The theatrical – TVOD window
A sample analysis

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June 2019

A note of the European Audiovisual Observatory

European Audiovisual Observatory
COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

BACKGROUND AND CONTENT

- Films are released following a scheme of successive windows, based on the alleged willingness to pay of consumers. Films are usually first released in cinemas, physical and digital home entertainment (DVD/Blu-Ray and Transactional Video-On-Demand), followed by pay-television (including sometimes subscription Video-On-Demand) and then on free television.

- The windows scheme is usually determined by the market, i.e. through a negotiation between the film rights holder and the cinema exhibitors, home entertainment publishers, VOD services or television channels. However, in a few cases windows are regulated.

- The optimum length of the windows is constantly being debated due to three main factors: piracy; the surge of new on-demand services; the concentration of cinema admissions around a very limited number of films and over a limited time period.

- This note provides reference figures on the length of the cinema - transactional Video-On-Demand window. Although it is based on a sample of the more successful films in cinemas in 5 European countries, it provides insights on the impact (or lack of impact) of regulation on windows, the differential between retail and rental VOD and the influence of the origin of films or level of admissions.

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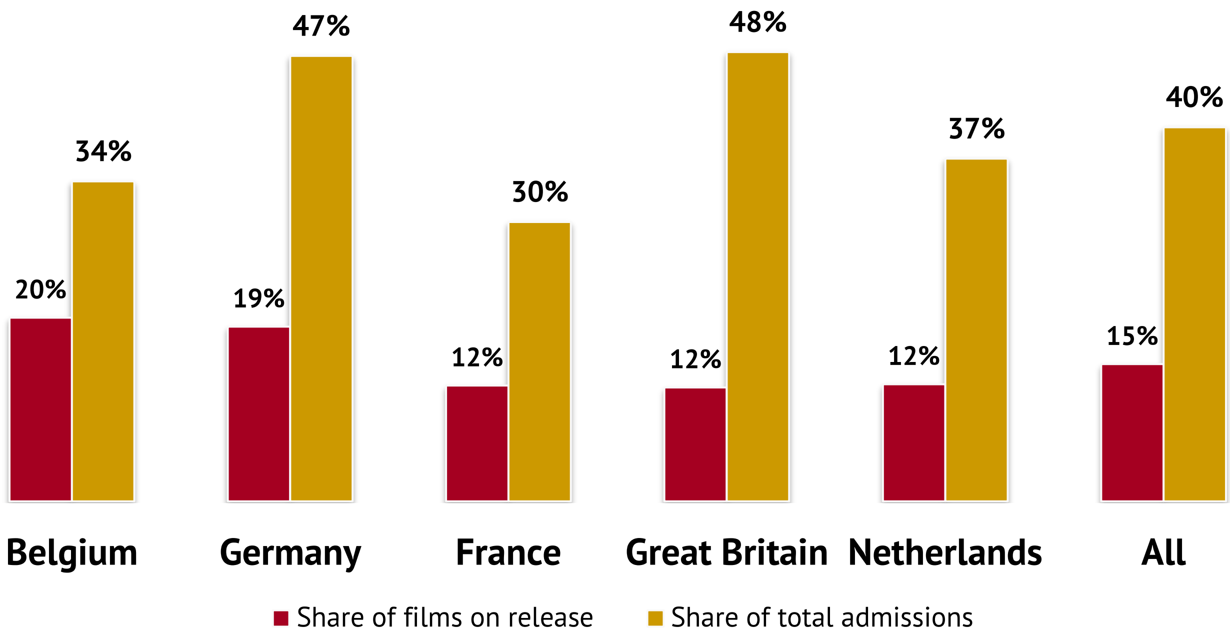
BEWARE OF THE SAMPLE!

THE SAMPLE ONLY REFLECTS FILMS WITH HIGH LEVELS OF ADMISSIONS IN CINEMAS

- **The sample includes 1794 releases in cinemas and TVOD between 2014 and 2018 in 5 countries: Belgium, Germany, France, United Kingdom and the Netherlands.**
- **This sample represents only 15% of all films on first release. However, it represents 40% of total admissions.**
- **In other words, the analysis presented in this note is only valid for the more successful films in cinemas.**

Representativeness of the sample: share of all films on release and share of total admissions



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WHAT IS THE AVERAGE LENGTH OF THE THEATRICAL - WINDOW?

