

European innovators

Despite the financial downturn throughout Europe between 2008 and 2010, there were some notable success stories in France, Denmark and Spain that presented innovative approaches to the dissemination of European film culture and to the preservation of its heritage in the on-line distribution landscape.

UniversCine – France

One of the most interesting European innovators in the on-line distribution landscape for independent films, both from a filmmaker and an audience perspective, was UniversCine, a VOD platform initiated in France in 2001, during the earliest pioneering years of the on-line distribution sector. It was a collaborative vision founded by a group of 34 independent producers who wanted to develop an on-line platform that would eventually enable them to control the VOD exploitation of their films. UniversCine's goal was 'to transmit and broadcast cinematographic culture, experiment with new means of distribution and consumption of films and examine content, audiences and the means of renewing the relationship between the public and independent cinema' (Leffler 2007).

Today about 50 producer-shareholders, who together represent nearly 40% of films produced in France each year and nearly 20% of films released in theatres, own UniversCine. The company seeks to 'establish an open model, unifying and collaborative operation of independent films on VOD to become a leading player in this sector'.¹ The on-line distribution site launched in 2007 with 250 independently produced films available at a rental fee of €4.99 for 48 hours of unlimited viewing (Leffler 2007). As a content aggregator and distributor it has since amassed a library of over 1,400 titles, mostly European independent films, which are now available to download from a website which is both stylish and easy to search and navigate. Films are supported by informative editorial content about each film and the filmmakers, and there are also opportunities for users to post comments. French content now equates to about 40% of the catalogue.

A European Audiovisual Observatory (EAO) survey showed that in June 2009, UniversCine had become one of the eight largest French suppliers of content alongside major players CanalPlay, Virgin Mega, Club Video (SFR), Orange, TF1 Vision and two smaller players, Arte VOD and France Televisions (Lange 2009). UniversCine's plan is to

evolve into a pan-European federation with new locally-managed VOD platforms in Belgium, Switzerland, Ireland, Spain, Germany and Finland.

Movieurope (FIDD) – Denmark

A second European innovator in on-line distribution, founded in Denmark, is FIDD (Filmmakers' Independent Digital Distribution), another collaboration-based distribution company which has eliminated the middleman and seeks to optimise the earning potential of independent films through its VOD portal. The company's mission is to become a leader in the digital distribution of European films. Founded in 2005, FIDD is 50% owned by 'hardcore capitalist investors' and 50% by United FIDD (160 plus European filmmakers from 17 EU nations, comprising 40 Danish and 30 Swedish companies, 15-20 Norwegian, Finnish and Icelandic film producers, and various other European players). Involvement with FIDD is open, joining costs nothing, and the deal is non-exclusive, so the producer is not prohibited from also placing their film elsewhere on the Web. Founder and CEO Niels Jensen states that the philosophy of the company is one share, one vote and that he sees the upper limit for the number of producer participants being between 1,000 and 1,200 into the future. FIDD's financing comes from three sources – investors, revenues from VOD subscriptions and from the European Commission's MEDIA programme (Jensen 2010). Its strategy is to establish a Scandinavian base and then expand into the Baltic and, eventually, throughout Europe. Jensen says that a key difference between UniversCine and Movieurope is that 'UniversCine is an inwards project; they collect films from around Europe to be shown in France, we collect films around Europe to be shown worldwide' (Jensen 2010). In late 2010, 87% of Movieurope's Web traffic was Danish.²

Movieurope is an impressive on-line movie portal, elegant and simple to use, easy to search and navigate, and it provides 22 themed, genre-based channels and four volume-based movie packages as monthly subscriptions featuring a library of over 1,200 titles. FIDD chose the subscription VOD pricing model in preference to a pay-as-you go rental or download-to-own fee because, as Jensen explained, typically charging fees of €3-5 per movie stream or download tended to encourage people to focus on mainstream films and choose blockbusters, because they knew the brand, while FIDD felt that it was difficult to value documentaries or short films in a VOD model. Consequently it opted for a subscription model and segmented the market, offering different

price points for different packages containing varying quantities of films available on a monthly basis and themed either by genre (thriller, comedy, drama, romance, horror, kids, shorts, docs, fitness, erotica, etc.) or by the quantity of available films (platinum, gold, silver, bronze).

Movieurope engages marketing partners who target their own customer bases and receive 20% of the revenues that they generate. Jensen says that there are no costs deducted from the selling price and that it is a more cost-effective proposition to distribute non-mainstream films via VOD than to launch them theatrically. There is full economic transparency as revenues flow back to producers according to an agreed formula that allocates points for each film in a producer's catalogue on the site – based on criteria such as admissions, budget, production year and duration – and then multiplies those points by the number of views. FIDD has also opened a German office and was offering a catalogue of 1,400 titles by late-2010. A multilingual site in 10 European languages is also being planned.

