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PRODUCING 2020 – WHAT DOES THE FUTURE LOOK LIKE ACCORDING TO PRODUCERS?

Want to know which role European producers will play in the future? Ask them and you'll get a plethora of answers, many of them forcing you to change your ideas. Producers know they're hard to ignore in the avalanche of changes that's hitting the industry, and they see opportunities to become players to reckon with in the years to come.

A 'wall of ideas' was created in Berlin during a roundtable for selected producers, organised by EFM and McKinsey.

By Matthijs Wouter Knol Manu Guddait

FINANCING

A main concern to producers these days is the growing power of big global distribution platforms such as Netflix and Amazon. In their view, the platforms' business practices and innovations heavily influence the current financing and production landscape, especially in the independent segment and the documentary genre.

An increased level of cherry-picking individual projects is noticeable. The recent business model of outlet deals financed with private money is being replaced by individual deals. Additionally, the level of minimum guarantees seems to be continuously eroding. In the meantime Netflix and Amazon have shifted focus away from acquisitions to producing original films, and there's a widespread disappointment from the side of sales agents and producers at the beginning of this year. The more reason to find new outlets and opportunities.

Despite a general level of worry and concern, several producers view the recent developments as an opportunity to enhance and expand: big networks are seen as an opportunity to produce even more content in the future, based on private money.

FINANCING

A further area of opportunity is seen in a strengthening of co-production within the European film landscape.

Producers present in Berlin suggest that one way of supporting this could be a greater transparency and knowledge of the existing financing possibilities and European funds beyond the known, big countries. What is the feeling among European producers about their own business models? The dominating attitude is a resignation on film production as corporate approach; investing private money is not cost-effective and profitable – and still significantly lacking return on investment.

It turns out though, that there seems to be an unbalanced costs/revenue ratio in Europe in comparison for example to the US market, where production costs are less and therefore revenue higher. Furthermore, marketing budgets in Europe are still too little to ensure a profitable exploitation.

FINANCING

Audience development is also still a big issue for producers, strongly connected with the question of story development in general: in Europe, producers still do not earn money in the development phase.

Even major production companies in Europe are still lacking an adequate budget to enable a well-developed story. This results into rather more projects in development at the same time instead of focusing and investing into one project only. The willingness to take risks is missing in most parts of the European production landscape. However, one UK producer for example considers film production based on private investments as quite a feasible model. There seem to exist different point of views, connected to the producer's country of origin and the given production requirements and necessary adaptations.

DISTRIBUTION

Producers all agree that new paths and thinking in the field of distribution are required, now more than ever before. Especially selfdistribution is viewed as an area with large potential. However, it is clear that many producers still lack the knowledge and experience of digital marketing and online distribution. The highly fragmented landscape of (independent) producers does not help in developing standards and common practices or share knowledge widely.

Some of the ideas and innovations shared by producers, include:

- a) Cinema subscription models, possibly on European level;
- b) Reduced/subsidized ticket prices;
- c) Cross-selling models, such as selling film tickets in combination with wine/wine tasting, (an Italian example);
- d) Crowd-sourced screenings.

Another thought discussed was to exclude/retain certain windows/rights for selfdistribution, e.g. sell VOD rights only.

DISTRIBUTION

Finally, European producers very much support the idea of data-driven evaluation and analytics of film success. At the same time, they realize expertise levels are still very low among (independent) producers (similar to selfdistribution). All agree that a more analytical approach could help set priorities for development, production and distribution strategies.

Overall, European producers appreciate the round-table exchange on the topics of financing and distribution and suggested a stronger and more regular exchange, also in smaller European countries. The majority of producers is skeptical that producing films should be led by profit oriented thinking, as the artistic claim should be in focus.

The overall impression: in Europe, corporate thinking in the field of production is still to be developed. A certain habituation seems to be established, where the revenue share is calculated within the overall production budget.

The blockchain and other new technologies are seen and eagerly discussed as optimistic outlook on new possibilities gaining revenues in the future.

DISTRIBUTION

High on the list of most producers are the opportunities provided by tech-enabled, data based production and distribution of films and the ability to improve predictions on film profits. An analytical way of thinking should be established as part of the development process facing a concern that algorithm based decisions in production may lead to a homogenized landscape where films are only produced based on data-based predictions. In the near future, producers see chances in finding a good mix of using audience analytic tools, blockchain, social media and other instruments early on in the development stage of a film, but certainly do not just want to rely on these kind of data only, but also keep wanting to take risks driven by artistic and cultural motivations.

The blockchain technology is widely regarded as a promising tool to connect with the consumer directly, and to customize and tailor distribution. However, it seems that especially small independent production companies lack capacity to keep up and invest time to make use of the new technologies. With major platforms and with algorithm based distribution, according to European producers, a specific danger lures around the corner: that an oligopoly will be created, and trained consumer behaviour will dominate and shape the landscape (like broadcasting networks used to do in the past). Here, a blockchain-based distribution model could become a solution and opportunity especially for small projects and individual distribution approaches.

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