THE AVERAGE THEATRICAL – TVOD WINDOW IS ABOUT 4.5 MONTHS

- **For all markets analysed, the average window between the release in cinemas and the release in TVOD of the more successful films is 19 weeks, i.e. about 4.5 months.**
- **On average, <u>retail</u>, i.e. the definitive sale of a film, benefits from an earlier window. But the gap with <u>rental</u>, i.e. the rental of the film for a definite period of time, is of one week only.**

Average window for retail and rental TVOD

RETAIL TVOD	RENTAL TVOD
18.6 weeks	19.4 weeks

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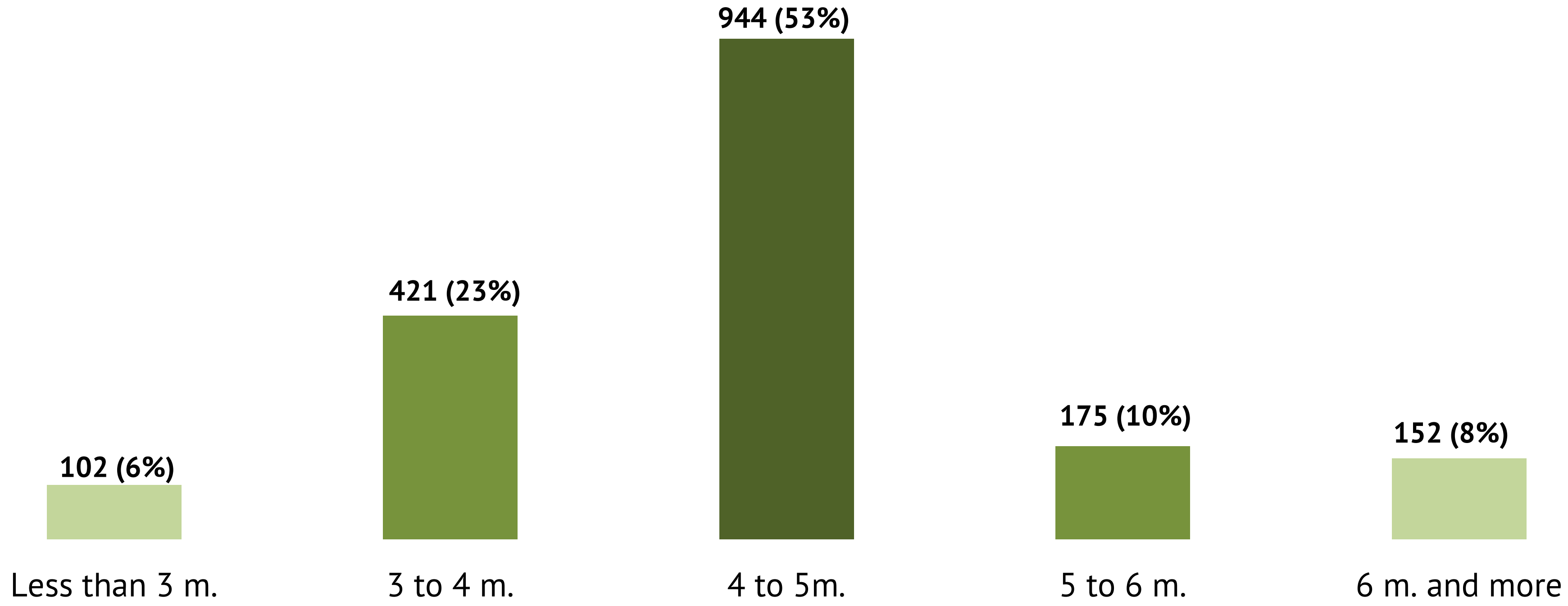
82% OF FILMS ARE AVAILABLE ON TVOD LESS THAN 5 MONTHS AFTER THE CINEMA RELEASE

- **The majority of the more successful films are released between 4 and 5 months after the theatrical release.**
- **Only 18% of the more successful films are released more than 5 months after the theatrical release.**

Breakdown of releases by window length– all markets (in units)



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ANY SIGNIFICANT VARIATIONS BETWEEN MARKETS?