Table 3: Examples of Movieurope Subscription VOD Pricing (November 2010)

Platinum Package	1276 movies 199 Kroner per month = 27 EUROS
Gold Package	400 movies 99 Kroner per month = 8 EUROS
Bronze Package	100 movies 59 Kroner per month = 8 EUROS
Scandinavia Package	200 movies 29 Kroner per month = 4 EUROS
Comedy Package	20 movies 39 Kroner per month = 5 EUROS
3 Film Package	3 movies 15 Kroner per month = 5 EUROS

Filmotech – Spain

A third European site that stands out in the on-line distribution landscape for providing legal movie content is Spain's Filmotech, which was initiated in 2006 by EGEDA (Entidad de gestion de derechos de los productores audiovisuales/Audio-Visual Producer's Rights Management Association), and is an organisation set up to represent the interests of producers of audio visual content in Spain and Latin America. It launched as a legal on-line movie platform in 2007 for independent content 'whose films cannot be considered as premium or that simply do not have access to the platforms' (Benzal and Vilches undated). Its goal was to enable audiovisual producers in Spain to make the best of the digital shift and to offer users a legal platform. Filmotech has established a similar on-line operation catering for Dutch cinema in the Netherlands.

Filmotech offers over 1,300 titles it describes as 'the best in Spanish cinema', constituting both back catalogue and current, as well as independent films from other parts of the world. Films stream in real time on any platform with any Web browser, and the site also contains rich editorial content in the form of articles, film reviews, news and information about films currently in cinemas. Producers are provided with 65% of net revenues generated from on-line movie rentals.

Europa Film Treasures – Denmark

A European website particularly worthy of note for its cultural heritage role is Europa Film Treasures, which preserves 'the treasures of our European cinematographic heritage' in an on-line archive and makes them available via a VOD site in five languages (English, French, Spanish, Italian and German). A simple Choose-Discover-Watch click button menu allows users to stream European productions from the pioneering era of filmmaking through to the present day, which have been selected and curated from the prestigious collections of 37 different film archives from around Europe.

Two other smaller but interesting European sites, typical of many below-the-radar innovations occurring in the on-line space are Filmklik, which offers a small library of 370 films available for streaming on demand to consumers in Hungary (Cineuropa 2007), and Europe's Finest, a VOD platform that offers a small library of 60 'European film classics' as cinema-on-demand to art house cinemas.

The Asia-Pacific

The Asian region features the two most populous nations (China and India) as well as the most wired nation (Korea) on earth. India has very low household broadband penetration but extremely high domestic cinema engagement. Informal market substitution effects are countered with market innovation, not state intervention. The distribution company Moser Baer, for example, drastically lowered unit prices of DVDs as a way of dealing with cheap pirated content and from 2007 this altered the DVD market (Baxter 2009). There is, as you would expect, a plethora of pirate download sites via portals, social networking sites, film blogs and torrent sites. There are also, however, several legal sites, mostly belonging to the major studios: Rajshri, ErosEntertainment and BigFlix (which is part of the huge distribution concern Reliance). The key point about these sites, though, be they formal or informal, is that they are accessed principally from outside India by non-resident Indians and by other South Asian expat communities desperate for the rich content that is largely unavailable in any other way. Most action around the on-line distribution of Indian cinema is from outside India, both from a consumption point of view and, indeed, in some ways from a distribution point of view. This is another powerful overlay of the story of the globalisation of Indian cinema in general, and a useful synergy for Indian-based distributors for whom on-line distribution (that is, to overseas non-resident Indians and others) and domestic release do not conflict.

Whereas the informal market in India is as much about Indian film as Hollywood, in China it is mostly about Hollywood, but also encompasses film and television from Europe, Japan and South Korea. China has the biggest broadband user-base in the world. Warner Brothers research in China showed that 80% of Web users had watched video content in the last six months of 2008 (Landreth 2008); a statistic replicated worldwide (Rick 2009). There is low consumption of Chinese cinema, and the informal market is huge – about 93% of movies sold in China are pirated (Cavernelis 2008). The informal on-line economy is also huge and dates from at least 10 years ago when, in 2000, e-Donkey was launched as a peer-to-peer file sharing forum. That was followed closely by BT (Bit Torrent) China in 2003 and the two big YouTube imitators, Tudou in 2005 and Youku in 2006. By 2008 there were at least 300 sites offering video to a voracious public.

