well-known appear to have suffered the most from the crisis of the sector and from the competition with TV channels, which further narrowed the DVD film heritage market to a niche of film lovers.

The struggle to be on VOD services

In this context, the development of on-demand services may provide a new opportunity to distribute film heritage works. As on traditional distribution platforms, catalogue films already represent a significant share of films proposed by both transactional video-on-demand services (TVOD) – 40% – and subscription video-on-demand services (SVOD) – 47%.

However, European film heritage works are far less represented than those from the US as they amount to only 24% (for TVOD) and 29% (for SVOD) of the total number of film heritage works available. This relatively low share is due to two cumulative factors:

- Less EU film heritage works make it from cinemas to on-demand: 84% of US film heritage works re-released in cinemas in 2014 were available in TVOD in October 2015, to be compared with 54% for EU films;
- When released in VOD, EU films were available in significantly less countries (2) than US films (8).

But availability is not enough. As regards main stream TVOD services, visibility appears to be more and more important. On-demand services actively promote a limited number of recent films, implying that film heritage only benefits from a very small share of the promotional spots (3%). Among these 3%, only 23% refer to EU film heritage.

Mainstream vs specialised on-demand services

As access and visibility are a key challenge for film heritage on mainstream “generalist” TVOD platforms, alternative approaches have emerged. The first one suggests that European film heritage works should not be addressed differently than European art-house films, as these two categories may easily overlap. This leads to the conclusion that VOD platforms specialised in art-house may be the best way to distribute film heritage. Following another approach, film heritage is a segment itself, and it has enough film lovers to set up a service specialised in film heritage. Since the goal for a film heritage distributor is to address as many target groups as possible, and since rights are not exclusive in the on-demand markets, the three distribution strategies (on mainstream, art-house or film heritage-focused platforms) can co-exist, even if the presence in many services comes at a cost.

As for every niche segment, the subscription model can be of particular interest to film heritage. While consumers will not necessary take the risk to rent or download a catalogue film on TVOD platforms, subscribing to a service may give them the opportunity to test older or little known films without any extra expense. Like TVOD, specialised SVOD services can focus on film heritage or more broadly on art-house films. But the main challenge to evolve from TVOD to SVOD is the upfront investment in rights: whereas the TVOD model relies on a revenue-sharing model, the SVOD is similar to pay-TV and, so far, rights holders tend to require services to purchase films on a flat fee basis.

Hurdles for a pan-European distribution on VOD

In any given European country, the on-demand market remains small and is split between several players. The revenues for a catalogue film are therefore limited and may not even recoup the technical investments needed to get the films on the on-demand services. Getting an international distribution may be therefore important in order to generate significant revenues. As for theatrical distribution, European art-house films in general, and particularly film heritage, are released in a few countries only. Achieving a pan-European distribution is complex and almost only mainstream platforms (e.g. iTunes for TVOD) have a pan-European reach. In fact, being on these platforms might be complicated for rights holders as in most cases they will need to rely on an aggregator whose role is to build a catalogue that is large enough to deal with the platform operators. Also, the competition with recent films might be problematic. Apart from targeting the pan-European mainstream platforms, being present in several countries requires engaging in multiple negotiations with several services in each country, and taking into consideration potentially different technical requirements from the services (even if certain standards seems to have taken hold, like the one set by iTunes for subtitles for instance). Of note is the case of EuroVOD, a network that intends to build a pan-European federation of on-demand services with a focus on art-house films (and therefore including film heritage) in order to address the issue of market fragmentation.

Promotion is key

Regardless of the business model of the on-demand service, and more specifically for mainstream TVOD platforms, promotion is key in order to raise awareness among consumers. As technical costs to make films available on VOD tend to decrease, the main priority is therefore to foster the marketing of films. This specifically applies to film heritage but concerns European art-house productions in general. Promotional activities can take many forms. The comparison of distribution patterns between cinemas and VOD suggests that theatrical re-releases of film heritage are a good way to raise the interest from video on-demand operators and therefore push them to promote films in their platforms, while triggering some press and media coverage. So far, the direct-to-VOD strategy (releasing the film in VOD without a new release in cinemas) may therefore imply a deficit of visibility for the films.

But promotion of film heritage cannot be restricted to re-releases in cinemas or screenings at film festivals. Due to the prominence of revenues originated by recent films on the large mainstream platforms, only a few film heritage works will benefit from promotional spots. A solution may therefore be to promote the films outside of the platform itself. A parallel can be made with a department store (the VOD service) whose products are advertised by different brands (the rights holders) outside of the store. As film heritage is a niche market, targeting online communities that are (potentially) interested in film heritage might be a highly effective promotional strategy. As regards art-house oriented services, a careful digital curation of the contents is also a winning move in promoting films (i.e. presenting, explaining a film and putting it in a context, providing extra and bonus contents, linking it to other works or trends, etc).

Different players may be in charge of promotional efforts when considering film heritage: the on-demand services themselves; the rights holders or their distributors; the aggregators. Their respective role will depend on the distribution strategy of the film. A new release in theatres may put the distributor at the forefront; services specialised in art-house works might take care of content curation themselves; an aggregator may take charge of the promotion of film heritage on the mainstream on-demand services.

Investments unlikely to be recouped only with VOD

Economic challenges for film heritage are much harder when a restoration has taken place. Here, recouping the investments through a VOD only exploitation seems to be out of reach for the time being. In this case, the combination of different exploitation platforms seems necessary: cinemas, TV, DVD and VOD. It is probably for that reason that several VOD “pure players” (company operating only as on-demand service) have gradually enlarged the scope of their activities, by launching a DVD label, buying theatrical rights, etc. The economic rationale therefore matches the promotion logic. Making the film available on several platforms contributes to the recoupment of the investment but also is a cross-promotional tool. Accessibility on VOD platforms and promotional activities may increase the outreach of film heritage works to some extent; however, it goes without saying that it will not expand the market without a constant effort to increase media literacy in this field.

Linking restoration and commercial exploitation

So far, the restoration of film heritage works on the one hand and their commercial exploitation on the other, have been understood, to some extent, as two different processes. Public support for restoration mostly aims at safeguarding and preserving film heritage drawing on cultural and historical value, which does not necessarily imply that the restored films have a commercial potential. In turn, older popular films or “cult films” may not qualify as “heritage” based on merely artistic or cultural grounds, even if they meet a real demand. In this regard, including the exploitation plan among the criteria to grant support to restoration (as implemented by the French CNC), might bridge the gap between “cultural” and “commercial” priorities. Taking into account the commercial potential of films applying for restoration support can also take other forms, e.g. restoring all films nominated from a given country that have been nominated to the Oscars. Generally speaking, introducing the commercial potential of a film as one of the criteria for the eligibility for public support for restoration would improve its exploitation.

European film heritage faces similar challenges to European art-house movies

One of the key findings of this study is that, to an extent, European film heritage faces similar challenges to those of European art-house films in general: securing a presence on VOD platforms, increasing the circulation at the European level, promoting non-national European films and developing the demand are common goals. Many of the problems faced by film heritage also concern European art-house films:

- European film heritage works tend to circulate poorly across Europe, even in the festival circuit;
- Theatrical re-releases of film heritage might help films to have access to VOD services, but this might not be enough as on the one side the market is fragmented and, on the other, a threshold catalogue size is needed to deal with the largest on-demand platforms;
- VOD cannot be dealt with completely separately from the other windows, both for economic and promotional reasons.

Therefore, supporting film heritage in the digital era should be part of an integrated strategy targeting European films. Special mechanisms should be put in place for film heritage, taking into account that catalogue films need significant marketing and promotional efforts.

Introduction

Scope and methodology of the study

Film heritage works account for a limited share of the number of films released in cinemas and an even lower share of the total theatrical admissions in the European Union. However, the availability of digitally remastered films, the digitisation of cinemas screens and the emergence of on-demand platforms opens up new opportunities for film heritage works such as easier re-releases in cinemas, online distribution and broadcasting by thematic television channels.

By combining a quantitative and a qualitative approach, this report sets out to give an overview of the commercial exploitation of film heritage works across the European Union through the different distribution channels.

In the first chapter we will assess to what extent film heritage works are available in cinemas and on TV in the European Union and how they perform compared to more recent titles. In order to do so, we will draw on data from the European Audiovisual Observatory's LUMIERE database and on data sets provided by Médiamétrie Eurodata TV.

The second chapter will then focus on emerging on-demand services, measuring the availability and visibility of film heritage works on these channels. Our analysis is based on data gathered through a taylor-made web-scraping tool and on a data set collected by the company AQOA. In this section we will also elaborate a comparative assessment of the presence of film heritage works across cinemas, on TV and VOD platforms.

Finally, in the third chapter we will outline a cross-cutting analysis of the exploitation of film heritage works across various channels, identifying major challenges and barriers, pinpointing new trends in consumer behaviour and highlighting promising business models and promotional strategies.

In order to hear from relevant stakeholders, we have also contacted industry professionals from different EU countries, including distributors specialised in film heritage, archives and Film Heritage Institutions, VOD services, and televisions. The investigation was carried out through semi-structured interviews. In many cases the respondents agreed to share information with us, subjected to a confidentiality agreement regarding sensitive business data.

Definition of film heritage

The definition of film heritage works is a challenging one, as the category includes a variety of different works, ranging from classics to cult films. For the purpose of this study, film heritage is best defined as a category based on the date of release of a cinematographic work, as other selection criteria such as cultural and historical value might considerably evolve over time.

We can reasonably argue that a cinematographic work is part of the heritage 10 years after its original theatrical release as it is expected to have completed a first commercial cycle through the various distribution channels (theatrical release, TVs, home video). This does not mean that catalogue films have no commercial potential: provided that proper promotion and marketing activities are in place to sustain the sales, some film heritage works can have a quite extended life expectancy. However, it is clear that film heritage cannot be considered as a homogeneous category with regard to commercial potential, as only a small number among the immense number of the works stored by Film Heritage Institutions can realistically expect to find new distribution opportunities[2].

In this report we will use "film heritage works", "catalogue films" or "back catalogue films" interchangeably to designate those films that are part of film heritage. While "film heritage" inevitably links the films to the need to preserve them for the future, "catalogue films" is a more industry-related formula to designate works that have already been through a first exploitation cycle. In order to avoid confusion, we have deliberately chosen not to use the phrase "heritage films", albeit also used to define film heritage works, since the term might generically refer to films set in the historic past.

[2] Cf. European Commission, "Challenges of the Digital Era for Film Heritage Institutions", December 2011, p.14.

1 The exploitation of film heritage so far

Key findings

Film heritage works in cinema

- Film heritage theatrically released with a real commercial purpose (not taking into account promotional screenings) represent on average over 20% of total films on release[3] but an almost non-significant share of total admissions.
- France is the leading country regarding theatrical releases of film heritage works, but more EU markets are opening up to these films.
- Film heritage circulates less than film in general but this has improved since 2004.
- Even if less film heritage works are commercially released compared to 10 years ago, admissions remain globally stable, i.e. admissions per film are globally increasing.
- The driving force: US heritage "block busters", relatively recent catalogue works, are widely distributed in Europe, and have greatly increased the US films share of the film heritage market.
- EU film heritage works are basically released significantly only in one or two EU markets.

Film heritage works on TV

- Film heritage works represent 47% of films broadcast on a large sample of TV channels.
- The proportion of film heritage works was higher for the free TV channels of the sample than for pay-TV channels, as the latter rely more on the programming of original recent films. However, as film heritage is mostly bought by small free-to-air televisions, pay-TV channels represent a more profitable option for distributors.
- There are more and more repeats for the same catalogue film, but the number of different catalogue films broadcast is getting smaller.
- On television, EU film heritage works circulate less than EU films in general and much less that US film heritage.
- The investment from public and generalist televisions in classic films has steadily declined over the years in most EU countries
- In the future TV services might suffer from competition with low-cost SVOD services.

DVD and film heritage works

- The overall DVD market is declining everywhere, but with strong territory-specific differences.

[3] Based on data from LUMIERE. LUMIERE does not cover 100% of films in Europe.

- DVD sales for film heritage might still resist – with variations across countries. Given that the DVD film heritage market was already a niche, it was probably less influenced by the negative trend that hit the sector.
- The physicality of DVD box sets still appeals to communities of collectors and film lovers.
- The technical quality made possible by digitisation and restoration is a key element for DVDs, as well as the presence of selected extra contents.

1.1 Film heritage works in cinemas

Methodology

In this section, we assess the release of film heritage works in cinemas in the European Union. As in the rest of this report, film heritage works are defined as:

- features films, i.e. films which have been released in cinemas in at least one country of the European Union;
- films produced at least 10 years ago.

The analysis covers:

- on the one side the 2010-2014 time frame. As films exploitation is highly cyclical, we systematically provide both the year-by-year and the average figures;
- on the other side the figures for the year 2004, to detect whether structural changes have taken place over the last ten years.

The source of the data is the European Audiovisual Observatory's LUMIERE database. We have used the following indicators:

- the number of countries where a catalogue film has been released;
- the number of admissions to this catalogue film;
- the year of production of the film;
- the country of origin of the film. Here, in the case of coproductions, we have considered that the first country of coproduction determines the country of origin of the film. However in the case on UK films financed through inward US investments (the so-called "GB Inc." films), we have used the Europa Cinemas database to determine case by case whether a film should be qualified as "US" or "UK".

The analysis of film heritage in cinemas follows two approaches:

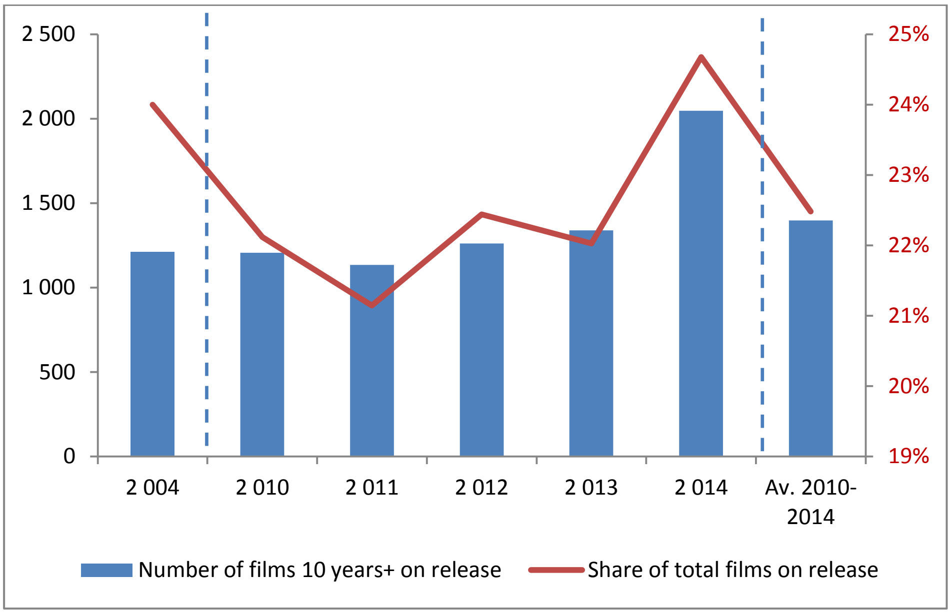
- first, we have taken into account all catalogue films released in cinemas, whatever the number of admissions;
- secondly, as a majority of film heritage works are only exploited during festivals, and therefore do not really "compete" with recent films, we have focused on films which have reached at least 1 000 admissions in at least one EU country in one given year, assuming that these films did benefit from a real commercial plan.

1.1.1 Film heritage works on release in cinemas

Number of catalogue films released in cinemas

About 1 300 unique[4] film heritage works are on release each year in the European Union, representing about 22% of total films on release. The figure seems to be relatively stable since 2004[5].

Figure 1 : Number of unique film heritage works on release in the EU and share of the total number of films on release.

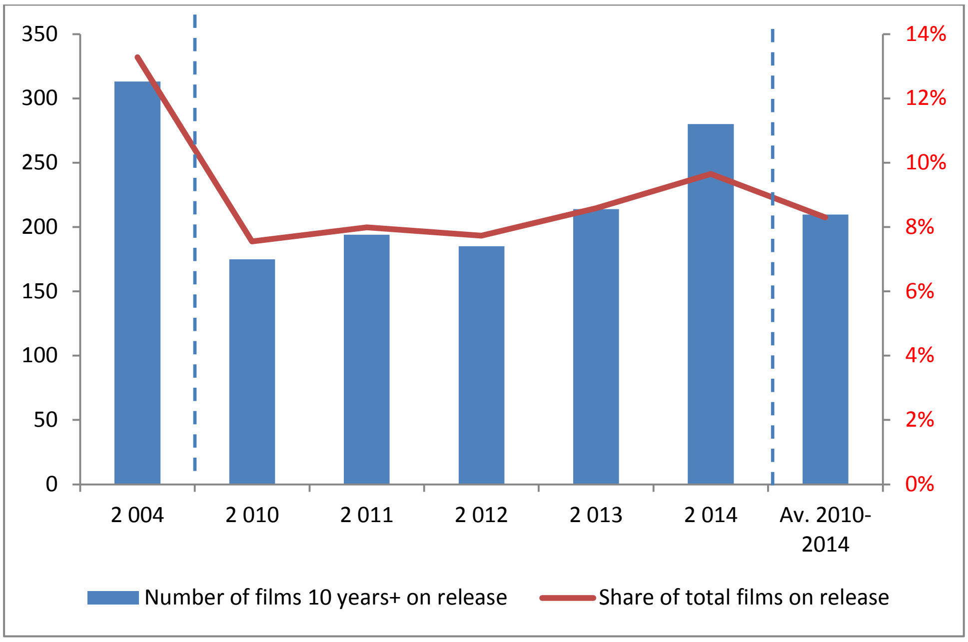


However, these raw figures may be misleading, as a majority of film heritage works on release record a very limited number of admissions being only screened at festivals or other special events. A focus on films having registered at least 1 000 admissions in one given country shows that about 200 unique catalogue films are on release each year on a commercial basis, representing an average of 8% of total unique films on release for the period 2010-2014. This figure is significantly lower when compared with the more than 300 catalogue films released in 2004 (12% of all films on release).