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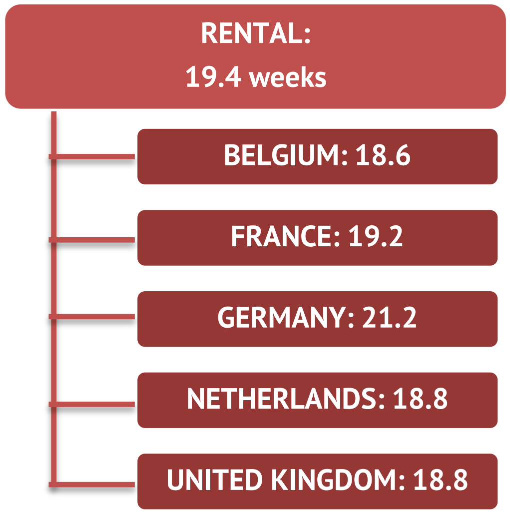
NO MAJOR DIFFERENCES BETWEEN REGULATED AND NON REGULATED COUNTRIES

- For retail TVOD, there is difference of only 3 weeks between the shortest (United Kingdom) and the longest window (Germany).
- Similar results apply to rental TVOD: a difference of only 2.6 weeks between the shortest (Belgium) and the longest window (Germany).
- The theatrical – TVOD window is regulated in France (4 months with exceptions), but aligned with non-regulated countries.
- It is also regulated in Germany for public funded films in Germany (6 months with exceptions), which results in a longer average window.

Retail TVOD: Windows by territory

Rental TVOD: Windows by territory



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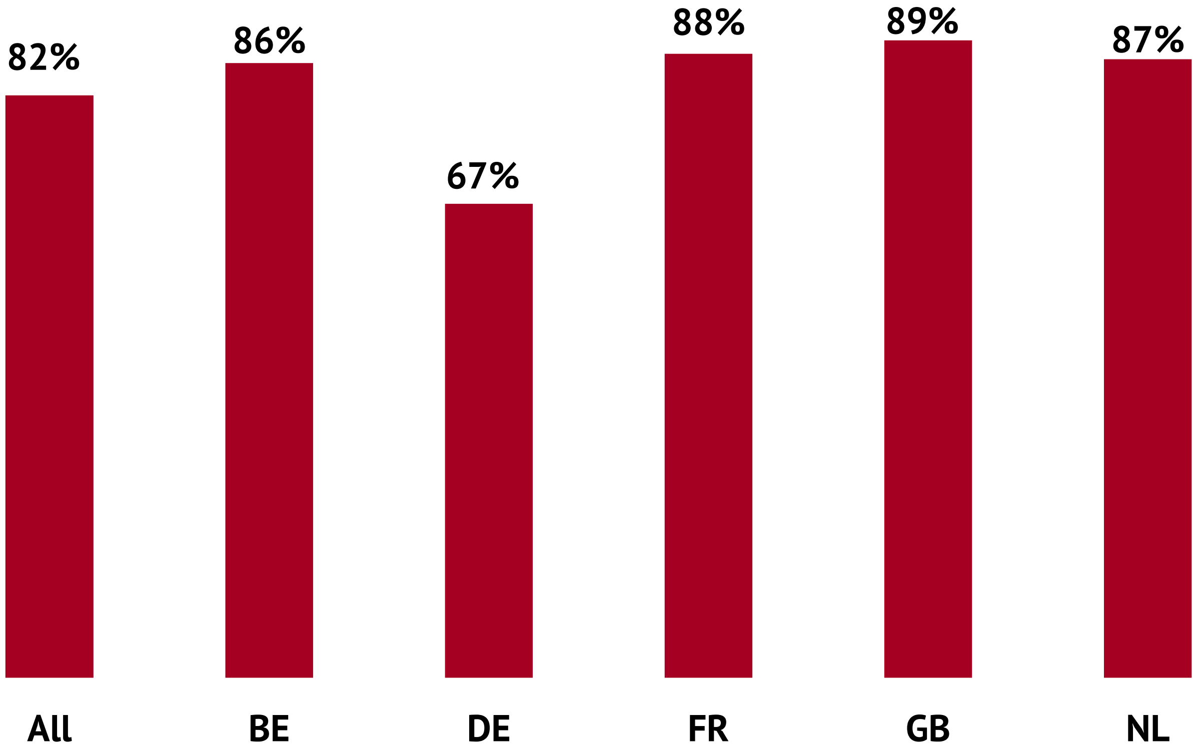
EXCEPT IN GERMANY, OVER 80% OF FILMS ARE RELEASED AFTER LESS THAN 5 MONTHS

- **Belgium, France, United Kingdom and the Netherlands show similar patterns in terms of share of the more successful films released in rental TVOD less than 5 months after the cinema release.**

Rental TVOD: Share of films with a window shorter than 5 months



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IS THERE ANY IMPACT OF COUNTRY OF ORIGIN AND LEVELS OF ADMISSIONS?

