

Study on the feasibility, pertinence and design of a distribution support scheme for the Eurimages Fund

Final Report – Executive Summary

March 2021



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1 Executive Summary

1.1 Objectives, timeline and work undertaken

EY was commissioned by the Council of Europe in September 2020 to undertake a Study on the feasibility, pertinence and design of a distribution support scheme for the Eurimages Fund.

The aim of the Study, focussing on three main objectives, is to consider the way the distribution support provided by Eurimages can evolve in order to not only consider the evolutions of the Fund but also the evolutions of the film and audiovisual landscape at large.

1 To assess the pertinence of a distribution support, open to all member States of the Fund and intended exclusively for projects supported by the Eurimages co-production support programme

2 To make recommendations on the format of a possible new support programme in order to optimise its impact and visibility, given the available budget and the potential beneficiaries and stakeholders

3 To take into consideration, while making its recommendations, Eurimages' decision-making process and administrative burden for the Fund and the beneficiaries with the aim of maximising efficiency and simplicity

The Distribution Support Programme set up by Eurimages was launched in 1990 to contribute to marketing and advertising expenses for the distribution of non-national films from other member States.

In 2013, Eurimages' Distribution Support Programme was totally redesigned to better fit the needs of distributors in the eligible member states: Albania, Bosnia-Herzegovina, Georgia, the former Yugoslav Republic of Macedonia, Switzerland, Serbia, Russia and Turkey. Up to March 2020, the Support for marketing and publicity costs for eligible films destined for distributors selected by Eurimages supported more than 700 projects. However, the evaluation of the Eurimages Fund in 2018 found that the overall impact of the Distribution Support Programme was limited for Eurimages.

The External Evaluation conducted in 2018 concluded that the Fund should consider, in the framework of a reflection regarding its overall programme, lighter steps that could be taken in order to take into account the use of VoD or SVoD platforms in Europe to ensure it is evolving with the times. Questions were raised in the Evaluation as to whether the Distribution Support Programme should be more intertwined with the Co-production Support Programme by complementing it through the granting of distribution bonuses to films supported through the Co-production programme.

To undertake the Study, EY consulted with a wide range of stakeholders (28 stakeholders in total; producers, distributors, sales agents & institutional representatives) through interviews.

EY also surveyed just under 300 industry professionals through an Online Survey that was open for answers over a 6 week period. The survey was sent to more than 1700 industry professionals across Europe and also to more than 10 professionals associations to reach their members.



EY also consulted over 40 documentary resources to gain a general overview of the context of the Film Distribution Market¹.

Finally, the Study conducted two workshops with the Eurimages Secretariat and a group of Industry professionals to discuss the potential formats for a new Distribution Support Programme.

Based on the analysis undertaken, the Study identified the following key conclusions, presented in the sub-sections below:

1. The Distribution Support Programme must be coherent with other programmes in place within Eurimages. Eurimages films should be supported with all Eurimages member States to be supported by a future format.
2. Eurimages should consider the key objectives that have been identified for the Distribution Support Programme to increase its impact
3. Based on the budgetary envelope available, to increase the impact of distribution support, focus should not be placed on the number of films supported but rather on the type of films supported.

1.2 Looking back at the previous Distribution Support Programme (2013-2019) and evolution of the distribution markets and needs

The previous Distribution Support Programme, that ended in March 2020, is still seen as adapted to the needs of professionals with its main added value being its contribution to a higher distribution potential, to a higher international circulation potential and for the promotion of theatrical screening

¹ I.e. EY Cultural and Creative Industries studies at a global and European level; Eurostat, European Commission Studies, European Audiovisual Observatory, research and position papers by professional associations; Databases and research institutes: Xerfi, Factiva, EMIS, Markets and Markets

The Study found overall that the Distribution Support Programme was adapted to the needs of stakeholders, with 53% of survey respondents indicating that the programme was adapted to the needs of distributors within the film sector. Nonetheless, to the needs of professionals with its main added value being its contribution to a higher distribution potential, to a higher international circulation potential and for the promotion of theatrical screening . During interviews, most stakeholders viewed the previous programme as adapted to their needs, especially when distributing films in smaller member States where the kind of support offered by Eurimages was decisive.