[4] Each film is counted as one even if it is on release in several countries.

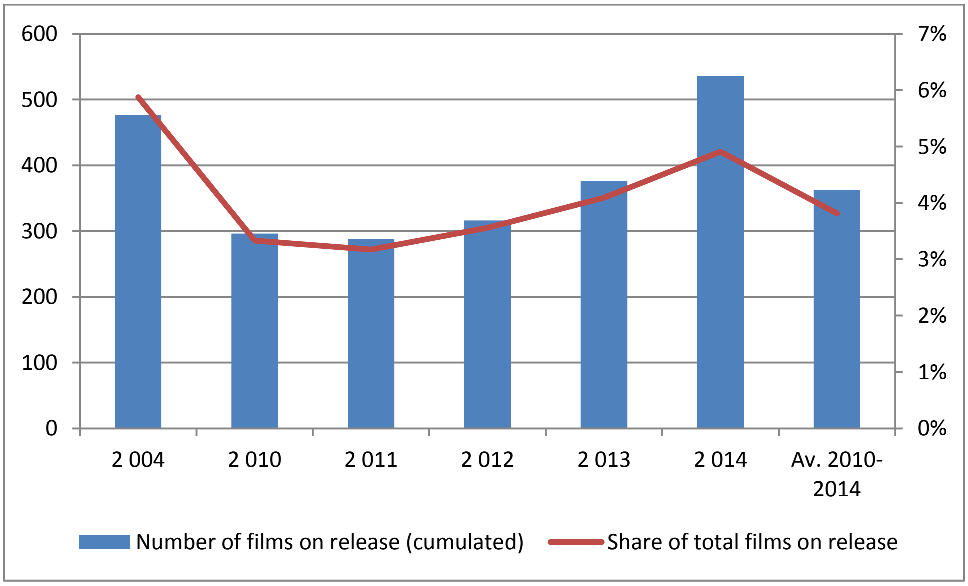
[5] The increase in the 2014 figure for the number of films is due to an enlarged coverage of the LUMIERE data base. It should not affect the share of film heritage works among films on release.

Figure 2 : Number of unique film heritage works on release in the EU and share of the total number of films on release (films with at least 1 000 admissions).



Looking at cumulated[6] figures (for films having registered more than 1 000 admissions) is a better indicator of the share of film heritage works among all films that a European Union citizen has access to on average. Here, the share of film heritage works among total films on release is even lower, in the range of 4%, down from 6% in 2004. But this share is increasing again since 2010, possibly indicating a better circulation of film heritage works in Europe.

Figure 3 : Cumulated number of film heritage works on release in the EU and share of the total number of films on release (films with at least 1 000 admissions).



[6] Each release of the same film in different markets is counted as one.

The fact that the share of film heritage is higher in terms of unique films than in terms of cumulated films indicates that film heritage works circulate less than films in general. This interpretation is corroborated by an analysis of the average number of the countries of release. Film heritage works (with more than 1 000 admissions) are released on average in 1.7 countries, whereas films in general are released in 3.7 countries. Of note is the fact that the circulation of catalogue films (that have some level of commercial potential) has significantly improved since 2004.

Table 1 : Average number of countries of release for film heritage works (films with at least 1 000 admissions)[7].

	2004	2010	2011	2012	2013	2014	Av. 2010-2014
All film – More than 1 000 admissions	2,6	3,8	3,7	3,7	3,7	3,8	3.7
Film heritage works – More than 1 000 admissions	1,5	1,7	1,5	1,7	1,8	1,9	1,7

Not all EU countries have the same level of offer of catalogue films. Back in 2004, France was by far the most active in terms of exploitation of film heritage, both in terms of number of catalogue films on release and in terms of the shares of these films among the total number of titles released. France accounted for almost 50% of the cumulated number of film heritage works in Europe.

Over the 2010-2014 timeframe, France remains the leading country but only accounts for 25% of the catalogue films on release, which implies that the distribution of exploitation films has developed in other markets. Aside from France, in the UK, Italy, Spain, the Netherlands and Portugal, the share of film heritage works is notably higher than the EU average.

Table 2 : Share of the top 3 countries for film heritage works on release in the EU (films with at least 1 000 admissions).

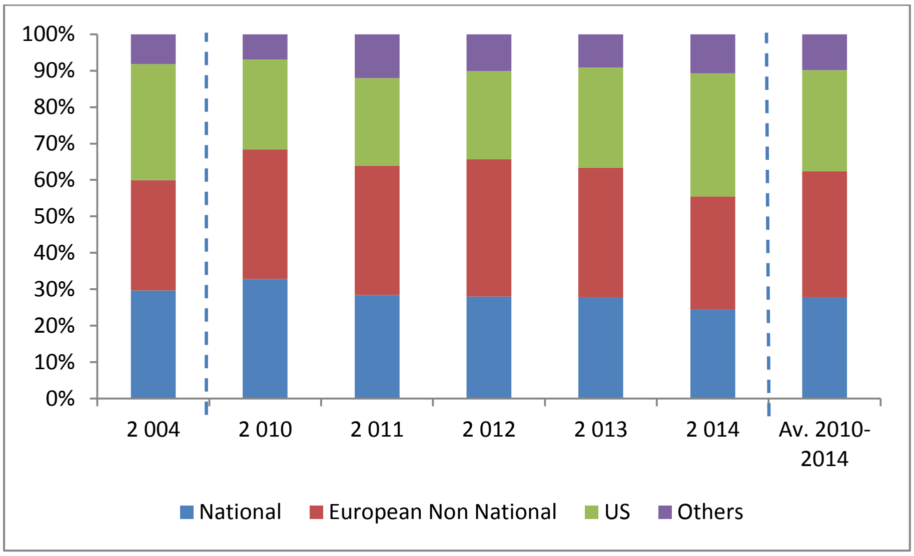
	2004	2010	2011	2012	2013	2014	Av. 2010-2014
Share of top 3 countries	74%	42%	51%	49%	51%	53%	49%
Country 1	*FR*	*FR*	*FR*	*FR*	*FR*	*GB*	
Country 2	*ES*	*GB*	*ES*	*GB*	*GB*	*FR*	
Country 3	*CZ*	*NL*	*GB*	*ES*	*IT*	*ES*	

[7] Figures refer to admissions covering one given year.

Origin of film heritage works on release in cinemas

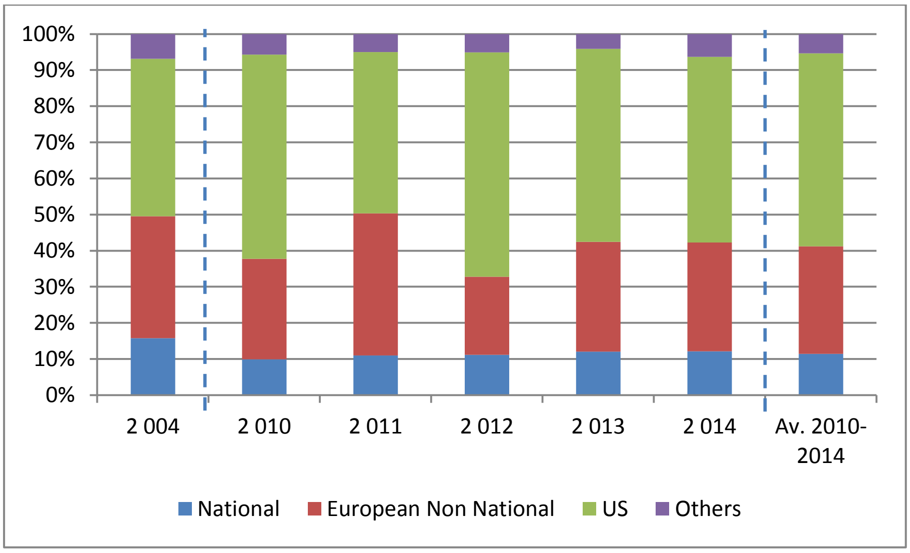
Over the time frame 2010-2014, European[8] films account for an average of 62% of the cumulated number of catalogue films on release in the EU, a proportion similar to that for films in general. The figure is up from 59% in 2004.

Figure 4 : Origin of film heritage works on release in the EU.



But the figures differ when focusing on films which scored at least 1 000 admissions, i.e. those films with some level of commercial exploitation. Here, European films only account for 41% of the catalogue films on release, down from 50% in 2004, but up from 37% in 2010.

Figure 5 : Origin of film heritage works on release in the EU (films with at least 1 000 admissions).



[8] "European" represents the number of films in the catalogue having the first (or main) country of origin as part of the 47 Member states of the Council of Europe. These countries are Albania, Andorra, Armenia, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, the former Yugoslav Republic of Macedonia, Turkey, Ukraine and the United Kingdom.

The number of countries of release explains the growing share of US films: in 2004, European and US film heritage works (with at least 1 000 admissions) were on average released in the same number of EU countries (1.6). But this figure increased for US film heritage works whereas it remained stable for European catalogue films. Moreover, most European films released in more than one territory scored the vast majority of their admissions in only one country.

In other words, when looking at film heritage with a certain commercial potential, the proportion of European films on release is lower than for films in general, and they are on release in fewer countries than US films (and most of the time, with a significant level of admissions in one territory only). In turn, over the last ten years, US catalogue films have been released in an increasing number of territories.

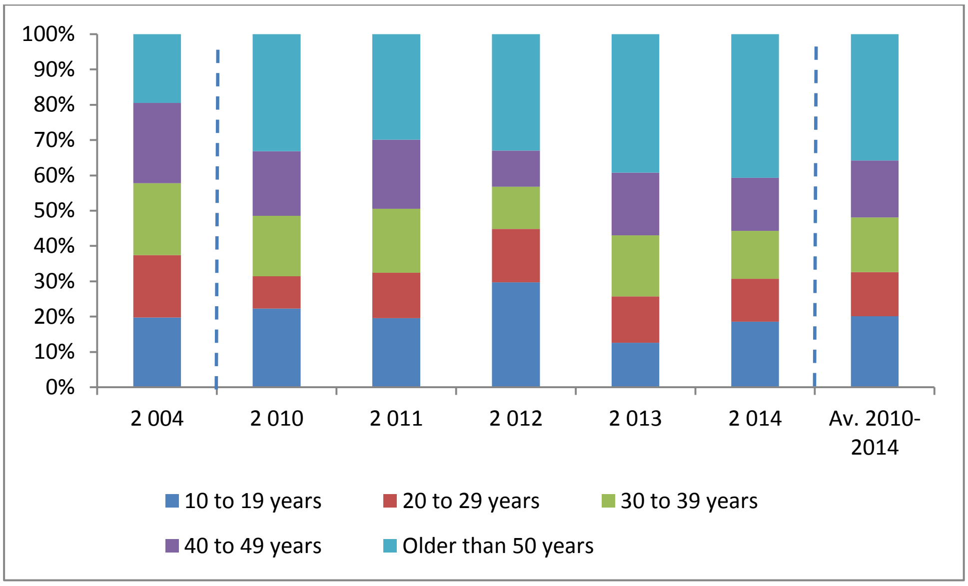
Table 3 : Average number of countries of release for film heritage works (films with at least 1 000 admissions)[9].

	2004	2010	2011	2012	2013	2014	Av. 2010-2014
All film heritage works	1,5	1,7	1,5	1,7	1,8	1,9	1,7
European films	1,6	1,6	1,4	1,3	1,5	1,7	1,5
US films	1,6	1,7	1,6	2,1	2,0	2,1	1,9

Age of film heritage works released in cinemas

32% of catalogue films distributed in cinemas are aged from 10 to 20 years. Paradoxically, this figure is lower (20%) when looking only at films which score at least 1 000 admissions.

Figure 6 : Breakdown of film heritage works on release in the EU by age of production (films with at least 1 000 admissions).



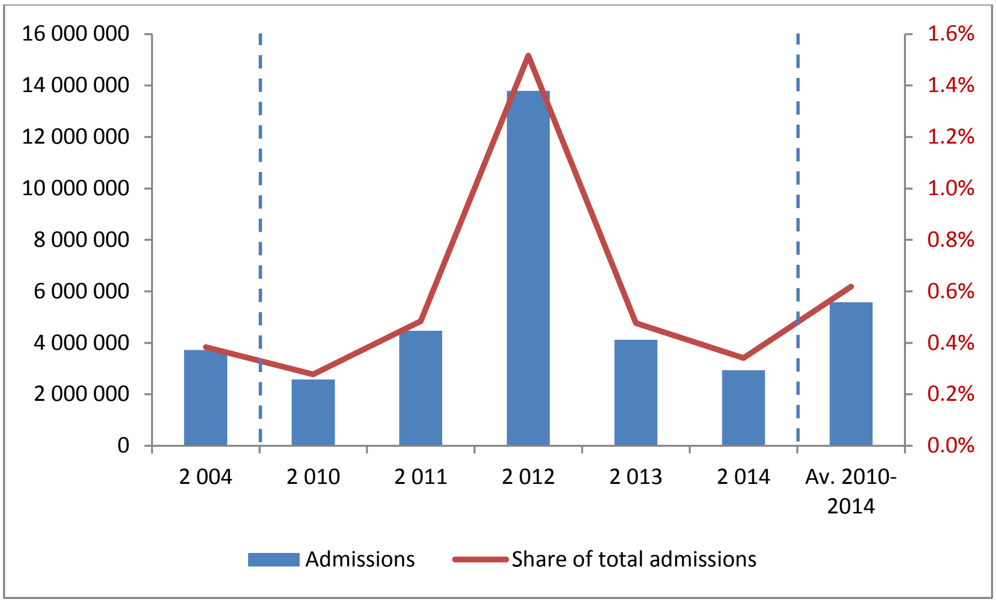
[9] Figures refer to admissions covering one given year.

1.1.2 Admissions to film heritage works

Weight of admissions to catalogue films

Between 2010 and 2014, catalogue films accounted on average for about 6 million admissions in the European Union. However, the year 2012 recorded an unusually high level of admissions as the re-releases of *Titanic* and *Star Wars Episode 1* scored together over 6 million admissions, representing two-thirds of total admissions for film heritage for that year. The average level of admissions for film heritage works seems to be rather in the range of 4 million per year. Still excluding the very specific 2012 years, these 4 million admissions represent about 0.5% of total admissions, relatively stable when compared with 2004.

Figure 7 : Admissions to film heritage works on release in the EU and share of the total number of admissions (films with at least 1 000 admissions).



The market for film heritage is fairly concentrated in terms of territories, as the top 3 markets represent over 70% of total admissions. But, as noted earlier as regards the release of catalogue films, this concentration has tended to decrease since 2004.

Table 4 : Share of the top 3 countries of admissions to film heritage works on release in the EU.

	2004	2010	2011	2012	2013	2014	Av. 2010-2014
Share of top 3 countries	86%	74%	77%	64%	71%	74%	72%
Country 1	*FR*	*ES*	*GB*	*GB*	*FR*	*GB*	
Country 2	*GB*	*FR*	*DE*	*FR*	*GB*	*FR*	
Country 3	CZ	GB	FR	DE	IT	IT	

The market for film heritage works is also significantly concentrated in terms of films, and here, the level of concentration has increased since 2004.

Table 5 : Share of the top 10 films of admissions to film heritage works on release in the EU.

	2004	2010	2011	2012	2013	2014	Av. 2010-2014
Share of top 10 films	37%	67%	82%	88%	63%	47%	70%

As the level of admissions to catalogue films is relatively stable, and as the number of film heritage works "commercially released" has tended to decrease, average admissions per film have increased compared with 2004:

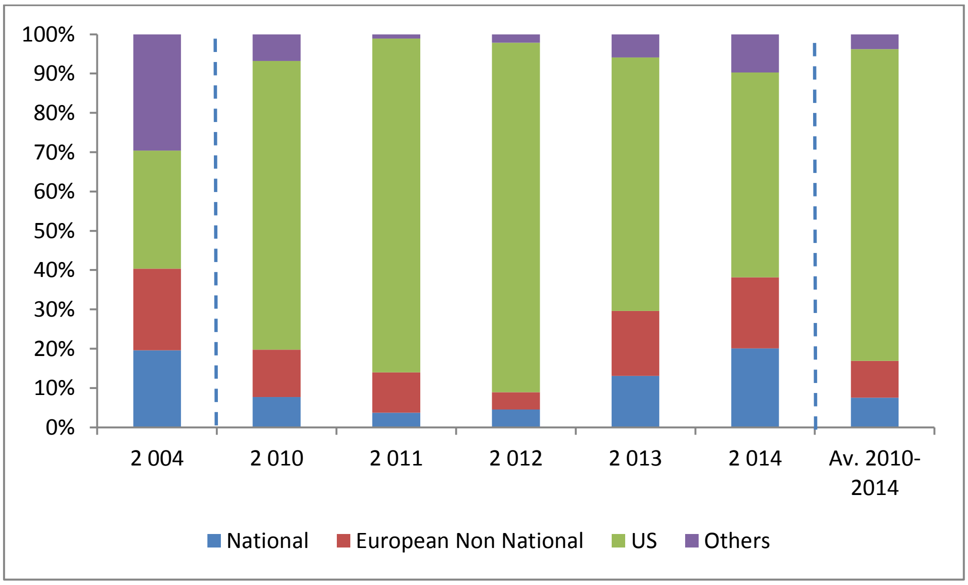
Table 6 : Average admissions to film heritage works on release in the EU (films with at least 1 000 admissions)

	2004	2010	2011	2012	2013	2014	Av. 2010-2014
Admissions per film	11 234	14 043	22 397	73 769	18 484	9 454	27 629

Admissions by region of origin

US film heritage works register a much higher share of admissions (81% on average between 2010 and 2014) than their share of the number of catalogue films on release (46%)[10]. The market share has drastically increased since 2004 (30%). New releases of Hollywood blockbusters indeed lead the charts of film heritage: *Toy Story 2* (1999) and *Back to the Future* (1985) in 2010, *The Lion King* and *Jurassic Park* in 2011, *Titanic* and *Star Wars Episode 1* in 2012, *Finding Nemo* and again *Jurassic Park* in 2013. In 2014, however, US catalogue films performed less well, with only a 53% market share.