US FILMS BENEFIT FROM SLIGHTLY SHORTER WINDOWS

- On average, the cinema-retail TVOD window is 1.5 weeks shorter for US films than for European Union films. The cinema-retail TVOD window is longer for US films only in the United Kingdom.
- Among EU films, national films tend on average to have a slightly longer window (20.5 weeks) than European non-national films (18.4 weeks).
- Similar results apply to rental TVOD: a shorter window (1.4 weeks) for US films than for European Union films, and, among European Union films, a slightly shorter window (0.9 weeks) for European non-national film than for national films .

Retail TVOD: Windows by territory

RETAIL:
18.6 weeks

- EU: 19.4
- OTHER EUROPE: 19.9
- US: 17.9
- OTHERS: 19.1

Rental TVOD: Windows by territory

RENTAL:
19.4 weeks

- EU: 20.1
- OTHER EUROPE: 20.7
- US: 18.7
- OTHERS: 19.7

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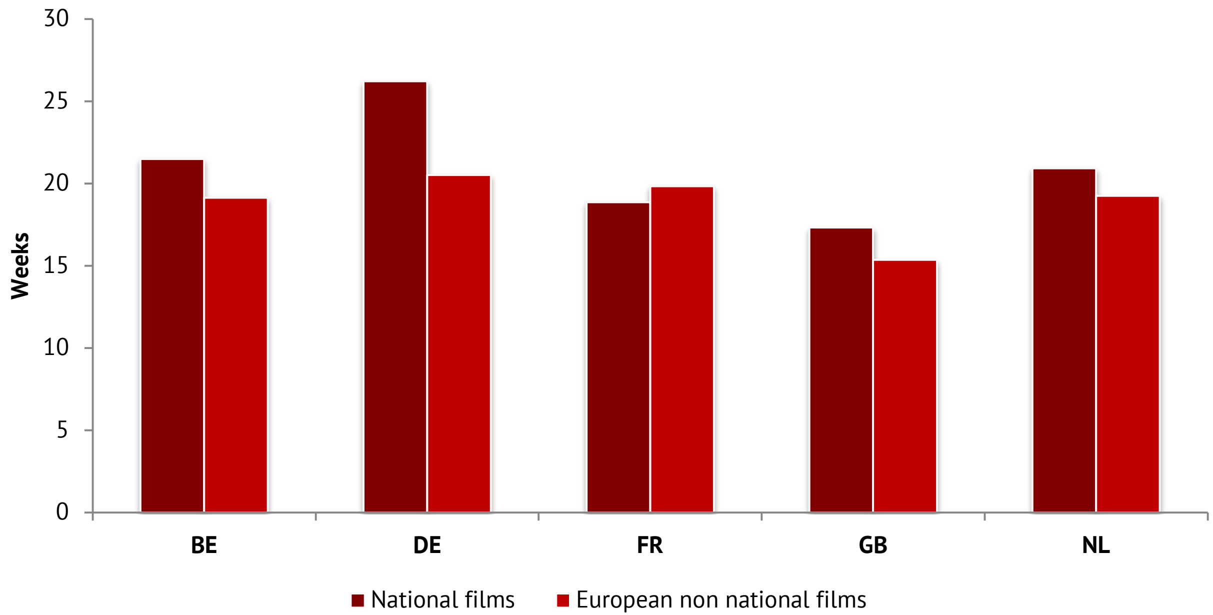
NATIONAL FILMS HAVE A SIGNIFICANTLY LONGER WINDOW IN GERMANY

- **The regulated theatrical to TVOD window in Germany (6 months for films with public support, with exceptions) translates into a significantly longer window for national films.**
- **In other countries, there are no significant differences between the windows for national films and for other European films.**