The needs with regard to distribution have changed in a major way in the past 5 years

The distribution and audience potential of European films has become a real challenge. These changes in the industry were confirmed by the results of the Online Survey launched for this Study, with stakeholders agreeing that the needs regarding distribution had changed in a major way in the past 5 years. 51% of respondents were of the view that the needs had changed to a high extent, with 32% considering they had changed to a low extent.

During the same period, the industry has been heavily disrupted by the surge of SVOD platforms. To put things into perspective, in 2018, a huge part (83%) of the film and audiovisual sector’s pay services’ (linear TV & online) growth relied on SVOD platforms. This strong dynamic regarding SVOD platforms in particular was also confirmed in the Online Survey as stakeholders, although they view theatrical release as their main source of revenue, project that online platforms will be their second mean of distribution in 5 years. This growing trend in the market was also identified by distributors interviewed during the study, as many stated that they were attempting to adapt as fast as possible to the “new normal” and are identifying platforms as new ways to conduct their business without jeopardising their different windows, through premium VOD for instance.

Though theatrical release is still seen as the main source of revenue, online services are already seen as the third distribution means today and are projected to become the second in 5 years

Respondents to the online survey indicated that theatrical release remains their main source of revenue. None-the-less, respondents identified VoD & SVoD as the growing source of revenue for them in the next 5 years,

How would you rank the following distribution means in terms of revenue generated (now)?

Distribution means	Ranking
Theatrical release	1
TV	2
VoD / SVoD	3
Festivals	4
DVD / Blue-Ray	5

How would you rank the following distribution means in terms of revenue generated (in 5 years)?

Distribution means	Ranking
Theatrical release	1
VoD / SVoD	2
TV	3
Festivals	4
DVD / Blue-Ray	5

projected to surpass their TV revenue. Numerous distributors interviewed stated they were trying to adapt as fast as possible to the “new normal” and are identifying platforms as new ways to conduct their business without jeopardizing their different windows.

Through the online survey, the Study asked professionals to rank distribution means in terms of revenue at present and expected revenue in five years.

While theatrical release was ranked as the number 1 means of distribution at present and in the next 5 years, a shift was observed, with professionals forecasting VoD/SvOD to overtake TV as the second main means of distribution in the next 5 years.

1.3 The potential future formats of the

Distribution Support Programme

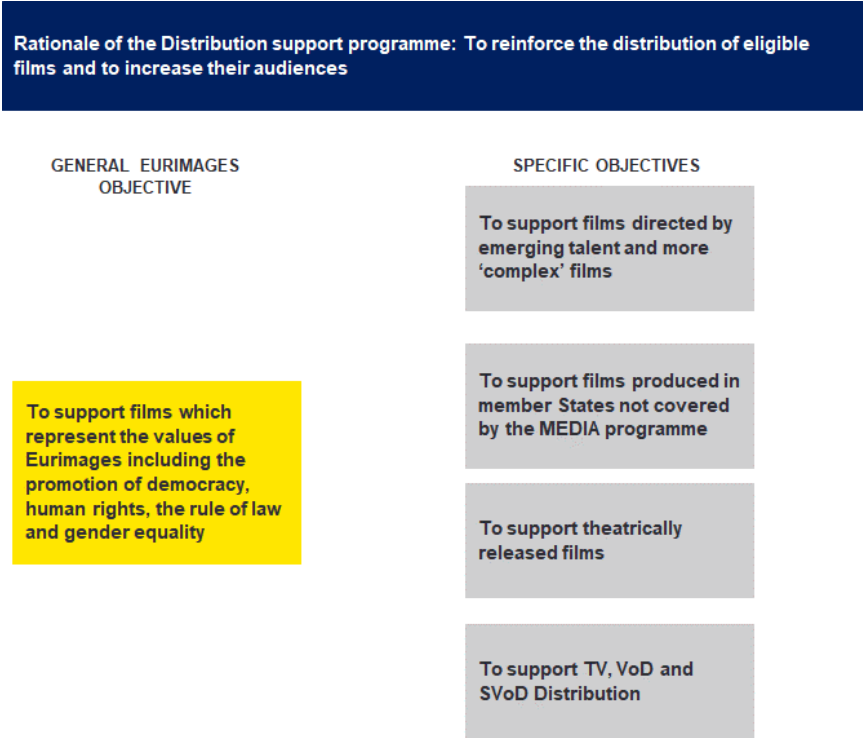
The Study responded to a number of key questions in order to consider the potential future formats of the Distribution Support Programme.

What are the key objectives of Distribution support provided by Eurimages?