Figure 8 : Admissions to film heritage works in the EU by origin (films with at least 1 000 admissions).



[10] These figures take only into accounts film heritage works which scored at least 1000 admissions.

Logically, US catalogue films register higher admissions per film than European films. But films produced outside Europe or the US also score higher average admissions than European films.

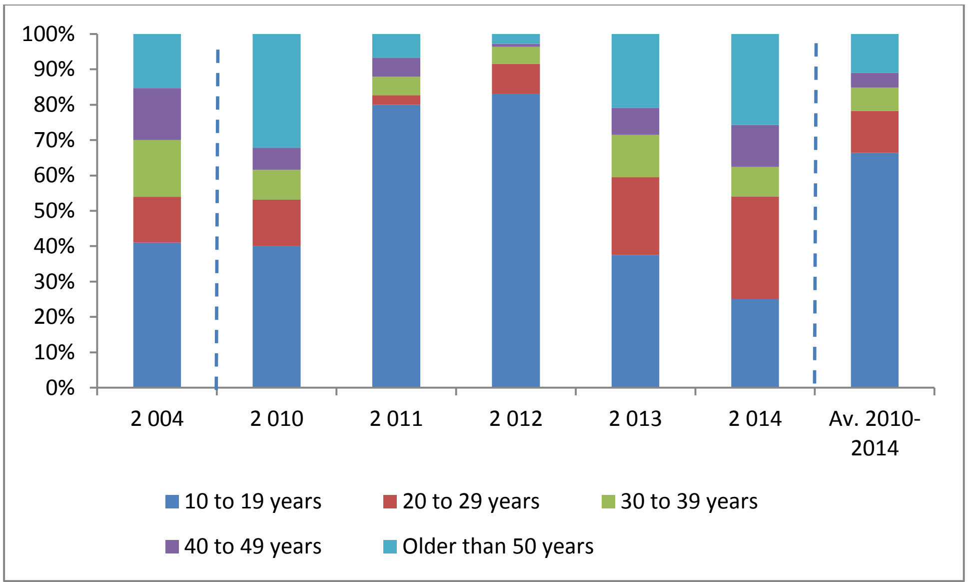
Table 7 : Average admissions of film heritage works on release in the EU by origin (films with at least 1 000 admissions).

	2004	2010	2011	2012	2013	2014	Av. 2010-2014
All films	**11 234**	**14 043**	**22 397**	**73 769**	**18 484**	**9 454**	**27 629**
EU	4 853	3 968	4 132	7 119	5 904	3 727	4 970
Other European	0	0	2 504	0	36 787	0	7 858
US	7 928	20 320	48 196	134 404	26 743	11 342	48 201
Others	33 807	10 322	2 471	17 517	15 216	7 845	10 674

Admissions by age of production

Whereas about 20% of film heritage works (films scoring more than 1 000 admissions) distributed in cinemas are aged from 10 to 20 years, the same films registered 70% of the admissions, a figure that may reflect the growing share of new releases of relatively recent US blockbusters. However, the age of the top grossing catalogue films varies significantly across the years and is probably not the main factor explaining the level of admissions.

Figure 9 Admissions of film heritage works on release in the EU by age of production (films with at least 1 000 admissions).



1.2 Film heritage works on television

Methodology

In this section, we analyse the programming of catalogue films available on television channels. The analysis is based on a set of data provided by Médiamétrie Eurodata TV. Mediamétrie has tracked all film broadcasts for a sample of 124 TV channels from 17 European Union countries[11] for two seasons: 2011-2012 and 2014-2015. The following information was provided by Mediamétrie: the name of the broadcasting TV channel; the title of the film in the broadcasting country and its original title; its country of origin and year of production; the schedule of the broadcast(s) (prime-time or outside prime-time).

The analysis of the supply of catalogue films on television addresses two main questions:

- What is the share of film heritage works among films broadcast on television?
- How do catalogue films circulate on television inside the European Union?

1.2.1 Number and share of film heritage works broadcast on television

47% of films broadcast are catalogue films

The 124 TV channels included in our sample broadcast 101 849 films during the 2014-2015 season, representing 33 652 films when excluding the rebroadcasts by the same TV channel.

Catalogue films represented 47% of the offer of films (including repeats). Not surprisingly:

- the share was higher when looking only at unique titles, as film heritage works are less likely to have repeats;
- the share was lower when looking only at prime-time programming, as film heritage is less likely to be programmed during this time slot.

Table 8 : Film heritage works share of films broadcast.

	2011-2012	2014-2015
All day - including rebroadcasts[12]	44%	47%
All day - unique titles[13]	52%	52%
Prime-time - unique titles[14]	41%	43%

[11] Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, The Netherlands, Poland, Romania, Slovenia, Spain, Sweden, United-Kingdom.

[12] Each broadcast of a film by the same TV channel is counted as one.

[13] Only one broadcast is accounted for even if the same film is broadcast several times.

[14] Prime-time hours differ across countries.

The proportion of catalogue films was higher for the free TV channels of the sample (55%) than for pay-TVs (43%), as pay-TV channels rely more on the programming of recent films.

Table 9: Film heritage works share on total number of film broadcast by category of TV channel (all day – including repeats).

	2011-2012	2014-2015
All TV	43%	47%
Free TV - All day	53%	55%
Pay-TV - All day	36%	43%

Looking at the figures above – 47% of films broadcast are represented by film heritage works on all TV channels – could lead one to draw overly optimistic conclusions about the presence of catalogue films on TV, therefore some clarifications are needed.

It is true that among the thematic television film channels in Europe, there are many that focus specifically on classic films. Of these several are focused on US (or British) classic films such as Kabel eins Klassics and Sky Nostalgie in Germany. The Paramount Channels (available throughout Europe) show many classics but mainly from the US. The Polish channel Stopklata TV presents a wide selection of foreign and Polish cinema: Hollywood and European productions, authors and genres, classic and contemporary works, including documentaries and animations. In addition, Kino Polska is dedicated to the promotion of Polish cinema. In Spain, Somos Canal is focused on Spanish cinema.

However, many film heritage distributors lament the fact that, with a few exceptions, the investment in catalogue films from public and generalist television channels has steadily decreased in EU countries. If it is true that small free-to-air channels largely broadcast catalogue films, distributors and rights holders do not consider free-to-air television channels to be a profitable option for film heritage anymore as the rights for these films do not represent a considerable source of revenues. In many East European countries, on the other hand, public broadcasters still buy classic films and film heritage, with TV rights being sold separately, a practice that is uncommon in the rest of the EU.

In turn, pay-TV channels, while buying a limited number of catalogue films, can pay better prices and use film heritage works to diversify their offer, as the commercial success of recent films can compensate for smaller audiences of older works.

Technologies and consumer habits are constantly changing the media landscape, curtailing the central role of generalist TV in the exploitation of film heritage. Rising VOD services have distinct advantages over generalist television in targeting specific audiences and **in the future TV services might suffer from the competition with lower-cost SVOD services**.

Some argue that today cable TV channels are penalised by having to fill the entire time schedule on all their channels while SVOD services, being catalogue-based, can afford to be more selective about their contents. On the other hand, others point out that the stability of predefined time schedules on television is a reference point for audiences and can be more efficient in promoting film heritage works when compared to the more volatile SVOD model (e.g. the audience will remember a certain film because he read that it will be aired at a certain time).

Finally, in some cases the distinction between TV and VOD might become elusive as IPTV can ultimately be assimilated to VOD services: if in the past SVOD services were only available on desktop or laptop computers, internet-based technologies now enable viewers to watch contents on their TV sets and many cable operators also include Netflix in their subscription plan.

The number of catalogue films broadcast has increased, due to more repeats

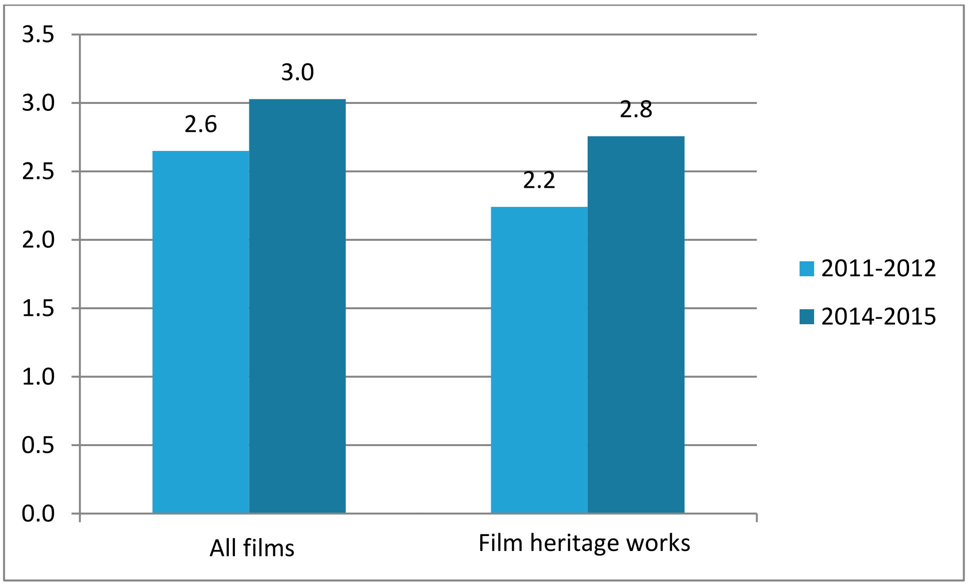
The number of all films broadcast by the TV channels from the sample increased by 12% between the 2011-2012 and 2014-2015 seasons but this growth is due to the increase of the repeats of the same film. TV channels actually broadcast a narrower number of different films in the 2014-2015 season than in the 2011-2012 season, and the number of broadcast per film increased from 2.6 to 3.

The evolution in the number of films between the 2011-2012 and the 2014-2015 seasons was similar for catalogue films and for films in general: for film heritage, whereas the number of broadcasts increased by 24% (because of more repeats of the same film), the number of different films broadcast decreased by 1%.

Table 10 : Variation in the number of films broadcast between the 2011-2012 and the 2014-2015 seasons.

	All films	Film heritage works
All TV - All day - Multiple broadcast	12%	24%
All TV - All day - Unique Broadcast	-2%	-1%
All TV - Prime time - Multiple broadcast	6%	20%

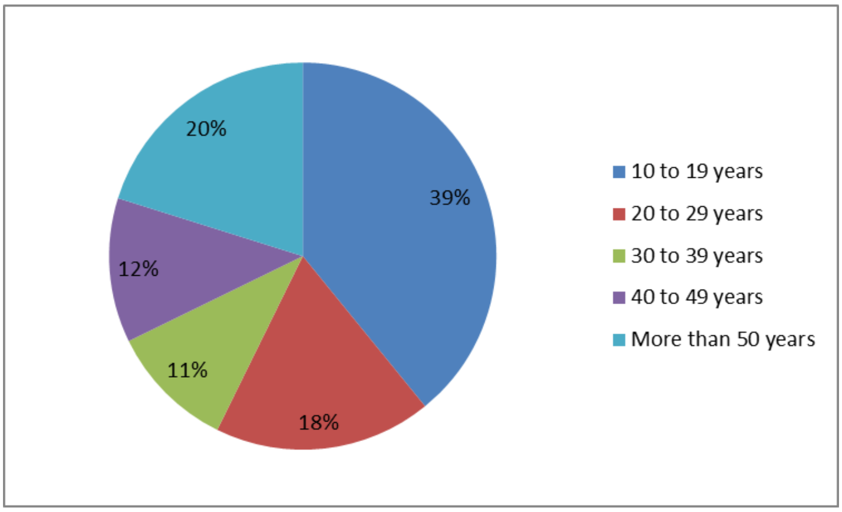
Figure 10 : Evolution of the number of broadcasts per films between the 2011-2012 and the 2014-2015 seasons.



57% of catalogue films broadcast were produced between 10 to 29 years ago

39% of catalogue films broadcast on television were produced less than 20 years ago; 20% were produced more than 50 years ago.

Figure 11 : Breakdown by age of production of film heritage works broadcast on TV during the 2014-2015 season.

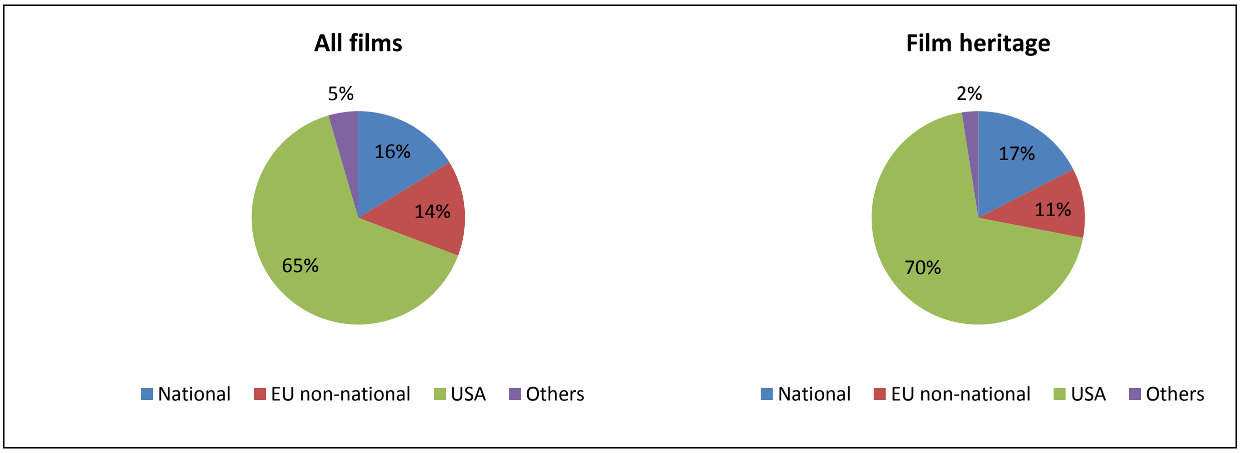


1.2.2 Origin of catalogue films broadcast on television

The share of EU films is slightly lower for film heritage than for films in general

Taking into account all repeats, EU film heritage accounted for 28% of film heritage works broadcast on television during the 2014-2015 season, to be compared with 30% for films in general. The proportions between EU national and EU non-national films were slightly different for films in general (53% of EU films are national films) and catalogue films (61% of EU catalogue films are national). These figures tend to show that EU film heritage works circulate less in TV than EU films in general.

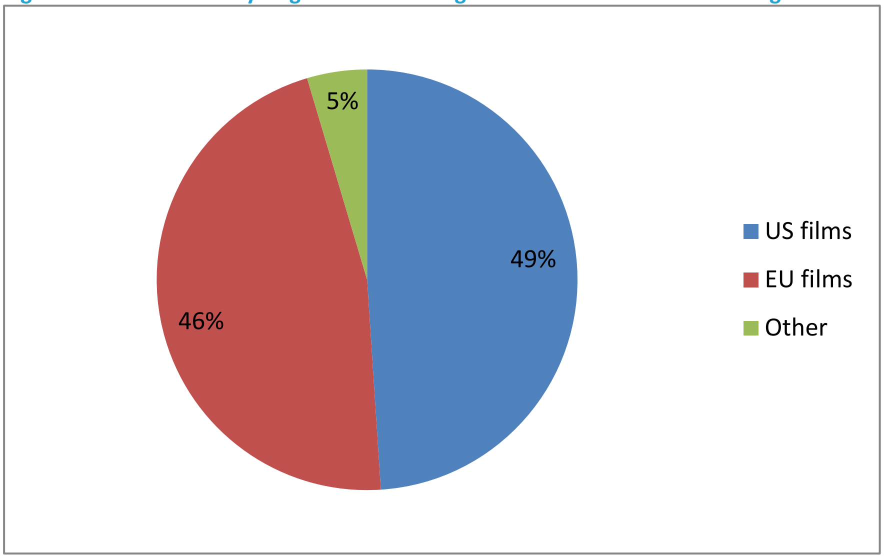
Figure 12 : Breakdown by origin of film heritage works broadcast on TV during the 2014-2015 season (including repeats).



EU catalogue films circulate less than US catalogue films

This is confirmed by the analysis of unique films which were broadcast in the EU. Our sample consolidated at the EU level[15] comprises 9 467 different film heritage works. EU films accounted for 46%, and US films for 49%.

Figure 13 : Breakdown by origin of film heritage works broadcast on TV during the 2014-2015 season.