Rental TVOD: Windows for national and European non-national films



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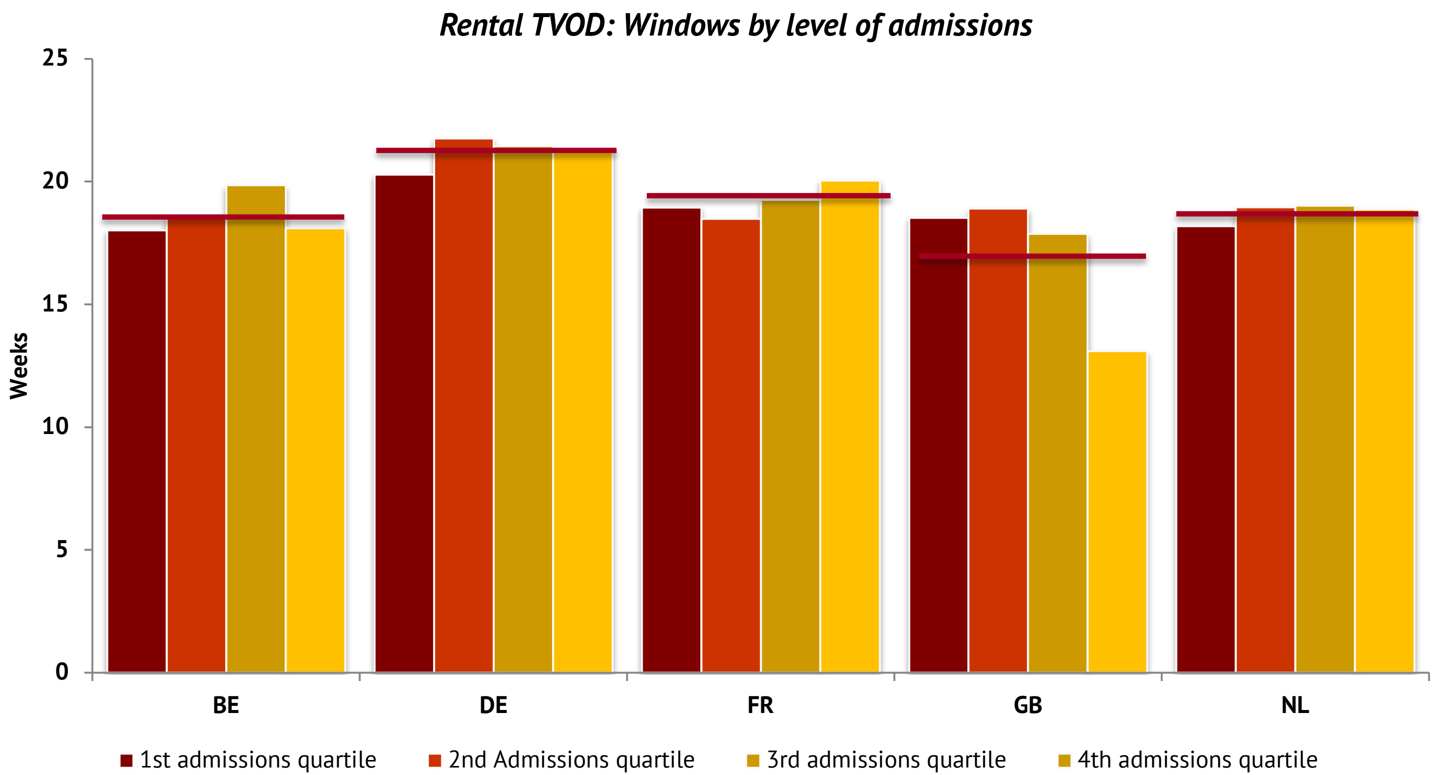
NO CLEAR IMPACT OF THE LEVEL OF ADMISSIONS AMONG THE MORE SUCESSFUL FILMS

- Among the more successful films, the level of admissions does not seem to impact the length of the window.
- A clear exception is the bottom 25% of sample films released in the United Kingdom which benefit from a window that is 4 weeks shorter than the average of films released.