The Study identified the need to define the key objectives for Eurimages’ distribution support programme. Eurimages’ general purpose is to promote the European film industry by encouraging the Co-production and

distribution of films in member States by contributing to their funding and to promote co-operation between professionals. Based on the objectives identified through documentary review, the online survey and stakeholder interviews, the following objectives were identified as key for the distribution support programme.

Figure 1 Key objectives for the Distribution Support Programme



91% of survey respondents either strongly agreed or agreed that the programme should **support films directed by emerging talent (i.e. first or second time films)**. Most also considered that they should primarily support films that are coherent with its values (i.e. promotion of women, gender equality, human rights and the rule of law). A split was identified in stakeholder views as to whether the programme should support theatrical release only or should also include other new means of distribution (i.e. VoD, SVoD)

Which beneficiaries would be the most pertinent: co-producers of the film, current or future distributors on national territories, international sales agents?

The Study considered providing support either to producers, distributors or sales agents. It was observed through interviews with the main representatives of professional associations from the three categories of beneficiaries that each stakeholder group indicated that the profession that they represented were the best beneficiaries for distribution support. Nevertheless, **the Study identified the benefit of providing support to distributors who hold focussed expertise on the distribution of films**. The Study also identified potential to provide support to sales agents, should Eurimages wish to increase the promotion of Eurimages films at a more international scale.

With regard to the geographical scope for the programme, the Study identified **the need to ensure overall coherence with Eurimages' values and equality of treatment**. Concerns were raised in the 2018 Evaluation regarding the overall relevance of the programme, with concerns raised as to whether the programme was adapted to the needs of stakeholders. The majority of interviewees were of the view that films should be supported in member States regardless of whether they are covered or not by the MEDIA programme. This would guarantee the overall coherence of the Eurimages Fund through increasing the visibility of Eurimages films

Which films amongst the films supported by Eurimages as part of Co-production support could be selected to receive this support?

The Study identified the need to **ensure complementarity between the Co-Production Support Programme and the Distribution Support Programme and to support the most challenging films**. The interviews and survey undertaken for this Feasibility study confirmed that the support of films already benefitting from Co-production support was indeed the most appropriate approach for a new redesigned Distribution Support Programme in order to ensure that Eurimages films are supported and to reduce the scope of the types of films to be supported.

When considering the types of films to be supported, the Study identified a preference for films that are considered to be ‘challenging’ such as films directed by emerging talent or films directed by women or promoting gender equality (hereafter entitled ‘challenging’ films). **91% of respondents** to the survey either agreed or strongly agreed that Eurimages’ next Distribution Support Programme should support films directed by emerging talent. With regard to supporting films distributed on new platforms, the interviews undertaken also identified the trend of the industry moving further towards the use of new platforms rather than focusing primarily on theatrical release.

Which cost items are the most relevant for Eurimages to support?

Targeting the right costs is key for Eurimages in order to have as much impact as possible. Online marketing & promotion costs are increasing and stakeholders during the interviews constantly stated the fact that they are playing an ever-increasing role in whether a film is successful. With regard to online platforms especially, online marketing is absolutely critical to the success of the film. This showed in the Online Survey, as a majority of respondents identified online and social media campaigns to be the most relevant of all costs associated with distribution (92%). Furthermore, among all distributors interviewed, those that suffered the least from the current COVID-19 pandemic are those that already had an important online and social media strategy (Facebook / Instagram pages with a significant number of followers, ...).

Taking the above into account, and though supporting P&A for national distribution is considered vital, shifting some of the support to focus on online and social media campaigns could prove essential.

Nevertheless, the types of cost items which could be covered by the future Distribution Support programme need to be considered in the current context, particularly with regard to online/social media campaigns. While stakeholders identified the evolution of the market towards more digital platforms and tools, a divergence in opinions between stakeholders was identified as to whether focus should only be placed on theatrical release (with interviewees specifically highlighted the need to not abandon such release) or whether to find a balance with digital platforms.

Which level of financing is appropriate for the distribution support programme?

Interviews undertaken with distributors from developed markets as well as with sales agents highlighted the need to ensure that the financial support provided by Eurimages had an actual impact on distribution. While beneficiaries of distribution support interviewed from smaller markets indicated that the support provided had an impact on distribution, regardless of the small budgetary envelope, the Study identified a common reaction from distributors and sales agents with less knowledge of the current Distribution Programme, with these actors immediately indicating that the level of financial support currently provided cannot have a major impact on distribution overall.