EU films tended to be available in fewer countries than US films:

- EU films were broadcast on average in 1.2 countries, and 89% of EU films were broadcast in only one country of the sample during the 2014-2015 season;
- US films were broadcast on average in 2.5 countries, and 53% of US films were broadcast in only one country.

The average number of broadcast countries remained stable between the 2011-2012 and the 2014-2015 seasons, both considering EU and US films.

[15] The sample contains all films broadcast at least once by at least one broadcaster in at least one of the 17 countries of the sample.

1.3 DVD and film heritage works

Methodology

In this chapter we will try to outline current trends in the DVD distribution of film heritage works in the European Union. Since specific sets of data on this topic are not available, we have contacted several distributors specialised in catalogue films in order to hear first-hand from them and gather information about this specific sector of the industry.

Respondents often agreed to share information based on non-disclosure agreements.

1.3.1 Is there a future for DVD?

The DVD sector, once a significant source of revenues, has registered a dramatic drop over the last ten years for the entire film business, mainly due to the surge of online video streaming. Today, according to different studies, DVDs have been already been outsold by online video streaming in many countries[16].

Some of the industry representatives we interviewed for this study reported that the steep decline in DVD sales has also affected film heritage works, which is consistent with the global trend and is supported by the fact that many distribution companies specialised in catalogue films have discontinued their DVD labels. According to some respondents, however, the DVD market has not been significantly affected when we look at film heritage in particular, arguing that, since it is already a niche, it was relatively immune to the far-reaching negative trend that hit the sector.

Film heritage includes a large variety of films, and they might have not been affected by the crisis in the same way. In particular, it is probably b-movies and films without an established reputation that suffer the worst decline. On the other hand, it seems that the sales for classic films, especially when grouped in collection box sets, did not drop as dramatically as the overall DVD sales. The **technical quality made possible by digitisation and restoration** has become a more and more important element for catalogue and classic films, as well as the presence of **special contents and extras** that accompany the films. In addition, **the physicality of DVD box sets still appeals to collectors and film lovers** interested in owning the object, a pattern that bucks the existing trend toward immaterial consumption and online streaming. However, the hopes for Blu-ray editions were probably misplaced, in spite of the standard's better technical quality. This can be partly explained the fact that Blu-ray is a less common standard than DVD, and also because this format is more often associated with special effects-driven action movies rather than with film classics, being more appealing to a rather different target audience.

Another crucial element is that the commercial performance of DVDs can greatly change from country to country because of **territory-specific consumers habits**. In countries with a high film production capacity (France, Germany, Italy, Spain and UK) DVD sales for film heritage seem to resist much better than, for instance, than in many Eastern European countries. In particular, the overall

[16] Cf. European Audiovisual Observatory, "Yearbook 2015 – Key Trends", ch. 4.4 "On-demand: SVOD and EST driving growth".

DVD market appears to be particularly resilient in Germany as customers traditionally value the possession of the physical support more than in other territories.

Some of the interviewees have remarked that the presence of different DVD editions of the same catalogue film on the market might generate confusion in customers and it is not always clear if a given edition is based on a restored copy. They also lament the fact that e-commerce websites allow for little control over the characteristics of the DVDs, and the specifics advertised on the packaging might not correspond to the actual product.

Finally, it is worth noting that film heritage could benefit from strategies that go against the traditional windows system that secures periods of exclusive release on different channels. For instance, it could be useful to have DVDs available for sale in theatres after screenings as physically concentrating the demand would allow for better-target promotional efforts.

2 On demand services: a new window for film heritage works

Key findings

- In the EU, the share of film heritage works is slightly higher in SVOD than in TVOD catalogues, representing 47% of the total cumulated titles available versus 40% of the TVOD.
- Non-European film heritage works outnumber European in VOD catalogues available in the EU.
- In EU countries, on platforms such as Netflix and iTunes the gap between European and non-European catalogue films is even wider (with most of the non-European being US productions).
- US film heritage circulates much better then EU productions, both on SVOD and TVOD catalogues.
- For film heritage works that have been re-released in theatres, their availability on VOD platforms is much higher when it comes to US titles.
- Most of the promotional efforts made by mainstream VOD services primarily promote recent films.
- TV is the largest user of film heritage: based on our sample, 47% of films broadcast on TV and SVOD were film heritage works, versus 40% on TVOD and 25% in cinemas.

2.1 New players for film heritage

Today, video on demand (VOD) services are growing at an unprecedented speed and are currently considered a promising revenue model for the entertainment business in Europe and worldwide.

By allowing customers to select their own contents, VOD services are dramatically improving **user's controllability** and definitely represent a turning point in changing viewers' experience and the media landscape in general, which can significantly influence the exploitation of back catalogue films.

In this section we will try to track the presence of film heritage works on VOD players, showing to what extent film heritage is made available and promoted on these distribution channels.

Types of on demand services

The umbrella term VOD refers to any service that delivers audiovisual content over the internet or a managed network – in a digital, dematerialized form – to connected devices such as a TV set, a computer or a smartphone, including web applications or web portals. Based on their business model and their features, they can be categorized into three main typologies:

- **TVOD (Transactional video on demand)**: these services provide audiovisual content (mostly films and TV but also sports and events), available either to download (electronic sell-through/EST) or online rental. Examples of TVOD are iTunes, Google Play or Universciné. Customers pay based on the content they watch and rights holders receive revenues per view. In general, the TVOD model is more likely to offer more recent releases, as the revenue per view is higher for new productions.

- **SVOD (Subscription video on demand)**: it is technically similar to TVOD but differs from it regarding the business model as they grant customers access to a catalogue of contents for a monthly fee (this is the case, for instance, of Netflix or Amazon Prime). While most services focus exclusively on one model, some portals, like the Austrian Flimmit, offer customers the opportunity to choose if purchasing a single film or opt for a subscription service.

- **Free video on demand**: this is the case, for instance, of online archives or portals that offer materials free from copyright (often film heritage works). In other cases, free video on-demand actually consists of **advertising-based video on demand (AVOD)**, offering contents that are free for the customers, financed by advertising streamed around contents (e.g. Youtube).

Furthermore, we can also find examples of services that operate on hybrid models such as freemium services, where customers might have free access to certain contents but have to pay a subscription fee in order to watch some particular premium contents.

As we have previously mentioned, the boundaries between SVOD and pay-TV can be sometimes blurred. Catch-up TV can also be considered a form of VOD, making programmes and film available for a certain period of time after they are broadcast on TV.

2.2 The availability of film heritage works on on-demand services

Methodology

In October 2015, the European Audiovisual Observatory undertook a research project on the films offered by selected VOD catalogues available in the EU[17]. The study set out to gather entire film catalogues of 91 selected VOD services (transactional and subscription VOD) in each EU country, matching individual film titles with their respective country of origin and year production. In order to do so, a tailor-made software tool was used[18], retrieving individual film titles for each VOD service. 75 TVOD and 16 SVOD services in the 28 EU Member States have been analysed.

After retrieving film titles of works available on VOD services, the country and the year of production have been identified by matching film titles with information from the Observatory's film database LUMIERE, the Moviedatabase and IMBD through a heuristic algorithm. The final results consisted of 29 869 unique film titles, available on the 91 VOD catalogues.

As for the country of production, we considered the first country of production listed in LUMIERE as the main country of production, without taking into account coproductions.

The VOD services taken into consideration were selected among those accessible over the internet. Therefore, VOD services only accessible through set-top boxes of cable, satellite or internet service providers were not included in the survey.

We can only guarantee the validity of the results for the time period where the film titles were retrieved (end of September and October 2015). Furthermore, small matching errors might have occurred, for less than 5% of all films matched.

Drawing on the results of this research project, we are going to quantify the shares of film heritage available on those selected VOD services across the EU and analyse them by country of origin.

Shares of film heritage works on selected VOD services in the EU

This section presents a snapshot of film heritage works available across the EU on the 91 selected VOD services. The shares of film heritage works have been identified considering both the number of cumulated and unique film titles.

"Cumulated film titles" are calculated by counting a film each time it was present in a catalogue, thus counting multiple times the same film. This indicator gives a picture of the overall composition of the selected VOD services across Europe.

"Unique titles" are calculated by counting every film title only once in all the selected VOD platforms analysed for this research. By single-counting all unique films available we have an indicator for the VOD catalogue diversity across the EU. However, this indicator of variety is not perfect and should be interpreted with care, placing it in relation to the cumulative overview.

The total number of films retrieved on TVOD services was 28 150 for unique and 164 049 for cumulated titles. For SVOD services, unique titles were 8 469 and cumulated ones 17 852.

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[17] The first results of this study have been published in "Origin of Film in VOD catalogues in the EU", European Audiovisual Observatory, November 2015.

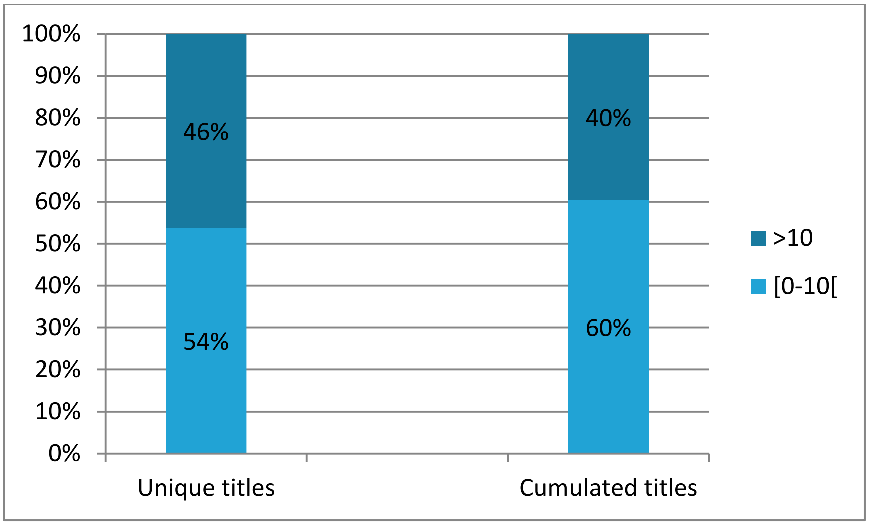
[18] The software was developed by the Strasbourg-based IT company Logidée.

When considering **transactional VOD services (TVOD)** only, we can see that film heritage works amount to 46% (13 013 films) of the total unique titles available in their catalogues and to 40% (65 049 films) of the total films when taking into account cumulated titles.

Shares of catalogue films on VOD services in the EU

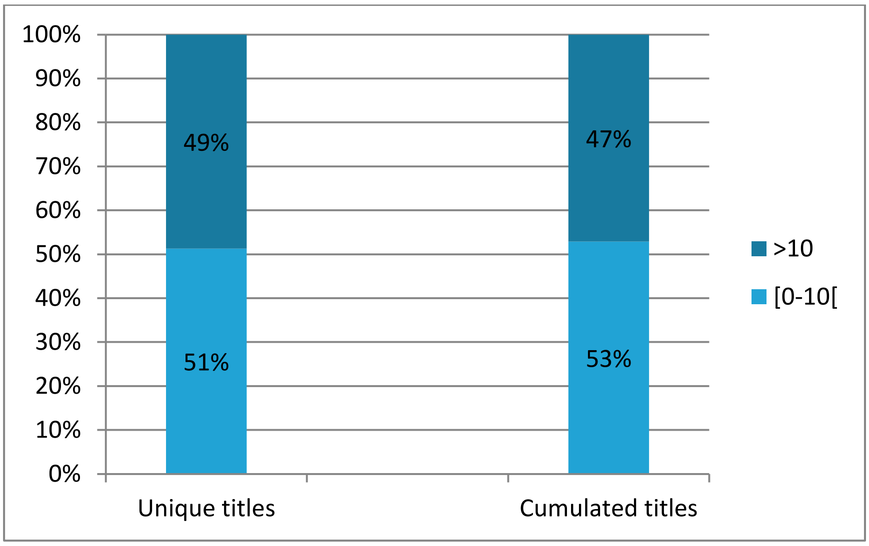
The share for catalogue films is smaller when considering cumulated titles rather than unique titles, which might indicate a relatively limited circulation of film heritage across countries with regard to TVOD services.

Figure 14 Share of film heritage works in 75 TVOD services in the EU (unique and cumulated).



When we look at SVOD catalogues, the figures are pretty similar but show a modest increase in the share of film heritage when compared with TVOD catalogues (49% for unique titles and 47% for cumulated titles, corresponding to 8 469 and 17 852 films respectively). SVOD services probably offer customers a higher number of older films as the subscription formula makes customers more likely to watch less advertised works that it would be "riskier" to purchase on TVOD.

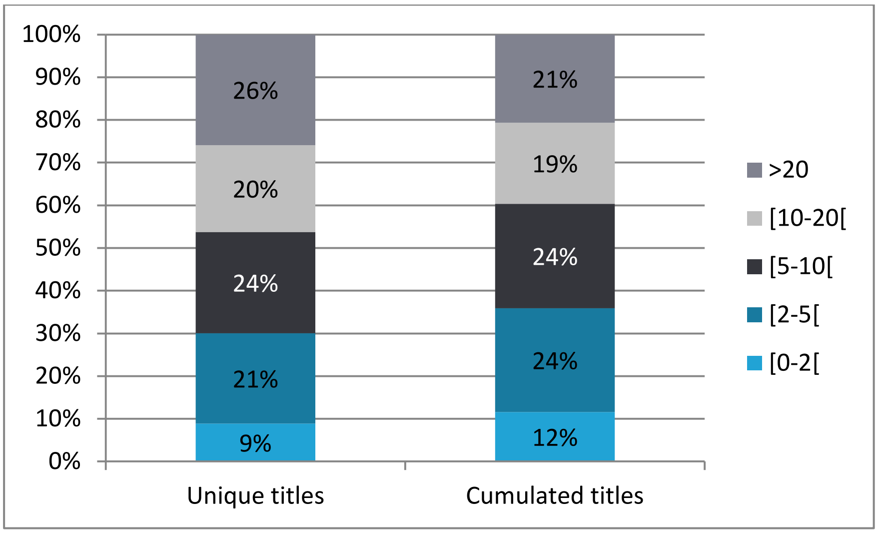
Figure 15 Share of film heritage works in 16 SVOD catalogues in the EU (unique and cumulated).



Catalogue films by age on VOD services in the EU

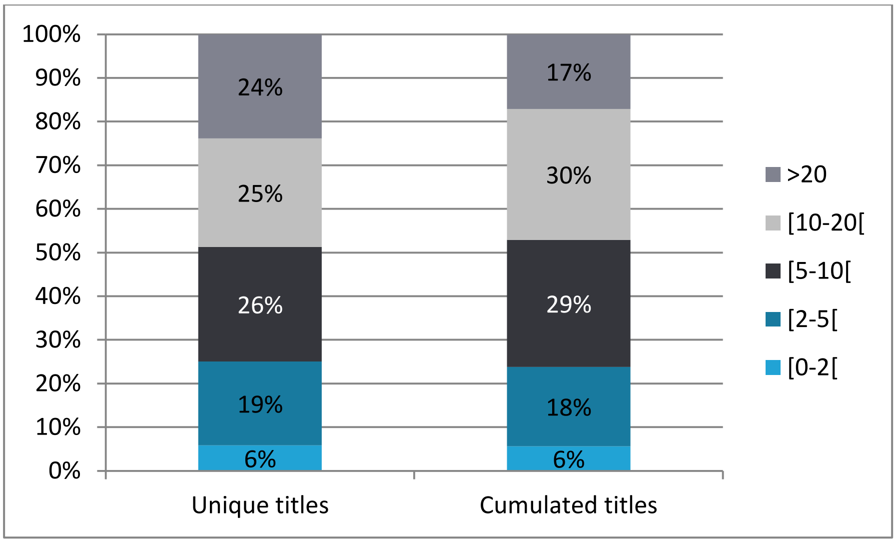
Interestingly, when looking at the age of film heritage works on TVOD, it appears that older films (20 years or older) slightly outnumber more recent catalogue film (10 to 19 years), especially when considering unique titles.

Figure 16 Breakdown by age of production of films in 75 TVOD services in the EU (unique and cumulated).



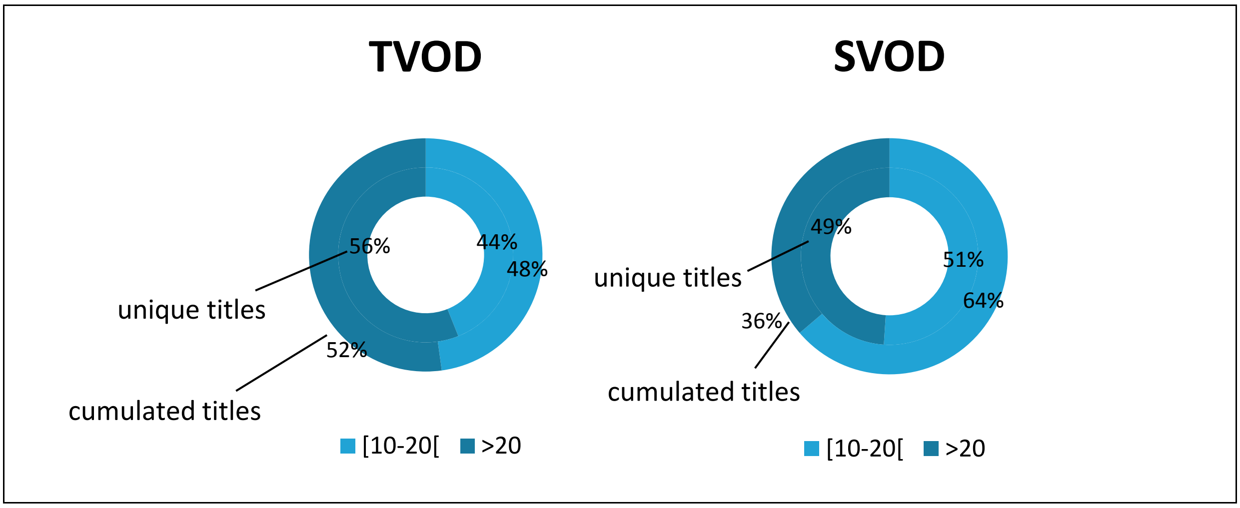
This trend seems to be reversed in SVOD catalogues as, when considering cumulated titles, more recent film heritage works with less than 20 years outnumber those that are 20 years or older.