A number of on-line distribution sites have emerged in China (see

Appendix 2 and 3 in the Resources section) but they cater mostly to big studio mainstream films. The really innovative thinking in China seems to be occurring in television rather than film (The Economist 2010). Additionally, the on-line screen culture of China has provided an unprecedented platform for personal expression and the flowering of vernacular creativity which will, in time, influence the quality and domestic impact of Chinese cinema. Meanwhile, in Korea pay TV reaches 95% of households, with cable, satellite and Internet Protocol Television (IPTV) dominating the local market; so VOD via those platforms is well-developed even while the on-line distribution market is very small. Japan provides half of Asia's VOD revenues and has a range of robust domestic cable, satellite and IPTV services, so once again distribution on-line is still a small ancillary market. We found no legal on-line movies stores in the Philippines, although there were a number of portals leading to informal Tagalog-language movie download websites.

In Australia, the local on-line distribution market is underdeveloped for two key reasons: the slow emergence of compelling on-line movie services and the use of strict caps on broadband usage which restricts data-heavy on-line video consumption (Loeffler 2010b). Only a few major on-line distribution sites exist – such as the pioneering Big Pond Movies which launched in 2006 as a Netflix imitator, initially offering an on-line DVD rental service with home delivery, together with a streaming service providing download-to-PC rentals on-demand. Since 2006, Australia has hosted one of the world's eight iTunes stores offering movies to rent and download to own. Telstra, the largest Australian telecommunications company, introduced T-Box, a new digital set top box providing IPTV direct to the home television and unmetered broadband for customers of its subsidiary Big Pond Movies. Cable operator Foxtel offers a free value-add streaming service to its subscribers called Foxtel Download. Games consoles Xbox 360 and PlayStation began offering movies-on-demand in 2009 and 2010. Internet Protocol Television operators also entered the Australian market – TiVo partnered initially with TV's Seven Network, then in 2009 with Blockbuster, and finally with a new on-line platform, Hybrid TV's Caspa-on-Demand. Fetch TV launched in 2010 and QuickFlix, another Netflix copycat site, announced that it would launch an on-line movies-on-demand service in 2011. The major sites are all dominated by Hollywood product. Australian content accounts for only 1-3% of some sites, a fact which closely mirrors the usual ratio of box-office takings of Australian films versus Hollywood and international films in the local market.

Innovators in the Asia-Pacific

No real innovation in the on-line distribution of feature films is evident in Asia. In Australia, with mainstream content widely available on more established on-line distribution sites and other VOD platforms and with large minimum guarantees demanded by Hollywood distributors for their product, the newer entrants into the on-line distribution space are being forced into thinking innovatively about how to differentiate their services. This is beneficial to both local Australian films and to films and TV content from the rest of the world.

QuickFlix - Australia

Like Netflix, QuickFlix historically delivered DVDs ordered on-line by customers to their homes by mail. In 2011 it plans to launch an on-line distribution service whose reach will extend beyond the mainstream to the benefit of Australian independents. QuickFlix CTO and Director of Product Development, Tim Parsons, says his company has

a very large library of 43,000 titles [...] we know from our database what each of our customers rent and from their feedback what they like [...] we might say, so let's do a film festival that's sponsored by Sony and Red Bull, and so then we generate 20 emerging (Australian) producers and directors that have come out and we curate them and then we have several film critics who will, you know put it together as a whole package. We aggregate it together and then put that out to our audience at a sponsored festival. That's the kind of thing QuickFlix can do. (Parsons 2010)

Caspa-on-Demand - Australia

Hybrid TV has established a team dedicated to securing Australian content that will be packaged as on-line festival programmes and targeted to specific on-line audience segments. In promotional partnerships with consumer branded products relevant to the profiles of those audiences, leading media consultant Simon Curry says that Caspa intends to aggressively market suitable local content to local audiences (Curry 2010).

Table 4: VOD Platform Competition to On-line Distribution in Asia-Pacific

Asia/Pacific Region	Country	IPTV	Cable	Satellite	Total
Australasia	Australia	3	3	2	8
	New Zealand	0	1	1	2
North Asia	China	1	13	0	14
	Hong Kong	1	1	0	2
	Japan	5	2	1	8
	South Korea	3	7	1	13
South Asia	Singapore	1	1	0	2
	India	0	3	2	5

Source: *Screen Digest*, January 2009, 19. Australian statistics updated to include two IPTV entrants in 2010 – Fetch TV and Hybrid TV/Caspa-on-Demand.