The overall annual budget for distribution needs to be considered with a strategic choice taken as to whether (a) all films are supported with a lower level of financial support per film or (b) a selection of films are supported with a higher level of financial support per film.

1.4 Identification of potential formats

Based on the results to the Study Questions, five formats were identified as potential formats for a distribution support programme.

Figure 2 Identification of potential formats based on responses to Study Questions

Study Questions	Results	Potential Formats
What are the key objectives of Distribution support provided by Eurimages?	To support challenging films, films in all Eurimages member States and to ensure coherence	Format 1: Status Quo
Which beneficiaries would be the most pertinent?	Distributors or sales agents if international promotion is the objective	Format 2a: Distribution support to producers of Eurimages films
Which geographical scope is the most pertinent?	All Eurimages member States	Format 2b: Distribution support to producers of challenging Eurimages films only
Which films amongst the films supported by Eurimages as part of co-production support could be selected to receive this support?	Most challenging films	Format 3a: Distribution support to distributors of all Eurimages films
Which cost items are the most relevant for Eurimages to support?	P&A in Eurimages member States Social Media Costs	Format 3b: Distribution support to distributors of challenging Eurimages films only
		Format 3c: Distribution support to distributors of challenging Eurimages films in non MEDIA member States
		Format 4: Distribution support to Sales Agents
		Format 5: Financial Support to support Eurimages films through social media campaigns

Based on an assessment of advantages and disadvantages of these formats, the Study **identified two preferred formats for a future Distribution Support Programme.**

Assessment of Format 3b: : Provision of distribution support to distributors of selected Eurimages films supported through the Co-production support programme

Format 3b: Provision of distribution support to distributors of Eurimages films, regardless of their Member State, for 'challenging' Eurimages films	Distribution support would be provided to distributors of Eurimages films supported by the Co-Production support programme. This would enable only Eurimages films to be supported through distribution support. The films would only relate to 'challenging' films i.e. first or second-time films (i.e. emerging talent), films directed by women, documentaries. The support provided would mirror support provided by the MEDIA programme. The distinction between the two types of support would relate to the fact that Eurimages would only support Eurimages films supported under the Co-production support programme coming from emerging talent.
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The Study undertook a comparison of support provided in the past Distribution Support Programme with the support foreseen to be provided under Format 3b.

Figure 3 Comparison of Format 3b with the Distribution Support Programme (2013-2019)

	Status Quo	Support to distributors	
		Format 3b - support to one distributor per film	Format 3b - support to two distributors per film
Number of films supported	102	51	51
Average support per film	6,528€	13,056€	13,056€
Average number of distributors supported	31	51	102
Average budget allocated to distributors (overall or per film)*	21,479€	13,056€	6,528€
Number of contracts to be signed	31	51	102

Note: The Study considered two sub formats for Format 3b – a format which would support to one distributor per Eurimages films supported and a format which would provide support to two distributors per Eurimages films supported. The estimation of costs was based on average support provided in the Distribution Support Programme 2013-2019

Assessment of Format 5: Provision of financial support to support the promotion of Eurimages films through social media campaigns

Format 5: Provision of financial support to support Eurimages films through social media campaigns .

This format would not provide distribution support for theatrical release but would rather focus on providing support for promoting and marketing activities in order to contribute to the overall promotion of the Eurimages film. Condition to focus on promotion and marketing costs - target costs would be online marketing and social media to promote - distinction with MEDIA.

Theatrical release would not be compulsory which could permit greater flexibility for distributors.

As with Format 3b, the Study undertook a comparison of Format 5 with the current distribution support programme in place.

Figure 4 Comparison of Format 5 with the current Distribution Support Programme (2013-2019)

	Status Quo	Support for promotion through social media	
		Format 5a - Social media at release	Format 5b - Social media at launch and release
Number of films supported	102	63	34
Average support per film	6,528€	10,500€	19,500€
Average number of distributors supported	31	63	34
Average budget allocated to distributors (overall or per film)*	21,479€	10,500€	19,500€
Number of contracts to be signed	31	63	34

Note: The Study considered two sub formats for Format 5 – a format which would provide financial support for social media at the release of the Eurimages film and a format which would provide financial support for social media at both launch and release of the Eurimages film. The estimation of costs was based on average support provided in the Distribution Support Programme 2013-2019

The Study undertook an in-depth assessment of both preferred formats based on a number of assessment criteria defined during the course of the Study, as presented in the table below.