Figure 17 Breakdown by age of production in 16 SVOD catalogues in the EU (unique and cumulated).



As can be seen from the following comparative graph, productions older than 19 years represent 56% of the total number of film heritage works on TVOD catalogues when considering unique film titles. In SVOD titles, on the other hand, more recent film heritage (<20 years), account for 51% of the total number of film heritage works when considering unique titles and for 64% when considering cumulative titles.

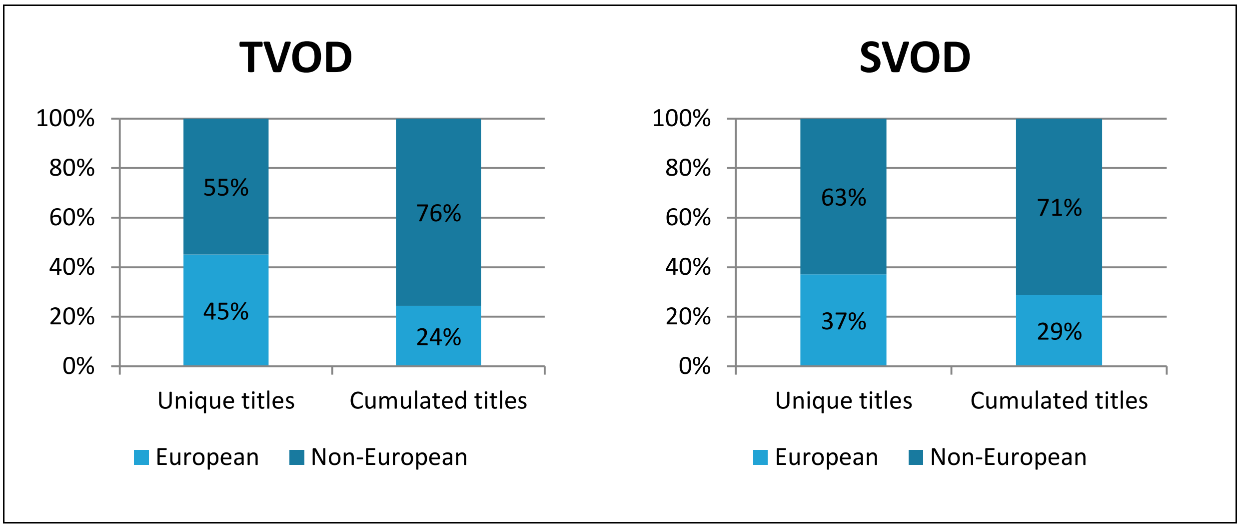
Figure 18 Breakdown by age of production of film heritage works in TVOD and SVOD catalogues (unique and cumulated)



Origin of film heritage works on selected VOD services in the EU

When analysing the origin of film heritage works available in VOD catalogues[19], a clear predominance of non-European productions can be noticed, both in TVOD and SVOD services. When films are only counted once, the share of European[20] films is higher than in cumulated figures, again indicating a limited circulation of European productions across the EU.

Figure 19 Film heritage works in 75 TVOD and 16 SVOD catalogues in the EU: breakdown by region of origin (unique and cumulated)



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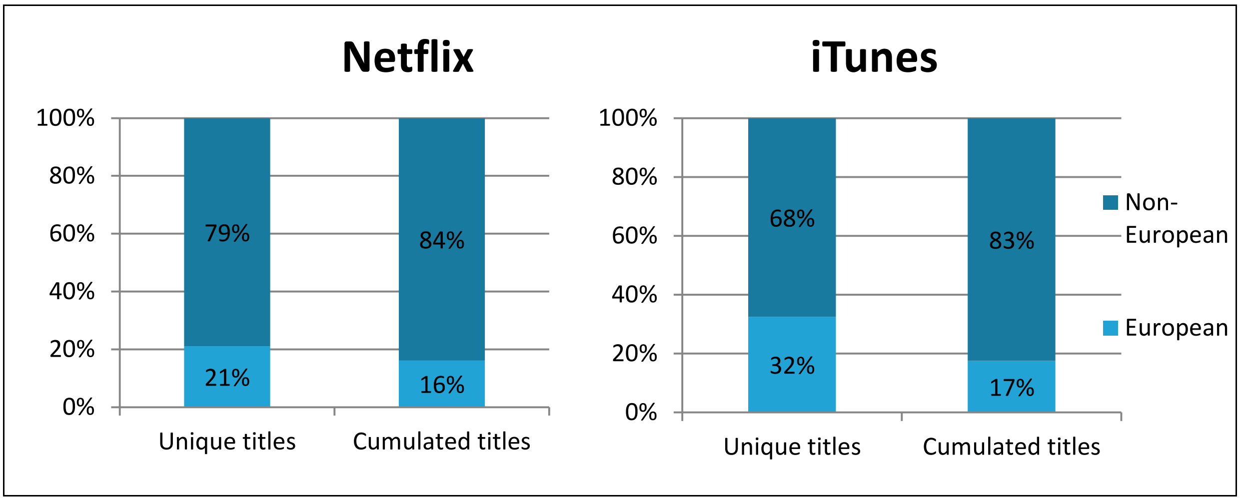
[19] The region of production has been identified for a total of 12 394 unique and 63 876 cumulative film heritage works. Please note that the sample is slightly smaller than the one considered for our analysis based on of age production, as the variable "country of production" could not be identified for all the films.

[20] "European" represents the number of films in the catalogue having the first (or main) country of origin as part of the 47 Member states of the Council of Europe. These countries are Albania, Andorra, Armenia, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, the former Yugoslav Republic of Macedonia, Turkey, Ukraine and the United Kingdom.

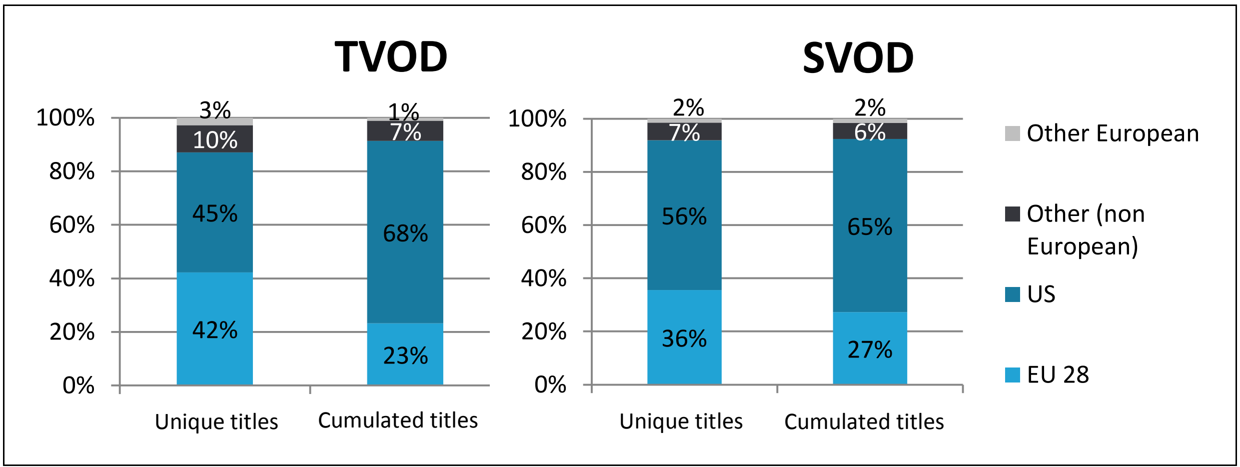
When two of the main pan-European services are singled out (the SVOD Netflix[21] and Apple's TVOD iTunes[22]), the gap between European and non-European catalogue films gets even wider, with most of the non-European being US productions.

Figure 20 Film heritage works available on Netflix and iTunes in the EU (unique and cumulated).



A more detailed breakdown of the region of origin of catalogue films available in all VOD services confirms a clear predominance of US productions, both for TVOD and SVOD, as illustrated by the following graph.

Figure 21 Film heritage works in 75 TVOD and 16 SVOD catalogues in the EU: breakdown by region of origin including EU28 productions (unique and cumulated).



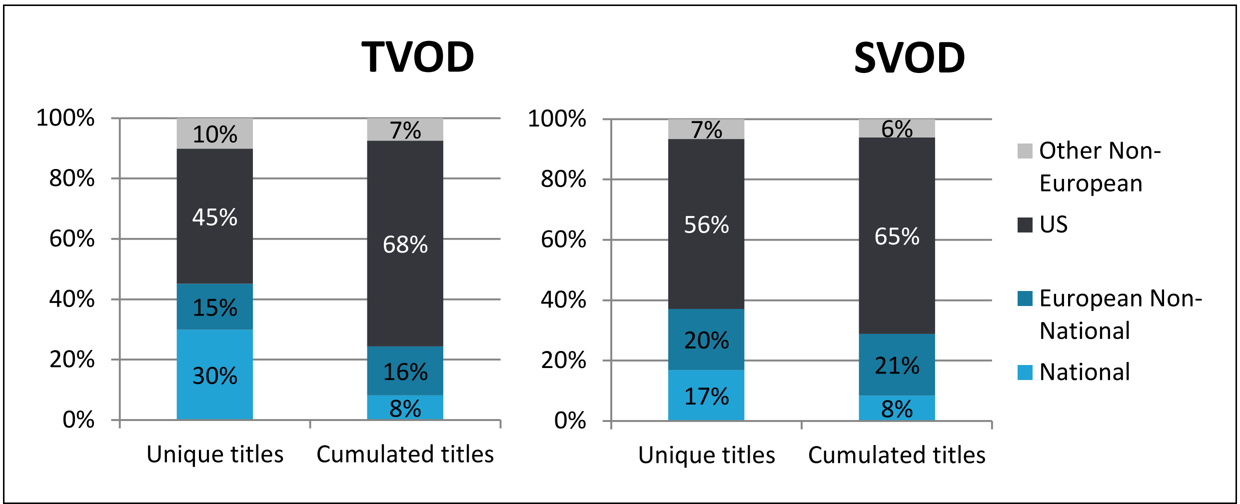
[21] Figures refer to the time period where the film titles were retrieved (end of September and October 2015), covering the following EU territories: Austria, Germany, Denmark, Finland, France, Netherlands, Sweden and the United Kingdom. As the access to and retrieval of Netflix's different country catalogues was not possible, the proxy website All-flicks.net has been used to retrieve each catalogue in a given a country.

[22] Figures refer to the time period where the film titles were retrieved (end of September and October 2015), covering the following EU territories: Austria, Belgium Bulgaria, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Poland, Portugal, Slovakia, Sweden and United Kingdom.

When considering film heritage titles available on TVOD services, US productions amount to 45% of the total number of films, compared to a 42% of EU productions. When looking at cumulative numbers, the US share soars to nearly 70% of the total number of films while EU productions lag behind at 23%, indicating once again that US film heritage circulates much better than EU productions. A similar pattern can also be found when considering SVOD catalogues, where the presence of US films in unique titles is even higher than in TVOD catalogues.

An analysis of the region of origin of film heritage works that also includes the shares of national and non-national European films reveals a remarkable gap between unique and cumulated titles. In TVOD titles the share of national European catalogue films is 30% when single-counting but drops drastically to 8% for cumulated titles. Similarly, in SVOD services, the presence of national European film heritage is 17% in unique titles, and this figure decreases by half in cumulated titles.

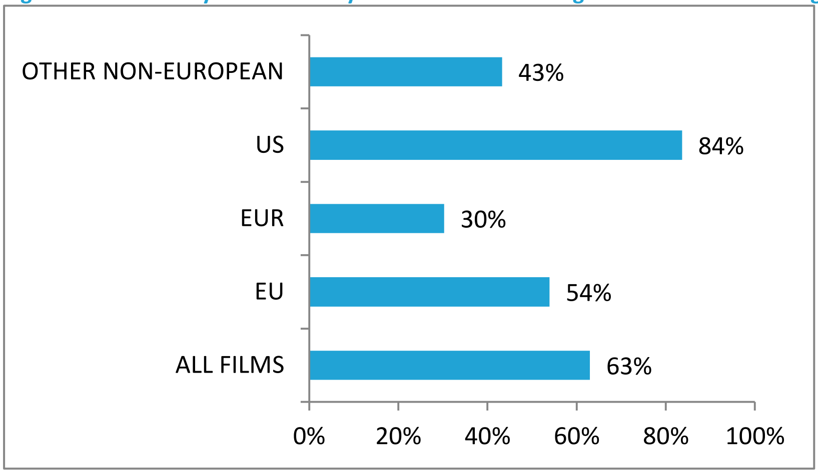
Figure 22 Film heritage works in 75 TVOD and 16 SVOD catalogues in the EU: detailed breakdown by region of origin (unique and cumulated)



Availability of theatrically re-released film heritage works on VOD services

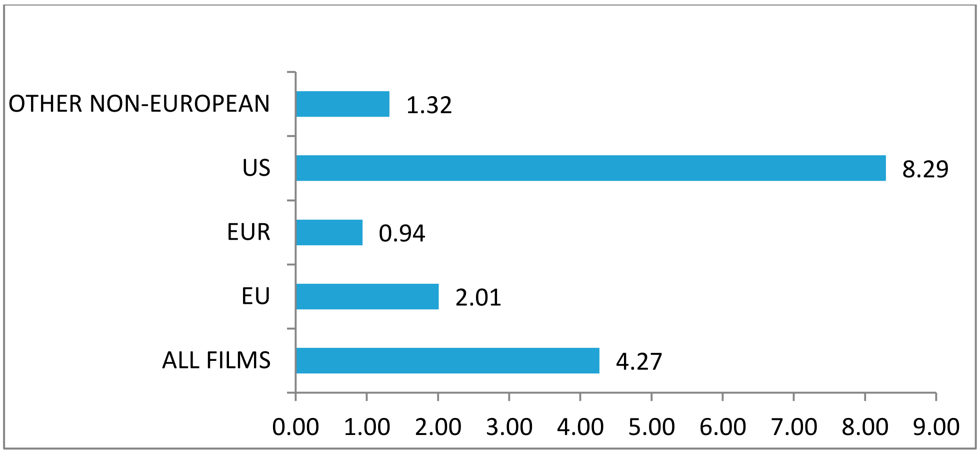
In order to provide a comparative overview of the presence of film heritage works across platforms, we looked at the availability on VOD platforms[23] of those catalogue films that had been theatrically re-released in the EU in 2014. Of all films, **63%** are at least available in one country on a VOD service (out of 2046 films, 1 289 are available), with an average of **4.27** countries.

Figure 23 Availability of theatrically re-relased film heritage works on VOD catalogues in the EU.



Looking at the data, major differences can be noticed in the availability of films depending on the country of origin. Out of the catalogue films re-released in cinemas with an EU origin, 54% are available on VOD, while the share soars to 84% of catalogue films with an US origin.

Figure 24 Average n. of countries of availability on VOD services of re-leased film heritage works.



A considerable gap related to the region of origin is also apparent when it comes to the number of territories of release. The number of countries where theatrically re-released catalogue films are available on VOD platforms in the EU is about 4 times higher for catalogue films with a US origin than for those with an EU origin. This gap is much bigger than the one we identified for theatrical re-releases of film heritage works[24], suggesting EU film heritage particularly struggles to have access to VOD platforms.

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[23] In October 2015.

[24] See section 1.1.1 "Film heritage works on release in cinemas" in this report, particularly "Table 1: Average number of countries of release (films with at least 1000 admissions)".

2.3 The visibility of film heritage on on-demand services

Methodology

In October 2015, the Observatory conducted a pilot project to assess the visibility of films on transactional video on-demand services. The analysis was based on data gathered by the company AQOA. AQOA monitors, on a daily basis, the films proposed by a representative sample of on-demand services in Germany, France and the United Kingdom, available either on cable/IPTV or over-the-top (OTT), and covering at least 70% of the on-demand transactional market.

AQOA has identified the promotional spaces for each of the services of the sample and, through a network of correspondents, has collected the titles of the films shown on these promotional spaces. The titles are tagged by AQOA using a variety of criteria, including the genre, year of production and country origin, mainly based on information from IMDB.

The results of this research project are used in the following section to focus on the visibility of film heritage works.

Video on-demand services primarily promote recent films

The business model of video on-demand services relies primarily in the sale or rent of recent films prior to their release in other windows. Most of the promotional effort by the mainstream on-demand services therefore goes to films released a few months earlier in cinemas. The Observatory's study on the visibility of films on on-demand services show that, in October 2015, in Germany, France and the United-Kingdom, an average of 12% of all films promoted were aged 10 years or more[25].

Table 11: Share of film heritage works among unique films promoted by on-demand services.