Africa

The first legal movies-on-demand service in Africa was launched in 2010: AfricaFilms provides a legal downloading service targeting Africans living abroad and world cinema buffs (Ruigrok 2010). It is a portal dedicated to African film and TV and charges U.S.\$4-5 for a 48-hour rental. It offers content owners a non-exclusive contract with a 50-50 revenue split and is totally transparent, allowing producers to securely log-on to the site to check sales, which they then invoice to the company for payment. The non-exclusive rights deal covers the world but enables producers to withdraw the film from the site on a territory-by-territory basis as they sell the distribution rights to their films around the world. Content owners can also take advantage of an offer to develop their own branded VOD store at the site using a template and the AfricaFilms platform. Responding to the social, geographic and economic realities of Africa, the company has also launched a mobile cinema business. Franchisees take their motorcycle mobile video store to villages within their region to exhibit films for as little as U.S.\$0.60.

The African Film Library is a beta movies-on-demand rental service with a curated library of over 600 African films. Backed by South

African TV channel M-Net, the site promises a high quality experience and a wide range of films from across the continent. M-Net appears to be modelled on France's CanalPlay, which also backs the Africa Magic TV channel. The African Movie Channel (AMC) is a UK-based VOD channel offered through Tiscali TV, which caters for African diasporas. There are a number of informal portals and movie download sites catering for Nollywood movies and other African cinemas, such as Izogn, Ayitinou, Ghana Cinema, Nollywood Movies, Vibe Ghana, Video On-line Nigeria and African Movies (see Appendix 2).

Latin and South America

Our survey of several film producers' associations throughout South and Latin America yielded only a handful of legal on-line movie-on-demand services on that continent. Brazil and Chile appear to be ahead of other markets, with Saraiva in Brazil and Bazuca and Cinépatá in Chile, while INCAA (the Argentine State Film Board) plans to launch a VOD service in 2010-2011. The on-line distribution market in South America appears to be embryonic.

North America

While the focus of this book is the contemporary dynamics of non-Hollywood cinema, much of the experimentation in on-line film distribution has been conducted by, and in geographically proximate competition with, the Majors. Hollywood has been driven to undertake such expensive and mostly unsuccessful experiments by the hugely successful meeting of global demand for cinema through informal peer-to-peer platforms. The lessons learned from this history, largely of failure, are of benefit to those who are attempting to level the playing field for international and independent filmmakers globally (including those whose business may be dedicated to the rest of the world but is actually based in North America, such as Jaman). To consider 'North America', though, is not only to consider Hollywood, but also what may eventually become major challengers to the dominance of the Majors, such as Apple's iTunes and Amazon's integrated services to independents, wherever they may be in the world (see the Amazon case study in this chapter).

All firms entering the on-line distribution space during its first decade were confronted with the harsh realities of trying to establish a sustainable business within a volatile, complex and emerging

technological environment. Although some of the barriers they faced have receded, many remain. In the pre-broadband era, the principal factors undermining the first wave of on-line distribution websites were that audiences suffered lengthy download times due to copper wire telephone dial-up connections and primitive compression software for large video files. Large flat-panel computer monitors were not yet available, so the viewing experience on small monitors was poor and there were only clunky methods of sending film content direct to television sets. There was a lack of high-quality film entertainment available on-line – most were B-movies or older content in the public domain (Cunningham, Silver and McDonnell 2010). Added to this mix was the rapid shift of emphasis of 'ripped' film content to on-line and informal markets following the Napster-led P2P 'creative destruction' of the music business and the fact that software was available to digitise content and upload DVDs. Almost any film content could be accessed illegally, anonymously and freely, with just a few clicks of a mouse.

Hollywood's failures

As a strategic response to the threat of video piracy and the 'napsterization of films on-line', and to try to exploit the opportunities presented by on-line distribution, Hollywood itself quickly moved on-line (Graham 2002). Sony, Warner, Universal, Paramount and MGM launched MovieLink, an on-line video rental store offering films for digital download for a 24-hour period at premium prices equal to bricks-and-mortar video store rental rates. Fox and Disney announced a similar co-venture called Movies, but it attracted the attention of the U.S. Justice Department on anti-trust grounds after the MovieLink launch, which involved five other major studios, and the project was abandoned. Disney went ahead alone with MovieBeam, a digital set top box providing Disney content via the Internet to televisions in the home. Despite the availability of 'premium' content and the gradual diffusion of broadband Internet within the U.S., a critical mass of on-line audiences failed to develop, uninspired by the major studios' offerings, particularly at price-points matching video rental stores. Both sites were sold in 2006 at prices well below the level of investment made by the studios.

There were even attempts to use the BitTorrent platform. In2Movies was an on-line distribution joint venture in Germany, Austria and Switzerland by Warner Brothers and Arbato Mobile (a division of Bertelsmann) that used legal delivery of Warner Brothers movies and