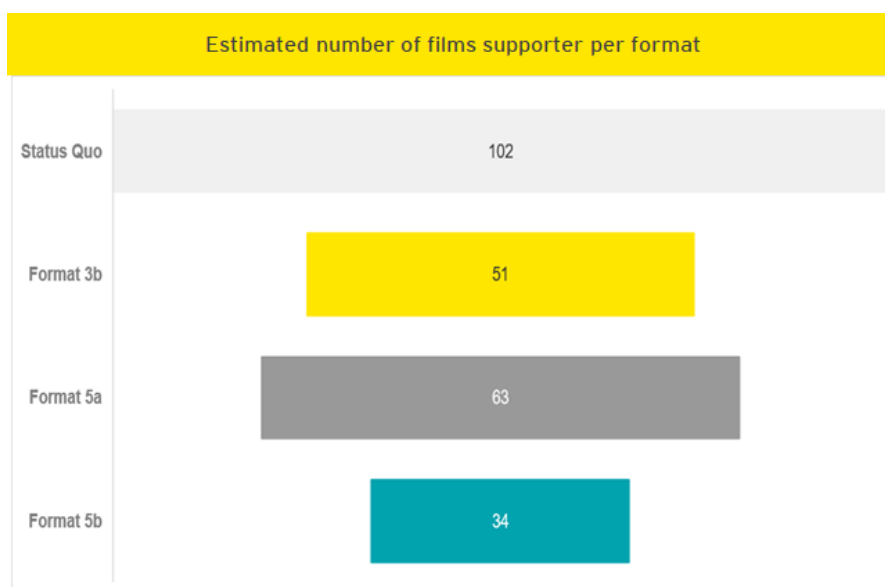
Table 1 Assessment of preferred formats based on assessment criteria

Assessment Criterion	Format 3b	Format 5
Policy objectives		
To support films directed by emerging talent and more 'challenging' films	3	3
To support films which represent the values of Eurimages including the promotion of democracy, human rights, the rule of law and gender equality	2	2
To support theatrically released films only	1	1
To support films in member States not covered by the MEDIA programme	-2	-2
To support TV, VoD and SVoD distribution	1	2
Impacts		

Assessment Criterion	Format 3b	Format 5
Impact on Film Distribution and the market	2	2
Impact on beneficiaries of support	2	2
Impact on decision-making	-1	0
Impact on administrative burden	-1 to -2	0-1

Anticipated impact effectiveness (Negative – 3 / Positive +3)