	DE	FR	UK	Average
Number of unique films promoted	348	221	231	267
Of which films produced before 2006	21	43	30	31
Share of films aged 10 years or more	6%	19%	13%	12%

When looking at the number of spots allocated to films aged 10 years or more (i.e. taking into account that films may have different level of promotional effort), film heritage works only benefit from 3% of all spots available: when at all promoted, these films comparatively benefit from less promotional spots than films in general.

[25] Cf. European Audiovisual Observatory, "The visibility of film on on-demand platforms: Germany, France and the United Kingdom", 2016.

Table 12: Share of film heritage works in promotional spots in Germany, France and the UK.

	DE	FR	UK	Average
Number of promotional spots	8316	6671	10024	8337
Of which spots allocated to films produced before 2006	416	117	120	218
Share of promotional spots for films aged 10 years or more	5%	2%	1%	3%

How are film heritage works promoted?

Among film heritage works promoted, the share of European films varies between countries. In Germany, European film heritage is comparatively more promoted than European films in general; in the United Kingdom, the origin of film heritage promoted reflects roughly the origin of all films promoted. In France, European film heritage works are comparatively less promoted than European films in general. It should be noted here that the limited number of film heritage works in the sample and the limited time of the tracking should lead one to consider these results as approximate.

Table 13: Share of European film heritage works among film heritage promoted

	DE	FR	UK	Average
Reference: share of European films among films promoted	*33%*	*35%*	*30%*	*33%*
Share of European film heritage among unique film heritage works promoted	42%	5%	24%	23%
Reference: share of promotional spots for European films	*29%*	*33%*	*21%*	*28%*
Share of spots for European film heritage among promotional spots for film heritage works	43%	4%	22%	23%

2.4 VOD in perspective with cinema and television

Methodology

In this section we try to put in perspective the series of indicators regarding the distribution of catalogue films in cinemas, on television and on VOD in the European Union. It should be kept in mind that, here, availability is measured differently for these three segments:

- availability in cinemas implies that a film has been theatrically released in at least in one country, even for only one screening in one cinema;
- availability on television implies that the film has been broadcast at least once by a television channel in at least one country;
- availability on VOD implies that the film has been made available by at least one VOD service in at least one country.

The availability in one country does not therefore imply that all the consumers from this country can actually access a film: cinemas where the film is released may be out of driving distance; a subscription might be needed in order to have access to access the channel broadcasting the film; the VOD service proposing the film may be accessible only to subscribers of a specific cable or IPTV television package.

Moreover, the indicators cover slightly different time periods:

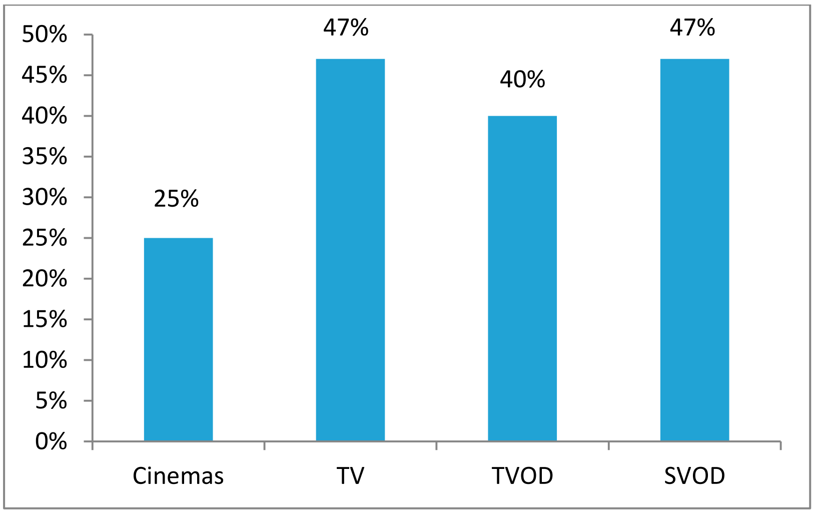
- the calendar year 2014 for the releases in cinemas;
- the 2014-2015 season for television broadcasting;
- the catalogues as of October 2015 for the availability on VOD.

The following figures should therefore be only considered as approximate.

TV and SVOD rely more on film heritage than cinemas and TVOD

Based on our sample, 47% of films broadcast on TV and of films available on SVOD were film heritage works[26], vs 40% on TVOD and 25% in cinemas. Here it is important to stress that the higher share of catalogue films on TV or on VOD than in cinemas does not imply that the films are actually viewed.

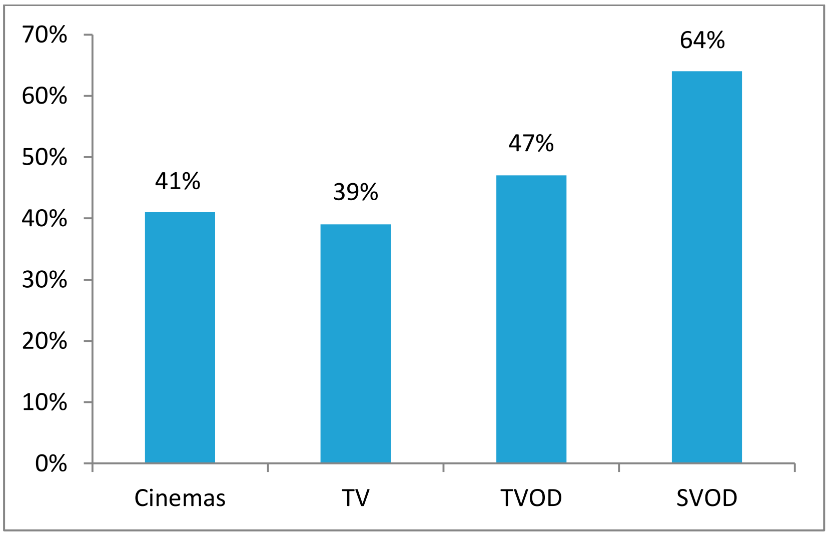
Figure 25 : Share of film heritage works among films in cinemas, TV, TVOD and SVOD (cumulated).



Catalogue films released in SVOD tend to be more recent than those on TVOD, TV or in cinemas

Film heritage works produced less than 20 years ago (i.e. aged of 11 to 19 years) represent 64% of all catalogue films made available on SVOD. This compares with a share close to 40% for cinemas and for television, and of 47% for TVOD.

Figure 26 : Share of film heritage works aged 11 to 19 years among catalogue films in cinemas, TV, TVOD and SVOD (cumulated)

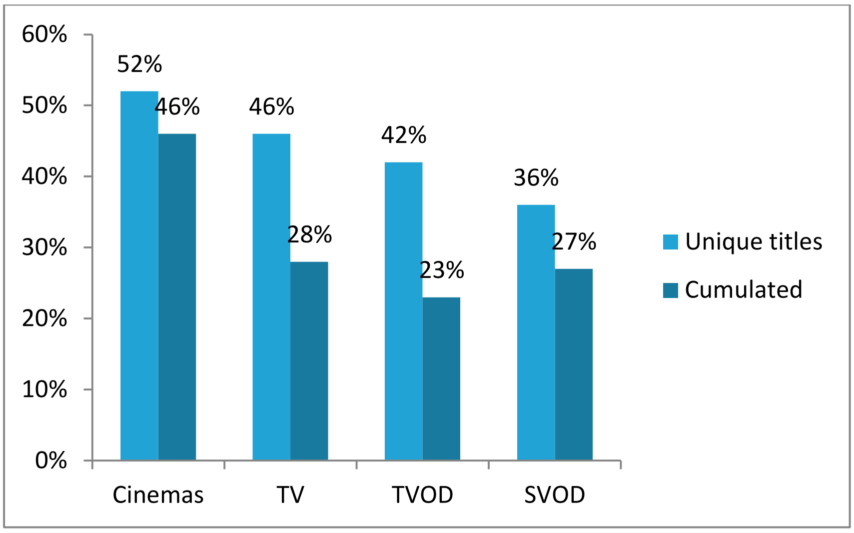


[26] Including repeats.

Cinemas propose a higher share of EU film heritage works than TV, TVOD and SVOD

When looking at unique titles[27], EU films represent 52% of catalogue films on release in cinema, vs 46% on TV, 45% on VOD and 36% in SVOD. The gap between cinemas on the one side, and TV and VOD on the other, is wider when looking at cumulated titles[28]. This indicator, which is closer to what the consumers actually have access to, suggests that EU films tend to circulate better in cinemas than on TV or on VOD.

Figure 27 : Share of EU 28 films among catalogue films in cinemas, TV, TVOD and SVOD (unique and cumulated).



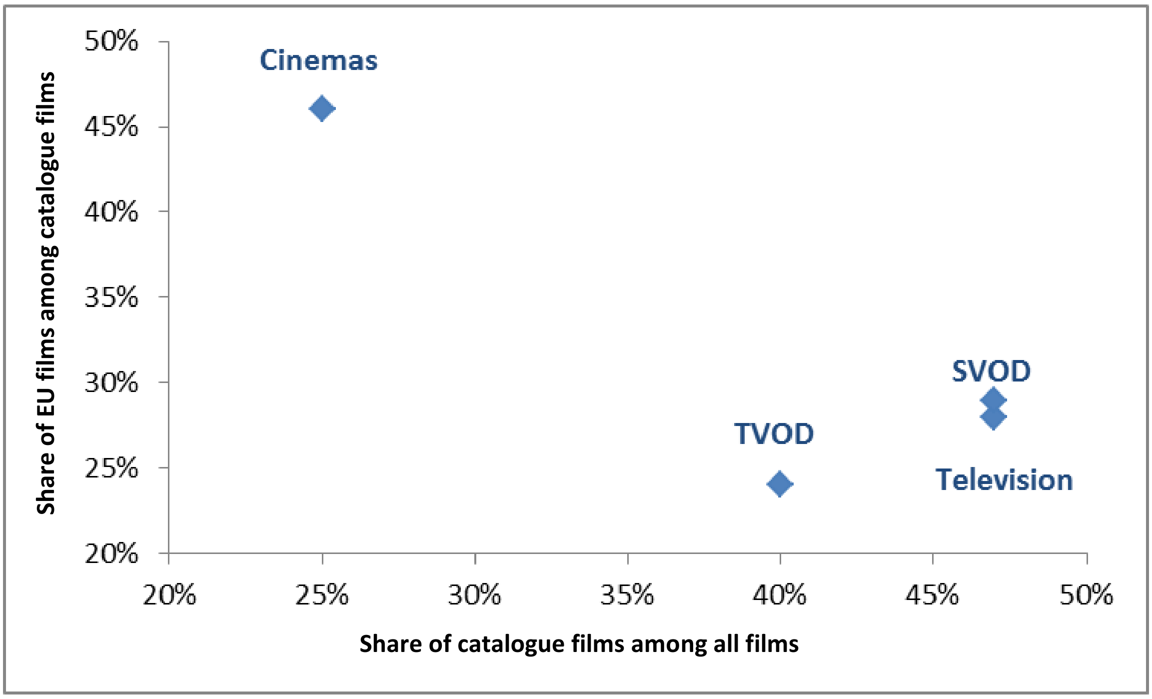
[27] Each film is counted for one, even if it is available in several countries

[28] Each country where the same film is released is counted for one.

Synthesis: cinemas propose less catalogue, but with a higher share of EU films

Both SVOD and TVOD seem to have opened a significant space for catalogue films. Of interest is the fact that SVOD follows the television pattern in terms of share and origin of film heritage (even if, as mentioned before, catalogue films available on SVOD tend to be more recent than on TV). However, unlike in cinemas, only a small minority of catalogue films made available are originating from an EU country.

Figure 28 : Share of film heritage works and share of EU film heritage works in cinemas, TV, TVOD and SVOD (cumulated).



3 Online and offline distribution strategies: what is at stake?

Key findings

- Film heritage is becoming more and more a niche market.
- The performance of film heritage titles in Europe on all distribution platforms follow country-specific patterns, due to considerable cultural and linguistic fragmentation.
- US film heritage performs uniformly well across Europe, on all platforms.
- France is the EU country where film heritage works better and is better supported.
- Film heritage and art-house cinema face the same challenges as they need strong promotional support. Classics and cult movies perform better than other catalogue films.
- The general consumption model is increasingly switching toward "access" and digital streaming. However, DVD collections are not out of the picture yet as they are still appreciated by cinephiles.
- The classic target for film heritage works is made up by mature audiences while young audiences are particularly difficult to reach.
- Because of its "all-you-can-eat" formula, SVOD seems to be the best model to promote film heritage works. However, rights holders are reluctant regarding revenue-sharing and VOD in general, as its business model still need to be tested.
- Problems with rights clearance make acquisitions and film programming difficult.
- It is key to engage the audience through innovative marketing strategies, as well as media-literacy and audience development activities.
- Cinema can become central again, as the experience of theatrical screening will be more and more equivalent to a concert, or a live event.
- The traditional system of exclusive distribution windows over different channels might be less relevant for film heritage works than for recent titles. Day-and-date release of film heritage works on VOD platforms and in theatres could boost visibility and strengthen the promotional outcome.

Methodology

In this chapter, we will try to define the impact that the spread of VOD services is having on the overall distribution of film heritage by identifying the main trends and the key players across the EU.

We will also pinpoint the characteristics that set film heritage apart and the main challenges and barriers industry players face when distributing back catalogue films.

In order to gather the opinions of relevant stakeholders, we have contacted industry professionals in different EU countries, including distributors specialised in film heritage, archives and Film Heritage Institutions, VOD services, and television channels.

The investigation was carried out through semi-structured interviews. In many cases the respondents agreed to share information with us, subjected to a confidentiality agreement over sensitive business data.

3.1 What is specific about film heritage?

Film heritage: a territory-specific niche market

According to the industry professionals that have been interviewed for this study, the theatrical exploitation of back catalogue films is stagnating at best in the EU[29].

Overall, the performance of film heritage titles in Europe on all distribution platforms is bound to very **territory-specific patterns**, due to considerable differences in consumer behavior and habits across countries, which often makes circulation quite problematic. The same catalogue film might be met with very different reactions by audiences in different territories, due to language and culture-related factors. In countries with a high film production capacity, certain film heritage works might still perform relatively well in theatres. As for theatres, our respondents reported that in all territories a national catalogue film will tend to perform better than a non-national one.

On the other hand, **US film heritage performs uniformly well across Europe, on all platforms**. The predominance of US catalogue films in theatres and on television across the EU is well supported by the data we analysed in the previous chapters, whether we consider their presence in the catalogues or the number of admissions they gain (see "Film heritage works in cinemas" in this report).

France, traditionally a stronghold for cinephilia, is certainly the country in Europe where film heritage (and film in general) is better promoted and supported, also because of the key presence of the CNC. Elements such as a strong public support for cinema, a high number of screens, the existence of a developed industrial network and a keen cultural interest in film, make **France the reference model for film heritage**, and the country where it is best exploited on all distribution platforms. Significantly, schemes designed by the CNC to support restoration, have evolved over time in order to better favour commercial exploitation of restored works. However, being a saturated niche market with a big number of medium and small players, French catalogue films face strong competition and a decrease of revenues per film, when compared, for instance, to the UK, where the number of players active in film heritage is less conspicuous.

Country-specific factors play a major role. In Italy, for example, the existing exhibition system further penalises film heritage since many films are usually scheduled during the months with less audience participation. Italy also has a much smaller screen density level than France and a less solid tradition of film heritage distribution: catalogue films are usually screened as one shot events and not on a regular basis, as there is not an established tradition of re-releases.

Interestingly, in countries with a high film production capacity, big public and generalist broadcasters seem to have decreased their investments in classic films over time (with the exception of the

[29] Cf. Figure 7, in 1.1.2 "Admissions to film heritage works" in this report.

Franco-German TV network ARTE). This is in sharp contrast with the situation in Eastern Europe, where broadcasters still buy classic films (but, on the other hand the DVD market has collapsed) and events that are based around film heritage are gaining momentum. In turn, pay TV networks diversify their offer based on specific targets and can still invest in film heritage as the commercial success of leading films might compensate for the small audiences of art-house and film heritage works.

The case of **ARTE**, broadcasting both in France and Germany, is a telling example of **country-specific performance** of film heritage on TV. Programming is managed jointly by the two branches, keeping a distinct focus on culture and the arts. The network has specific time slots for broadcasting classic films, which achieve considerably better results in France than in Germany (in France some catalogue films can get as much as 1 million audience while the figures for Germany are much lower).

Art-house films, classics and cult movies face similar challenges

From several perspectives, the problems and barriers faced by film heritage works are very similar to those encountered by art-house or independent films, as they both refer to niche markets where commercial performance is very **country-specific**, subject to linguistic and cultural fragmentation, which hinders **circulation across countries**. In particular, for non-national film heritage, as well as for art-house and independent films, commercial results can greatly vary, depending on cultural factors and on the pre-existing reputation of an individual filmmaker or work. As noted previously, significantly, the only **film heritage works that perform uniformly well across Europe, are US productions**.

Like art-house and independent works, catalogue films need huge and targeted promotional efforts in order to boost the demand and counter the competition with recent titles. These elements make the performance of film heritage works on all platforms quite unpredictable, so it is quite difficult to correctly assess their commercial potential and identify clear trends. However, it is commonly understood that those titles that are already widely known to the audience – i.e. **classic films**, in particular national productions – have a distinct advantage over other, lesser known catalogue films. Large audiences might be already familiar with certain old titles and easily identify them, reinforcing the effects of the promotional activities put in place and resulting in **a lowered distribution risk** when compared to recent art-house works. A film heritage work can benefit from its existing reputation even when audiences have not actually watched it before (as it is the case for young generations), or never did in a theatre. From this perspective, classics have already gone through the test of time but nevertheless their popularity can dramatically change over the years and across territories. The definition of classic itself can only be made in retrospect and has something unpredictable about it: films that were big commercial hits may not age well and become out-dated, while conversely, "minor" films might become relevant long after their first release. Depending on historical and cultural variables, film heritage is subject to an on-going assessment of what is worth re-watching. Finally, **a new restoration, an anniversary or an event, might also provide good promotion opportunities** and result in good performances at box offices, as in the case of classics like *Hiroshima mon Amour* or *Metropolis*.