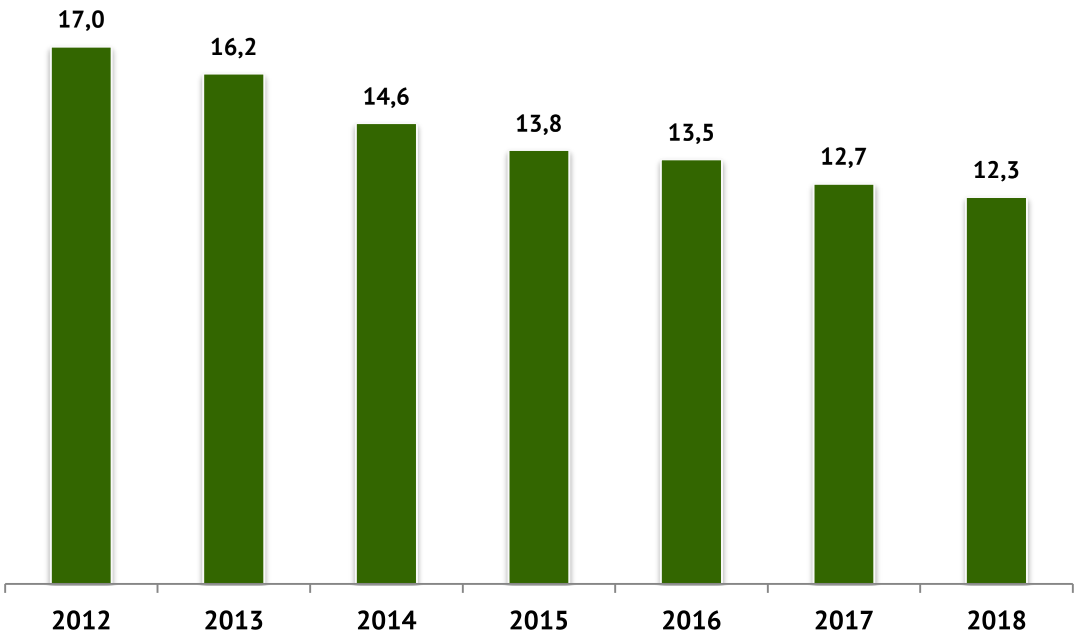
European Audiovisual Observatory – 1St Quartile = top 25% films of the sample by number of admissions

THE FINDINGS IN CONTEXT

EVOLUTION OF THE RETAIL TVOD WINDOW IN THE USA

- **In 2018, the theatrical – retail TVOD window was 12.3 weeks in the USA.**
- **It has decreased by almost 5 weeks since 2012**

Retail TVOD: Evolution of the theatrical window in the USA (in weeks)



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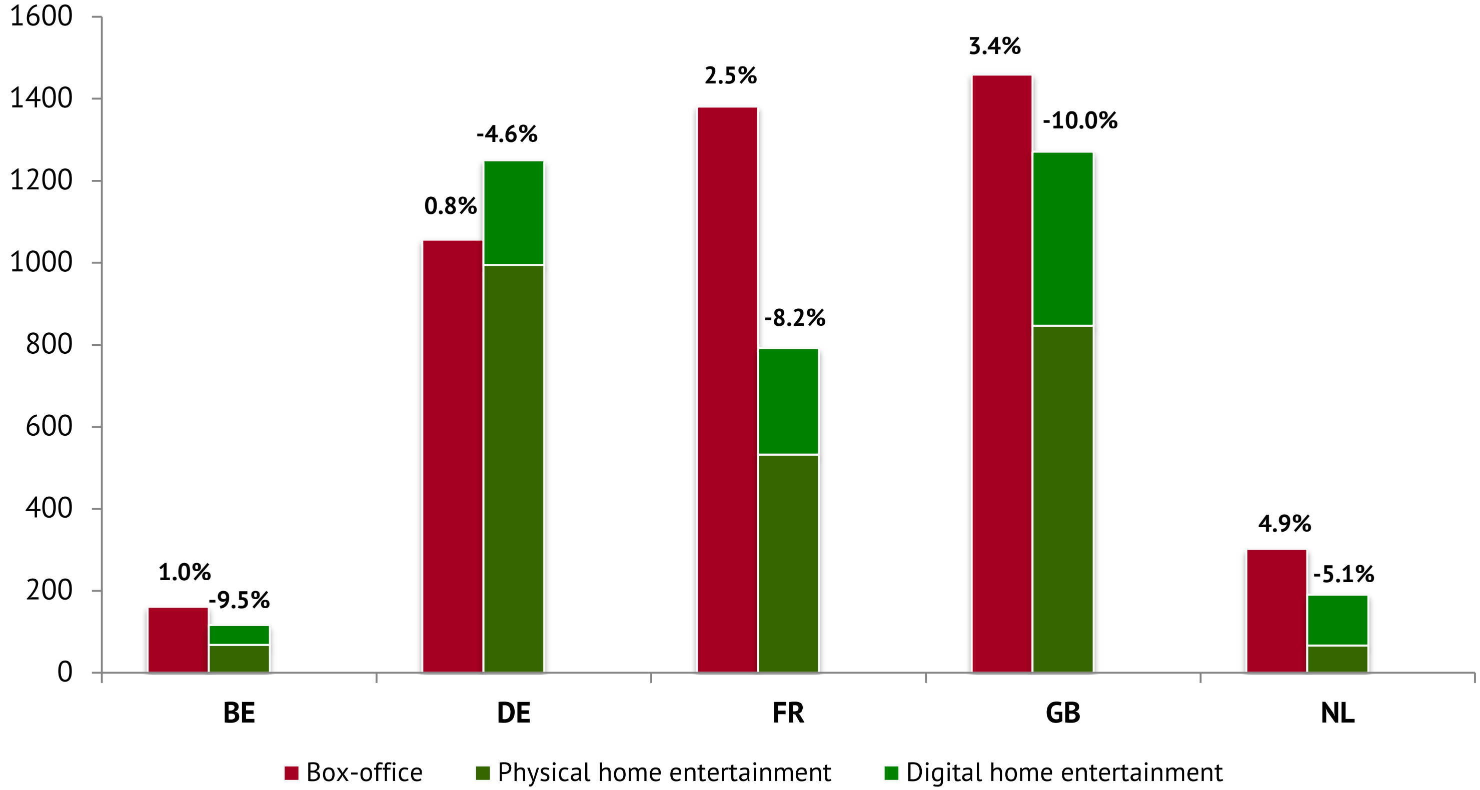
BOX-OFFICE AND HOME ENTERTAINMENT REVENUES IN THE SAMPLE MARKETS