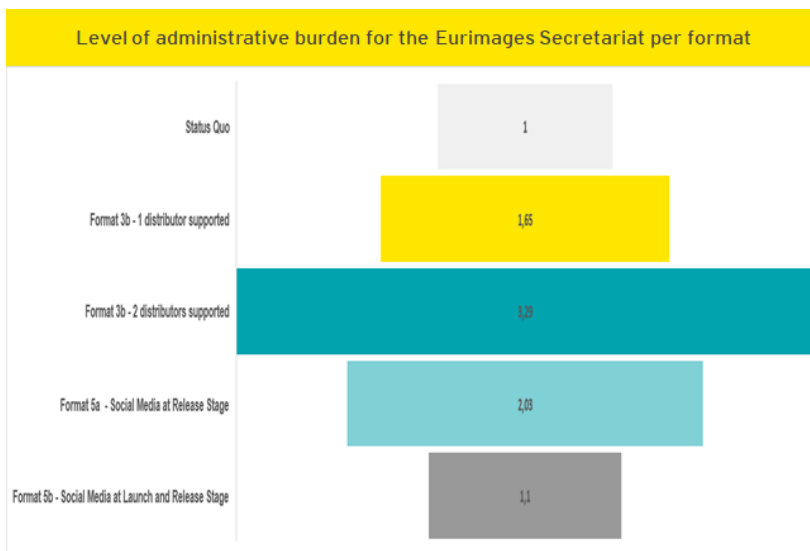
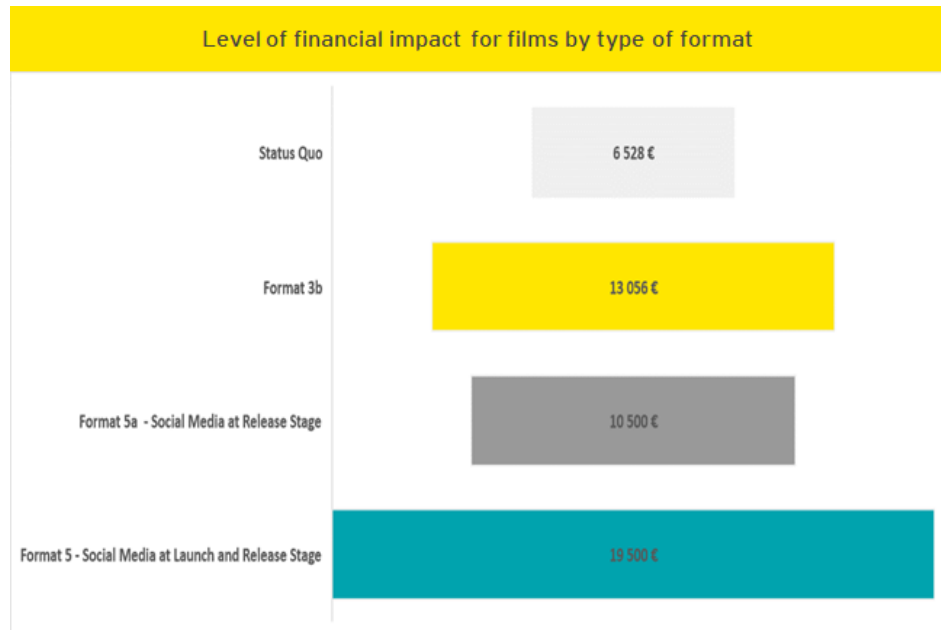
By selecting one of the preferred formats, **a shift would occur with the status quo, with focus placed on the types of films supported rather than on the number of films.** A shift is estimated from 102 films supported on average per annum with the current status quo to 34 films supported per annum with format 5 which focuses on providing a higher level of budgetary support per films to increase impact rather than focussing on providing support to a higher number of films.



The preferred formats would provide a higher level of monetary support which is expected to increase the impact on the distribution or promotion of supported Eurimages films. While the status quo provided an average support of 6 528€ per film, a divergence can be observed between the different formats, with the formats proposed offering a higher level of budgetary support, thus responding to the Study's findings which

identified that a higher level of financial support can contribute to a higher level of promotion and distribution.

When selecting the preferred format, the Study found that a **balance needs to be struck between the impact on distribution and the administrative burden incurred.** A divergence was indeed identified with regard to the administrative burden per format. Where the aim is to support a few distributors per film, the administrative burden is estimated to triple due to the need



to engage contractually with each distributor. When a focus is placed on increasing the financial envelope of support through targeted financial measures i.e. financial support of social media campaigns, it can be seen that the administrative burden can be similar to the current status quo or could even be expected to reduce.

preferred format

1.5 Conclusions relating to the

Regardless of which format is selected, a number of key decisions need to be taken by the Board of Management when selecting the most appropriate format.

What is considered to be a 'challenging' film?

The Study proposed the definition of a 'challenging' film to include (i) first or second time films (ii) films directed by female directors (iii) documentaries. The Study found, however, that other types of films could be considered as challenging such as films for children and films supporting gender equality. Nevertheless, increasing the scope of definition of what is considered to be a 'challenging' films which decrease the budgetary envelope available to each film thus decreasing their impact.

What amount of support should be provided?

The Board of Management should consider the minimum and maximum level of support to be provided. The provision of a lump sum could be implemented to each eligible Eurimages films with this lump sum amount depending on the member State in which the distribution shall occur.

A minimum and maximum threshold could be applied for this lump sum in order to ensure flexibility with regard to the overall budget allocated for distribution support on an annual basis.

What decision-making process should be introduced?

The Study found that the most appropriate time to select the Eurimages films to be supported should balance project maturity with administrative burden. The Study identified overall consensus that distribution support would need to be provided within a period following the support of a film through the Co-Production support programme rather than at the time of Co-Production support.

The procedure must consider the administrative burden for the Eurimages Secretariat in order to avoid extensive administrative burden for a small budgetary envelope.

With this in mind, the Study suggested processes for awarding distribution support for the preferred formats.

Suggested process for awarding distribution support for Format 3



Suggested process for awarding support for Format 5