In this regard, a category that might be useful to keep in mind when assessing the potential audience reaction to a film heritage work, is that of so-called **cult films**, a typology largely based on audience reaction. Cult movies, that may or may not be already part of the heritage, achieved their status by appealing to a specific community or generation, not necessarily of cinephiles. Cutting across different genres (horror, comedy, science fiction, comedy, drama) these works, unlike classic films, might be pretty unknown to the mainstream audiences. Even if these films account for a very specific and limited market niche, they are **meaningful to particular segments of the audience**, a relationship that is often built on a sense of belonging to a cultural community (based on either aesthetics or generational grounds). The existing interest around cult films is well attested by the popularity of initiatives such as **Secret Cinema**, a British company specialised in the screening of successful cult movies (such as the US cults *Back to the Future* and *Dead Poets Society*) combined with live events and interactive performances in purpose-built sets. It is worth noting that some US cult films can be considered “film heritage blockbusters”(such as *Titanic*), and they might actually hamper the re-release of European film heritage works, as they compete for the same slots for visibility and availability[30].

Both classics and cult movies respond to targeted promotional activities better than other film heritage works. Of course only a small minority of catalogue films can be rated as classics or cults, and this widely depends on changing and culturally-specific factors.

In short, film heritage works are prone to the same vulnerabilities as art-house and independent productions, as their performance and popularity might be extremely country-specific and they require careful and targeted promotional strategies, aimed at creating or renewing interest in the film and spurring the demand. However, under certain circumstances, and having carefully evaluated the context and put appropriate promotional activities in place, the commercial outcome for the distribution of classic and cult films might be less uncertain than for recent art-house and independent titles. In any case, identifying a catalyst element to trigger the interest around the films (such as an anniversary or a subject of topical interest) is a key factor for marketing and promotional activities.

[30] See paragraph 1.1.2 Admissions to film heritage works in this report.

3.2 Changes in consumer behaviour

From ownership to access

In order to better understand the extent of the challenges faced by the distribution of catalogue films, it is important to bear in mind how the technological advances have markedly modified the media landscape.

The rise of over-the-top services (OTT)[31], the emergence of portable devices such as tablets and smartphones, and ultimately the changes brought about by the internet era, all these factors have had a considerable impact on both consumer behavior and the economics of film. The way people consume audiovisual content has dramatically evolved, shifting from a passive to a widely **interactive way of consumption**. Digital consumer awareness largely revolves around the notion of **choice**: new generations of **digital natives** want to choose to watch the contents they want, whenever they want, on the device they prefer.

As media analyst Michael Gubbins points out, drawing on Jeremy Rifkin, the oppositional paradigm **access vs ownership**, used to to interpret current changes in consumer behavior, can also be applied to the audiovisual industry[32]. Business models based on access (like streaming and VOD platforms) are gaining momentum to the detriment of those one based on ownership (like download). Traditional models of ownership, understood as the possession of physical objects and supports, are definitely declining. The progressive shift towards the access model is made evident by the general decline in DVDs sale as well as in other cultural sectors, like the music industry. This trend is also true within the TVOD model itself, where the option of streaming (or renting) contents works better than the EST formula (download), also because of lower prices. TVOD service representatives that we talked to who offered both options report that renting is by far the preferred choice, as customers seem less interested in owning the actual film anymore.

Of course there are caveats. As we have seen, **DVD collections and box sets for instance, are not out of the picture yet**: collecting goods that are consistent with one's aesthetical and identity values still has some appeal (especially when it comes to classic or cult films lovers). Cinephiles might still want to collect films and build their own DVD library but this will increasingly become a market niche.

If on the one hand they allow for interactivity, new online-based platforms drive an entertainment offer which is largely home-based, meaning that the audience might need extra motivation and incentives in order to look for entertainment opportunities outside their homes. From this perspective, theatrical re-releases of film heritage in theatres have to face an enormous competition with an ever-expanding online audiovisual offer: only those film-goers who are extremely motivated

[31] Over-the-top (OTT) services operate over the internet bypassing traditional distribution. They are not provided by the Internet Service Providers (ISP) and do not need additional technological tools (such as set-top boxes) to be delivered. Examples of OTT services are Netflix or YouTube.

[32] Michael Gubbins, "Audience in the Mind", Sampomedia, 2014.

will choose to go and see a classic film in a theatre instead of staying in and picking a title on a VOD platform.

Classic films in the era of "experience economy": theatrical screening as an event

If competition with home-based forms of entertainment for film and film heritage might be perceived as a threat for theatrical releases, other factors might actually turn to the advantage of traditional screenings, apart from cinephile interest. Cinema can now – to some extent - be rated as a part of the "experience economy", a paradigm that can be vastly applied to creative industries, according to which the best ways to capture an audience is to provide them with a memorable experience of an "event" rather than just products and goods. The unique nature of this type of experience confers on them a distinctive added value. As Gubbins points out, "consumers will pay a premium for unique, authentic personal experiences such as live concerts and sports games"[33].

As noted above, on the one hand, with the rise of new players and the increasing popularity of OTT providers, film heritage risks to be more and more confined to a niche business. The main challenge for theatrical screenings will be **fostering the demand**, creating an interest around catalogue films and pushing the audience to step out of the house. On the other hand, however, these ongoing changes in consumers' habits put **a new spin on the traditional cinematographical experience** in film theatres. The theatrical screening, especially in the case of old films, acquires a new dimension as it takes place outside the audiences' homes, where most audiovisual content is consumed. From this point of view, the experience of the film would be more and more equivalent to a concert, or a live event.

These elements might allow for the theatre to become central again in certain cases, both in relation to the film business and the experience of the audience. As a consequence, selected film heritage titles, if presented in the right context and properly sustained by curatorial and promotional activities, might gain a significant added value over other works.

New old frontiers of cinema exhibition

An interesting example of this understanding of movie theatres as the privileged place to enjoy cinema is the recently launched **Les Fauvettes**, a Paris-based multi-screen complex that is exclusively focused on digitised and restored films. Owned by the Pathé-Gaumont group, the theatre also works with other distribution companies. Opened in November 2015, in the renovated structure of the former Gaumont Gobelins, it features 5 screens in 4K, one of which also supports 35mm (only used for special events). The programming has no restrictions of film origin, with a slight predominance of US productions. Activities include seminars, masterclasses and events at the presence of famous film directors. Its mission differs from that of a film library, as it has a clear commercial goal and most of their titles are US cults, but a good share is represented by EU films (40%). As this cinema is new and equipped with modern perks (e.g. comfortable chairs, more space between the seats, etc), it provides the audience with a **high quality screening** in a **designated physical space**, a match that might make a big difference in delivering an enhanced experience to audiences. It is telling that the cinema's commercial offer is tilted towards very famous cult movies that most audiences have only known through private TV screenings. Viewers are offered the opportunity to watch them on a big screen, which is a clear plus and brings added value to their experience. While it may be too soon to

[33] Michael Gubbins, op.cit.

take stock of the results, such a strong investment still represents a good indication of the existing interest in film heritage works, and the proof that **digital cinema** has improved the cinema experience and has still potential to do that.

Technological change and demographic divide

The transition towards digital consumption also comes with a certain demographic divide in relation to the platforms used, as different generations tend to have different levels of familiarity with new technologies.

As we know, mature and ageing groups represent an important part of the core target audience for film heritage, in theatres as well as on TV. These segments of the audience, however, might not be particularly attracted or familiar with the emerging VOD platforms. On the contrary, new generations that are keen on using VOD platforms might be the most problematic target for film heritage, as they are bombarded with all sorts of new contents, both online and offline. In short, **while films get older, audiences get younger**. In order to approach younger target groups and introduce them to film heritage, SVOD services might represent a good instrument as they are generally more affordable than theatrical screenings and it is consistent with their consumer habits. From this point of view, film theatres need new ways to attract budget-sensitive young people who are not necessarily used to see the cinema as the “natural” place to see a film.

For now, it is difficult to establish whether the availability of film heritage works on VOD and SVOD platforms might hinder theatrical release for the same films. However, we might argue that cross-generational segments of cinephiles could both watch films in theatres and on online platforms, but these two models reasonably meet different audience needs and might complement each other, at different times. In other words, film lovers still prefer the experience of a theatrical screening when available, but VOD services are also appreciated as it provides some extra flexibility regarding the time and mode of consumption. With careful programming, the offer in film heritage works available in theatres and on online platforms can integrate and give impulse to each other.

The importance of media literacy

Outside the cinephile niche, the i**nterest in film heritage from the general audience might be scarce**. In order to foster knowledge and generate interest in film heritage, it is paramount to put in place effective and targeted media literacy activities. In France, media literacy schemes are organised by the CNC through special initiatives and film screenings targeting students of all grades (which also results in a non negligible source of admissions for operators active in the distribution of film heritage).

It is also true that generating interest in film heritage outside the educational context is no mean feat, especially when it comes to theatrical re-releases. Film heritage works are mostly screened as one-shot events in festivals, which can be a powerful promotional tool but might not be enough as audience education also requires efforts in the long run, along with more extended periods of screenings. In programming, archives and theatres try to balance a commercial and an educational criterion, mixing big classics with lesser known films, provided that they have some commercial potential.

The Italian *Cineteca di Bologna*, active in restoration and distribution of film heritage, is making efforts toward bringing catalogue films to theatres on a regular basis as the exhibition circuit in Italy normally fails to include re-releases of old titles. The Cineteca is also involved in a workshop-based media literacy project, aimed at fostering the interest in cinema among students of all ages. A specific choice of films is selected for each age group, covering the entire history of cinema, in order to introduce younger audiences to the basic elements of film language.

Many players, whether operating online or offline, do make an effort to encourage an interest in film history and film heritage by programming retrospectives or thematic cycles, implementing social media campaigns, organising online or offline debates around films, often moderated by film experts or journalists. The French channel *Cine+* from the network Canal+, for instance, broadcasts a weekly video magazine, featuring news, anecdotes and interviews on film, aimed at introducing audiences to film culture. The network also presents special events where the films are introduced and commented on by critics and journalists. The programme is organised around cycles of films, selected by author or theme, feature “minor” works that still have untapped potential and extra contents. A cycle about film director Jacques Tourneur for instance, included lesser known works and a documentary on the filmmaker.

Similar strategies adopted by other players show a clear educational commitment, like the international SVOD service **MUBI**, that has an online magazine publishing film reviews, interviews and comments, or **La Cinetek**, a French TVOD service specialised in classic films, where the films in the catalogue are selected by famous directors worldwide, each of them proposing a list of their favourite film heritage works.

As for digital platforms, it has to be stressed that subscription services might have a particular potential for media literacy, particularly among young people, due to the mode of consumption and affordable prices.

3.3 Financial and economic aspects

Digitisation and restoration

The digitisation of film and theatres has **greatly helped the distribution and exhibition of film heritage** across the EU: bypassing the multiple format conversion steps necessary for the 35mm and bringing down the costs of copying the films has enormously facilitated the circulation of previously unavailable catalogue films through various distribution channels. As a result, many exhibitors have started to be interested in catalogue films.

It has been already discussed how digitisation and restoration enhance the quality of the film experience for audiences and how the “restored” label does offer some added value in terms of marketing and promotion. Obviously, it is also important to stress the importance of restoration and digitisation to ensure that next generations will still have access to film heritage, since it is unlikely that those films that have not been digitised and restored will be accessible to consumption in the future.

Even if digitisation reduced the costs in the long term, many of our respondents pointed out that restoration is still an expensive and time-consuming process. Furthermore **the standard is constantly upgrading** and maintaining the infrastructure is costly, especially in certain countries.

On average, the cost to restore revolves around 100 000 / 150 000 € but costs greatly vary (soaring up to 300 000 € for complex cases), depending on many factors, such as the quality of the original 35 mm or possible problems with the sound score. It also happens that some parts of a film might be missing; in these cases it is necessary to embark in time-consuming research and compare copies of the same film in different archives in order to proceed to restoration in a technically and filmologically correct way. Ttechnical aspects (such as bad quality DCP masters, especially bad sound) might dramatically hamper the distribution of a catalogue film as well as audience experience.

Another nagging concern for a distributor might be the lack of language subtitles in a compatible or usable format (the current standard is the model set by iTunes as it is accepted by most platforms). To this purpose, the British Film Institute (BFI) has made the case to create centralised resources for subtitles such as open libraries with multilingual subtitles.

Only a small fraction of film heritage titles is commercially available, often due to the fact that rights holders do not invest in digitisation as they do not consider it worthwhile in terms of future revenues, especially if they only have the rights for a single territory. Big private groups generally invest in restoration only when they are reasonably confident about the commercial success of a film. The role of public funding in preserving film heritage is therefore paramount. Once again, France provides the best example in Europe, with the CNC providing key support to digitisation and restoration of film as well as to the modernisation of film theatres.

In turn, public support for restoration usually aims at preserving heritage based on cultural value, which does not necessarily imply that the restored films have a commercial potential. More popular film or “cult films” may hence be penalised when applying for public support for restoration even if they may meet a real demand. In this regard, including the exploitation plan among the criteria to grant support to restoration (as implemented by the CNC), might bridge the gap between “cultural” and “commercial” priorities. Generally speaking, introducing the commercial potential of a film as one of the criteria for the eligibility for public support for restoration would improve its exploitation.

VOD: a future opportunity for film heritage?

As noted earlier, the market for film heritage faces a number of challenges that highly increase the risk for investors and stakeholders. First, it is an **extremely fragmented niche market** (because consumer habits differ across countries and because of frequent difficulties with rights clearance), which means that films might have a scarce economic value and their performance might fluctuate considerably.

Arguably, now that digitisation is making many more films available, more effort is needed in terms of **promotion** and **audience development**. In order to be able to survive on the market, players operating in the distribution of film heritage, both online and offline, have to counter the competition with both recent works and industry peers. Even in France, as film heritage is a niche, back catalogue films also face strong internal competition, since the market is saturated: the number of exhibitors is limited compared to the number of films available and having a larger number of players and films might cause a decrease in revenues per film.

Most players maintain that there are already too many films available and the main challenge is finding the audience and boosting the interest in film heritage works, thus the priority is to support marketing and advertising, both for online and offline distribution. On the other hand, some industry professionals point out that it is still important to broaden the range and the diversity of films available, especially from territories where digitisation of films is limited. As already mentioned, sometimes rights holders decide not to restore a film heritage work, as it is still expensive and it may not guarantee the profitability of the film in the short term.

On VOD platforms, film heritage works still face the same difficulties encountered in theatres, as it benefits from less visibility than recent films[34]. For now, the presence of catalogue films on VOD platforms is still far from replicating the success of what it used to in the home entertainment market in the past (VHS and DVD). However, having this type of film legally available online, not only has some potential in countering piracy, but could also have a positive impact in developing the demand in the long term.

Film heritage works are available on different types of VOD services, ranging from mainstream VOD operators, to services specialised in independent films and cinephile-oriented niche platforms. On global VOD platforms such as iTunes, film heritage works risk being hidden by very large catalogues and they might suffer from llimited visibility. Furthermore, as iTunes do not accept distribution deals that include less than 50 titles, small players have to rely on the mediation of aggregators such as Under the Milky Way, who can also take care of marketing, promotional and visibility issuess.

VOD platforms specialised in **independent** and **art-house** works often include a considerable number of catalogue films. The majority of the offer by the Spanish VOD service **Filmin**, for instance, is represented by catalogue films, both available as individual purchases or within a subscription formula. Contents are carefully organised by subject or author, integrating film heritage with recent works, like a collection of Cannes award-winning films over the years. The French **FilmoTV**, which is part of the Wild Bunch group, also has a section for classic films, available both on TVOD and SVOD, featuring an online magazine on cinema and special extra contents. Another example is **UniversCiné** (France), a TVOD service created in 2007 on the initiative of LMC (standing for *Le Meilleur du Cinéma*) a group of 47 French producers and distributors. The first online portal for independent cinema in France, it also expanded to Belgium in 2010. While still privileging recent works on the advertising side, its offer includes many catalogue films.

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[34] See chapter 2.3 “The visibility of film heritage works on on-demand services” in this report.

As for the VOD services with a strong cinephile vocation, a very interesting experiment is **La Cinetek**, born from the partnership of the above mentioned LMC with SRF (*Société des réalisateurs de films*), offering a catalogue entirely selected by famous filmmakers. Even if it is too soon to assess the results, as the project was only launched at the end of 2015, it seems quite a challenging project for several reasons. First, it is not always possible to acquire the rights for the films selected by the filmmakers (they might not be available, or it could be financially unfeasible). Also, it is based on a TVOD model (offering rentals and downloads), while SVOD would probably be a more suitable option. Finally, while a similar initiative could indicate a high level of commitment to promoting film heritage, the business model would be difficult to replicate outside France, as it strongly depends on public financing to be sustainable.

VOD vs SVOD: toward a digital *cinemathèque*?

It has previously been discussed that emerging models of consumption in the internet era tend to put a major emphasis on choice, a model that is strongly reflected by VOD platforms. However, choosing among many options might be more difficult than choosing from a small range of possibilities[35]. When presented with a catalogue of thousands of films, consumers are more easily biased towards highly advertised blockbusters and commercial recent titles, and less unlikely to pick an obscure old film.