- **Germany is the sample market with the longest theatrical – TVOD window. It combines a struggling box-office with a comparably resilient home entertainment market.**
- **The two sample countries with the highest box-office growth rates have the shortest theatrical – TVOD windows.**

Box office and home entertainment 2017 revenues and 2013-2017 CAGR (in mEUR and %)



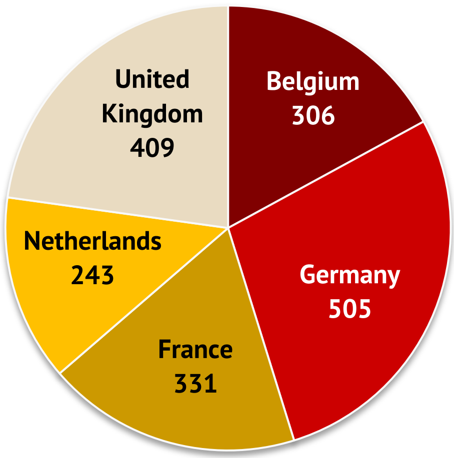
European Audiovisual Observatory, Ampere Analysis, IHS.

MORE DETAILS ON THE SAMPLE

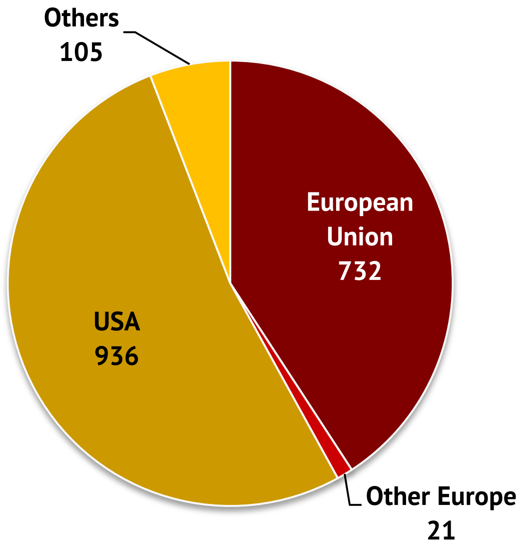
BREAKDOWN OF THE SAMPLE BY MARKET AND ORIGIN

- **The sample includes 1794 releases in cinemas and TVOD between 2014 and 2018.**

Number of sample films by market



Number of sample films by origin



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