As a consequence, in the absence of supporting curatorial work, big VOD catalogues might not necessarily enhance the visibility of film heritage. TVOD, in particular, may not favour the occurrence of incidental discovery (the so called "serendipity effect"): those consumers who watch a catalogue film through a non-subscription platform, usually already know about the film and specifically look for it. Obviously, purchasing unknown contents individually involves more risk than watching it on a SVOD service.

In contrast, the SVOD models enables the subscribers to take more risk-free choices as the "all-you-can-eat" formula makes them more prone to explore old film works from little known filmmakers (something that would be extremely difficult to do with TVOD, when people usually purchase what they already know they will like). The TVOD model, on the other hand, would push viewers toward recent contents that benefit from more advertising, penalising diversity. That is why the SVOD model seems more effective than transactional VOD when it comes to attract new audiences for film heritage, especially considering the impact that curatorial aspects might have on media literacy. As evidence of this, platforms offering both TVOD and SVOD report that SVOD seems to be a more suitable formula for catalogue films.

An excellent example to illustrate this is **MUBI**, a pioneering global streaming service specialised in classic, cult and art-house movies. Launched in 2007 as "The Auteurs", it originally mixed TVOD and SVOD. Since it was problematic to generate interest in the audience over a vast film catalogue, in 2012 the service went through a radical overhaul and switched to an entirely SVOD model with a limited number of films, resulting in a conspicuous increase of subscriptions.

MUBI's subscription service now offers a rotating catalogue of 30 classic or independent films, reflecting the logic of a traditional *cinemathèque* and giving audiences the opportunity to come across films they might not know. Each film run for 30 days (with a new one introduced daily) and this gentle time pressure also aids consumer choice, as films will be available for a limited time but long enough for people to catch up with the offer. In large catalogues, the audience is awash with titles which make it unlikely that they engage in a "risky" behaviour, such as picking an unknown

[35] Cf. Barry Schwartz, The Paradox of Choice.

movie. As MUBI's rotating catalogue echoes theatrical programming, viewing tends to follow the same parabolic (U pattern), with a peak of views on first and last days of the period of availability.

As MUBI is a global company (with headquarters in San Francisco, New York and London), films are hand-picked based on the specific characteristics of a territory, and through deals with local players. A coordinated marketing and promotional strategy is also put in place through partnerships with festivals, film institutions and cinema chains. Also, the company is making a foray into releasing films across different platforms, as it recently signed a deal for the theatrical release of the independent film trilogy "Arabian Nights" by Miguel Gomes. The films will be released in theatres in the UK and Ireland and then be available online. As for rights management, MUBI's innovative business model is also challenging the existing distribution systems, as it is based on short (and less expensive) licenses that allow them to broaden the range of films available. This strategy was initially met with skepticism from rights holders but it is finally paying off, as many players see the potential mutual benefits. For instance, MUBI has concluded an agreement with French distributor **Argos Films**, acquiring their entire catalogue for the countries where the titles do not have a physical distribution.

Another case where the choice of SVOD has been particularly suitable for the distribution of catalogue and classic films is the **BFI Player**, a streaming service launched by the British Film Institute. For film heritage works only, the BFI Player has successfully switched to a subscription model in 2015, keeping a TVOD service for recent film releases and free digital access to archive footage. Films are carefully selected with a strong curatorial approach that replicates the BFI's theatrical programming.

Finally, an interesting example of a hybrid SVOD service is **MYmovieslive**, a freemium streaming service launched in 2010 by the Italian movie database and online magazine MYmovies.it. The platform offers a regular SVOD service and some free contents, available for a limited number of viewers that can virtually "book a seat" for their online screening. While not specialised exclusively in film heritage, the catalogue offers a considerable number of classic and cult films.

Generally speaking, while SVOD seems to be the ideal model to promote film heritage online, rights holders are still reluctant to explore revenue sharing for subscription services and it is too early to determine if the market is big enough to allow this business model to be sustainable in the long run.

Film heritage and VOD services: challenges and barriers of a risky markets

A major issue in the distribution of film heritage on all platforms is the problems of rights clearance: sometimes film catalogues are not accessible as shareholders cannot be reached or because companies shut down, which makes acquisitions even more complicated and time-consuming[36]. Fragmentation and problems in rights clearance obviously have an impact on film programming strategies, making it difficult for distributors to get the rights for certain works and deliver an offer that is appealing to audiences.

Problems with rights management are particularly evident for VOD platforms since many rights holders are still skeptical about on-demand streaming because there is not yet an established

[36] The directive 2012/28/EU on orphan works only authorises the non-commercial use of orphan works. According to a survey conducted by ACE (Association of European Film Archives and Cinematheques) in January 2015 on the implementation of the directive, only the UK has adopted a non-exclusive licensing scheme for the commercial use of orphan works, open to all kinds of organisations and not limited to Film Heritage Institutions.

business model. Furthermore, VOD rights are still a sort of grey zone and they can also be not clearly specified, usually being matched with DVD rights or, less often, TV rights.

In addition, VOD still lacks a fully automated workflow, including search engine optimization strategies to boost visibility. Also, as noted above, global platforms might have a threshold number of films for distribution deals, blocking the access to companies with small catalogues, unless they resort to aggregators serving as intermediaries.

Overall, many rights holders seem to be reluctant regarding VOD, and concerned by the prospect of scarce revenues. In fact, while the common assumption is that VOD is cheap, infrastructure and technical costs can make the services a costly business to maintain. On the other hand, the lack of familiarity with the VOD model might also lead rights holders to overestimate its profitability, or refuse to cede the rights for certain film unless it is purchased with a bundle of other works.

The fear that VOD might hamper distribution opportunities on other platforms (like TV) is also a common concern for a market still entrenched in a system of exclusive distribution windows.

Given the often unpredictable profitability of the VOD model, some important players in film heritage operate vertically, spreading their distribution strategy across distribution channels. **Curzon Artificial Eye**, a British distributor for art-house films, distributes classic films on DVD and Blu-ray, as well as through VOD, streaming both through iTunes and its own Curzon Home Cinema platform. Furthermore the group also owns a chain of art-house cinemas across the UK. Another major vertically-integrated company is the French **Pathé**, who offers film heritage works both as VOD through iTunes and in DVD and Blu-ray editions on its online shop, with a special section for restored films.

3.4 Promotion and visibility for film heritage

Multilevel strategies to increase visibility

Boosting promotional support and building audience demand are definitely key challenges for catalogue films. As potential audiences have to choose from among many possibilities available to them, industry players have to find **innovative and creative ways to promote older films**. In this respect, many players advocate that EU support should focus more on distribution-related marketing and promotion rather than on technical aspects.

Film heritage needs be backed by a variety of promotional activities in order to stimulate admissions, as it necessary to create an “event” that is powerful enough to appeal to audiences and lure them away from other entertainment options. Retrospectives and screenings at major film festivals can be efficiently used to test the audience reaction to a film before planning a re-release in theatres as they are useful to generate “buzz” around a film and get it talked about on traditional and social media. Screenings of silent films with live music are also used as a promotional tool but they represent a considerable financial investment.

Promoting a movie – whether or not it is part of the heritage – entails huge communication and marketing efforts that can realistically target only a small selection of films as the number of available slots in theatres is limited, which is another reason why SVOD services are a promising opportunity for film heritage. A possible solution to boost visibility for film heritage on mainstream VOD channels could be to promote films outside of the platform itself (e.g. other websites and social networks), targeting selected online communities that are potentially interested in film heritage works. In turn, art-house oriented VOD platforms should engage in a careful **digital curation** in order to be competitive on the market, offering viewers extra content and materials (such as interviews, comments and reviews) to put films in a context and link them to other works. Different players may be in charge of promotional activities when considering film heritage: on-demand services themselves, the rights holders or their distributors, the aggregators.

Promotional strategies need to be localised and tailor-made depending on the context, but it can be reasonably assumed that film heritage titles, like independent and art-house films, greatly benefit from exposure over **multiple channels**. In fact, the availability of films across different distribution channels increases their overall level of visibility and the chances to trigger audience interest.

A good example of cross-media strategy for catalogue films is the one deployed by the Franco-German **ARTE**, a public TV network characterised by a strong focus on culture and the arts. Broadcasting free-to-air and on cable in France and Germany and in the whole of Europe via satellite, ARTE is a major player in film heritage, dedicating specific slots for classic cinema and adopting a media-literacy informed approach to film programming. Films are often organised in cycles revolving around a subject or by filmmaker, with famous classics broadcast on primetime and less famous movies from the same director following up. ARTE has successfully built its online presence launching a VOD service, available on different devices, offering both digital downloads and rentals. It also offers a free online catch-up service up to 7 days from the first broadcast on TV. Being aware that the usual target for film heritage is not young, especially for broadcast film heritage, the network has developed an online platform with extra content, videos and masterclasses about film, aimed at reaching out to younger audiences. Finally, it has its own DVD label and it is possible to purchase DVD and Blu-ray box set from its website.

Innovative distribution strategies over multiple channels can undoubtedly help attract new audiences. As an example, during a cycle on science-fiction, the BFI re-released famous as well as little known sci-fi films both in its theatres and on its VOD platform, a synergic approach that maximized visibility, drawing on VOD's potential to bring film heritage works into step with present times. Delivering its offer across multiple channels, the BFI couples a well-designed programming with a coordinated cross-media strategy. In addition, as we have mentioned in the previous paragraph, it also organises immersive viral events involving local communities, bringing together film heritage and other forms of entertainment.

Finally, it is worth pointing out that the traditional system of distribution windows might be less relevant for film heritage works than it is for recent titles. For instance, while it is commonly assumed that TV screenings will hinder a later theatrical re-release of the same film, the overall exposure might actually propel audience interest. This also applies to DVDs, typically considered the last step of the distribution cycle, as they could be used as a promotional tool and trigger a new interest in theatrical screenings (as the two experiences of film viewing are more and more understood as being distinct). Similarly, the day-and-date release of catalogue films on VOD platforms and in theatres or at festivals (a strategy that has already been pursued by VOD services such as MUBI), could be efficient in marketing terms, maximizing the promotional outcome, with different segments of audiences choosing their preferred way of consumption. Day-and-date releases on VOD platforms might also compensate for the fact that theatrical re-releases cover limited geographical areas, while there can be demand for catalogue films also in suburban districts. In these cases, delaying the VOD release could mean missing out on the opportunity to benefit from multi-platform promotional campaigns.

Ideas for innovative marketing: film as a live event

As we have already suggested[37], theatrical re-releases of classic films might also be considered on an equal footing with live events such as concerts, as opposed to VOD or TV consumption. This is particularly evident when screenings are held with live musical accompaniment or introduced by events and debates. The aforementioned **Secret Cinema** is a good example of how this model can work, also thanks to a well-designed communication strategy, carefully deployed on social media, which proved to be very efficient in creating "a buzz" around these events. By organising "immersive" cinematographic experiences, this British venture mixes the proper screening of old films with tailor-made performances that involve the active participation of the audience. For some of the events the identity of the film is disclosed from the beginning while some other are held under the "Tell No One" formula. In this case the audience does not know what the film will be but they are given indications to dress up in a certain fashion so to match the film's atmosphere and scenery. The screenings take place in purpose-built settings in London, but the specific location is only disclosed soon before the events. Organised through viral online communication campaigns, these screenings are especially interesting as they conflate films into **user-generated events** that can reinvent and refresh the cinematographic experience.

Similar initiatives have been launched by the **British Film Institute (BFI)**. This is the case of Tea Dance events organised in November 2015 on the occasion of the 70th anniversary of the classic *Brief Encounter*. Organised in several locations across the UK, these screenings recreated the vintage atmosphere of the film and evoked the afternoon tea dances of the 1940s, engaging local

[37] See chapter 3.2 "Changes in consumer behaviour – From ownership to access" in this report.

communities. The screening of newly restored copy of the film featured a dance party, dance lessons and afternoon tea refreshments.

Marketing initiatives can also take the shape of events linked to a certain territory, like in the case of festivals. The Cineteca di Bologna, for instance, a top player in the field of restoration and media literacy, runs the **Cinema Ritrovato** festival, specifically devoted to film heritage works. The festival, started in 1986, showcases a selection of films from international film archives, with an emphasis on rare titles and early cinema works. Along with traditional screenings in theatres, the programme includes restored versions of classics, a selection of films for younger audiences, silent films with live music and a series of open-air free screenings in Bologna's old town centre.

The need to expand the niche: finding the target audience

While designing audience development strategies specific to film heritage, elaborating a tailor-made and creative film programming strategy is vital, especially when it comes to engaging young targets, more difficult to reach. Retrospectives organised per author or genre, as well as cycles around special dates or subjects of topical interest, can also be effective in appealing to new targets, often mixing older films with recent productions. Commercially savvy experiments, such as an initiative launched by the Belgian archive **CINEMATEK** in partnership with UGC, show that cult movies can actually work well in multiplex theatres, and that interest in certain titles can be created even outside the closed circle of cinephiles.

More specifically, **social networks** and online communities represent a useful resource when it comes to targeting and expanding the niche of cinephiles: interactivity, virality and affordable costs make them powerful tools for both audience development and marketing, making it possible to reach out to relevant audiences, whenever they are. Through audience-development campaigns channeled online, it is possible to create and develop social communities around film and film heritage, and adopt a consumer-centric rather than a platform-centric approach. As is the case for immersive events, user-generated contents and comments also represent a driving force in influencing consumer behaviour.

This does not mean that audience development and promotional strategies can be built on social media alone, but these tools can significantly amplify the results of an integrated and cross media promotional approach.

4. Conclusions

Toward an integrated strategy

The film heritage sector strongly needs an integrated and multi-level strategy, bringing policy makers, Film Heritage Institutions and industry players together, and bridging the gap between commercial priority and cultural objectives.

So far the restoration of film heritage and its commercial exploitation have been, to some extent, understood as two separate aspects. Merging these two elements is key and public support to restoration should also take into account the existence of a distribution plan for films. Going in this direction, the work of the CNC is particularly praiseworthy as it has adjusted its support scheme for restoration in order to better help the commercial exploitation of films. Other Film Heritage Institutions, such as the Swedish Film Institute and the Belgian CINEMATEK, also took similar steps.

In defining this category on the basis of the age of films, film heritage becomes an extremely heterogenous and fragmented category. For exploitation purposes it can be considered a multi-niche business as it comprises different film genres that appeal to different target audiences. For these reasons, exploitation strategies for catalogue films greatly vary, and have to be designed depending on the reference niche of the film in question (e.g. art-house, cult, b-movies, etc).

While the consumption of film heritage is not easily to measure, catalogue films are still exploited over the various distribution platforms, even if at different levels and with significant geographical differences. As we have seen, a strong fragmentation in terms of consumer habits and cultural differences across the EU might greatly influence the performance of film heritage works, also on VOD platforms, which has to be taken into account when developing specific distribution strategies. For this purpose the EuroVOD networks has built a pan-European federation of on-demand services with a focus on art-house films (and therefore including film heritage), in order to increase the transnational circulation of European films by pooling resourcing and sharing best practices.

Based on the information provided by respondents to this study, the major challenges for film heritage distribution are boosting the visibility and increasing the demand through tailor-made audience development and marketing strategies. As film heritage works face considerable competitive pressure with recent audiovisual productions, they need to be sustained by a coordinated array of promotional activities on all platforms. Hence, many players advocate that **EU support for distribution should focus primarily on promotion and audience development**.

Film heritage clearly benefits from exposure on different platforms and innovative practices and marketing models need to be explored in order to renew the interest in classic and catalogue films. While theatrical screenings for film heritage seem to suffer from the changes that have occurred in the media landscape, film heritage in cinemas might make a comeback in the form of immersive events, favoured by the emergence of social media and online communities.

Media literacy activities to make audiences familiar with film and its history are also vital to the success of film heritage. Considering the new technological environment and significant changes affecting consumer behaviour, **VOD platforms** have an untapped potential to broaden the audience beyond the closed circle of cinephiles, and could be a powerful tool for media literacy (especially when we consider subscription models, as their budget-sensitive costs might in particular attract younger audiences). Since the goal for a film heritage distributor is to address as many target groups as possible, distribution of film heritage should be deployed on different types of VOD platforms (mainstream, art-house or film heritage-focused). While film heritage works face the of remaining hidden on global TVOD platforms, services with a special focus on art-house or independent films seem to better serve the purpose to increase visibility for this segment, given the fact that film heritage and art-house face similar hurdles in distribution. Counter-intuitive strategies such as limiting the number of films through a rotating catalogue on subscription services represent an efficient model to make older films appealing to new audiences. But the main obstacle for film heritage to evolve from the TVOD to SVOD is the upfront investment in rights: whereas the TVOD model relies on a revenue-sharing model, for SVOD, rights holders tend to require services to purchase films on a flat fee basis.

Overall, it seems to be too soon to consider VOD services as a sustainable model to promote film heritage without considering other distribution channels (e.g. at the moment revenues from VOD are far from what is necessary to recoup restoration costs). Furthermore, most rights holders are not ready yet to take the risk of licensing VOD rights, as there is not yet an established business model, which raises concerns about financial feasibility. But since the landscape is evolving rapidly this might change. For now, VOD is undoubtedly a promising exploitation opportunity for film heritage, in the frame of a multi-platform strategy that also involves traditional windows (theatres, TVs, DVDs). Given that film heritage is a long tail business, rewards might not come fast, so it is certainly worthwhile to wait and see.